

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
27 November 2012

From: Scrutiny Committee 2

Subject: **POLICY REVIEW – WORKSPACE PREMISES – FINAL REPORT**

All Wards

1.0 SUMMARY:

1.1 Between June 2012 and August 2012 the Committee undertook a review on Workspace Premises. This report sets out the Committee's findings, conclusions and recommendations.

2.0 INTRODUCTION:

2.1 Workspace Premises was regarded as an appropriate topic for review as the Council was responsible for the effective management of the Workspace Premises to ensure a good return on investment and a positive impact on the local economy.

2.2 The Committee as a whole undertook the review and the terms of reference were:-

- To investigate the Council's Workspace Premises and examine the plans for retention or disposal.
- To establish the costs to the Council of repairs and maintenance of the Council's Workspace Premises and property to determine whether this represents good value for money.

2.3 The following evidence, arranged through the Enabling Officer, was provided at meetings of the Committee:

19 June 2012

- Agreed Project Plan.

31 July 2012

- Evidence gathering.

30 August 2012

- Concluded review.

3.0 OTHER EVIDENCE

3.1 The following Council officers also attended meetings of the committee to give evidence:

- Sandra Walbran, Director of Customer Services;
- Nicole Patterson, Business and Communities Manager; and
- Judith Turner, Workspace Principal Officer.

4.0 FINDINGS

- 4.1 The terms of reference of the review were aimed at answering the following key questions:
- What is the current policy of the Council and why is this so?
 - Who is the policy aimed at, who is intended to benefit and how is this measured?
 - What is central to the delivery of the policy (resources, stakeholder involvement, etc)?
 - Is the current policy working (is it delivering the stated outcomes and do the recipients benefit)?
 - Does the policy need to change – is it still valid?
 - Can the policy and the service be improved – if so how?
 - What impact will the policy have on other partners?
- 4.2 Based on the written and oral evidence presented, the Committee's findings were as follows:
- 4.2.1 The Committee wished to determine whether the Council's approach for marketing Workspace Premises was fit for purpose and recognised that, although the Council's website contained various sources of advertising, it was suggested that the photographs used could be a bit more innovative as the existing photographs did not promote the workspaces very effectively.
- 4.2.2 The Committee also suggested that links to other websites needed to be included so that users could find their way around the site and find out further information more easily.
- 4.2.3 The Committee highlighted a concern regarding signage (specifically relating to the location of Evolution) and suggested that signage needed to be improved for the workspaces as locality of some of the Workspace Premises was obscure.
- 4.2.4 The Committee wished to establish whether the return on investment associated with the Council's workspace portfolio represented good value for money. The Committee acknowledged that a comprehensive list of all of the Council's Workspace Premises was kept and maintained. This list showed a breakdown of the occupants, occupancy levels, total unoccupied space, budget information such as income and outgoing expenditure.
- 4.2.5 Concern was raised over the level of return on investment in relation to Springboard and this was highlighted as an area that required monitoring. It was suggested that this should be kept under review, along with an annual review and monitoring report on the Workspace Premises to the Scrutiny Committee.
- 4.2.6 Following an in-depth investigation, the Committee was satisfied that the Council was getting an excellent return on its investment and offered good value for money.
- 4.2.7 The Committee wished to determine whether the approach to the repair and maintenance of the Workspace Premises represented good practice and value for money and suggested that the Council should make provision in the Capital Programme for repairs and maintenance and not just rely on the 'sinking fund' as this was not seen as good practice.
- 4.2.8 It was also suggested that the external decoration of Evolution could be improved to maximise visual impact.
- 4.2.9 The Committee accepted that there were challenges in managing the Workspace Premises. The Council did not have any targets in place regarding rent arrears at present, although the situation is closely monitored. This was something which could be investigated. Also, in order to keep occupancy levels at the maximum there needed to be greater flexibility in setting rents and carrying out rent reviews. It was also recognised that rents could do down as well as up.

- 4.2.10 Another challenging area which was highlighted was provision of car parking. This was an issue which needed to be considered at the planning stage to ensure adequate car parking was provided.
- 4.2.11 With respect to the Civic Centre, the Committee did not feel it appropriate at this stage to review these premises and it was recommended that no action be taken at this time but that this be kept under review.

5.0 CONCLUSIONS:

5.1 What is the current policy/practice/procedure of the Council and why is this so?

The Council maintains a portfolio of Workspace Premises which is reviewed to ensure that the Council is receiving a good return on its investment by maximising the level of occupancy.

5.2 Who is the policy/practice/procedure aimed at, who is intended to benefit and how is this measured?

The District Council, the occupiers of the Workspace Premises, local business and the residents of the District.

5.3 What is central to the delivery of the policy/practice/procedure (resources, stakeholder involvement, etc)?

Ensuring that the Council maximises the level of occupancy by keeping the Workspace Premises occupied. Good communication between the Council and the occupants of the Workspace Premises is essential in managing the premises.

5.4 Is the current policy/practice/procedure working (is it delivering the stated outcomes and do the recipients benefit)?

Evidence gathered indicates that the level of service is satisfactory and that the policies and procedures in place were considered to be appropriate.

5.5 Does the policy/practice/procedure need to change – is it still valid?

The current policies and practices of the Council are still valid.

5.6 Can the policy/practice/procedure and the service be improved – if so how?

Marketing was an area highlighted for improvement, particularly the website. It was suggested that links be included to other websites and the general advertising of the Workspace Premises overall could be a bit more innovative as the existing photographs did not promote the workspaces very effectively.

5.7 What impact will the policy have on other partners?

The policies and procedures in place impact on the Council and the occupants of the Workspace Premises. Maintaining a high level of occupancy can also influence the local economy which in turn benefits the residents of the District.

5.8 From the evidence received, the Committee concluded that the current endeavours of officers should be endorsed and the recommendations should recognise and support their efforts and hard work.

6.0 RECOMMENDATIONS:

6.1 To recommend to Cabinet that:-

- (1) Workspace Premises should be reviewed annually in order to ensure value for money and rent arrears be reviewed regularly and the history be reported to Cabinet;
- (2) the Capital Programme should make provision for repairs and maintenance of Workspace Premises;
- (3) Budgets should incorporate all capital replacement costs;
- (4) signage for Workspace Premises requires enhancement in order to raise awareness of the location;
- (5) the locality and approach to Workspace Premises requires improvement and additional landscaping specifically at Evolution;
- (6) car parking provision at Workspace Premises requires consideration;
- (7) the website homepage should include advertising of available Workspace and be more innovative in order to promote the workspace effectively;
- (8) the website should provide links to other businesses;
- (9) no action should be taken at this time in relation to the Civic Centre but this should be kept under review;
- (10) the current endeavours of officers be endorsed and their efforts and hard work be supported.

COUNCILLOR J PREST
CHAIRMAN

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Workspace Premises

Memorandum of Evidence

The Committee took evidence from Sandra Walbran, Director of Customers; Nicole Patterson, Business and Communities Manager and Judith Turner, Workspace Principal Officer, Hambleton District Council

Nicole Patterson and Judith Turner gave a presentation to the Committee, a copy had been previously circulated and was available as part of the Committee's records. It was noted that this presentation contained commercially sensitive information and for the purposes of the record, the public and press were excluded to enable discussion on this information to take place.

The presentation covered the following areas: History of Workspaces; Lettings Policy; Occupancy Levels; Investing Partners and Payments; Return on Investment; Managed Workspaces; Marketing; Budget Management; What we do well and Where can we improve.

Nicole informed the Committee that the Council had a portfolio of various workspace premises: light industrial units, craft units and specialist food units. Also, the Council had managed and non-managed workspace premises. The Committee enquired as to whether the vast majority of businesses on Standard Way Industrial Estate owned their own land and was advised that they did. The Council did not manage these premises and that Phase 4 at Leeming was the only land left to sell.

The Committee asked why were there no industrial units at Easingwold and was informed that the Council had not bought any specific land to develop industrial units at Easingwold. Sandra Walbran informed the Committee that the Council had acquired land to develop workspace. However, the Council also had other plots of land which had been acquired for other purposes, such as the Depot. However, this was not within the remit of the Committee's review.

Lettings Policy

Nicole advised the Committee that longer lettings than the 3 year lease could be obtained. The Principle Rent was based on the market value which was reviewed by a valuer on a 3 yearly basis. The maintenance rent covered external repairs and decoration and maintenance to communal areas. Internal repairs and decoration were the responsibility of the tenant. The Insurance Rent covered the cost of buildings insurance – the Council paid the insurance costs which were recharged to the tenants.

The Committee enquired whether the insurance policy was a standard commercial policy and were tenants required to take this. The Committee was advised that it was a commercial policy which covered all the commercial buildings of the Council and it was a requirement for all tenants.

Examples of Business in HDC Workspace

The Committee were informed of some of the businesses that occupied the workspaces.

Occupancy Levels

The Committee was given examples of the occupancy levels of the workspaces. The figures indicated a good level of occupancy in the industrial units. The Committee was informed that there was a waiting list which enabled empty spaces to be filled quickly. Occupancy levels appeared to be better than the private landlords. Figures were based on floor space as this gave a more accurate figure than if it were based on units.

It was acknowledged that the occupancy levels for Evolution were low but steps were in place to try and encourage new businesses to take up new tenancies. It was reported that once occupancy levels reached 50% it tended to be easier to let the space and keep it occupied.

The Committee asked how many staff were employed at each business, ie how many people were being helped in terms of employment. The figure was not available at the meeting, however following the meeting the Committee was advised that of the current units let it was estimated that there are between 260-280 people employed.

The Committee asked whether the low occupancy levels at Evolution were as a consequence of its location and was advised that this was not necessarily the case. Once awareness of the location increased, occupancy would improve.

The Committee suggest that advertising and promotion could be improved to help raise awareness and also suggested that the building and its surroundings could be improved to help its attractiveness. There had been temporary permission for signage however this had expired and if the Council was to erect a sign, it would need to encompass all of the County Business Park occupants.

The Committee asked whether Evolution had lower occupancy levels because it is managed workspace and not just office space and was advised that this was not the case, occupancy was better because it was managed, this was one of its strengths. Small businesses like to be able to just walk in and get on with running their businesses.

The Committee wished to know whether there was a policy of the Council regarding levels of occupancy to initiative incentives and was advised that the Council could offer incentives of rent free periods in certain circumstances.

The Committee noted that Capital valuations had been carried out in 2011 and asked whether they reflected that the property was let and was advised that the valuations reflected the rental income that was being achieved in 2011. The Council would expect Evolution and LBFEC to have slightly higher capital values now as they had higher levels of occupancy.

The Committee enquired as to what was the actual value and what were the original costs and how was asset depreciation accounted for within the Council's asset register. The question could not be answered at the meeting, however, the Committee was later advised that the original build cost and current capital value were part of the confidential information provided in the presentation on 31 July 2012 – Funders information page.

The assets were depreciated as per the Council's Policies and Procedures and the information appeared in the Statement of Account. The assets were valued as part of the rolling 5 year programme that was conducted on all of the Council assets and any adjustments that were made through the accounts had no impact on the revenue budgets.

Investing Partners; Return on Investment – Industrial Portfolio; Return on Investment – Managed Portfolio

The Committee was provided with information on the investing partners; return on investment for the industrial and managed portfolios. This information was confidential and a record was available as background information for the review.

From the information gathered through a question and answer session, the Chairman concluded that the Council was receiving an excellent return on investment for which the officers were to be commended.

Managed Workspace Challenges

The Committee were informed of some of the challenges with the managed workspaces. It was reported that lease arrangements at Springboard Business Centre had been reviewed and implemented. This was in conjunction with funding partners.

The Committee enquired how often Rent Reviews took place and whether rent levels were set with certain parameters or were the figures unrealistic and was advised that rent reviews took place on a 3 year cycle. In the last review, it had been suggested that the target figures were unrealistic and should be adjusted to 10% lower and this took place.

The Committee commented that in relation to Springboard, there were large sums of money for management and revenue costs and asked if these could be explained. The Committee was advised that there were a lot of costs for the building, alarm costs, IT system, building running costs and rates. These were all being looked at.

The Committee suggested that the need for car parking needed to be reinforced. The Council needed to budget more for car parking spaces if use of these workspaces was to improve and investment needed to be made in new areas. Consideration must be given to this issue at the planning stage.

Marketing

The Committee suggested that signage was a major issue and needed to be looked at, this could be taken on board as something to work on.

Other Members of the Committee also suggested that the Council's website needed to be looked at as it did not promote the workspaces very effectively. It was suggested that the photographs used could be more innovative and made to stand out more. Links to other websites needed to be included so that users could find their way around the site and find out further information more easily.

Budgets

The Committee acknowledged the budget figures were very clear to understand and they were very realistic.

What We Do Well

The Committee recognised that an asset register had been built up and converted into workspace – this was a good achievement. Also, the industrial units had been moved to the North end of town and the vacant space had been developed by house builders, etc – this showed the Council was forward thinking and well managed.

Where We Can Improve

Rent Arrears and Maintenance of Property were highlighted as some areas for improvement.

The Committee asked whether there was a target for rent arrears and was advised that this was not the case at present.

Examples of Maintenance Rent Expenditure

The Committee was provided with information on examples of maintenance rent expenditure. This information was confidential and a record was available as background information for the review. The Committee suggested that a key issue that had to be looked at was the Capital Programme and making provision for the ongoing maintenance and repair of the workspaces.

Supplementary Questions asked by the Chairman following the meeting

The Chairman wished to know how often were the returns on capital reviewed and where did the Council see these units in 5 – 10 years time? i.e. Would there come a time when it would be more advantageous to the Council to sell, rather than keep?

A response received from Judith Turner indicated that as far as she was aware this was probably the first time that an in-depth review of the return on capital had been undertaken. Now that the mechanism was set up she saw no reason why the Council could not do a check at the end of each financial year to see what the returns were and how they compared to previous years.

The returns would vary over the next 5-10 years with occupancy levels, capital values and the on-going revenue costs; the first 2 elements being related to the economic climate. That being the case, ROI would probably drop a bit over the next few years and hopefully improve in the longer term – especially if the Council kept on top of maintenance.

Annual monitoring would allow the Council to keep on top of the situation and adjust its view in line with external factors.