

REDDITCH BUSINESS CENTRES

Relevant Portfolio Holder	Cllr Greg Chance - Portfolio Holder for Planning, Regeneration, Economy and Transport
Portfolio Holder Consulted	√
Relevant Head of Service	Kevin Dicks – Chief Executive
Ward(s) Affected	Greenlands, Lodge Park and Matchborough
Ward Councillor(s) Consulted	N/A
Key Decision / Non-Key Decision	Key decision

1. SUMMARY OF REPORT

- 1.1 At its meeting on 6th February 2018, the Executive Committee endorsed a report that refreshed the Council’s economic themes, priorities and action plan based on new economic analysis.
- 1.2 A key action, under the “Enterprising Redditch” theme and as part of the priority to help start up and growing businesses, is to “continue to invest and develop the Council’s three Business Centres”.
- 1.3 In addition and as part of the Council’s Strategic Purposes “Help me run a successful business”, North Worcestershire Economic Development and Regeneration (NWEDR) has undertaken a strategic review of the Centres to better understand their current role and impact.
- 1.4 This report summarises the findings and seeks Executive Committee recommendations on some key proposals.

2. RECOMMENDATION

The Executive Committee is requested to RECOMMEND that:

- 1) **The key findings and recommendations of the strategic review be endorsed, with specific reference to the following:**
 - a. **Day to day management of annual expenditure on operational activities and any future capital expenditure budgets for all three of the business centres should be transferred from the general fund to be managed by NWEDR under the Centres Manager.**
- 2) **Redditch Borough Council renews the current lease of Unit 17 Broad Ground Road, Lakeside Industrial Estate, Redditch (the Rubicon Business Centre)**

- 3) Subject to approval of Recommendation 2 above, the Head of Customer Access and Financial Support be delegated the authority to instruct Place Partnership Ltd to finalise the terms of the renewal of the lease.**

3. KEY ISSUES

Financial Implications

General

- 3.1 The three Centres are considered to offer good value for money to the Council. Overall, they operate within budget and, over the last three financial years have overachieved on income projections.
- 3.2 Whilst the Centres have created savings over projected budgets, actual annual expenditure regularly exceeds actual annual income. In order to achieve savings over budget therefore, the Centres do rely on annual Council funding.
- 3.3 Increasing income, by continuing to seek full occupancy and raising licence fees and charges should bring in greater revenue and reducing costs by, for example reducing expenditure on “empty business rates”, should enable the Centres to continue to operate at least within budget. A 2% increase on the 2017/18 fees and charges budget will increase budgeted income by circa £6,000 per annum.

Improvements

- 3.4 A Capital Bid has been proposed and recently approved as part of the Medium Term Financial Plan to fund a series of improvements to relieve the pressure on the existing repairs and maintenance revenue budgets and to help to improve the success of the Centres.

Transfer of Budgets

- 3.5 It is proposed that the revenue operational budgets relating to repairs and maintenance, energy, rates, refuse collection, security and other related expenditure currently managed by the Council are transferred to NWEDR, this will require an amendment to the existing collaboration agreement between NWEDR and the Council. It is envisaged that will improve the efficiency of the day-to-day and the financial management of the Centres.

Lease of The Rubicon Centre

- 3.6 One of the three Centres, Rubicon Business Centre (Unit 17 Broad Ground Road) is held on a ten year full repairing and insuring lease by the Council at a current rent of £91,850 per annum exclusive, which, although due to expire on 2nd November 2017, continues by virtue of the relevant legislation.

- 3.7 If the new lease results in an increase in the annual rent, it could be funded through a combination of increases to the annual licence fees payable and filling more vacant units and reducing the costs associated with the Centre, unless an unavoidable pressure is approved as part of the budget proposals for 2018/19. Increased income would be achieved and savings made by letting more units, as less “empty business rates” would need to be paid. Any increase prior to April 2018 will have to be funded from existing budgets.
- 3.8 It is considered desirable to continue to provide and offer the offices and workspaces at the Rubicon Business Centre and it is therefore recommended the Council enter into negotiations for a new lease on terms to be agreed accordingly.

Legal Implications

- 3.9 NWEDR currently directly manages the Redditch Business Centres on behalf of the Council, under a Collaboration Agreement relating to the provision of Economic Development and Regeneration Services between the Council, Bromsgrove District Council and Wyre Forest District Council, which is the host authority for the shared service.
- 3.10 Whilst it is proposed to transfer some key budgets to the control of NWEDR, Place Partnership will continue to provide the repairs and maintenance services to what will continue to be Council operated property. However, it is proposed that the Centres Manager (employed by NWEDR), will take responsibility for commissioning any required work (subject to any restrictions imposed by the Place Partnership arrangement).
- 3.11 The Council will enter into a new lease for the Rubicon Centre provided that suitable terms can be agreed. As the lease is protected under the Landlord and Tenant Act 1954 the Council has a degree of security of tenure even though the current term has expired and the landlord is restricted from demanded significant changes to the existing terms and conditions in the new lease.
- 3.12 Provision of the Business Centres is a discretionary service and as such the Council may charge for the service on a full cost recovery basis. Capital expenditure on the Centres could therefore be recovered going forwards through licence fee receipts etc.

Service / Operational Implications

Strategic Fit

- 3.13 One of the six Strategic Purposes contained within the Council’s Plan 2017 – 2020 is “Help me run a successful business”.

- 3.14 Through this Purpose, the Council seeks to “nurture existing businesses and encourage a future generation of entrepreneurs”. The Plan further states that the Council will:-
- work with partners to provide a comprehensive business support package for small and growing businesses and aspiring entrepreneurs and
 - help people to find business property in the Borough
 - review the availability of flexible business workspace within Redditch including Council owned property
- 3.15 The Council supports the above through the Centres which offer a range of flexible workspace accommodation and support services for start up and small businesses.
- 3.16 In addition and as referred to earlier, the Executive Committee, at its meeting on 6th February 2018, endorsed the revised Redditch Economic Development Priorities and Action Plan which, under the theme “An Enterprising Redditch”, includes a specific action to continue to invest and develop the Business Centres and identify opportunities to the Council to invest in developing new commercial units.
- 3.17 The successful model which the Centres provide continues to meet the Council’s strategic priorities and going forward, could also be used as a model to develop other similar or even larger accommodation to meet the needs of existing occupiers and other start up and growing businesses. The Council’s recently approved Investment Strategy provides an opportunity for the Council to identify and seek out new opportunities to acquire suitable sites and premises to provide additional start up and ‘grow on’ space. NWEDR is well placed to continue to support this agenda due to its knowledge of the local commercial property market and its on-going contact and dialogue with local small businesses and entrepreneurs.
- 3.18 As part of the Council’s commercialisation agenda, initial consideration has been given to looking at an alternative delivery model, such as transferring the centres into the auspices of a “local authority trading company”.
- 3.19 At this present time however, it is not considered that this would be required at this stage as the Centres do not generate significant levels of ‘profit’ and the aim is to ensure full cost recovery and to generate a surplus where possible.

Overview (Further information within Appendix 1)

- 3.20 The day to day running of the three Centres has been managed, on Redditch Borough Council’s behalf since 2011, by NWEDR and a new Business Centre Manager was appointed with effect from 1st January 2018. Place Partnership Ltd, currently manage and advise on all property related aspects of the Centres through the existing agreement with the Council.

3.21 The Centres comprise a total of 105 units (54 office units and 51 workshop units) as follows:-

- 35 office units at Greenlands Business Centre, Studley Road, Redditch
- 16 office and 23 workshop units at Rubicon Business Centre, Lakeside Industrial Estate, Redditch and
- 28 workshop and 3 office units at Heming Road, Washford Industrial Estate, Redditch.

Occupancy

3.22 Occupancy levels, which constantly vary as businesses arrive and leave, during this financial year are currently averaging at around 85%.

3.23 Sixty seven businesses currently operate from the three Centres.

3.24 Occupiers hold an “easy in/easy out” licence agreement which can be terminated by either party giving to the other 14 days notice. The flexibility is attractive, particularly to new and growing businesses that may be hesitant about committing to long leases. New businesses can move in quickly and inexpensively. Licensees can also move to larger or smaller units – or leave – without penalties or legal costs.

3.25 A flexible incentive policy exists to encourage new businesses to and/or existing businesses to expand within, the Centres at the discretion of the Business Centres Manager.

3.26 Just over 32% of current businesses (23 businesses) have been operating from the Centres for over 10 years, 22% of occupiers (15 businesses) occupy more than one unit.

3.27 As part of the ongoing management of the Centres the status of the long standing tenants are regularly reviewed and consideration given to whether they might take alternative accommodation, subject to such accommodation being available. Should the Council be successful in its ambitions to invest further in new commercial units (paragraph 3.16 refers) then the potential exists to make such accommodation available for existing occupiers of the Centres.

Services

3.28 Additional chargeable services include:

- telephone switchboard dedicated answering
- postal services (franking and posting)
- meeting/conference room hire
- secretarial support
- postal address

Responsibilities

3.29 The Council is responsible for funding the following:-

- the agreed amount of “shared service” funding to Wyre Forest District Council - as host authority to enable NWEDR to operate the day to day management of the Centres
- all repairs & maintenance (through Worcestershire Place Partnership Ltd)
- provision of and the salary and line management of the caretakers
- business rates on Council occupied parts and any empty units
- rent and service charge of Rubicon Business Centre
- telephone rental (Greenlands and Rubicon only)
- building and public liability insurances
- all energy charges to common parts
- security and alarms
- web site provision
- cleaning materials
- refuse collections
- water charges

3.30 NWEDR (as part of the Shared Service) is responsible for the Centres’ day to day management, which includes:-

- the employment of the Business Centres Manager and all Reception staff
- provision and maintenance of office equipment and stationary
- web site content and, through the Council, its maintenance
- letting the units, meeting rooms and “postal addresses”
- the day to day management of the occupiers
- supervising the allocated caretaking staff
- advertising and marketing the Centres
- printing

Expenditure/Income

3.31 In terms of budgeted/actual expenditure vs budgeted/actual income the financial position to budget across the three Centres over the past three financial years is:-

Year	14/15	15/16	16/17
saving /deficit	+ £56,766 saving to budget	+ £23,434 saving to budget	+ £6,461 saving to budget

The Centres are therefore considered to offer good value for money to the Council. Overall, they operate within budget and, over the last three financial years have overachieved on income projections.

3.32 Variances are due to the unpredictable nature of expenditure on business rates as the Council is liable for payment of rates on offices that have been empty over 3 months and workshops empty over 6 months, plus energy and repairs costs, together with the fluctuations in occupation levels which affect income from licence fees and other sources.

Occupier Satisfaction

3.33 As part of the review, NWEDR carried out a survey of tenants to find out how satisfied with the centres and the service that they received. The results of the survey are set out below:-

Question	Very good/ Good response rate: %
Standard of workshop accommodation	92
Standard of office accommodation	92
Standard of service received from reception	100
Standard of general management of the Centre occupies	92
Level of secretarial services	93
Value for money	58

3.34 In a related survey, the majority of occupiers at Greenlands would welcome:

- some internal decoration
- an upgrading of the Kitchen/Toilet facilities
- the provision of “a more contemporary” look to the front entrance.

3.35 Some occupiers would like:

- the rear windows replaced
- the reception area/furniture revamped
- new stair/corridor carpets
- a new communal heating system

3.36 Similarly, the majority of occupiers at the Rubicon Centre would welcome:

- new lighting (LED) to the factory space (already programmed in)
- an upgrading of all the Kitchen/Toilet facilities
- painting the factory space floor

3.37 Some occupiers would like:

- LED lighting to the office
- An improved heating/ventilation system

- 3.38 In addition there is a need to provide additional security, a new fire exit path and refurbish the kitchen area within the Heming Road Centre.

Improvement Proposal

- 3.39 It is proposed to undertake a series of “light touch” improvements to all three Centres, at an estimated cost of up to circa £80,000 capital expenditure to include:-

- Greenlands & Rubicon: New kitchens, toilets, internal decoration, new carpets and new furniture to all offices, common parts and reception areas circa £45,000 - £55,000
- Greenlands only: new front door circa £5,000 - £10,000
- Heming Road: Security, new kitchen, fire exit path circa £10,000 - £15,000

- 3.40 The £80k capital expenditure bid was recently approved and this will fund improvements to relieve the pressure on the existing repairs and maintenance revenue budgets and to help to improve the success of the Centres.

Growing the portfolio

- 3.41 The Strategic Review has identified that the Business Centres are operating well and running at a high level of occupancy. It has also identified some shortcomings such as the lack of immediately available ‘grow on’ space within the local area and the real challenge faced by having a number of long standing tenants occupying a large number of units within the centres – thereby restricting the opportunity to incubate new businesses. Therefore a clear recommendation from the review is that the Council should seek to build on the success of the centres and expand its commercial property portfolio where there is a strong business case for the Council to intervene in the market.

- 3.42 Evidence suggests that commercial developers are often reluctant to build smaller units due to the perceived risk of taking on tenants on short term leases. Therefore going forward, the Council should consider investing in schemes that offer units of up to 1,000 square feet for start up accommodation and between 1,000 and 2,000 square feet for grow on space. These units could either be built as ‘terraced’ blocks of units or within larger ‘business centres’ with shared reception, offices, meeting rooms and amenities such as toilets and shower rooms. The Council will work with strategic partners such as the LEPs and Growth Hubs, to ensure that businesses can benefit from ‘wraparound’ support programmes, offering business coaching, mentoring and potentially grant assistance.

- 3.43 The Council will also continue to work pro-actively with the private sector to deliver larger industrial or office units (2,000 square feet and above) that could be offered at the market rate on long lease arrangements. The Council will work to facilitate private sector led schemes or where the opportunity arises consider investing its own resources to acquire and build out units to provide a portfolio of units to local small-medium sized businesses and to generate a long term revenue stream.

Customer / Equalities and Diversity Implications

- 3.44 The Centres continue to contribute to the Borough's much needed infrastructure for business growth by continuing to provide workshop and office space for new and growing businesses.

4. RISK MANAGEMENT

- 4.1 Any increase in the rent as a result of a new lease at Rubicon Business Centre should be able to be met by a percentage increase in licence fees and from greater occupancy together from savings made from expenditure on empty unit business rates.
- 4.2 Transferring relevant operational budgets to NWEDR and bringing the Centres' day to day financial under one management control should help bring about greater efficiencies helping to offset any increase.
- 4.3 Undertaking improvements to the Centre will enable them to remain attractive to both existing and new businesses thereby maintaining the Council's income.

5. APPENDICES

Appendix 1: NWEDR review of the Business Centres

6. BACKGROUND PAPERS

None

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APPENDIX 1

REVIEW OF REDDITCH BOROUGH COUNCIL'S BUSINESS CENTRES

1.0 PURPOSE OF REVIEW

1.1 The Redditch Business Centres ("the Centres") comprise:-

- office units at Greenlands Business Centre, Studley Road, Redditch
- office and workshop units at Rubicon Business Centre, Lakeside Industrial Estate, Redditch and
- mainly workshop units (but with a small number of offices) at Heming Road, Washford Industrial Estate, Redditch.

1.2 Since June 2011, the Centres have been managed, on Redditch Borough Council's behalf ("the Council), by North Worcestershire Economic Development and Regeneration (NWEDR) as part of the Shared Service Agreement.

1.3 NWEDR has undertaken a high level strategic review of the Centres to better understand their current role and to identify a range of improvement options that could be taken forward to maximise their impact.

1.4 In addition, the Council's Executive Committee has endorsed the Redditch Economic Development Theme Group's adopted "Economic Priorities, Aspirations and Actions" within which (under the "Enterprising Redditch" Theme) is a specific Priority to review the Centres as part of the wider aspiration to nurture existing businesses to grow and energise entrepreneurs to start businesses.

1.5 The review has brought an opportunity to look at the existing stock and availability of other locally available flexible business space which is another of the Theme Group's Priorities.

1.6 Finally, the review seeks to enable the Centres to bring about the optimum level of income possible, to ensure that the Council maximises the value of its assets.

2.0 GENERAL OVERVIEW

The following is a general overview of the Centres.

2.1 Number of units

2.1.1 There are 105 units in total, comprising 54 office units and 51 workshop units.

2.2 Occupancy level

2.2.1 Ninety of the units – comprising 40 offices and 50 workshops - are occupied. This equates to occupancy rate of just over 85%.

2.3 Number of Businesses

2.3.1 Sixty seven businesses operate from the three Centres, of which:-

- 1 business occupies 5 units
- 5 businesses occupy 3 units
- 9 businesses occupy 2 units
- 52 businesses occupy 1 unit

2.4 Licence terms

2.4.1 Occupiers hold an “easy in/easy out” licence agreement which can be terminated by either party giving to the other 14 days notice.

2.4.2 The flexibility 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. New businesses can move in quickly and inexpensively. Licensees can also move to larger or smaller units – or leave – without penalties or legal costs.

2.4.3 Licence fees include:-

- provision of reception and basic administrative support
- occupier’s postal delivery and collection
- communal lighting and heating
- caretaking/cleaning service
- WC & kitchen facilities
- landscaping services
- refuse collection
- on-site parking
- 24 hour access
- water rates
- VAT

2.4.4 Occupiers are responsible for:-

- electricity within their own unit
- public liability insurance
- furnishing their unit
- business rates
- telephone bills

2.4.5 A three to six month free licence fee period may be offered with new lettings at the discretion of the Business Centres Manager. The policy is intended to effectively reduce a licensee's initial costs to help them set up.

2.5 Services offered

2.5.1 In addition to the inclusive services set out in 2.4.3, additional services are charged to cover:

- telephone switchboard dedicated answering
- postal services (franking and posting)
- meeting/conference room hire
- secretarial support
- postal address

2.5.2 Occupiers are aware of the wider business support services available through the two Local Enterprise Partnership Growth Hubs, including the recently launched EU funded business support programmes.

2.6 Length of Occupation from 1990

Period	0 - 2 years	2 - 5 years	5 - 10 years	10 years plus	Total no. Occupiers
1990 to 2015/16	361	112	39	20	532
16/17 onwards	26	11	7	23	67

2.6.1 The various size units (subject to availability) allow licensees to move within the Centres as their business expands or contracts. However, the current high level of occupation means that there is relatively little accommodation available for either existing occupiers to expand into or outside businesses to move into.

2.6.2 Whilst the Centres continue to provide for "short term" occupiers in the spirit of encouraging "easy in easy out" agreements, 32% of current businesses have been operating from the Centres for over 10 years. Fifteen businesses (22% of occupiers) occupy more than one unit with a proportion of these businesses having also been at the Centres over the same 10 year period.

2.6.3 This situation is further considered within Section 7.0 "Key Issues" below.

2.7 Promotion and Marketing

2.7.1 A modest £1,750 budget exists from the Council to promote the Centres through mainly traditional advertising (eg with Herefordshire and Worcestershire Chamber of Commerce and local press).

2.7.2 The Centres are included within the Council's web site and linked to NWEDR's web site. Each Centre has its own advertising board/banner located in front of the premises.

2.7.3 More use is planned to be made of electronic promotion - though the most successful and cheapest form of promotion would appear to be "word of mouth".

2.8 The Council's responsibilities

2.8.1 The Council is responsible for funding the following:-

- the agreed amount of "shared service" funding to Wyre Forest District Council - as host authority to enable NWEDR to operate the day to day management of the Centres
- all repairs & maintenance (through Worcestershire Place Partnership)
- provision of and the salary and line management of the caretakers
- business rates on Council occupied parts and any empty units
- rent and service charge of Rubicon Business Centre
- telephone rental (Greenlands and Rubicon only)
- building and public liability insurances
- energy charges to common parts
- security and alarms
- web site provision
- cleaning materials
- refuse collections
- water charges

2.9 NWEDR responsibilities

2.9.1 NWEDR (as part of the Shared Service) is responsible for the Centres' day to day management, which includes:-

- the employment of the Business Centres Manager and all Reception staff
- provision and maintenance of office equipment and stationary
- web site content and, through the Council, its maintenance
- letting the units, meeting rooms and "postal addresses"
- the day to day management of the occupiers
- advertising and marketing the Centres
- printing

2.10 Staffing Resources

2.10.1 The current establishment comprises:

1 No. Business Centres Manager @ 30 hours per week

4 Business Centres Receptionists: 3 @ 22.50 hours per week, 1 @ 20.5 hours per week

2.10.2 The established staff are experienced and knowledgeable about how the Centres operate and are flexible enough to enable cover to be provided during periods of leave and sickness.

2.10.3 A new Business Centres Manager was appointed with effect from 1st January 2018.

2.10.4 In addition there are two caretakers who are employed directly by Redditch Borough Council whose role is to open and lock up the premises and undertake cleaning and minor maintenance, in accordance with an agreed rota. The caretakers are experienced and provide a vital role in maintaining and running the Centres.

2.11 General

2.11.1 Existing licensees can apply for a rent-free period when renting additional space or moving to a larger unit within the centre as these reallocations are viewed as new lettings.

2.11.2 In general, a maximum of three units are permitted per business. This mitigates the risk of several units being simultaneously unoccupied and the associated break in income if that business were to leave the centre.

2.11.3 The vast majority of units are within the current threshold for 100% Small Business Rate Relief eligibility and all businesses should qualify for some form of relief - subject to eligibility.

3.0 FINANCIAL

3.1 In terms of budgeted/actual expenditure vs budgeted/actual income the surplus/deficit over the past three financial years is:-

Year	14/15	15/16	16/17
saving /deficit	+ £56,766 saving to budget	+ £23,434 saving to budget	+ £6,461 saving to budget

3.2 The variances are due to the unpredictable nature of expenditure on business rates as the Council is liable for payment of rates on offices that have been empty over 3 months and workshops empty over 6 months, plus energy and

repairs costs, together with the fluctuations in occupation levels which affect income from licence fees and other sources.

3.3 With regard to business rates, the recent improvement in occupancy levels has meant the expenditure on rates has reduced more recently, though a determined campaign to occupy the “larger” offices at Greenlands would reduce this expenditure further.

4.0 OCCUPIERS SATISFACTION

4.1 The results of the most recent tenant satisfaction survey are below:-

Question	Very good/ Good response rate: %
Standard of workshop accommodation	92
Standard of office accommodation	92
Standard of service received from reception	100
Standard of general management of the Centre occupies	92
Level of secretarial services	93
Value for money	58

4.2 In addition a recent “on line” review stated:

“An excellent business centre, which is very well managed and maintained and provides a very high level of reception and conferencing facilities. Great value for money, would recommend to any small business”

4.3 In a related survey, the majority of occupiers at Greenlands would welcome:

- some internal decoration
- an upgrading of the Kitchen/Toilet facilities
- the provision of “a more contemporary” look to the front entrance.

4.4 Some – but not the majority– of occupiers would like:

- the rear windows replaced
- the reception area/furniture revamped
- new stair/corridor carpets
- a new communal heating system

4.5 Similarly, the majority of occupiers at the Rubicon Centre would welcome:

- new lighting (LED) to the factory space (already programmed in)
- an upgrading of all the Kitchen/Toilet facilities
- painting the factory space floor

4.6 Some – but not the majority– of occupiers would like:

- LED lighting to the office
- An improved heating/ventilation system

4.7 The potential to upgrade the Centres is further considered within Section 7.0 “Key Issues” and Section 8 “Options” below.

5.0 COMPARISON WITH OTHER BUSINESS CENTRES

5.1 Other local private sector serviced business centres which operate and offer similar short-notice license terms to the Council’s Centres are shown in the table below:-

Location	Accommodation	Typical size sq ft	Monthly fee inc vat £	Typical fee £ per sq ft per month/per annum	Comments
Greenlands	Office	325	751	2.31 / 27.71	
The Edward Street Business Centre, Edward Street, Redditch	Offices	500	1,000	2.00 / 24.00	
Imex Business Centre Oxleasow Road, Redditch	Offices	325	390	1.20 / 15.32	No additional basic administrative support or other services offered
The Excalibur Centre, Studley Road, Redditch (Rear Greenlands)	Offices	675	1500	2.22 / 26.67	Not all units accessible “out of hours”
Basepoint Bromsgrove	Office	300	786	2.62 / 30.35	
Rubicon	Workshop	555	716	1.29 / 15.45	
Heming Road	Workshop	454	427	0.94 / 11.28	

Basepoint Bromsgrove	Workshop	450	756	1.68 / 20.22	
Imex Business Centre Oxleasow Road, Redditch	Workshop	126	63	0.50 / 6	No additional basic administrative support or other services offered

5.2 Several other developments in Redditch include 'business centre' in their name, but are actually "stand-alone buildings" or buildings comprising multiple office suites or industrial bays, operating conventional (longer-term) commercial lease terms and without business support services.

6.0 SWOT ANALYSIS

6.1 This SWOT analysis has been prepared by the current acting Centres manager and NWEDR's Economic Development Manager.

<p>Strengths</p> <ul style="list-style-type: none"> • Serviced receptions (not Heming Road) • Recent improvement in occupancy levels • Flexible Terms • Part of NWEDR structure • Established businesses • 14 day notice periods • Inclusive licence fees • Good parking areas • CCTV at Rubicon • 24/7 access 	<p>Weakness</p> <ul style="list-style-type: none"> • High number of long term occupiers restricting opportunities for new and young businesses to locate in the centres • Confusing management arrangements • Separate IT systems required for Redditch Borough Council's responsibilities and NWEDR (Wyre Forest DC's) responsibilities • Only using basic software systems such as Excel and Word • NWEDR has no direct control of some budgets eg maintenance budget is with Place Partnership • No CCTV at Greenlands or Heming Road • Heating system at Greenlands antiquated
<p>Opportunities</p> <ul style="list-style-type: none"> • Sell more secretarial/support services and let meeting/conference rooms • Modernise the marketing and social media promotion • Upgrade the accommodation to more modern standards • Continue to improve occupancy levels • Potential to advertise the Heming Road overspill car park to let/for sale • Introduce tailored Business Centres management software packages • Bring day to day operational and future capital expenditure budgets under NWEDR 	<p>Threats</p> <ul style="list-style-type: none"> • Some local competition is driving up expectations on quality • Rent of Rubicon is a large (though budgeted for) outgoing • Lease expiry of Rubicon on 2/11/17 • Future dilapidation costs

7.0 KEY ISSUES

Budgets

7.1 It is suggested that the day-to-day operation and the financial management of the Centres would be improved if the relevant revenue budgets currently managed by the Council, e.g. relating to repairs and maintenance, energy, rates, refuse collection, security and relevant capital expenditure, were transferred to NWEDR.

Long term occupiers

7.2 Some outline information regarding occupancy levels was set out within Section 2.6. This is further considered below.

7.3 The levels of satisfaction might suggest that occupiers are happy to stay in the “comfortable” surroundings that the Centres provide rather than move onto other commercial property within the area.

7.4 Whilst this aspect of the Centres’ success is welcome to certain extent, it can lead to a shortage of accommodation for businesses wanting to move into the Centres and take advantage of the services provided.

7.5 Having said this, it is “a brave” property owner – let alone a Local Authority - that would willingly terminate the agreements of long standing or any occupiers in order to free up accommodation to potentially risky recently started or brand new start up businesses.

7.6 Whilst nothing in the licence agreements limits the length of time businesses can remain in their unit, consideration could be given whether the longstanding occupiers, and indeed any occupier who has been in occupation for say up to 5 years, might be “encouraged to move on” to alternative accommodation – ideally within the Borough.

7.7 The potential advantages of implementing a “move on” policy are:

- more accommodation is available for incoming businesses
- existing occupiers may find more suitable and cheaper accommodation
- there would be an opportunity to refurbish the vacant unit(s)

7.8 The potential disadvantages are:

- RBC lose regular income and established occupiers
- An incoming occupier may not be as “good” a tenant as the displaced business
- There is nothing in the existing agreements to suggest RBC would undertake such a policy

- 7.9 It is suggested therefore, that rather than establishing and insisting that a potentially unworkable “move on” policy be implemented, businesses who are still operating from the Centres after say 5 years, be asked whether they have considered or whether they might consider taking alternative accommodation subject to such accommodation being available.

Heming Road land

- 7.10 On the opposite side of the road from the Heming Road units, there is a Council owned car park originally provided to offer associated and additional car parking space. It is clear that this area is rarely used for its previous intended function and consideration might be given to its future use – either as a potential development site, a disposal or letting it as car parking space to other businesses on the estate.

Upgrading options

- 7.11 Whilst the Centres provide very functional, practical and value for money business accommodation, it is clear that, what might be regarded as, more modern business space is also available.
- 7.12 The potential to “upgrade” the Centres to bring them in line with other similar accommodation, is considered within Option A ii and iii below.

8.0 OPTIONS

- 8.1 The three Options below (A, B & C) have been formulated based on the findings of the above review.
- 8.2 An option “to do nothing” has not been included as, despite the fact that the Centres function successfully both financially and in terms of providing accommodation, there is a perceived need to “modernise” the Centres both physically and operationally.
- 8.3 Options from within A & B would “renew” the Centres to meet the needs of businesses and RBC.
- 8.4 Option C has been included as a radical alternative – not necessarily because this is what is potentially required following the review, but because it is an option that might want to be considered.

OPTION	NET BENEFITS
<p>OPTION A:</p> <p>NWedr/Council continue to operate the centres aiming to maximise income and reduce general expenditure, but also:</p> <p>i) raise the profile of the Centres through NWEDR and a promotional/social media marketing campaign</p> <p>ii) carry out “light touch” improvements to all three centres – ie new furniture for both reception areas, decoration to all offices and reception areas and replacement carpets to all tenants offices and common corridors/reception areas, new car park surface, internal decoration, security, kitchen and new fire exit path at Heming Road</p> <p>Total circa £80,000 capital expenditure</p> <p>iii) carry out a major high quality refurbishment/modernisation programme (ie new heating, air conditioning, new lighting, insulation and new windows throughout and new furniture for reception areas, decoration and new carpets to all offices and relevant corridors and providing roofs and /or additional office/storage space over some internal workshop units at Rubicon & Heming Road at a provisional estimated cost of up to £850,000 capital expenditure plus any the loss of income during the works</p>	<ul style="list-style-type: none"> • Aim to maintain high occupancy levels and low voids whilst giving new and growing businesses the opportunity to develop • Bring the Centres in line with more modern and “competing” accommodation ○ Bring the Centres in line with more modern and competing accommodation ○ The Centres would be more energy efficient thereby saving money on energy costs ○ Initial estimates suggest that a programme to “refurbish/modernise” and increase the floor space of some units could lead to increased revenue of between £75,000 to £100,000 per annum. ○ Whilst this suggests a potentially attractive rate of return in the region of 10% per annum, the following points should be noted: <ul style="list-style-type: none"> - such a rate of return would

<p>iv) Renew the lease of the Rubicon Centres</p> <p>v) Transfer the day to day management of annual expenditure on operational activities and any future capital expenditure budgets for all three of the business centres to NWEDR</p>	<p>not be instant and might only be achieved after a number of years depending on how and when any increase in rents was phased in.</p> <ul style="list-style-type: none"> - an immediate and large increase in rents could lead to businesses leaving and units becoming vacant. - works to increase floor space could only take place when units available - the Centres, as a whole are financially viable without the need to invest significant sums of money which could perhaps be better invested in other projects <ul style="list-style-type: none"> ○ continue to provide and offer offices and workspace ○ improve the efficiency of the day-to-day and the financial management of the Centres.
<p>OPTION B:</p> <p>i) Invite external organisations to run all of the Centres for a term of years and pay RBC a regular flat fixed fee (income) or a fee based on a profit share</p> <p>Or</p> <p>ii) RBC invest in each centre to improve and bring them up to an agreed “modern standard” and then invite external organisations to run all of the Centres for a term of years and pay RBC a regular flat</p>	<ul style="list-style-type: none"> ● Potential for RBC to receive an agreed annual fixed payment plus potential additional income from profit share arrangement <ul style="list-style-type: none"> ● All income received is paid to RBC ● The operator receives a base fee

<p>fixed fee (income) or a fee on a profit sharing based agreement with the potential for private sector to also invest in them to improve marketability and profitability</p>	<p>for managing the Centres and also receives additional monies based on financial performance.</p> <ul style="list-style-type: none"> • The operator has a clear financial incentive to perform. • The potential for the centres to be run on more “commercial” basis • Incentive to operate the Centres as genuine incubation / grow on space facilities with a good churn of occupiers • Opportunity to generate more income and profit to both the council and private operator
<p>OPTION C: i) RBC cease to provide or operate any one or all of the business centres, serving notice on all occupiers and disposing of the relevant interest(s)</p>	<ul style="list-style-type: none"> • Receive a capital sum for the freehold and leasehold interests in Heming Road and Greenlands respectfully • Save on all running costs – (including rent and service charges at Rubicon) and potential refurbishment costs • Use the forthcoming lease expiry opportunity at Rubicon to terminate the existing licences and empty the building

9. CONCLUSION

- 9.1 The Centres, as a whole, are considered to offer good value for money to the Council as they operate within budget and, in fact, produce a small “profit” in terms of budgeted income over budgeted expenditure.
- 9.2 Increasing income by seeking to achieve full occupancy would reduce expenditure on “empty rates” and have the potential to bring in greater revenue from charging more occupiers for services.
- 9.3 In terms of the local economy, the Centres continue to contribute to the Borough’s much needed infrastructure for business growth by continuing to provide workshop and office space for new and growing businesses.

- 9.4 Undertaking capital improvement will contribute the needs of new and growing businesses by investing in relatively smaller sums to give the Centres a general “face lift”.

10. RECOMMENED OPTIONS

- 10.1 Of the Options set out in 8. above, the recommend options are:

- A i) raise the profile of the Centres through NWEDR and a promotional/social media marketing campaign
- A iv) Renew the lease of the Rubicon Centres (Unit 17 Broad Ground Road)
- A v) Transfer the day to day management of annual expenditure on operational activities and any future capital expenditure budgets for all three of the business centres to NWEDR

NB: Regarding Option A ii) above, it should be noted that a Capital Bid has now been approved as part of the Medium Term Financial Plan to fund a series of improvements to relieve the pressure on the existing repairs and maintenance revenue budgets and to help to improve the success of the Centres.

11. APPENDICES

Appendices A: Greenlands Business Centre

Appendices B: Rubicon Business Centre

Appendices C: Heming Road Enterprise Centre

Appendices D: Indicative and estimated refurbishment costings

APPENDIX A

GREENLANDS BUSINESS CENTRE, STUDLEY ROAD, REDDITCH

1.0 Summary

1.1 A self contained two storey office building within a mixed commercial/residential area approximately 2.5 miles south east of Redditch town centre.

1.2 The building comprises 15,500 sq ft and houses 35 unfurnished office units ranging from 108 sq ft to 600 sq ft (with some units interconnecting to create larger office space).

1.3 There are 58 car parking spaces (including 2 disabled) for used by occupiers and visitors and an electric vehicle charging point.

1.4 There is a common "manned" reception area giving access to all of the office suites.

1.5 Occupying users include: Vehicle finance brokers, Care agency, Training company, Loan company, Design company, Accountants and consulting engineers.

1.6 The property is held by Redditch Borough Council on a 99 year lease from May 1989. A premium of £275,000 was paid to secure a ground rent payable of £1 pa without review.

2.0 Availability/Void rate:

2.1 Five out of thirty five units are currently available – though two of these are "held back" for meeting room bookings. Allowing for the two meeting rooms – which are regularly booked out in return for a charge, this equates to an occupancy rate of 80% or a void rate of 20%.

3.0 Finance:

3.1 In terms of budgeted/actual expenditure vs budgeted/actual income the Centre produced a deficit of £728 during 2016/17.

3.2 The budgeted expenditure includes RBC's payment to WFDC for the provision of NWEDR's shared service which include:-

- Employment of management staff (excluding the building caretakers)
- Office equipment, stationary, advertising, general expenses and postage

3.3 RBC's direct expenditure includes:-

- Employment of building caretakers and associated costs
- Repairs and maintenance
- Energy and water
- Business Rates
- Security and building insurance
- Cleaning materials

4.0 Number of businesses since 1990:-

Period	0 - 2 years	2 - 5 years	5 - 10 years	10 years plus	Total no. Occupiers
1990 to 2015/16	147	41	14	8	210
2016/17 onwards	6	3	2	6	17

5.0 Maintenance Issues:

5.1 Greenlands Business Centre is an “older” building, where some cosmetic improvements have taken place over the years including decoration.

5.2 However, the rear windows need replacing (ideally) and the heating system is “of its day” but deemed to be impossible to replace without moving occupiers out of their units/decanting occupiers over a phased period

5.3 RBC maintenance Budget 2017/18: £18,500

5.4 A recent survey of occupiers at the Greenlands suggested that the majority would welcome:

- some internal decoration
- an upgrading of the Kitchen/Toilet facilities
- the provision of “a more contemporary” look to the front entrance.

5.5 Each of these areas are indeed now looking a little tired so a refurbishment is probably overdue.

5.6 Some – but not the majority– of occupiers would like:

- the rear windows replaced
- the reception area/furniture revamped
- new stair/corridor carpets
- a new communal heating system

6.0 Summary

6.1 Whilst Greenlands Centre continues to provide functional office accommodation which suits the needs of occupying businesses, the building itself is a little dated and, if resources allowed would benefit from an internal and external “make over” to bring it in line with more modern comparable offers.

6.2 The services provided are comparable and competitive with other centres, though consideration should be given to developing an interactive web site to give a more modern outward appearance together with looking at available digital technologies to support the management of the operation – noting however, the challenge to achieve this whilst three different organisations are involved with running the Centre (WFDC, RBC and Place Partnership).

APPENDIX B

RUBICON CENTRE, BROAD GROUND ROAD, LAKESIDE INDUSTRIAL ESTATE, REDDITCH

1.0 Summary

1.1 An end of terrace industrial/warehouse unit within an established industrial estate approximately 4 miles south east of Redditch town centre.

1.2 The building comprises a total of 20,400 sq ft and houses 16 unfurnished office units (150 to 300 sq ft) on two internal floors and 23 ground floor workshops (280 to 590 sq ft) for commercial enterprises and for light industrial use.

1.3 There is a common and “manned” reception area to the front giving access to the unit space and the ground and first floor offices.

1.4 Loading and unloading is from a common service area via two roller shutter doors situated at the rear of the property.

1.5 There are 36 car parking spaces to the front with a temporary parking/loading/unloading area to the rear

1.6 Occupying users include: Motorcycle training, printers, radio communication, designers, lock company, CCTV, lighting, contract fitters, stair lift contractors.

1.7 The property is held on a 10 year Full Repairing and Insuring lease from 3 November 2007 with no break clause at a passing rent of £91,850 per annum and a variable Service Charge which is budgeted at £9,000 pa.

1.8 A rent review is due in November 2017. The reviewed rent cannot be less than that currently paid.

2.0 Availability/Void rate:

2.1 Seven (office) units are currently available, equating to an occupancy rate of 82% or a void rate of 18%.

3.0 Finance:

3.1 In terms of budgeted/actual expenditure vs budgeted/actual income the Centre produced a surplus of £29,698 during 2016/17.

3.2 The budgeted expenditure includes RBC's payment to WFDC for the provision of NWEDR's shared service which include:-

- Employment of management staff (excluding the building caretakers)
- Office equipment, stationary, advertising, general expenses and postage

3.3 RBC's direct expenditure includes:-

- Employment of building caretakers and associated costs
- Rent of premises and service charge
- Repairs and maintenance
- Refuse collection
- Energy and water
- Business Rates
- Security and building insurance
- Cleaning materials

4.0 Number of businesses since 1990:-

Period	0 - 2 years	2 - 5 years	5 - 10 years	10 years plus	Total no. Occupiers
1990 – 2015/16	162	46	17	9	234
2016/17 onwards	7	6	5	7	25

5.0 Maintenance Issues:

5.1 There are currently:

- Proposal to upgrade interior lighting
- RBC Budget 2017/18: £10,100

5.2 A recent survey of occupiers at the Rubicon Centre suggested that the majority would welcome:

- new lighting (LED) to the factory space
- an upgrading of all the Kitchen/Toilet facilities
- painting the factory space floor

5.3 The lighting is already programmed in following the granting of any new lease and the other areas are indeed now looking a little tired so improvements are probably overdue.

5.4 Some – but not the majority– of occupiers would like:

- LED lighting to the office
- An improved heating/ventilation system

6.0 Key Issues

6.1 The Key Issue at Rubicon is the forthcoming lease renewal. There is the potential for the rental outgoing on the property to be increased – and RBC should make provision for both this and any potential dilapidation cost which may result accordingly.

6.2 RBC would be advised direct on both matters by Place Partnership.

6.3 Any resultant increase in rent has the potential to affect the “profitability” of the Rubicon Centre and the Centres as a whole.

APPENDIX C

HEMING ROAD ENTERPRISE CENTRE, WASHFORD INDUSTRIAL ESTATE

1.0 Summary

1.1 The property is held freehold by Redditch Borough Council, ownership having transferred from the Commission for New Towns in 1998.

1.2 There is a condition that the premises must be used for housing small businesses and managed workspace in a minimum of 75% of the floor area.

1.3 A self contained single storey industrial/warehouse unit within an established industrial estate approximately 5 miles south east of Redditch town centre. The building comprises a total area of 17,280 sq ft and has been divided into 28 ground floor units of between 290 sq ft and 428 sq ft for warehouse, industrial or engineering use and 3 office units ranging between 110 sq ft and 203 sq ft.

1.4 There is a shared roller door to the front of the unit for loading/unloading and vehicular access. There is also a side pedestrian access door.

1.5 There are 20 car parking spaces to the front of the unit and an "overspill" car park area across the road from and opposite the property.

1.6 The "overspill" car park is not used and it is considered that it could be advertised to let to bring in extra income, if not directly to the Heming Road revenue account, then at least to be part of Redditch Borough Council's annual income.

1.7 Occupying users include: Engineers, joiners, shop displays, contract cleaners

2.0 Availability/Void rate:

2.1 One of the 31 units are currently available equating to an occupancy rate of 97% or a void rate of 3%.

3.0 Finance:

3.1 In terms of budgeted/actual expenditure vs budgeted/actual income the Centre produced a deficit of £22,509 during 2016/17.

3.2 The budgeted expenditure includes RBC's payment to WFDC for the provision of NWEDR's shared service which include:-

- Employment of management staff (excluding the building caretakers)
- Office equipment, advertising and general expenses

3.3 RBC's direct expenditure includes:-

- Employment of building caretakers and associated costs
- Repairs and maintenance
- Energy and water
- Business Rates
- Security and building insurance
- Cleaning materials

4.0 Number of businesses since 1990:-

Period	0 - 2 years	2 – 5 years	5 – 10 years	10 years plus	Total no. Occupiers
1990 – 2015/16	52	25	8	3	88
2016/17 onwards	9	4	2	10	25

4.1 It is noted that nearly half of the occupiers have been at this centre for over 10 years which might suggest that units are rarely available and businesses are not given the chance to take space at Heming Road.

5.0 Maintenance Issues:

- Structure is in good repair
- Some recent internal refurbishment including WCs and kitchen
- Proposal for external decoration of doors and windows
- RBC Budget 2017/18:£15,050

6.0 “Overspill” car park

6.1 An RBC owned car park is located on the opposite side of the road from the units which was originally provided to offer associated and additional car parking space. It is clear that this area is rarely used for its previous intended function and consideration might be given to its future use – either as a potential development site, a disposal or letting it as car parking space to other businesses on the estate.

APPENDIX D

Indicative and estimated refurbishment costings

Greenlands: new front and inner doors, replace radiators and insulation (if required) throughout, new kitchen furniture/sink etc and WC toilets/wash hand basins, new rear windows and new furniture for reception areas, decoration and new carpets to all offices and relevant corridors to deliver "Grade A" specification offices

Total: £215,000 capital expenditure

Rubicon: new heating, lighting and insulation throughout (if required), new kitchen furniture/sink etc and WC toilets/wash hand basins and new furniture for reception areas, decoration and new carpets to all offices and relevant corridors to deliver "Grade A" specification offices

Total: £170,000 capital expenditure

Heming Road: Replace insulation, floor painting and internal decoration, new kitchen, resurface car park fire exit path resurface, rear area reduce grass and make into outdoor usable space

Total: £367,000 capital expenditure

TOTAL: £752,000

plus £75,000 for new upper floors to selected units
£827,000

Say potentially up to £850,000 capital expenditure