

**OVERVIEW AND SCRUTINY
COMMITTEE**

5th March 2013

REDDITCH BOROUGH COUNCIL BUSINESS CENTRES

Relevant Portfolio Holder	Cllr Greg Chance, Portfolio Holder for Planning, Regeneration, Economic Development & Transport
Portfolio Holder Consulted	
Relevant Head of Service	John Staniland, Exec Director - Planning & Regeneration, Regulatory and Housing Services
Ward(s) Affected	No specific ward relevance.
Ward Councillor(s) Consulted	
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 At its meeting on 11th December 2012, as part of the Quarter 2 Finance Monitoring Report, the Overview and Scrutiny Committee were advised that the number of vacant units at the Council run Business Centres is likely to result in lower than expected income on this service. As a result, the service is expected to cost an additional £48,000.
- 1.2 The Overview and Scrutiny Committee therefore requested an update on the three Business Centres to advise what is being done to encourage occupancy. This report updates Members accordingly.

2. RECOMMENDATIONS

The Overview Committee is asked to RESOLVE that

the update report on the Redditch Business Centres be noted.

3. KEY ISSUES

Background

- 3.1 Redditch Borough Council (RBC) manage the following three Business Centres, all of which provide a mix of accommodation to meet the needs of a variety of small businesses.

- 1) The Greenlands Business Centre, Studley Road – Held on a 99 year ground lease from May 1989 by RBC

The Centre provides 35 unfurnished office units ranging in size from 108 sq ft to 600 sq ft (with some units interconnecting to create larger office space).

**OVERVIEW AND SCRUTINY
COMMITTEE**

5th March 2013

Occupiers include: IT consultants, Mediators, Carers, CAD drawing companies.

2) The Rubicon Business Centre, Broad Ground Road, Lakeside Industrial Estate - Leased by RBC for a term of 10 years from 3rd November 2007.

The Centre provides 16 unfurnished office units (150 to 300 sq ft) and 23 workshops (280 to 590 sq ft) for commercial enterprises and for light industrial use. Occupiers include: locksmith, calibration services, construction, disability products supplier, design and printer and office equipment supplier.

3) The Heming Road Enterprise Centre – Freehold owned by RBC

The Centre provides 31 units of 290 sq ft or 428 sq ft for warehouse, industrial or engineering use. There is a shared roller door and side door access. There are no reception services but secretarial support is available from Greenlands or Rubicon. Occupiers include: audio equipment manufacturers, grinding and tool making businesses.

- 3.2 All three Centres have on-site parking, 24 hour access and a part-time caretaking/cleaning service.
- 3.3 The different size units allow occupiers to move between units within the centres, subject to availability, as their business expands or contracts.
- 3.4 A maximum of three units are permitted per company. This mitigates the risk of several units being simultaneously unoccupied and the associated break in income if that business were to leave the centre.
- 3.5 Businesses located at the Centres currently provide employment for over 200 people.

LICENCE FEES AND TERMS

- 3.6 Businesses occupy units on a license which can be terminated with 14 days notice by either party. The flexibility allowed by the 'easy in - easy out' terms is attractive, particularly to new and growing businesses that may be hesitant about committing to long leases while their business is at a vulnerable stage.
- 3.7 New businesses can move in quickly and inexpensively. Occupiers can also move to larger or smaller units, or leave, without penalties or legal costs. The majority of comparable business centres have 14 or 28 day notice periods.
- 3.8 The License fees, which are not subsidised or discounted, are charged at commercial property market rates. Whilst there has not been an increase in the

OVERVIEW AND SCRUTINY COMMITTEE

5th March 2013

licence fees since 2010/11 this has, in fact, helped many occupiers survive through the recent economic challenges.

3.9 The License fees, which are reviewed annually for all occupiers, include:

- Rent
- VAT
- Water rates
- Communal lighting and heating

3.10 Additional charges are made for:

- Postal services
- Postal address services
- Secretarial support
- Telephone switchboard
- Dedicated answering services
- Meeting room hire

3.11 The only additional costs for occupiers are:

- Business rates (though the majority qualify for small business rate relief)
- Telephone bills
- Electricity within their own unit
- Furnishing their unit
- Public liability insurance.

MARKETING

3.12 A full mail shot was sent out at the end of 2011 to all companies in Redditch and Bromsgrove giving information on the Centres and the facilities. A similar mail shot is currently being prepared.

3.13 The Centres are regularly advertised in:

- The Redditch Advertiser and Standard
- The Herefordshire and Worcestershire Chamber of Commerce Business Direction Magazine
- Yellow pages
- 'Local Bromsgrove & Redditch Pages' magazine
- Worcestershire Business Central

3.14 Whilst a specific and intensive advertising campaign from September 2012 had very little initial response, the beginning of 2013 has actually seen an increase in enquires. Five of these inquiries have resulted in five businesses taking space

OVERVIEW AND SCRUTINY COMMITTEE

5th March 2013

at the Centres and more are expected to take up licence over the next few months.

3.15 Despite the advertising that takes place, the bulk of enquiries actually result from the Council's website and 'by word of mouth' from people who already know about the Centres.

3.16 Other marketing and promotion includes:

- Regular 'Federation of Small Business' Events are held at Greenlands, which have been successful for networking.
- A new advertisement banner is soon to be put up outside Greenlands and Rubicon Centres. There is presently 'an apex' sign outside the Hemming Road Enterprise Centre advertising the units to let.
- An updated list of available units is sent each month to Worcestershire Business Central's Commercial Property Search Service, Blue Orchid (new business advisors) and Co-star (On-line letting agent).
- The Centres are promoted at the Chamber of Commerce Expos and other selected Business Expo events.
- The Business Centre Manager also attends breakfast meetings on an ad-hoc basis to promote the Centres.
- In April 2013, a representative from Coventry University Enterprise Ltd for the Innovation Networks will be attending the Business Centres to meet tenants who might qualify for grant funding etc.

INCENTIVES

3.17 A three month rent-free period can be offered to prospective new occupiers, at the discretion of the Business Centres Manager. If occupiers leave within this period, they forfeit their deposit having signed a previous agreement to this effect. The policy is intended to effectively reduce businesses initial costs to help them afford necessary furniture or equipment.

3.18 Rent free periods are useful negotiating tools when securing new business. Existing occupiers can apply for a three month rent free period when renting additional space or moving to a larger unit within the Centres as these reallocations are viewed as new lettings.

3.19 These incentives are monitored carefully to prevent abuse of the system, but can help growing businesses trial an expansion without over committing themselves.

**OVERVIEW AND SCRUTINY
COMMITTEE**

5th March 2013

3.20 Proposals are being developed to allow start up businesses that obtain a new business start up grant, under the Enterprising Worcestershire programme, to take accommodation on an extended rent free period, but committing to the Centres by offering a deposit as security and forfeiting this deposit if they discontinue occupancy.

FINANCIAL INFORMATION

3.21 The table below sets out the percentage of occupied and vacant units between 2009/10 – 2012/13. Whilst during the past three years the number of vacant units has been relatively high it would appear that this current financial year is showing an improvement in occupancy.

		RUBICON %	GREENLANDS %	HEMING ROAD %
2009-10	Occupied	61.61	41.11	53.82
	Vacant	38.39	58.89	46.18
2010-11	Occupied	60.80	57.31	30.42
	Vacant	39.20	42.69	69.58
2011-12	Occupied	59.23	63.59	40.16
	Vacant	40.77	36.41	59.84
2012-13 to date	Occupied	73.43	80.51	74.08
	Vacant	26.57	19.49	25.92

3.22 The Centres last produced a surplus in 2007-08 and have since been in deficit. The reasons for this are not necessarily confined due to the number of vacant units, but also as a result of ever increasing utility charges plus increasing maintenance costs on ageing heating systems and buildings.

3.23 In addition Members are also reminded that from 1st April 2011, the threshold on which vacant commercial properties were exempt from paying business rates was lowered from £18,000 Rateable Value to £2,600 Rateable Value. Therefore any unit which is vacant and which is above the current threshold, results in the Centres budget incurring additional cost, which was not the case prior to 1st April 2011. See table below :-

	2009/10	2010/11	2011/12	2012/13
Repairs & Maintenance	31,179	46,372	70,407	To be advised
Business Rates	9,794	7,425	40,960	47,978 (figure applies up to February 2013)

3.24 Members are also asked to note that Rubicon Business Centre is leased from a private landlord. The lease will be due for renewal in November 2017.

OVERVIEW AND SCRUTINY COMMITTEE

5th March 2013

RECENT LETTINGS AND ENQUIRIES

3.25 As referred to in paragraph 3.14, five new businesses have taken up occupancy at the Centres since the beginning of 2013. Whilst enquiries have been slow for the last few years, there are now believed to be signs for cautious optimism, as the start of 2013 saw increased interest from potential occupiers. For example, since 1st April 2012 there have been 41 enquiries in total, but during January and February alone the enquiries totalled 17.

COMPETITION

3.26 There are two private business centres within Redditch and one in Bromsgrove which operate similar short notice licence terms and similar fees to the Council's centres. Available information indicates these centres have experienced similar void levels and similar low level of enquiries to the Council's Centres in recent years.

The centres are located as follows:-

- **The Edward Street Business Centre, Redditch**
Serviced office suites from 125 sq. ft.
Units can be combined to offer suites of up to 2200 sq. ft.
Licence fees and terms are comparable with the Council centres.
Units are offered fully furnished, with secretarial services.
- **Ashtenne/Imex Business Centre (Oxleasow Road, East Moons Moat), Redditch**
Serviced office and industrial units for start up business and established ones on flexible terms.
Reception facilities are only manned on a part-time basis and no additional secretarial services are offered.
- **Basepoint, Bromsgrove**
Serviced offices 74 – 531 sq. ft. and industrial units 460 – 835 sq. ft. for start up businesses and established ones similar to the Council centres
Flexible licence agreements, 24/7 access, reception facilities, free parking, meeting rooms.

3.27 The competing centres are believed to be prepared to allow units to be occupied at virtually nominal rents, to have them occupied, rather than the owners becoming liable for the full business rates on empty property. The Council is unable to compete on this basis.

TENANT SATISFACTION

3.28 Surveys and meetings with occupiers show that there is a high level of satisfaction towards the Business Centres. The majority of occupiers rate the

**OVERVIEW AND SCRUTINY
COMMITTEE**

5th March 2013

accommodation as 'very good value of money' and are pleased with the facilities offered. The provision of free parking is rated highly along with the easy in and out terms. The main complaint from surveys raised was lack of repairs and investment in the Centres.

SUCCESS STORIES

- 3.29 Over the years there have been several success stories at the Business Centres, with some outgrowing the Centres and moving out to buy or commit to long term leases and in turn creating more employment locally. For example, one company that started six years ago with one person now employs forty five staff in Redditch, Bromsgrove, Hollywood and Warwickshire. Another company started in 2010 with one person and now employ ten. There are several companies at the Centres that have grown in the last few years with similar success stories.

CONCLUSION

- 3.30 There are benefits from having a mix of new companies and established ones at the Centres. Established companies can act as anchor tenants as they tend to occupy larger units for long periods providing a steady and more reliable revenue stream. On the other hand young businesses benefit from the Centres accommodation and Reception/Secretarial services available and the interaction with other companies at the Centres.
- 3.31 Despite the continuing economic conditions, being able to offer accommodation at the three Business Centres for new and established businesses, maintains the Council's 'business friendly' reputation.
- 3.32 The Business Centres contribute to the Councils investment in the local economy and regeneration, creating jobs locally, helping business to set up and thrive.

Financial Implications

- 3.33 There are no additional financial implications arising out of this report.

Legal Implications

- 3.34 There are no legal implications directly relating to this report.

Service / Operational Implications

- 3.35 There are no additional service or operational implications arising out of this report.

**OVERVIEW AND SCRUTINY
COMMITTEE**

5th March 2013

Customer / Equalities and Diversity Implications

3.36 No direct customer or equality and diversity implications have been identified for this report.

4. RISK MANAGEMENT

No risks have been identified.

5. APPENDICES

There are no appendices.

6. BACKGROUND PAPERS

There are no background papers relating to this report.

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