



Title: **White Rock Land Swap**

Public Agenda Item: **Yes**

Wards Affected: **Blatchcombe**

To: **Adjourned Annual Council** On: **5th December 2013**

Key Decision: **Yes**

Change to Budget: **Yes** Change to Policy Framework: **No**

Contact Officer: **Alan Denby**

☎ Telephone: **01803 208671**

✉ E.mail: **Alan.denby@tedcltd.com**

1. What we are trying to achieve and the impact on our customers

- 1.1 This report is an update to a previous report and minute. The Torbay Development Agency (TDA) is seeking to take forward the Council's economic strategy, support growing businesses and create new jobs by building a new business centre at Whiterock Business Park. It is anticipated that this will create up to 30,000 square feet of new workspace for businesses.
- 1.2 In delivering this project an estimated 220 gross new jobs will be created with additional value to the local economy in excess of £2 million per annum.
- 1.3 Further to the report presented to Council 16th May 2012, funding of just over £3 million was sought from the South West European Regional Development Fund (ERDF) Competitiveness programme. In September the Council was advised that the bid was unsuccessful with available ERDF funding having declined due to other pressures not least of which the erosion of funds because of a changing exchange rate. Despite this news it is still the intention of the TDA to support delivery of the Economic Strategy through the project and bring about the predicted benefits for the local economy.
- 1.4 The site to be acquired for the new business centre is adjacent the hotel at Whiterock Business Park. The TDA has negotiated a land deal for the Council to acquire this land from the present landowner in exchange for land owned by the Council nearby (the former PLUSS site).
- 1.5 The TDA would like to seek authority to complete the land swap deal urgently because this is the best site available. Should funding not be secured within 2 years the landowner will buy the site back from the Council at the market value at the time (subject to a minimum price, of £275,000).

- 1.6 There is an outstanding sum of £154,000 from DWP on the PLUSS development which will need to be repaid although this was repayable at the point PLUSS ceased to operate from the site around 12 months ago. The earlier report of May 2012 set out that repayment of this sum will need to form part of the business case for the business centre.
- 1.7 In line with the Council's corporate plan this project will help develop a successful economy and improve job prospects within the community. It will also support the driving business growth priority of the Council's economic strategy.

2. Recommendation(s) for decision

Decision for Mayor

- 2.1 That the Council enters into a land swap with Abacus Project Limited. Namely: Council to transfer the PLUSS site at Whiterock in return for the transfer of Abacus Project Limited's site fronting onto Brixham Road.

3. Key points and reasons for recommendations

- 3.1 The existing Innovation Centre sites at Vantage Point (Paignton) and Lymington Road (Torquay) cover approximately 13,000 square feet and provide space to 42 businesses. In the past year 80 jobs have been created and since the centres began operating in 2006 this number is over 300 jobs. The occupancy rate for the centres is in excess of 85% which exceeds the expected level for this type of facility.
- 3.2 The current extent of support for start up businesses will continue to create a pipeline of demand that will be attracted to space offered through the Innovation Centres. This will be complemented by an active inward investment programme which is now receiving leads from the US as part of the Mayor's commitment to grow the local economy. This third phase will also provide grow on space for tenants and high quality space particularly for businesses in the following sectors;
- Electronics & photonics
 - Creative sectors
 - Medical technologies
 - Professional & financial services
- 3.3 The award of funding to the South Devon Link Road and the evidence that was presented to Government on the economic benefits to Torbay means it is important that the Council continues its strong commitment to economic growth.
- 3.4 Subject to the specific recommendations in this report a further report will be brought forward detailing how the project will be delivered.
- 3.5 A revised scheme is being prepared which will provide, at the Whiterock Business Park, a building of up to 30,000 square feet with 23,500 square feet of lettable space. A revised business case, setting out how the scheme can be

funded in the probable absence of alternative external grants is currently being prepared, and the TDA anticipates that a project cost of £3.5-4M will be achievable based on cost comparison data¹. The space will create and sustain an estimated 200 jobs and an additional £2m per year of economic benefits to Torbay.

- 3.6 Every effort will continue to be made to identify sources of external grant funding however the project does not fit the parameters for Regional Growth Fund and it is not anticipated that there will be other available grants. Loan funding through the Heart of the SW local enterprise partnership will be explored. If other funding can be secured this will be matched by the previously approved funding.
- 3.7 Should it prove impossible to develop a viable project the landowner will buy the site back at the market value at the time (subject to a minimum price, of £275,000).
- 3.8 The project will help to improve Torbay's economic performance. In turn this improvement to economic performance will reduce child poverty, reduce the cost of deprivation to the public sector, improve job opportunities and encourage our young people to remain in the Bay.

For more detailed information on this proposal please refer to the supporting information attached.

Steve Parrock
Chief Executive Torbay Economic Development Company Ltd

¹ Gleeds Cost Comparison report August 2013

Supporting information to Report

A1. Introduction and history

A1.1 The Torbay Economic Development Company (TEDC) operates two Innovation Centres through the South West Innovation Centres banner. It also manages the Cockington Court Craft Centre and manages for South Devon College the incubation space at the South Devon Energy Centre.

The concept of the innovation centre is to nurture small companies and help them grow, creating and sustaining new wealth and employment for local economies. The creation and growth of small businesses is a strong indicator of an entrepreneurial culture in a place. It is likely to result in additional jobs growth in future years as economies with many small growing businesses demonstrating consistent jobs growth over economies dominated by large employers.²

There some 4,600 VAT/PAYE registered businesses in Torbay. On an annual basis new start businesses equate to between 8-10% of that VAT number meaning that there are 350-450 new businesses starting in Torbay each year. This is a real asset for Torbay to build on and is in part driven by the strong performance of Outset Torbay³ as they deliver the European funded start up business advice and the delivery by the TEDC of the new enterprise allowance programme which has seen 47 clients since summer 2011. The EU funded enterprise coaching and intensive start up support activities will be delivered until 2014 under the current programme. This complements the programme for this project.

The TEDC works with a number of partners to provide flexible and low-cost business premises and access to a range of support services. Studies prove that this is a combination which substantially increases new business survival rates. The TEDC currently manage Centres in:

- Paignton - Opened in November 2006, this Centre operates from a self contained suite of offices on the Ground Floor of the outstanding £28m South Devon College. Torbay Council through the Torbay Development Agency spearheaded the establishment of the business units, and obtained funding from the SWRDA, match-funded by the Government Office South West through the European Objective 2 scheme.
- Torquay - Launched in November 2008, this Innovation Centre operates from a purpose-built complex close to the heart of Torquay. Torbay Development Agency secured funding of £1.5m from the SWRDA to enable the new centre to be constructed. Another £600,000 came from the Government Office South West through the European Objective 2 scheme. Additional finances were made available from the Single Regeneration Budget and Torbay Council.

² This is borne out by data from Business, Innovation & Skills and supported by the Harvard Business Review & Kauffman Foundation

³ Delivered by Outset Torbay and reported to have seen over 560 individuals start the Outset programme

The original business case set out an overall requirement for a minimum area of 30,000 square feet in order to generate the rental income to cover the support costs. For a number of reasons, principally related to the availability of funding and decisions made by partners, the sites which came forward at Vantage Point and Lymington Road do not provide the quantum of space to allow the centres to operate optimally.

The two centres give a total of around 12,000 sq ft and therefore the centres while full are not delivering the full benefits that a larger centre would. They also have a higher level of overhead than originally envisaged. The third phase innovation centre is therefore critical to the overall business plan.

The existing sites have delivered consistently high occupancy notwithstanding the occasional fluctuations in the challenging economic climate. Occupancy rates have been over 90% for much of the period of operation giving confidence in the ability of the TEDC to let a greater amount of space. They have also delivered against the predicted outputs required by the funders and are acknowledged as a success.

This proposal for the third site, which would be located at Whiterock Business Park as part of the recently consented development, capitalises on that success. The Whiterock Business Park is estimated to create over 1200 jobs. The White Rock scheme includes 350 new homes, a 36,800m² industrial estate, a supermarket, student accommodation as well as sports facilities, new roads and 15 hectares of landscaped open space.

This report would enable up to 30,000 square foot Innovation Centre with dominant road presence as part of the Whiterock Business Park. Earlier reports to Council note that the site is part of the Whiterock planning application area, the innovation centre site is part of the district centre at the front of the site and proposed neighbours include a food store, motel and pub. It would be adjacent to the South Devon College Energy Centre which is offering pre start up and incubation space for those thinking about starting a business in the low carbon economy and is therefore well positioned to capitalise on those links and offer additional complementary space and support.

Part of the outline planning process has established a footprint and indicative floor plans and elevations for the building. The TEDC propose a scheme that fills the identified footprint and should be around 30,000 square feet. This would result in around 23-25,000 sq ft net lettable space. It is expected that the design of the building will provide a mix of accommodation types ranging from fully serviced office units, in multiples of 25 sq m (net) nominal size, to light industrial units in multiples of 50sq m net nominal size, to cater for businesses in fields such as health, science and technology.

Costs & Funding

The costs of the project have been estimated at £4m. Assuming 23,000 of lettable space and an average rent of £20 per square foot (this is lower than rents achieved at Vantage Point & Lymington Road) the maximum rental roll would be £460,000.

Financial projections for the centre demonstrate that occupancy of 72% allows for breakeven and levels above that deliver a surplus. The projections below are deliberately conservative on occupancy rates but provide an indication of the occupancy and associated income that could be expected.

	2013/14	2014/15	2015/2016	2016/2017	2017/2018
Occupancy	15%	40%	60%	70%	80%
Income	£71,124	£189,560	£283,794	£331,063	£385,893

In the absence of external grants it is probable that the costs will be met through additional borrowing. Repayment of the borrowing will be made from the rental income, as set out above, and also use of dedicated regeneration funds assigned to the TDA.

Experience of the other centres has been that occupancy rates have been higher than expected and the TEDC is confident of being able to deliver to this model. This confidence is based on track record but also the marketing that will be undertaken by Deeley Freed for Whiterock, the wider inward investment promotion for Torbay which is seeing enquiries for space that currently cannot be met and the demand forecast to be generated by the South Devon Link Road which is expected to result in over 3,000 new jobs for Torbay.

With regard to the EU Competitiveness funding the SW Regional Development Agency allocated £5m for activities in Torbay in support of starting up businesses and social enterprises. Currently Torbay stands to receive approximately £4.5 million from the allocation. Should the recommendations in this report be accepted then a bid for £2.5 million will be made to the programme and is considered to have a strong probability of success and will see Torbay receive a sum in excess of its original allocation.

The Deal – Whiterock

Provisional terms have been agreed with Deeley Freed on behalf of Abacus for a straight swap of their land (4230 square metres) for the Council building currently occupied by PLUS Ltd (4091 square metres). Both land areas are very similar. The proposed site for the innovation Centre has Brixham Road frontage and will be a very visible building sitting next to the new Premier Inn. The proposed site has a minded to grant outline planning approval for 30,000 square feet of office space. This site is an ideal location for the Innovation Centre and is well located to fill, the immediate frontage of the Business Park and also close to the proposed energy centre to be developed by South Devon College. The value of the PLUS site to be sold has been set by the District Valuer at £275,000 and the same figure was given to the site to be acquired.

PLUSS – Site & Loan issues

The deal is a straight swap. There will be an obligation to sell the (swapped) site back to Abacus within 2 years if funding is not secured.

PLUSS had been occupying Council premises at Waddeton Close, Whiterock for some time, providing supported employment services to adults with learning disabilities. The Council currently owns 25% of the PLUSS company.

The other issue to be addressed with the PLUSS building is that a loan was received by Devon County Council, with the Council inheriting the liability for, along with the site in 1998 for improvement and refurbishment works. It is likely that a repayment of £154,000 will be required to the Department of Work & Pensions.

Benefits

It is estimated that there would be economic benefits in the order of 220 gross new jobs, around 145 net new jobs and a gross value added to the local economy of over £2 million per annum. Over the economic life, which is modelled using Government appraisal guidance, of the project the benefits are estimated at over £20M providing a cost benefit ratio for the scheme of 4:1.

Delivery of the business growth programme will therefore respond to strategic direction from Torbay and market opportunities. It is expected that delivery of the programme will achieve the following benefits for Torbay

- Improved business survival and growth rates
- Improved public finances
- Increased employment
- Increased demand for business growth services
- Increased awareness of finance, export and innovation measures

A2. Risk assessment of preferred option

A2.1 Outline of significant key risks

A2.1.1 Should no funding be identified within 2 years the Council may be required to sell the site back to Abacus for £275,000 or market value (whichever the greater).

A2.2 Remaining risks

A2.2.1 None

A3. Other Options

A3.1 Take no action – this would result in the current position being maintained with regard to space for growing businesses. It would not be consistent with the Council's aspirations for sympathetic regeneration and jobs led growth.

To seek a smaller site – Seeking a site of 10-15,000 square feet. This would have a marginal impact on the overall performance of the Innovation Centres because one of the principal issues is the overall quantum of space, there would be limited benefit and support to the growing numbers of small businesses that

are seeking space.

To seek alternative funding options – Regional Growth Fund was bid for in the summer of 2011 to bring the scheme forward however the bid failed to gain support and future rounds of RGF will not support this type of activity. Future EU funds are likely 9-12 months away and it is not certain that they can be secured and therefore grant funding is now considered unlikely.

A4. Summary of resource implications

A4.1 When the business centre project is delivered there will be business rate benefits to the Council from the space. At that point business rates, estimated at £90-110,000 per annum, will make a positive contribution towards the Council increasing the amount of business rates collected locally.

A5. What impact will there be on equalities, environmental sustainability and crime and disorder?

A5.1 There will be no negative impacts for equalities and crime & disorder as a result of this report being taken forward. The project is expected to contribute to the growth of businesses and increasing demand for employment which in turn will have a positive impact on equalities in line with other Council and TDA activities to support people gaining employment.

A5.2 The scheme will be designed using appropriate BRE Environmental Assessment Method targets to ensure that the project has a minimal impact on the quality of the local environment.

A6. Consultation and Customer Focus

A6.1 Demand for the kind of space and business support proposed has been highlighted through the regular Business Barometer survey. 89% of businesses questioned identified the need for improved business performance as a priority for Torbay. The Innovation Centre and business support which goes with it are essential in delivering this.

A6.2 The support currently available is valued by businesses, further highlighting that they would see an extension of this as a positive step. When asked what their overall impression was of Torbay as a place to do business responses included: "I have received good business support from the Torbay Development Agency" and "Outset Torbay is a very effective agency and helps business start-ups which is very useful for my clients"

A7. Are there any implications for other Business Units?

A7.1 There will be an impact on Financial services through the borrowing that will be required for the scheme.

Appendices

None

Documents available in members' rooms

None

Background Papers:

The following documents/files were used to compile this report:

TEDC Business Plan 2013

Torbay Economic Strategy