

**NORTH EAST DERBYSHIRE
DISTRICT COUNCIL**

OVERVIEW AND SCRUTINY

**BUSINESS CENTRES AND
INDUSTRIAL UNITS**

APRIL 2019

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Chairs Foreword

I am pleased to present this report on behalf of the Growth Scrutiny Committee. It details the findings, conclusions and recommendations of the Committee from its review of Business Centres and Industrial Units

The review panel found this review interesting and felt it was timely given the focus on growth within the Authority. I would like to thank all members of the Committee for their input and support during the review.

I would also like to take this opportunity to thank the officers, who took the time to speak to members of the Committee, for their advice, support and cooperation provided through the review process.

Finally I would like to say thank you to Sue Veerman, the Scrutiny Manager, for the planning and organising done on the Committees behalf. Thanks also to Democratic Services for the support they have provided.

Councillor J Windle
Chair of Growth Scrutiny Committee

Review Panel

The review panel comprised the following members:

Councillor J Windle	-	(Labour) – Review Panel Chair
Councillor S Boyle	-	(Labour)
Councillor S Cornwell	-	(Labour)
Councillor C Cupit	-	(Conservative)
Councillor A Powell	-	(Conservative)
Councillor B Rice	-	(Labour)
Councillor C A Smith	-	(Labour)
Councillor K Tait	-	(Conservative)
Councillor C Tite	-	(Labour)

1. Recommendations

That:

- 1.1 The Council consider the introduction of a mission statement setting out a clear statement of the purpose for the service
- 1.2 The Council considers undertaking a branding exercise to consider how it can effectively best market its business centres and industrial units
- 1.3 The Council ensures that it has a rolling programme of maintenance that has a sufficient level of investment to keep its business premises fit for purpose
- 1.4 The Council review the provision of security at Council owned industrial sites
- 1.5 The service introduce some meaningful performance indicators to monitor delivery of the service
- 1.6 A checklist for letting of premises be created
- 1.7 The Council ensures that any contractors or sub-contractors it uses are adhering to all the requirements set out in the relevant Councils policies
- 1.8 Additional signage be provided at Coney Green Business Centre to improve car parking at busy periods
- 1.9 Consideration be given to the potential for the provision of container storage units for tenants at Coney Green Business Centre
- 1.10 Tenant Surveys be undertaken at Industrial Units

2. Introduction

- 2.1 At its meeting on 19 July 2018 the Growth Scrutiny Committee agreed to undertake a review of Business Centres and Industrial Units.
- 2.2 The review panel thought it timely to review this area to ensure it was supporting the Councils Growth Agenda.

3. Scope of Review

- 3.1 The review aimed to:
 - Review the current approach of the Council to the letting and management of business centres and Industrial units
 - Consider how it was meeting the corporate aims of the Council;

- Assess how the service is performing;
 - Consider whether it is meeting the needs of customers currently and whether it will be fit for purpose into the future;
 - Assess whether the Council is getting value for money from the service;
1. Identify any areas for improvement.

4. Method of Review

- 4.1 The review panel met on five occasions to consider the scope of the review, key issues they wanted to discuss and key people they wished to interview.
- 4.2 Evidence was gathered in a variety of ways including written sources and interviews with a range of stakeholders.

5. Evidence and Research

- 5.1 A number of documents and evidence were provided to the review panel for consideration. Details are provided below:
 - Scene Setting Presentation by the Head of Property and Commercial Services, the Business Centre Manager and the Estates Manager on 27 September 2018;
 - Asset Management Survey;
 - Satisfaction Survey from Coney Green Business Centre Tenants.

6. Key Findings

6.1 Strengths/Observations

6.1.1 The provision of business sites – Tenants

Stakeholders were asked what they thought about the Council's business centres and industrial units' provision. A number of positive comments were made across all stakeholders. This included that the facilities were good, management of the business centre were considered approachable and were available to deal with issues arising for tenants. The attractiveness of the rent and rates of the premises was mentioned by a number of stakeholders as a reason they had chosen to let units from the Council.

6.1.2 The provision of business sites - Officers

Interviews with officers of the Council identified that a common view was that the Council was providing business accommodation that the local commercial market would not find economically an attractive investment venture. One manager commented that as a public organisation we can provide small business units that are needed. It was felt that businesses were attracted to the Council premises by the flexible terms available. This was supported by evidence heard from tenants. Additionally the Council's reputation was referred to as an organisation that could be trusted and therefore provided risk free service for tenants. Again this was supported by comments made by tenants. The role of the Council in this market was also seen as important as it helped supported local business, including many start-ups. This helped the Council in promoting growth within their area. Officers expressed views that having the balance of Council being in this market was a good thing and something the Council should be doing. It was felt that the main market for the Council should be industrial rather than retail due to the problems the retail sector was facing. The industrial market was considered more stable. It was felt that the Council should look to increase its ownership of industrial properties where appropriate. Statements were made such as we are about people being helped into business and the Council provides quality business units and service that attract and retains tenants.

Details of how the rents charged were assessed was provided and to ensure consistency an in-house valuer undertook this work. It was noted however, that the Council now had only one valuer remaining. It was stated that there was a lot of work in setting rents, valuing properties and land purchase. It was commented that more resource might present an opportunity for the Council to generate more income for example from sale of small plots of land. This did not always mean necessarily selling of parcels of land as it could mean working in partnerships, joint ventures and with Rykneld Homes to make them commercially viable.

6.1.3 Suitability of sites

The general consensus from external and internal stakeholders was that the units provided by the Council are fit for purpose. Officers advised that they generate a decent income for the Council as well as meeting the Council economic growth aims. Several stakeholders referred to the Asset Management Survey that had recently been undertaken to assess the status of current assets with a view to ensuring that they were maintained by a measured programme of work. One stakeholder stated that the survey helps the service and the Council understand what maintenance, refurbishments and investment were needed for our assets. It was important to understand the need to keep sites attractive as this then attracts more tenants and increases income. This income can then be reinvested into properties.

6.1.4 Coney Green Business Centre

Tenants interviewed felt that the Coney Green Business centre units were redecorated to a high standard and the public areas were in good condition. The panel undertook a site visit of some of the units at Coney Green and saw for themselves the standard of refurbishment of the occupied units and those unoccupied units being refurbished for new tenants. The panel also heard from the Concierge service provided at Coney Green. Twenty four hour cover was provided and the site was considered safe, secure and clean. Other facilities mentioned by tenants as being available to them included meeting rooms for hire, services like a post franking service, a post-delivery facility and refreshment provision if required for meetings or events. This was viewed as a useful provision. Tenants spoke highly of the management and also appreciated the opportunity that the facility provided to interact with other businesses. When asked about what attracted them to the site, replies included the location and price, more space to grow organically, works better than my previous place, modern facilities, would recommend it. One stakeholder commented it meets my current needs but for future will need double the size unit. Another said I see the value in being at a centre, it was a good move coming here. Other comments were I have suitable office space and a warehouse facility for cold storage. I want to stay with the Council and will remain if possible. One stakeholder also commented that he was very pleased that the panel had taken the time to discuss this issue with tenants as he did not think it would happen with a private company.

The Business Centre Manager advised the panel that the office accommodation was at a good occupancy when it was in the region of 85 to 90% let. The industrial units were often at 100% let due to the demand for such space. She felt the rent and rates were very attractive for businesses. This was supported by discussions with the tenants.

6.1.5 Commercial Agents

The panel heard from stakeholders regarding how the Council advertised and let units. This had changed from previously and the Council now employed the services of a commercial lettings agent. It was felt that this made more economic sense and the coverage that the Council was now able to obtain for advertising premises through a main online real estate and letting websites such as Right Move, was far more effective and beneficial. The agent currently procured to undertake this service is Boxall, Brown & Jones who not only provide on line access which would not be directly available to the Council, but also offer a wide range of other letting and commercial rent advise, which has helped the Council effectively manage the number & duration of voids properties and maximise rental revenue across the service.

6.1.6 Documentation

The panel heard from a couple of stakeholders on how documentation processes within the service were being improved. This included the use of the uniform system to replace paper records with a digital archive. It also provided the service with management information which was useful. New work was being done digitally and most of the previous paper documents had been scanned onto the new system. The service was also in the process of rolling out a revised format of lease which was clearer and identified the role and responsibilities of both landlord and tenant. It aimed to give tenants a sense of responsibility for their own unit.

6.2 Areas for Improvement/Observations

6.2.1 Mission statement

A couple of stakeholders said they would like to see the introduction of a mission statement for the service as there was currently no written policy. They thought this would help provide a clear statement of purpose for the service. A main part of this would be obtaining a clear steer from members on what their vision for the service was and what they wanted it to be in the future.

6.2.2 Branding

A number of comments made by officers were that the Council could improve the branding of sites so prospective tenants know it is a Council premise. One stakeholder said that his general impression was we could sign our premises better and make it clear they are North East Derbyshire District Council premises. There was an opportunity to highlight the Council had this commercial arm in addition to its housing element. Another said we could improve the overall image of the sites generally. Additionally, although it was acknowledged the use of online agents was working well, one officer said he would reinstate the use of lettings boards as these were successful in the past when we used them. They also provided an opportunity to highlight that it was a Council unit that was being let. This sense of the value of the Council's reputation and reliability in lettings of business units was a recurring theme and the general feeling was we should promote this.

6.2.3 Maintenance and investment

The panel heard that funding and resources can be an issue. Several stakeholders commented that historically estates have lacked investment and only reactive repairs have been undertaken. The Committee was also informed of the measures the Council has taken to maintain its premises fit for purpose and attract tenants. This has been successful for most of the time but at times of market contraction and downturn it was important to continue to provide fit for purpose premises.

Following the production of the Asset Management Survey and Strategy for the Capital Programme there was now a clearer picture of what maintenance was required and the cost of it. This information was very useful and allowed the Council to plan its expenditure over a number of years. Replacement of asbestos roofing long term was one example provided. One stakeholder when discussing this strategy said if we look after our assets with trickle investment over time they will last for many years. Another stakeholder said we needed to dispose of properties that cost the Council money. The panel also heard from one stakeholder who said he felt that compared to private sector investment in maintenance the Councils funding was much lower. The Committee therefore felt it was important to ensure that the level of Investment for property maintenance was sufficient.

6.2.4 Security of Sites

The review panel undertook a tour of some of the key business unit sites as part of their review. They observed that the overall standard of sites was good with some of the newer units providing very good accommodation. One issue raised was the provision of security on site and a discussion took place on the levels of security at different sites. The Coney Green Business Centre was a very secure site enclosed by fencing and covered by CCTV and surveillance arrangements. Midway Business Centre also had CCTV coverage. Other sites with industrial units had perimeter fencing that provided a good level of protection. However, this was not the case in all locations and it was explained that the nature of some sites made this difficult and for others the installation costs were significant. The panel felt that it would be useful to review this area and see whether any further actions could be taken to safeguard some sites.

6.2.5 Performance monitoring

Relevant stakeholders were asked how they measured the performance of the service. Reference was made to profit created at business centres and commercial revenue received from the business estates. This was considered important as if profit was not being made it would need to be reviewed, otherwise the Council would be subsidising the provision. A good indication for the quality of the units and the demand was how many units were let and the number of vacant units. Facilities advised that they had no performance indicators currently but were considering software for Key Performance Indicators. They advised they were a member of the Local Authority Group which helped them compare what they do and see if they can improve the service. The panel felt it would be beneficial to develop some meaningful indicators to measure how the service was performing. A comparison exercise with other comparable councils should also be considered.

6.2.6 Documentation

One stakeholder said it would be helpful if a checklist for letting could be provide so any member of the team would know which documents to retain, even if only electronically. This would ensure accuracy and consistency with archiving documents.

6.2.7 Website

The panel heard a mixture of views on how well the Councils website worked in this area. One stakeholder thought it could be improved, although he acknowledged that people did not look on the website usually for commercial property, which was an interesting observation. Another stakeholder suggested that better links could be made with parishes .One member of the panel undertook a search on the website to see how well it was presented. His view was that he thought it was fairly easy to navigate.

6.2.8 Contractors

The panel heard from one stakeholder about the Facilities Contract. The panel was concerned that parts of this contract were also sub-contracted. A subsequent explanation was received from the service that the contract aimed to cover the majority of statutory compliance areas, including responsive and out of hours repairs. It was considered that it would be unreasonable to assume a single contractor would be able to deliver the full contract requirements in house. The officer also stated that at tender stage contractors were required to identify areas where sub-contractors would be utilised in order to demonstrate their ability to adequately deliver the contract. The panel accepted this explanation but were keen to ensure that any contractor or sub-contractor being used on a Council contract was adhering to the policies the Council had in place on issues such as health and safety.

6.2.9 Car Parking - Coney Green

During interviews with tenants of units at Coney Green one consistent issue raised was the provision of car parking, especially on conference/training days. This made the car park very busy and sometimes tenants and their staff found it difficult to park. It was acknowledged that the car parking area at the rear of the building was not always used which would help the situation. It was suggested that better signage was required to highlight to visitors the extra space available. One tenant also mentioned a particular problem that he had during recent flash floods at the site. The area had not drained properly which had caused difficulties with accessing his unit.

6.2.10 Storage – Coney Green

Tenants were asked whether the site met their future needs. All commented that they may need larger premises in the future as their businesses grew and were happy to remain if the site continued to meet their business needs. One suggested improvement that was raised by tenants was the need for more storage space. Containers was one suggestion that would help with storage of equipment. Another suggestion was that the Council needed to keep building a range of facilities as he felt there was not enough workshop/semi industrial spaces.

6.2.11 Tenants Survey

The panel considered the results of a tenant survey recently undertaken at Coney Green. The panel thought this was useful to gather feedback from tenants on their views on the service. They appreciated that regular informal discussion also took place with tenants, particularly when issues arose. The panel agreed that the service should consider a similar survey process for tenants of the industrial units. It was understood that this had happened in the service in the past but not currently. The manager advised that when renewing leases and undertaking property inspection he did have discussions with the tenants on any issues they wanted to raise. The Panel thought it would be useful to have this information available for the service.

7. Conclusions

7.1 The review panel heard views from a wide range of stakeholders during the review process. This included officers directly involved or supporting the service. The views of tenants of Coney Green Business Centre were also gathered by interviews and consideration of the in house survey. The review process identified a number of measures the Council was taking to support local businesses within its District and promote economic growth.

7.2 However, some areas for improvement which would enhance the current provision were identified around branding, investment, performance monitoring and keeping the units fit for purpose in the future for tenants.

Appendix 1

Stakeholders Engaged During the Review

D Broom	-	Facilities and Contracts Manager
M Broughton	-	Head of Partnerships and Transformation
B Butterfield	-	Concierge – Coney Green
F Campbell	-	Estates Technician
N Etches	-	Business Centre Manager
G Galloway	-	Head of Property and Commercial Services
G Harper	-	Estates Manager
J Knight	-	Senior Estates and Valuation Officer
B Walker	-	Property Services Manager

Discussion with tenants at Coney Green Business Centre:
Craig Ashcroft – Wiltshire Farm Foods
Duncan Robinson – Pillbox Design Ltd
Stephen Slater – Stal Ltd