

Agenda Item No: 5

Report to: Overview and Scrutiny (Resources)

Date of Meeting: 16 September 2010

Report Title: Final Report on Scrutiny Review of Factory Units

Report By: Review Team

Purpose of Report

Final Report of Scrutiny Review Team

Recommendation(s)

1. The Committee agree the report and forward it to Cabinet

Reasons for Recommendations

The factory units owned by the Council are considered to play an important role in helping to maximise employment opportunities in Hastings and thus helps to ensure the current and future economic vitality of the town. The units are an important source of revenue for the Council and thus underpin the provision of a wide variety of services.

The findings and recommendations of the scrutiny review are intended to help inform the cabinet in order to achieve the Council's objectives in terms of maximising employment opportunities.

Introduction

Background

1. Hastings Borough Council owns 61 factory units which are directly let to tenants. It also owns two Business Centres on Castleham that provide a total of 37 units. Details are attached as Appendix 1.
2. Councillor John Wilson was appointed to chair the Scrutiny Review and the first meeting of the group was held on 19 October 2009. The Project Initiation Document is attached as Appendix 2.

Scrutiny Review Objectives

3. The objectives of the Review were to look at the following:
 - a. Whether the way we currently market the units is effective;
 - b. What are the objectives for holding the units;
 - c. What have been the effects of the recession on our tenants;
 - d. Have the measures we have taken to assist tenants been effective;
 - e. What can we do to attract tenants to the two Castleham Business Centres; and
 - f. How can we better engage with and retain tenants.
4. The Review team decided to collect evidence by undertaking a tour of the Council's units to include meeting with tenants and internal inspections of empty units. Also a round table discussion with members of the business community, support agencies and partners was to be organised.

Evidence Collected

Tour of Estates

5. The Review started with the group undertaking a tour of the Ponswood, Castleham and Churchfield Estates on 4 November 2009. The purpose of the tour was to look at the units, undertake internal inspections of the empty units and meet with some HBC tenants to view their premises, get feedback on the units they occupy and their perceptions of HBC as a Landlord.

Empty Units

6. As at November 2009 HBC had 4 vacant factory units which the Group looked at as outlined below:
 - a. 30-36 Theaklen Drive - this is a 15,202 sq ft factory which was unexpectedly handed back by Collins & Hayes at the end of January 2009 following the exercise of their break option due to trading conditions. The factory is large

and there has not been demand for a unit of this size. However due to the design it is possible to convert this factory relatively simply into two, three or four units.

- b. 16 Theaklen Drive - this is a two storey factory of 6,250 sq ft which was handed back in poor condition following the liquidation of the tenant company. The upper floor is let to the neighbouring tenant leaving a vacant ground floor factory of 3,000 sq ft.
 - c. 9 Castleham Road - this is a 2,630 sq ft factory which was handed back when the tenant went into liquidation. The property does not have direct vehicle loading access and was left in poor condition by the outgoing tenant.
 - d. 30/31 Castleham Road - a factory which was being used by HBC as a temporary archive during the construction of an Archive facility at 85/86 Castleham Road
7. The Group also looked at the two Business Centres at Castleham as outlined below:
- a. Castleham Business Centre East, 22-38 Stirling Road. This is a newly constructed centre with 17 workspace units ranging from 290 sq ft (27 sq m) to 1,130 sq ft (105 sq m). The building is 'A' rated for energy efficiency and is available on 'easy in, easy out' monthly licences to offer maximum flexibility for start up businesses. The building was completed in October 2008 (save for some snagging and minor works) but at the date of the inspection no lettings had been completed.
 - b. Castleham Business Centre West, 1-21 Stirling Road. This has 20 workspace units ranging from 220 sq ft to 500 sq ft. At the time of the inspection six units and the office were vacant.

Meeting with Tenants

8. The Group met with Compulsion Gallery Ltd, Deutsch Ltd and Technoturn Ltd.
- a. Compulsion Gallery, occupy 12, 14 & upper floor of 16 Theaklen Drive - represented by Mick Worwood, Managing Director. The company employs 8 people and two dedicated contractors.
 - b. Deutch UK, occupy 4 Stanier Road - represented by Steve Detsicas, who is Facilities Manager and also chairman of the Three Cs Committee (a group representing occupiers of Castleham, Churchfields and Conqueror Industrial Estates). The company occupies a range of premises on Castleham and in total employs 250 staff.
 - c. Technoturn Ltd, occupy 9,10 & 11 Brunel Road - represented by David MacIllwain, Director. The company employs 22 staff and has a plan to take on apprentices in the near future.
9. The feedback from the meetings was positive in respect of the following:-

- 1) HBC as a landlord

- 2) Condition of units at Castleham - still fit for purpose
- 3) Hastings still a good location

Round Table Discussion

10. A round table discussion was held on 24 February 2010 at the Town Hall. In addition to the members of the working party and council officers, the attendees were: Steve Detsicas the Facilities Manager for Deutsch and chairman of the Three Cs Committee, Mike Cogswell of Locate East Sussex, Oliver Dyer and Alex Hobbis of Dyer Commercial, Alan Blackwell of Seaspace and John Hodges of Hastings & Bexhill Alliance and LSP member.
11. The main points to emerge from the discussion were as follows:
 - a. There is generally a high occupancy rate in the Council's factory units but the small business centres are not so fully occupied. The market had changed since the new business centre was constructed and there is not currently the same demand. Dyer Commercial considered that the rental levels were attractive, in line with the market and not considered a barrier to take up. However a lot of start up businesses need help with rent and set up costs.
 - b. Steve Detsicas explained that Deutsch moved to Hastings from East Grinstead because the cost to produce is less and there is a bigger pool of employees. He suggested a marketing exercise to sell Hastings as a good place to live and work rather than concentrating on tourism.
 - c. It was generally agreed that HBC should take credit for being a good Landlord.
 - d. The HBC industrial stock is getting older and was built when energy was cheap. In the future consideration may need to be given to redevelopment or major refurbishment, but that the units offered were still attractive at the current rentals and still fit for the purpose and attractive to many companies.
12. In response to the question 'What immediate assistance could HBC give to businesses?' the following were suggested:
 - a. Develop a themed marketing strategy for the area and publish it - not just pushing tourism;
 - b. Gain a greater understanding of what business needs are for premises to attract them to Hastings;
 - c. Co-ordinate what is being done by other organisations already; and
 - d. Build a marketplace.

There was an appreciation by those attending of the round table meeting with Councillors that potentially opened the way for ongoing discussions with the private sector to contribute ideas for the future success of the town should such a forum be established.

Outcome of Objectives

Update

13. Since the tour half of 30-36 Theaklen Drive has been let and the new tenant is undertaking the separation works in return for a rent free period. There will be a need to refurbish the remaining space prior to letting. The ground floor of 16 Theaklen Drive has been let. Refurbishment of 9 Castleham Road is being undertaken to make it more marketable. A further unit, 26 Brunel Road, became vacant following the tenant company going into liquidation, and has since been cleared and is now ready for letting. The temporary Archive Store (30/31 Castleham) was cleared from 1 June 2010 and we have let half of it to an adjoining tenant. As such there are currently only five empty factory units out of a total of 61 which in the current market conditions is considered very good.

Whether the Way We Market Units is Effective

14. Units are advertised on the Council's website. The section of the website dealing with property having been overhauled in the last 12 months by the marketing team in conjunction with Estates. Vacant units are also now advertised on "EG Property Link" which is the number one property search site for UK commercial property. There are also 'To Let' boards on each of the vacant units. In addition it has been agreed that HBC will have a stand at this years' 'Let's Do Business' event where one of the areas we will be promoting is the premises HBC has available. There is still a need to consider how to get more free publicity particularly when a new factory let is agreed and Estates will be working with marketing to look at this.

The Council has used local agents to market various land and property in the past and has a contract with Dyer Commercial to market the new business units at Castleham.

Conclusion: The Council has been effective at attracting and retaining tenants, and has improved the way it markets the units. It has shown itself to be flexible in the use of Commercial agents where necessary.

What are the Objectives for Holding the Units

15. Property Assets are an important strategic resource in their own right but they also deliver many benefits to the town and the Council's wider objectives for the continued development of opportunities for the community and the local economy. The units have the potential to absorb significant levels of investment in the future and they impact on the environment and communities. They also have opportunity costs associated with them when considering the higher strategic value e.g. employment land vs housing.

The Council's objectives for holding the units are considered to be directly linked to the Corporate Plan objectives. The direct provision of space for employment within the Borough helps to maximise job opportunities for those living in the town. The objective has been to protect employment opportunities particularly given the uncertain economic climate. The income stream that the units provide is crucial to the Council's budget and thus the other services that the Council provides to the

local community. A summary of the Factory Units Budget is attached as Appendix 3.

16. The retention of local employment opportunities raises issues about the long term sustainability of communities and of sustainable development (including local jobs less travel, etc). The Council's direct ownership of significant estates enables it to have an influence on the nature of the businesses within Hastings and to be able to respond flexibly to tenants where genuine hardship exists.

What Have Been the Effects of the Recession on our Tenants

17. It is clear that many of the Council's tenants have felt the effects of the recession. The role of Estates has been to liaise closely with tenants so we can assist at an early a stage as possible. Strong links have been developed with Ten Sixty Six Enterprise so that there are two way referrals of tenants that may be in need of help and advice when they are either in difficulty or when looking to expand.

Have the Measures we have taken to assist Tenants been Effective

18. In total, to date, Hastings has directly assisted six tenant companies who in total employ more than 200 people. Of these only one company has ceased trading with the loss of three full time jobs and one seasonal job.
19. The Council also referred Castleham Business Centre East to the District Valuer for Non Domestic Rate assessments of the individual units rather than the whole. This not only benefited the tenants in that they could claim Small Business rate relief, but it also benefited the Council in that where there were empty units the Council could gain rate relief.

What can we do to Attract Tenants to the Castleham Business Centres

20. The market has changed since the new Business Centre was constructed and there is now a lack of demand due to lack of start up businesses. However there seems to have been an upturn recently for some small but established businesses. Since the four new tenants have been signed up for Castleham Business Centre West and five units have been let in Castleham Business Centre East. As stated Hastings have retained the services of Dyer Commercial to assist with marketing. The Council has also made improvements to the building to enhance the attractiveness of the facilities. This has included the carpeting of common areas and the fitting out of a 'show office'.

Given the need to assist start up businesses and the current availability of Area Based Grant monies it is recommended that a formalised funding scheme be developed to assist new businesses to take up these units, and to attract small businesses from outside the area.

How can we better engage with and retain tenants

21. The feedback received is that HBC is a good Landlord, being flexible and responsive to tenants needs. There is a need to continue to maintain and build on the good relationship with our tenants. It is considered important to keep the HBC presence on the Three C's Committee and the Council should consider establishing a forum for future discussions with the business community.

Additional Outcomes

22. In addition to the above the Review has highlighted some further items we need to consider which are:

- a. Marketing the town as a place for business. This will be fed back to the Head of Marketing and Communications.
- b. Understand business needs.

HBC to work with partners to gain a better understanding of what the local businesses need from premises, and also try to identify the premises requirements for those from outside the area. Thereafter the Council will need to consider whether these requirements are currently provided to a sufficient level.

- c. Making sure that our factory units are maintained in good condition.

Whilst significant repainting and repair work has been undertaken on the Estates over the last 12 months regular inspections need to be undertaken to ensure that tenants are complying with maintenance and decorating obligations. This will both ensure that any units handed back are in a marketable condition and that the overall appearance of the Estates are maintained.

- d. Making sure that our factory units are fit for the future.

A bid for European funding in the sum of £845,000, submitted in early 2010, to investigate the condition of the units and trial energy efficiency options has been turned down, but will be resubmitted in January. A stock condition survey is considered necessary in order to understand the life expectancy of the units or component parts e.g. roofs, in order to make plans for the future.

Summary of Recommendations

23. A summary is set out below:

- a. Develop a themed marketing strategy for the area and publish it - marketing the town as a place for Business;
- b. Gain a greater understanding of what business needs are for premises;
- c. Consider the introduction of a Business Forum;
- d. Build a Marketplace for businesses within Hastings;
- e. Ensure regular inspections are undertaken of units to ensure tenants are complying with their repair and maintenance obligations; and
- f. Undertake a stock condition survey either as part of the Answers in the Carbon Economy bid, or if that is unsuccessful as a separate exercise in order to identify the long term investment requirements of the estates.

24. An Action Plan is attached as Appendix 4.

Wards Affected

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

Area(s) Affected

Central Hastings, East Hastings, North St. Leonards, South St. Leonards

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No

Background Information

Appendix 1 - Details of Factory Units and Business Centres
Appendix 2 - Project Initiation Document (PID)
Appendix 3 - Budget Summary
Appendix 4 - Action Plan

Officer to Contact

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