

PLACES SCRUTINY PANEL

17 July 2014

OAKHAM ENTERPRISE PARK PROGRESS REPORT

Report of the Director for Places (Development & Economy)

STRATEGIC AIM:	Building our infrastructure Creating an active and enriched community
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1. PURPOSE OF THE REPORT

1.1 To update the Scrutiny panel on progress with at Oakham Enterprise Park (OEP).

2. RECOMMENDATIONS

2.1 That the Places Scrutiny Panel notes the progress to date.

2.2 That a further update be reported in July 2015.

3. BACKGROUND

3.1 The Council approved acquisition of the former Ashwell Prison site subject to pre-contract due diligence delegating authority to the Chief Executive in consultation with the Leader and Deputy Leader on the final contract (14 May 2012, Exempt Report No. 98/2012)

3.2 Cabinet delegated authority to progress the details of the Ashwell Business Park project (now named Oakham Enterprise Park) to a project board with membership including the Portfolio Holder, Operational Director for Places and the Chief Executive (25 September 2012, Report 182/2012).

3.3 A capital loan contribution to the site acquisition elements from the Greater Cambridge Greater Peterborough Local Enterprise Partnership (GCGP LEP) was agreed and drawn down in March 2013. The land transfer contract with the Ministry of Justice was completed in December 2012 with an overage clause on residential and retail operating over the next 25 years.

3.4 A Supplementary Planning Document for Ashwell Business Park was submitted and approved by Council (7 January 2013, Report No 230/2013). A full planning application for change of use was submitted and approved by Development Control & Licensing Committee on 30 April 2013. This includes demolition of the fire damaged buildings and an option to demolish or retain a number of smaller units. The remaining units will be refurbished in a phased redevelopment plan currently under review by the Project Board.

- 3.5 An update to Scrutiny was considered by Members last June (20 June 2013, Report 154/2013).

4. SURVEYS, DEMOLITIONS, REDEVELOPMENT & INFRASTRUCTURE WORKS

- 4.1 Under the framework contract with Balfour Beatty (Mansells), the main demolition and construction works originally scheduled for July/August 2013 were not completed until early 2014. A significant contributing factor to this delay was the discovery of asbestos in several areas of the demolition site.
- 4.2 This slippage along with infrastructure issues such as broadband availability and mains gas and water leaks meant that early tenants were unable to move into their units until between October and February depending on their location on the site and rental income for 2013/14 was reduced as a result.
- 4.3 The proposed phasing plan was not adhered to as tenant interest has been high and so some buildings have been brought into scope ahead of schedule.
- 4.4 There are currently two entrance gates in operation; the 'Main Gate' which serves the majority of the park and 'Gate 2' which provides access to Unit 16b (Oakham Day Nursery) and will also serve the large two storey former administration building, Unit 16a, which is not currently tenanted.
- 4.5 The project to transform the former sports hall into a community sports centre, the 'Active Rutland Hub', has been delayed due to a requirement from Sport England to improve the sustainability of the building through re-cladding. This has is now targeted for commencement in August and should be operational by the end of Q4.
- 4.6 Broadband has been an issue on the site as connection to the cabinet immediately outside the park ('Cabinet 18') was not possible as a decision was made by BT to reserve this for residential customers. Accordingly the site has been forced to connect to 'Cabinet 12' on the outskirts of Oakham which has resulted in speeds between 4 & 15Mbps depending on the ISP and service type using an overhead copper line solution.
- 4.7 A formal procurement exercise is underway which seeks to provide the site with superfast connectivity (up to 100Mbps) by the end of 2014. This will involve an initial capital outlay but ongoing support & maintenance will be covered by the provider with tenants who opt to subscribe to the service paying a subscription directly to the provider. Tenants who do not require superfast speeds will be able to continue with their existing subscription and it is proposed that, to add additional value to the site, the provider will install a site-wide Wi-Fi network.
- 4.8 Electricity, water & gas sub-meters have been installed in units as part of the compliance works to being them online and tenants are charged by the Council according to their usage of the respective services. Initial problems with faulty heating systems and with the mains water and gas supplies have now been remedied.
- 4.9 Ongoing construction/compliance works are being procured in line with Council financial regulations using local contractors where possible. Significant proposed

works are removal of former building foundations and grass area from the centre of the main car park (c. £20k) and security improvements (£5k).

- 4.10 The 25 acre site requires considerable grounds maintenance and control of weeds, especially Ragwort has been problematic. To reduce ongoing running costs, it is proposed that OEP staff will take on grounds maintenance themselves and appropriate training has been completed accordingly. Acquisition of grounds maintenance equipment to include a brush-cutter and a second-hand grass-cutting tractor will result in a Q2 capital spend of approx. £2.5k but this is expected to save up to £20k per annum in contractor costs. This saving will be used to fund a Site Officer post (currently procured via an agency) assisting the Business Manager with day to day maintenance, cleaning, general tenant/customer liaison and security.
- 4.11 3k tonnes (approx. 38%) of stockpiled crushed concrete from the demolished cell blocks is being sold to a local business for £12k (£4/tonne). The rate per tonne is reduced to reflect that the customer is loading and hauling themselves. The balance is currently proposed to be retained on site to be used for other Council construction projects.

5. ASHWELL BUSINESS UNITS AND TRANSFER OF SALT BARN

- 5.1 The proposed transfer of the salt barn to OEP has been postponed pending ongoing deliberation concerning the sale of the Ashwell Depot site but has not been ruled out at this stage.

6. SPORTS CENTRE COMMUNITY USAGE AND BUSINESS PLAN

- 6.1 Members will be aware of the successful grant funding bid to Sport England and subsequent award of £500k to improve the sports facility at OEP. The project team is currently working on a revised project plan which accommodates a request by Sport England to upgrade the sustainability of the building via re-cladding.
- 6.2 Whilst there has been consequential slippage in the programme, it is planned that the building will be operational in Q4.

7. MARKETING STRATEGY, PR AND COMMUNICATIONS

- 7.1 Marketing to date has primarily been through use of online websites including Rightmove and Boxpod. As well as increasing regional awareness of the park, these are generating several leads per month.
- 7.2 Additionally, a dedicated website has been set up to promote the units and serviced plots (www.oakhamenterprise.com). Banners and leaflets have been located in several public buildings to optimise local awareness.
- 7.3 On a day to day basis, Twitter and Facebook are used to inform the local community of progress with the site and to promote events and businesses, a recent example being Oakham Day Nursery's open day on 6th July. Officers have received positive feedback on the efforts being made to engage with nearby residents, businesses and the wider community.
- 7.4 Engagement with the East Midland Food and Drink Forum to develop a marketing brochure for the food production unit (Unit 17) and to promote this to their

membership base was not successful and only a single company attended an open day in March 2014 following their email campaign. The majority of their members are very small catering and food operations who simply cannot afford to take on a unit of this size.

- 7.5 Interest in this unit to date has resulted from it being advertised on Rightmove. Now that much of the construction and demolition works on site have been completed, and as most of the available units are now tenanted, more time is being dedicated to targeted marketing for this very specialist unit. Initial interest from a large confectionary company culminated in a decision for them to extend their existing facility in Scotland rather than relocate to the Midlands. However, negotiations are currently underway with a biscuit snack manufacturer seeking to expand their operations who have confirmed their desire to relocate to OEP.
- 7.6 In the meantime, the unit is being promoted to some of the larger food businesses in the UK and the Business Manager is planning to attend some large food and drink exhibitions to connect with some of the mid-range food production and packaging companies. The Council is also engaging with regional promotional companies such as Tiger Showcases to steadily increase exposure to online audiences.
- 7.7 Interest in use of the remaining former cell blocks ('The Event Zone') from events, film & TV companies continues to grow. The BBC has used the site on a couple of occasions with a further day of filming planned shortly. Additionally, a film production company has expressed an interest in using the site for several days in mid-September.
- 7.8 The use of the site for film and television has economic benefits for Rutland as each production normally involves at least 30 cast & crew, most of whom stay in the county using local hotels and restaurants for the duration of the filming.
- 7.9 A lease for the events site (including E, F & G Wings) has been agreed with a primary tenant specialising in airsoft events. They plan to sub-let the site to other events companies, each of whom will need to be approved by the Council. An overage agreement is in place as part of the lease to maximise revenue opportunities for the Council.
- 7.10 The former Education centre (Unit 9), originally earmarked for demolition, is also being leased to the events company to provide a base of operations.

8. BUSINESS PLAN TRACKER , CAPITAL AND REVENUE MONITORING

- 8.1 A business plan tracker has been established to monitor progress against the baseline approved by Cabinet in September 2012 and is updated regularly and discussed at Project Board meetings.
- 8.2 The project has support from an accountant in the Finance team to provide reports to Project Board and the project team in tracking business plan, capital and revenue budget position.
- 8.3 The current (09/07/14) capital and revenue position is summarised below:

	Net Budget	Expenditure	Income	Balance
Capital	£167,800	£159,860	£0	£159,800

Revenue	£ 20,400	£ 48,867	£ 42,797	£ 6,070

- 8.4 Monthly rental income for 2014/15 will increase as the year progresses as more leases are completed. Budgeted rental income for 2014/15 in the business plan was increased from £98k in the original budget to £147.6k. However, the growing interest in the site from prospective tenants means that the income projection for 2014/15 is likely to be closer to £200k.
- 8.5 Clearly this means that more buildings are being brought online ahead of schedule so capital spend will also increase. That said, the site is now expected to show a net surplus in 2014/15 or 2015/16, well ahead of 2017/18 as originally anticipated.
- 8.6 Budgets are currently being adjusted to reflect the rapidly advancing development of the site and are due to be reviewed at the next project board meeting in August. Some insurance related costs are being actively re-negotiated with the Council's insurers now that the site is in daily use and activity levels are high.

9. TENANCY STATISTICS

- 9.1 Interest in the site has grown quickly since completion of the initial construction & demolition works. The total number of available lettable spaces is currently 59 including buildings and external compounds.
- 9.2 38 available units (63.3%) are currently let with a total floorspace of 41,844sqft (38.2% of the total 109,466sqft).
- 9.3 13 (21.7%) have firm interest and negotiations on these are ongoing. This equates to an additional 58,482sqft (53.4%).
- 9.4 Just 9 units (15%) currently have no current interest. Five of these are small self-storage units and another is an office which, due to further compliance works, is not currently being marketed. Of the remaining two, one is a 2.8k sqft warehouse which, having been used as the former vocational skills training unit, has an awkward internal layout and is proving difficult to let. The final unit is a larger warehouse (3.6k sqft) which did have firm interest but, due to delays in securing a surveyor during Q4 2013, this has fallen away and the prospective tenant has found another property which is perfectly equipped for his needs some distance away near Donington.
- 9.5 There are currently 40 businesses operating on the site (including two where the leaseholder owns two subsidiaries). Of these, 21 (56.8%) are existing businesses with a further 16 (43.2%) being start-ups.
- 9.6 Of the businesses signing leases, only 47.5% are from within Rutland with 52.5% being drawn in from neighbouring counties (Leicestershire 22.5%, Lincolnshire 10%, Northamptonshire 12.5% and Derbyshire, Nottinghamshire and others being 2.5% each).

10. RENTS, SERVICE CHARGES AND LEGALS

- 10.1 In order not to contravene state aid legislation, rents have been set using valuations provided by Innes England and are monitored regularly. Many of these buildings are very basic and rents are charged to reflect this.
- 10.2 A service charge is applied to all tenants to contribute towards the costs associated with managing the wider site and tenants pay their own business rates where applicable. Many of the units are valued below the £6k threshold and are hence exempt from NNDR payments.
- 10.3 Car parking spaces are zoned within the existing car parks and the central parking area. Some units will include allocated car parking to the front, rear or side as specified in each lease.
- 10.4 Some buildings lend themselves to mixed occupancy and shared facilities and the upkeep of shared/ common spaces will be undertaken by the landlord and costs included in the service charge.

11. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	LOW	Tenancy is ahead of schedule in line with the business plan.
Viability	LOW	Interest in the site is strong.
Finance	LOW	The project has approved capital and revenue budgets. The business plan, capital and revenue monitoring processes are established and reviewed by the Project Board but revenue generation is ahead of the original business plan.
Profile	MEDIUM	The project has a high profile within the County and with the GCGP LEP. Officers respond to any issues as and when these arise to ensure that the project profile is maintained and any risks mitigated.
Equality and Diversity	LOW	No issues identified as per original EIA.

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