

## **Cabinet**

**14 December 2011**

### **Business Durham: Business Space Plan 2011-2016**



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### **Report of Corporate Management Team**

**Ian Thompson, Corporate Director Regeneration and Economic Development**

**Councillor Neil Foster, Cabinet Portfolio Holder for Regeneration**

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#### **Introduction**

1. The purpose of this report is to present the Business Durham: Business Space Plan 2011-2016. The document, as set out in full in Appendix Two to this report, puts forward the Council's strategic role and investment plan for its portfolio of business accommodation.

#### **Background**

2. Durham County Council (DCC) owns over 52,800m<sup>2</sup> of managed workspace, office, industrial and science park accommodation which provides space for over 300 businesses, employing around 1600 people across County Durham.
3. Business Services, as part of Regeneration and Economic Development, took on responsibility for management of these business properties during 2010, with the exception of NETPark which continued to be managed by CDDC. The merger of Business Services and CDDC within RED, has now combined the entire property portfolio, including NETPark, within the newly created Business Durham.
4. The initial challenge in taking on the management of the business property was to establish a comprehensive database of properties formerly owned by the District Council. This was a fundamental but necessary task that included identifying tenants; confirmation and recovery of leases; and a condition survey of all properties. This was done as part of the first RED Service Asset Management Plan (SAMP).
5. Building on the foundations of the SAMP, the Business Space Plan 2011-2016 describes in operational detail how the properties can best meet demand for business space in County Durham; how they can encourage businesses to start-up and grow; what still needs to be done to establish effective portfolio management; what needs to be done to improve the condition of a significant number of properties; and how they can best maximise income to support the wider Business Durham service.

## Material Considerations

6. The total portfolio of Business Durham buildings consists of:
- 31,106m<sup>2</sup> (202 units, 59% of the portfolio) of industrial space across 18 DCC owned Industrial Estates.
  - 11,676m<sup>2</sup> (158 units, 22% of the portfolio) of office and managed workspace accommodation across 7 sites, including the Durham Dales Centre.
  - 6,455m<sup>2</sup> (79 units, 12% of the portfolio) of accommodation at NETPark, the County Council's Science Park.
  - 3,630m<sup>2</sup> (82 units, 7% of the portfolio) of office accommodation at 4 business centres managed by local Enterprise Agencies on behalf of DCC.
7. Average occupancy across the portfolio is currently 73.4% with the 2011/12 showing a projected revenue surplus of £293,770. The revenue budget position is summarised in more detail in table one:

**Table One**

Description	2011-12 Budget £	Actual to 21/09/11 £	2011-12 Projected Outturn £	Variance £
<b>Total Employees:</b>	<b>573,688</b>	<b>247,583</b>	<b>528,825</b>	<b>-44,863</b>
<b>Total Premises:</b>	<b>782,447</b>	<b>114,282</b>	<b>809,480</b>	<b>27,033</b>
<b>Total Transport:</b>	<b>10,521</b>	<b>2,532</b>	<b>9,050</b>	<b>-1,471</b>
<b>Total Supplies and Services:</b>	<b>307,284</b>	<b>91,396</b>	<b>253,603</b>	<b>-53,681</b>
<b>Total Third Party Payments:</b>	<b>70,043</b>	<b>68</b>	<b>70,043</b>	<b>0</b>
<b>Total Income:</b>	<b>-2,236,585</b>	<b>-909,597</b>	<b>-1,964,771</b>	<b>271,814</b>
<b>NET EXPENDITURE/INCOME:</b>	<b>-492,602</b>	<b>-453,735</b>	<b>-293,770</b>	<b>198,832</b>

8. The variance of £198,832 in the projected surplus has come about mainly from overstating rental figures post LGR when full and accurate information was not immediately available across the extent of the industrial portfolio. Detailed analysis has now been undertaken which will enable a more robust budget to be prepared for 2011/12.
9. The Business Space Plan 2011-2016 describes the additional floorspace proposed at Consett Business Park, as well as the extent and varied condition of the existing properties.
10. The capital budget provision is summarised in table two below:

**Table Two**

<b>Schemes Agreed</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total</b>
Consett Business Park	893,000	945,000	0	0	0	1,838,000
Derwentside BC	245,000	0	0	0	0	245,000
NETPark Connector	200,000	0	0	0	0	200,000
Refurbishment	750,000	55,000	0	0	0	805,000
Novus II	200,000		0	0	0	200,000
Rural Workshop	189,000	0	0	0	0	189,000
Contingency	57,000	0	0	0	0	57,000
<b>Sub-total</b>	<b>2,534,000</b>	<b>1,000,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,534,000</b>
<b>Capital Bids</b>						
Hawthorn BP	0	530,000	513,000	10,000	0	1,053,000
Industrial Estates	0	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
<b>Total</b>	<b>2,534,000</b>	<b>3,030,000</b>	<b>2,013,000</b>	<b>1,510,000</b>	<b>1,500,000</b>	<b>10,587,000</b>

11. DCC capital investment, together with ERDF match funding and a more effective approach to portfolio and estate management, will assist in achieving the following key targets:
- The creation and support of an additional 300 jobs;
  - A 5% increase in gross revenue generated from the property portfolio;
  - An overall average occupancy rate across all element of the portfolio of 80%; and
  - Establishment of effective working partnerships with other business space developers.

### **Conclusion**

12. The newly created Business Durham Service has been established within RED to support business growth and development. There is a clear opportunity for the business property portfolio to become key component of this new service and provide better accommodation that supports better and more competitive businesses. This will require some targeted capital investment along with significant improvements to systems and process.

### **Recommendation**

13. To approve the Business Space Property Plan 2011-2016, as outlined in this report.

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## **Appendix 1: Implications**

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### **Finance –**

The strategy outlines the capital and revenue funding already approved as part of the RED Capital programme 2011/12 and Business Services Revenue 2011/12.

### **Staffing –**

There are no staffing implications beyond the staffing provided within the on-going RED re-structure.

### **Risk –**

A risk assessment has been completed and there are no reportable risks. Key risks relating to capital projects as part of the strategy are identified and managed as part of the project management process in accordance with DCC and statutory protocols.

### **Equality and Diversity –**

n/a

### **Accommodation –**

There are no accommodation issues.

### **Crime and Disorder –**

n/a

### **Human Rights –**

n/a

### **Consultation –**

Extensive consultations will continue to be undertaken with DCC Economic Development, Assets, Planning, Technical Services and other key internal functions. Wider consultation of key projects takes place with the AAP functions and relevant members. There will be ongoing consultation with current tenants and leaseholders of DCC SME accommodation units.

### **Procurement –**

Key capital projects as identified in the strategy are subject to DCC procurement protocols and are currently forming part of the DCC Corporate Procurement Workplan.

### **Disability Discrimination Act –**

Where necessary and a statutory requirement, all properties within the portfolio are made DDA compliant as part of any relevant capital works taking place.

### **Legal Implications –**

All legal matters regarding improvement works and leases are agreed with Legal Services and Asset Management.