

CABINET

19th December 2017

OAKHAM ENTERPRISE PARK DEVELOPMENT STRATEGY

Report of the Director for Places Development and Economy

Strategic Aim:	Building our infrastructure	
Key Decision: Yes	Forward Plan Reference: FP/140717	
Exempt Information	Yes Appendices E, F & G & I are marked as “Not For Publication” because they contain exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).	
Cabinet Member(s) Responsible:	Cllr Oliver Hemsley, Deputy Leader & Portfolio Holder for Growth, Trading Services & Resources (excluding Finance)	
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Ward Councillors	Councillor June Fox (Exton)	

DECISION RECOMMENDATIONS

That Cabinet:

1. Endorses the proposals and recommends to Council that it approves £1.77m capital funding to facilitate the infrastructure works & construction of new buildings under development Phase 2a.
2. Approves £420,000 capital funding to facilitate construction of the new access road and improvement of the existing road infrastructure.
3. Approves adoption of the draft development strategy for the OEP site and delegates management of approved capital schemes to the Director for Places Development and Economy in consultation with the Portfolio Holder for Growth, Trading Services & Resources and the Oakham Enterprise Project Board.
4. Delegates authority to the Director for Places Development and Economy in consultation with the Portfolio Holder for Growth, Trading Services & Resources and the Oakham Enterprise Project Board to negotiate and enter into necessary legal agreements for the build of industrial units on the site following a procurement process and for the subsequent lease of the units.
5. Authorises the Director for Places Development and Economy, in consultation with the Portfolio Holder for Growth, Trading Standards & Resources and the OEP Project Board to determine a procurement route, award criteria and if a suitable supplier or suppliers are identified move forward and award contracts for the works detailed in this report.

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is for Cabinet to consider and approve the long-term development strategy for the site. It also presents for approval a business case for the investment of £2.2m to develop the central area of the site at OEP. This will facilitate optimisation of the site in accordance with relevant sections of the Constitution.
- 1.2 In certain circumstances it is necessary for the Council to act quickly to take progress opportunities as they arise, namely to accommodate additional business tenants for the Council thus maintaining a revenue stream and ensuring an appropriate rate of return on its investment.

2. BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 The Council's Corporate Plan 2016-2020 states that the Council will "plan and support future population and economic growth in Rutland to allow our businesses, individuals, families and communities in reaching their full potential".
- 2.2 In 2013 the Council completed the purchase of the Oakham Enterprise Park site for £1.4m (including Stamp Duty and Legal Fees). This represented substantial value for money for a 25 acre site with existing buildings and facilities. This was supported by the valuation of the site during the diligence process which identified the site could potentially be worth up to £100k per acre.
- 2.3 A further £2.1m was earmarked for investment in conversion works to the former prison buildings to render them suitable for commercial occupation. This brings the total capital investment in the site to £3.5m.
- 2.4 An independent valuation report by Innes England in 2015 valued the site at up to £250k per acre and this was supported by the Council's Affordable Housing Viability Study.
- 2.5 It should be noted that the sale to the Council by the Ministry of Justice (MOJ) includes a clawback in the event of the sale or lease of any part of the site for retail or residential use within a 25 year period expiring 2037. In such a case, 50% of any uplift in value of the site would need to be paid to the MOJ. This strengthens the case for the site to be developed for commercial occupation although the Council may at some stage wish to consider sale of all or part of the asset to generate a capital receipt.
- 2.6 Gross rental income in 2017/18 is forecast to be £438k but this is projected to reach £592k by 2027. The reason for this movement is shown in the table below:

Description	Amount (£000)
New units coming online	23
Full year occupancy (compared to 2017/18)	20
Known rental incomes (based on current leases)	19
Inflationary increases	92
Total	154

- 2.7 The inflationary increase equates to approximately 2% per annum over a 10 year period based on the forecast income for 2017/18.
- 2.8 The Council also benefits from increased levels of business rates, currently generating £214k annually but with reductions for small business rate relief of £101k leaving £113k due from ratepayers. Rutland County Council receives £55k (49%) of this additional income.
- 2.9 Further benefits arise from businesses located at OEP as they buy from and supply to other local businesses thus contributing to the overall economic prosperity in the County and wider regional area. The Council occupies two of the buildings itself. These are the Active Rutland Hub which the Council operates and sub-lets to two primary sports club tenants (rental income totalling around £36k) with additional income being generated from the hire of the dance studio and all weather pitch. Part of Unit 16a is occupied as the Rutland Adult Learning & Skills Service (RALSS), a partnership with Peterborough Regional College for which a rent of £25k per annum is collected.
- 2.10 The original project outcomes and targets are shown in the table below:

Project Objective	Outcome	Target	Current position
Unlocking buildings of a suitable size, type and tenure that inhibit business start-up, retention and growth.	Remediated business space made available to market by 2018/19	103,000sqft	106,000sqft excluding the Events Zone at 153,000sqft
	Remediated business space taken up by 2018/19	77,000sqft	
Facilitating business start-up and early stage business support	Businesses supported & jobs safeguarded/created by 2018/19	Businesses 35 Jobs 250	Businesses 104 Jobs 240
Creating sustainable land & accessible location for new employment facilities	Clearance & remediation of part of the site for new build (2.6 acres)	Demolition complete	Demolition complete
Reusing existing sports facilities for wider community use	Delivering 14,000sqft remediated sports facilities	14,000sqft	14,000sqft
	Club success & membership growth	Achieve	Achieved
	Establishment of new clubs & activities	Achieve	Achieved

- 2.11 Oakham Enterprise Park now provides around 106,000sqft of floorspace to over 100 tenants. This is referred to as 'Phase 1' and the site has reached current capacity. It is now an established & trusted brand within the local community and offers a wide

range of facilities including a day nursery, sports centre, adult learning hub and recreational events zone. The OEP brand is also recognised well beyond the county's borders with over 40% of tenants at the site investing into Rutland from other areas including Leicestershire, Lincolnshire and Northamptonshire.

- 2.12 Average void rates for larger industrial units are quoted at 5.8% for the East Midlands and 4.1% for East of England (source: Savills 'Big Shed Survey', July 2017). At the time of writing, Oakham Enterprise Park has two industrial units vacant equivalent to 4.92% of available floorspace. Both of these have firm interest and occupancy of the larger unit has been delayed by a decision not to continue to let it for leisure use due to associated parking problems. An allowance of 6% has been incorporated into the business plan as a void provision.
- 2.13 The Active Rutland Hub (ARH) located at OEP has become increasingly popular with local sports clubs who have relocated to the site to grow their membership and utilise the excellent facilities to optimise competitive standards.
- 2.14 Two primary tenants of the ARH are Vale Judo Club and Oakham Artistic Gymnastic Academy and between them they have over 600 children attending weekly sessions. Other activities include trampolining, football, dodgeball and inclusive multi-skills and the building also provides a base for exercise referral and fall prevention schemes. Vale Judo Club is now one of the largest judo clubs in the East Midlands and hosts large competitions.
- 2.15 OEP has also proved popular as a filming location for several high profile TV productions which has attracted additional investment from hire fees and created significant incidental benefits for the local tourism economy.
- 2.16 The OEP project was a recent finalist in two national awards; the Municipal Journal Achievement Awards 2016 "Commercialism in the Property Estate" and the Local Government Chronicle 2016 "Entrepreneurial Council of the Year". It also received a commendation in the Municipal Journal Achievement Awards 2015 for the "Innovation in Finance" category. This gained the Council national recognition and OEP has since featured in several national media publications including the Financial Times as a good example of local authority innovation (APPENDIX H).
- 2.17 On 19th July 2016, Cabinet approved investment of £500k to develop the central site area referred to in this report as 'Phase 2a'. The Council is currently reviewing its capital investment projects in order to become more commercial and ensure that desired outcomes, particularly yields, are optimised across the Council's estate. As a result of changes in the market and tenant demand, a new approach has been developed for Phase 2a. This is reflected in this paper.

3. Development Strategy

- 3.1 To date, existing buildings have been used with a wide range of former prison workshops and administrative facilities being converted to accommodate business tenants. Exceptions to this are the two recently constructed modular buildings currently tenanted and operating as The Rutland Cookery School and The Rutland Cake Company. The latter was constructed by the tenant on a ground rent agreement.

- 3.2 Approximately 12 acres of land on the site remains vacant and a phased development strategy is hereby proposed for adoption (APPENDIX A). The objective of this is to drive ongoing investment into OEP and the resulting benefits for the local economy with a particular focus on attracting inward investment.
- 3.3 Detailed ground investigations would form part of future development phases so, whilst assumptions have been made that the land is likely to be viable for redevelopment, residual contamination from previous uses, latterly as a prison and originally as a military base remains a possibility.
- 3.4 The phased approach will enable the Council to continue to benefit from the existing revenue stream from lease of the events zone to the east of the site and from ad-hoc income from use of these areas for additional activities including film location hire until such time as Phase 2 is complete and works are ready to be commenced in other areas.
- 3.5 The anticipated development zones are illustrated in APPENDIX B and summarised in the table below:

Phase	Development Type	Site area (ha)	Estimated floorspace potential (sqft)	Est. annual rental value	Est. Job Creation (FTE)
2a	Industrial	0.63	20,000	£100k	40
2b	Industrial/Start-up	0.60	25,000	£150k	49
3	Office/Start-up	0.30	10,000	£100k	77
4a	Office	2.00	20,000	£200k	154
4b	Office	0.22	10,000	£100k	77
5	Industrial	3.51	100,000	£500k	198

- 3.6 OEP is Rutland's primary business park. As it develops, it will continue to have a clear synergy with the new serviced business centre at Barleythorpe (The King Centre) and any future commercial sites in which the Council may decide to invest, including potential for an enterprise zone as part of the St George's project.
- 3.7 The Employment Land Availability Assessment carried out by the Council in 2015 advised that Rutland would require around 29.09 hectares (72 acres) of commercial development land to ensure adequate provision to 2036.
- 3.8 Phasing is proposed to commence with industrial units at the centre of the site along with supporting new road infrastructure to unlock outlying areas of the site which are currently difficult to access.
- 3.9 New construction will primarily be industrial accommodation being a mixture of large warehouses and small workshops but this may change depending on local demand fluctuations and inward investment requirements.
- 3.10 Elements of office space are also included but these are proposed for areas of the site which are closest to existing residential areas to the north and south where disturbance from industrial operations needs to be considered.

- 3.11 There continues to be significant demand for industrial units and this is likely to grow over the coming years. Most enquiries for larger units (mostly in the 5-10ksqft range) tend to favour a freehold option but as such opportunities in the county are very limited, long leases in excess of 20 years are also popular.
- 3.12 Demand for small workshops of up to 5,000 sqft remains strong and there is a growing waiting list of tenants seeking such premises with a clear preference for roller shutter access. The location of such units within Oakham Enterprise Park enhances desirability due to the secure nature of the site with good access and ample parking.

4. PROPOSED PHASE 2A

- 4.1 Prior to the proposed commencement of Phase 2a, only one new building has been constructed by the Council being an 800sqft (74.3 sqm) modular unit with a total installation cost of £67k. It has been occupied by a tenant since completion in January 2017 and generates an annual rental income of £7.5k. With the modular building itself costing £40,000, a significant amount was required to facilitate new utility connections. Once these are in place, the cost of connecting additional units in the vicinity will be much lower, i.e. construction of further units becomes more efficient.
- 4.2 The first of the new build phases, 'Phase 2a', proposes redevelopment of the central area of the site. This was formerly occupied by four large three-storey 1960s prison cell blocks that were demolished in 2014. This was complicated by the presence of asbestos requiring specialist removal and a significant presence of large reinforced concrete foundation pads.
- 4.3 Much of the concrete from the previous buildings was crushed, graded and stored on site to be recycled in future groundworks and reduce the need to import new material. A large pile of aggregate material therefore currently occupies this part of the site, immediately adjacent to the main entrance gates, which is becoming increasingly overgrown and unsightly to the detriment of the wider business park.
- 4.4 Phase 2a proposes two main elements being a new access road to link the main entrance with future development areas and two new 10,000sqft warehouse buildings. A proposed timeline for the project is attached as APPENDIX G.
- 4.5 A detailed cost estimate is shown in the table below. This is based on a feasibility study by professional design consultants procured earlier this year. Although considered reasonably accurate, should be used as a guide as prices may be liable to change. This is due to detailed ground condition assessments not yet having been undertaken and market fluctuations.

Industrial Units	Cost (£000)
2 no. industrial units at 10ksqft each inclusive of prelims & design fees etc	£1,770
Road Works	
Break out existing roads & kerbs <ul style="list-style-type: none"> • Break out concrete slab – 150mm thick • Cold plane existing tarmac • Break out kerbs & remove 	

<ul style="list-style-type: none"> Remove reinforced prison fencing 	£104
New Road <ul style="list-style-type: none"> Construction of tarmacadam road Earthworks, drainage etc Kerbs to existing 	£170
Additional Works <ul style="list-style-type: none"> Totem signage, main gate 	£2
Total preliminaries (14%)	£38
Overheads & profit (10%)	£31
Contingency (10%)	£34
Professional & design fees	£38
Planning application fees	£10
Building Control fees	£3
Total	£2,200

- 4.6 At an estimated market rent of £5/sqft for the new warehouse buildings, gross revenue of £100k per annum would be generated for the Council. Gross business rates are estimated at around £48k and there are additional benefits to the local economy including creation of new employment opportunities. Assuming a light industrial use, based on employment to floorspace ratios in the Council's Employment land Assessment (2016) of 47m²/FTE, new job creation could be estimated at around 40 FTE posts for the two new buildings. A storage/distribution lease is likely to see a reduction in employment opportunities but would increase market interest.
- 4.7 The estimated cost for the two warehouses, including car parking, loading & turning space is estimated at £1.76m. Ridge & Partners LLP were engaged in March 2017 via a framework to provide this cost estimate which is based on a fully inclusive rate of £88/sqft using RICS Building Cost Information Service (BCIS). It is a base cost with a risk allowance of around 10%. A detailed cost breakdown for the new buildings will be available once detailed designs have been commissioned along with accurate ground surveys.
- 4.8 Building regulation fees for the new buildings are estimated at around £3k and planning application fees will be £10k. These have been included in the cost summary table above.
- 4.9 The groundworks and roadworks associated with Phase 2a will facilitate future development of Phase 2b as the surrounding area will need to be cleared and prepared for redevelopment with new utility provisions put in place where necessary.
- 4.10 They will be designed very much with flexibility in mind to optimise market appeal and make them suitable for straightforward subdivision to form several smaller units if required. This will reduce the risk of void periods in the event of future economic downturns. It is proposed that once the groundworks are completed, the first unit will be constructed and let before the second one is constructed.
- 4.11 Regular interest has been received in units of this size from business located outside Rutland and this has been summarised in exempt APPENDIX I. In each case however, prospective tenants have been deterred by the lack of a physical building to view and with occupation typically being required within six months, an unrealistic timeframe for the Council to meet. Three local companies are currently interested in

leasing large new builds at OEP and have been unable to find suitable alternatives within Rutland. The Council would seek to enter into an agreement for lease on the first unit prior to construction commencing although it is requested that this is not set as a condition of approval so that construction is not unduly delayed; having a building ready to occupy will attract more market interest.

- 4.12 As outlined in paragraph 4.1 of this report, modular buildings present the Council with a more attractive return on investment (around 11%) with a shorter payback period of about 9 years based on an 800sqft example. However, there are other areas of the site which would better suit this type of building including future development phases. The example referred to was sited on existing tarmac so there would also be significant ground preparation costs for the central site area to be added.
- 4.13 They are not suitable for larger business operations or industrial use, have a shorter life-span compared to those being proposed and would not address the growing demand for large warehouses. There is therefore a risk of expanding businesses either moving out of Rutland altogether or deciding not to relocate to the county in the first place.
- 4.14 The second component of Phase 2a is a 7.3m wide industrial grade access road (shown as 'Road A' on APPENDIX C) which is proposed to run from the main entrance gate, across the centre of the site to join up with Phase 5 which is currently occupied by a collection of small workshop units, the Events Zone and the grass field (former football pitch).
- 4.15 At present, circulation around the site is very restricted for HGVs. Daily articulated deliveries to Unit 17 (a commercial kitchen operation) for example struggle to negotiate several pinch points and have to resort to dangerously tight manoeuvres in close proximity to the Active Rutland Hub which is frequented by young children and their parents and are often forced to drive onto grass areas to get through.
- 4.16 The primary access road will significantly reduce traffic flows around and through the main car park serving the Active Rutland Hub and several low volume office units and workshops. It will also present the Council with new development options (see Phase 4a on APPENDIX B) for this area as a result of the reduction in vehicular access requirements.
- 4.17 Two secondary access roads (marked B & C on APPENDIX C) will be widened to 6.75m to improve HGV access & circulation to the existing industrial zone and future development Phase 3.
- 4.18 The original concrete prison roads remain in use but their condition is deteriorating with the concrete crumbling in places especially where the road passes over utility ducting due to the considerable additional traffic which far exceeds that for which they were originally designed.
- 4.19 A new junction will be formed inside the main entrance to improve traffic flow and safety. Specialist traffic modelling & design consultants Morgan Tucker provided detailed design guidance on the road layout around the site in 2016 which have been used to plan the proposed improvements under Phase 2a and for subsequent phases. The Council's Highways team have been consulted and their comments have been included in section 6 of this report.

- 4.20 The estimated cost for the new Road A and improvements to Roads B & C is £420k and it is recommended that this investment proposal be supported regardless of the decision on Phase 2a. This infrastructure investment will greatly improve the existing traffic flow and pedestrian safety around the site, extend the life of existing roads and provide essential access to the proposed future development phases located to the rear (east) of the site.
- 4.21 Improved access to future development phases will increase the rental value of commercial properties constructed thereon. For example, with enhanced access, it would not be unreasonable to increase the charge per square foot for Phase 5 by 10%, generating an additional £50k per annum for the proposed 100ksqft floorspace. A better access road will also improve the appeal of these areas to a wider market sector.
- 4.22 The proposals will transform the existing 'scrubland' in the central site area to tarmac hardstanding which will have a positive impact upon asset value.

5. PLANNING CONSIDERATIONS

- 5.1 Under planning permission 2013/0192, the site currently has planning consent for industrial & office use (Planning Use Classes B1, B2 & B8) along with elements of assembly & leisure (Class D2). The events zone, being primarily used for Airsoft wargames has consent for 'sui generis' (unique) use because shooting related activities are excluded from the standard 'assembly & leisure' category. The existing planning consent granted outline permission for the central development area but reserved matters will need to be submitted by 9 May 2018 in order to keep the outline consent valid.
- 5.2 If the proposal is supported, an outline application will need to be submitted for the wider site for consideration by the Council's Planning & Licensing Committee. If approved, planning applications for future development phases will cover reserved matters only which will simplify applications for new buildings going forwards.
- 5.3 The former prison football field with an area of around 3 acres located to the east of the site has no current planning consent in place as it was intentionally omitted when the original planning application was submitted in 2013 due to an anticipated objection from Sport England at that time. Dialogue with Sport England has recently taken place and they have confirmed in an email that they are no longer likely to object to a potential planning application given that the previous shortage of community football facilities in the Oakham area has subsequently been addressed. Additionally, it is noted that, being a former HMP facility, the field at OEP was never considered a community asset.
- 5.4 A Supplementary Planning Document (SPD) for the site, adopted in January 2013, sets out the framework for development. In particular, Policy CS6 states that "The Council will seek to ensure that any re-use or redevelopment of former military bases or prisons is planned and developed in a comprehensive and co-ordinated manner.
- 5.5 A preliminary enquiry (ref 2017/0365/PRE) has been submitted to the Council's Development Control section seeking feedback on the revised development strategy and Phase 2a proposal.

- 5.6 A response has been received from a Planning Officer which draws the Council's attention to the existing planning consent referred to in para 5.1 of this report and the expiration of the outline consent for the central development area in May 2018. It further refers to the former prison football pitch and recommends that confirmation from Sport England is sought that they are no longer to object to the development of this area. This has been done as outlined in para 5.3 above.
- 5.7 The Planning Officer advises that planning is unlikely to have any concerns with the new warehouses as proposed and advises that the design of the buildings, together with provision of adequate parking are likely to be the main issues. This will be addressed by detailed plans should the project proceed to planning application stage.
- 5.8 There is no planning objection in principle to the future development phases (Appendix B) but it is requested that consideration be given to the layout of new buildings, particularly in Phase 5, and the possibility of keeping them away from site boundaries in order to "avoid their prominence and appearing as cramped tight to the edge". The response goes on to state that parking & circulation space should be located between the buildings and the boundary where possible and suggests that a landscaped buffer would help assimilate the development with the adjacent open countryside.
- 5.9 More controversial elements of the proposed development strategy are suggested to be alternative site uses including residential development as the site is subject to employment protection policies in the current Core Strategy and it is also remote from a sustainable settlement. Living amongst an employment area where Class B2 (industrial) uses could be carried out is not conducive to residential amenity and due to loss of employment protected land. For these reasons, the planning officer concludes that residential development is unlikely to be acceptable without a significant shift in planning policy along with assurances that amenity could be protected.
- 5.10 The proposed commercial development of the former football pitch has been discussed with Sport England to confirm whether their previous anticipated objection to the loss of the grass field has been negated by the significant improvements to local football facilities in the Oakham area. An email from Sport England's Planning Manager in June 2017 advised that they "should not have an objection to the loss" and that "the new showground site could...accommodate growth for Oakham".

6. CONSULTATION

- 6.1 Professional consultants, Ridge & Partners LLP, have been engaged to carry out a feasibility study for Phase 2a and to design a suitable new road layout which forms the basis for the attached appendices B & C.
- 6.2 Feedback from the Council's Highways section advises that the parking standards as indicated on APPENDIX B, are acceptable. Some further detail is required for the proposed new road and for those to be improved relating to width but, along with tracking to evidence unimpeded passage of HGVs around the site this will form part of a detailed planning application.

- 6.3 Highways have confirmed that the proposed scheme could be constructed through their term maintenance contract but that the design will need to come from a third party. Highways comments received in relation to the existing planning consent (APP/2013/0192) have been noted and input on highway design and drainage will be sought from Highways for any detailed plans going forwards.
- 6.4 A transport assessment was commissioned from Waldeck (Northern Transport Planning Limited) in March 2013 as part of the original change of use planning application for the OEP site. This accounted for a maximum of 317,535sqft of commercial floorspace on the site. The proposed phasing plan as it stands will total 185,000 although future demolition of some of the older existing buildings on site is likely to increase this figure to a maximum of 250,000sqft, remaining well within the parameters of the assessment. With the benefit of hindsight and having built up a detailed knowledge of how the OEP site best operates, it is reasonable to suggest that 317,000sqft of floorspace is unrealistic unless the site was to be flooded with large warehouse buildings.
- 6.5 The report estimated a daily maximum of 4,000 two-way trips to the site at peak occupancy being 694 pedestrians, 46 cyclists, 200 via public transport and 3,060 by vehicle. It concluded that the site is well located for commercial, educational & leisure developments being easily accessible on foot, bike and public transport and readily serviced by commercial vehicles.
- 6.6 At certain periods during peak times, the report projected the following weekday vehicle trips:
- Between 0800 & 0900: 214 arrivals, 84 departures
 - Between 1600 & 1700: 98 arrivals, 174 departures
 - Between 1700 & 1800: 68 arrivals, 172 departures
- 6.7 Ashwell Road is a 'c' class distributor road which provides a link into the centre of Oakham. It has a single two-lane carriageway of between 6m & 7m in width with verges on both sides and a footway of around 1.5m width on one side in places. There is occasional development including residential, commercial and agricultural and the road provides direct access to these uses. The road forms part of a bus route, is relatively lightly trafficked and carries a small number of HGVs. Vehicles in excess of 7.5 tonnes are not permitted to use the road except for access.
- 6.8 The original use of the OEP site as a prison generated a significant level of traffic comprising staff, visitor and service vehicle movements.
- 6.9 In accordance with the Government's "Guidance on Transport Assessment" (March 2007), the traffic effects of the development were considered in a 2018 assessment year, 5 years after the then proposed planning application was anticipated to be submitted. Taking into account projected growth figures for Rutland and adjusting these in accordance with national transport model datasets, the assessment was able to calculate existing (2013, pre Oakham Enterprise Park) and future (with OEP operating at maximum projected capacity) traffic flows.
- 6.10 The assessment included detailed analysis of the traffic impact upon the site access junctions, Ashwell Road, nearby roundabouts and feeder roads and junctions. It advised that the site access junctions would satisfactorily provide for vehicular

movement into and out of the site and that that the changes in operation of the local highway network resulting from the proposed OEP development would be modest. It concluded that the development proposals were unlikely to have any material implications for highway capacity or road safety and were satisfactory from transport policy, traffic and highways perspectives.

- 6.11 It is acknowledged that further transport assessments may be required as a component of future planning applications and that this is more likely to be the case for later development phases.

7. ALTERNATIVE OPTIONS

- 7.1 Clearly there is an option not to invest further in the Oakham Enterprise Park site. However this would not address ongoing and increasing demand for good quality, affordable commercial premises and the existing projected shortfall in provision would deteriorate.
- 7.2 The site could be sold as a going concern which would generate a significant capital receipt. The Council would lose control of this important strategic site and its future development along with a substantial and growing revenue stream. Options for a potential investor are limited as residential development would be at odds with the current Local Plan and the Council needs to bear in mind the potential for clawback by the MOJ if residential or retail values are achieved. The ability to control the site to support and nurture small businesses and start-ups would no longer sit with the Council.
- 7.3 Partial sale of the site is another option but this would obviously result in the Council losing control of part of the site especially where freehold elements were located centrally and this may jeopardise future asset values.

8. FINANCIAL IMPLICATIONS

- 8.1 The total cost of the development and how the scheme is proposed to be funded is shown in the table below

	Road (£000)	Buildings (£000)	Total (£000)
Scheme Costs	420	1,780	2,200
Funded By:			
Capital Receipts	0	400	400
Developer Contributions	0	200	200
Prudential Borrowing	420	1,180	1,600
Total Funding	420	1,780	2,200

- 8.2 Appendix F shows the detailed business plan for development Phase 2a. From year three, when the site is fully operational, Phase 2a will generate a surplus of c£50k per annum, this includes taking account of the cost of the financing shown in para 8.1.
- 8.3 The table below shows the rate of the return of Phase 2a compared to the return of the site at various phases.

	Average Net Income Per Annum (£000)	Capital Investment (£000)	Return on Investment
Original 10 Year Business Plan	(-128)	3,333	3.85%
Current 10 Year Business Plan	(-183)	3,556	5.15%
2015/16	(-17)	3,483	0.47%
2016/17	(-30)	3,550	0.83%
2017/18 (Forecast)	(-126)	3,556	3.55%
Phase 2a (Without Road)	(-49)	1,780	2.74%
Phase 2a (Including Road)	(-49)	2,200	2.22%
Current 10 Year + Phase 2a (including road)	(-232)	5,756	4.03%

- 8.4 As the table shows the return on investment for the entire site (after the investment) would be 4.03%. This is higher than the return the Council could get if it invested in the CCLA Local Authority Property Fund, net return after expenses was 3.1% for the year ended 31st March 2017. The CCLA property fund is benchmarked against the AREF/IPD Other Balanced Property Fund index, the yield for the against this was 3.5%. The 10 year return on both funds was 2.1% (CCLA) and 1.91% (AREF/IPD). This does not consider the entry and exit costs associated with property funds (buying above the unit price and selling below the unit price).
- 8.5 Although the return in relation to Phase 2a in isolation is low compared to the current performance of the site, para 4.6 explains that the groundworks required for Phase 2a will benefit future development phases and lead to an increase in yield in these areas.
- 8.6 The Phase 2a development has been risk assessed against security of income, Location of Sector, The Property and Security of Capital / Scope for capital appreciation. The results of the assessment is summarised in the table below.

Risk Category	Description	Comments
Security of Income	<p>The income (or revenue savings) which are likely to be generated by the investment is the most important element.</p> <p>The security of the income will be governed by lots of factors – lease length/terms, rent review, quality of tenants, demand, vacancy risk, management cost etc</p>	<p>The two new buildings are likely to generate £100,000 rent per annum at a market rate of £5/sqft.</p> <p>On these larger buildings, longer lease terms of up to 25 years are considered realistic as larger businesses are likely to need to invest significantly in the site as part of their relocation.</p>
Location of sector	<p>The investment should be in an area which is economically buoyant and has the potential for sustainable financial and economic growth.</p> <p>The quality of the location</p>	<p>The location of the site close to the Oakham bypass and in the centre of Rutland is advantageous.</p> <p>The popularity of the site and demand for units to date evidences this and it has good transport links which makes</p>

Risk Category	Description	Comments
	may depend on the sector. For example, office space in a market town is likely to score higher than office space in a village location.	it a sustainable location for tenants.
The Property	The tenure, age and construction of a building should be considered including the potential for alternative use, obsolescence, requirement for repairs/improvements.	New build portal frame units are proposed and the buildings will come with an appropriate warranty. The land is owned outright by the Council.
Security of Capital / Scope for capital appreciation	An assessment should be made on the security of capital and the scope for capital appreciation in respect of the investment. Properties worth far more than their current value in x years' time will be more desirable than one likely to be worth less than their current value.	The buildings will add value to the wider site which, based on an independent valuation by Innes England in 2015 has already increased in value from around £100,000 per acre in 2012 to £250,000 per acre.

8.7 The main area of concern from the risk assessment was the security of income. The reason for this is that the units are being built before a tenant has been secured. This risk is being mitigated in a number of ways

- Flexible Buildings – The buildings will be designed able to be sub-divided into smaller units should the demand for larger units not arise.
- Phased Building – The second unit will only be constructed once the first has been let. Phasing the building in this way reduces the risk of void periods. Notice periods will be set to optimise opportunities to secure replacement tenants where necessary.
- Comprehensive Vetting Process – All prospective tenants will go through a robust financial vetting process. This will ensure, as far as possible, that tenants have the financial resources to meet the obligations of the lease.
- Level of Interest – The level of interest shown in the central site under the previous approval was good. The main reason the scheme didn't progress was because of the length of time to build units and the desire by prospective tenants to relocate within a 6 month period. At the time of writing, two local businesses have expressed firm interest in the proposed new units.

- Project planning – the proposed Phase 2a and subsequent development phasing will include pre-planned project stages (gates) which will provide opportunities for re-evaluation of the proposals in line with any significant market changes. If necessary, the project can thus be paused, terminated or revises as considered appropriate at the time by the project board. These gates are proposed to be at the following points:

Gate	Phase
1	Completion of detailed design
2	Pre-tender estimate
3	Receipt of tender from contractor (road)
4	Receipt of tender from contractor (buildings)

- 8.8 Award of procurement contracts is proposed to be based on the following weightings or similar:

Criteria	Weighting (%)
Price	90
Resource availability	3
Proposed methodology	3
Relevant experience & technical skills	4

9. LEGAL AND GOVERNANCE CONSIDERATIONS

- 9.1 Legal Services have been consulted and their comments have been incorporated into this report.
- 9.2 Procurement implications: All procurement will be undertaken in line with the Council's Contracts and Procedure Rules and in consultation with the Welland Procurement team. Furthermore it is proposed that procurement be delegated to the Director for Places Development and Economy in consultation with the Portfolio Holder for Growth and Trading Services and with the OEP Project Board. Contracts will be awarded taking into account the weighting criteria detailed in para 8.8 of this report.
- 9.3 Delegation of authority to the Director for Places Development and Economy in consultation with the Portfolio Holder for Growth, Trading Services and Resources and the OEP Project Board will ensure that the works can move forward without delay subject to meeting assessment criteria at each of the proposed project stage gates.

10. EQUALITY IMPACT ASSESSMENT

- 10.1 An Equality Impact Assessment (EqIA) has been completed. No adverse or other significant issues were found. A copy of the EqIA can be obtained from the author of this report.

11. COMMUNITY SAFETY IMPLICATIONS

- 11.1 The improved traffic routing will improve the overall safety of the site to tenants and visitors especially around the main entrance gate area and central car park adjacent to the Active Rutland Hub.

12. HEALTH AND WELLBEING IMPLICATIONS

- 12.1 The proposal will have no adverse impact on health and wellbeing. However it will enable improvements to and expansion of the Oakham Enterprise Park site, unlocking growth for businesses and providing and safeguarding jobs for local people which will contribute to reducing unemployment rates & increase associated health benefits.

13. ORGANISATIONAL IMPLICATIONS

- 13.1 Risk management:

- Surveys not identifying all relevant ground conditions and services information. The surveys undertaken are appropriate to the scale of the development.
- Lack of demand from new tenants, achievability of rental values and Council liability for void rates. A market assessment was undertaken for the whole site which has assessed rental levels and likely void rates. Given the long-term nature of the development strategy and significant economic uncertainties there are a number of key risks attached to the proposal.
- There is currently a degree of volatility in the commercial property market linked to the political & economic ramifications of the Brexit process. However, the outlook for the Midlands region remains positive and the relative shortage of good quality commercial premises to rent in the Rutland area will reduce the risk of new build units remaining empty for long periods.
- The Q2 2017 RICS UK Commercial Property Market Survey results suggest that generally the commercial rental market has become more cautious with many prospective tenants waiting for more clarity about the post-Brexit climate. However, OEP has already demonstrated the popularity of its units and has maintained occupancy rates of over 90% for the last 2 years.
- Currently, although demand for retail premises has fallen slightly, demand for offices has remained stable with industrial properties seeing an increase. Availability of retail property is good but there is a shortage of good quality industrial space which the proposal will seek to address locally. Office availability has remained stable.
- New buildings will be designed with flexibility in mind. This will enable them to be sub-divided into smaller units if a significant market change makes it more difficult to find tenants for larger units. The 10 year business plan for OEP will factor in void provision and an occupancy rate of 80% for each of the new units.
- The phased construction approach will present an opportunity to evaluate the market at each stage and for an appropriate decision on whether or not to proceed at the time to be taken. Each unit will be occupied before further units in each phase are constructed, i.e. a build then lease approach will be applied.

- Extensive background checks will continue to be carried out on prospective tenants especially for larger new build or more specialist units and tenants will ultimately be agreed by the OEP project board with consideration being given to a number of factors including financial position, nature of the business and number of employees etc.
- Framework contractors will be selected where possible to facilitate the planning & build processes and to reduce the risk to the Council arising from contractor failure.
- The Council's new investment policy will be applied to each development phase and the costs and risks carefully deliberated prior to commencement.

13.2 Environmental implications: Around 3 acres of Council owned brownfield land will be decontaminated and developed. Any new buildings will be designed with efficiency in mind.

13.3 Human resource implications: Minimal as an established management structure and project board is already in place for Oakham Enterprise Park.

14. CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

14.1 The growing popularity of Oakham Enterprise Park with businesses and the local community in general is a testament to its success. Phase 1 has generally been at capacity occupancy for around 2 years and there is a growing waiting list for industrial units and small offices on the site along with firm interest in the proposed new units.

14.2 The development of the central site area along with the new and improved roads is fundamental in unlocking growth of the wider site in addition to being able to attract larger businesses. The projected financial return of 4.03% even taking into account the construction costs for the new road is an attractive proposition and subsequent buildings, with the bulk of the ground preparation and new roadway in place are likely to improve on this figure.

14.3 Engagement with larger businesses seeking to relocate to Rutland in recent years has revealed a strong preference for 'ready to go' units facilitating a move within a 6 month period. With new buildings constructed and a willingness on the part of the Council to offer longer leases, opportunities for attracting inward investment are significantly increased.

14.4 In addition to a reasonable financial return, the Phase 2a proposals and the revised development strategy offer significant additional economic benefits including new employment opportunities, generation of new income from business rates and enhanced access to and development potential of future development phases.

14.5 Adoption of the new development strategy and approval to proceed with the Phase 2a proposal will enable the Council to take a significant step forward in developing the OEP site. Delegation of the approved capital schemes to the project board will enable development to proceed swiftly and with a degree of flexibility which is important to service the needs of the private sector.

15. BACKGROUND PAPERS

15.1 None

16. APPENDICES

- 16.1 APPENDIX A – OEP Development Strategy
- APPENDIX B – Development Strategy Phasing Plan
- APPENDIX C – Phase 2a Indicative Layout Plan
- APPENDIX D – Existing Site Plan
- APPENDIX E - OEP 10 Year Business Plan (EXEMPT)
- APPENDIX F – OEP Phase 2a Business Plan (EXEMPT)
- APPENDIX G – OEP Phase 2a Proposed Project Plan (EXEMPT)
- APPENDIX H – Financial Times article – July 2015
- APPENDIX I – Summary of recent interest (EXEMPT)

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.