

Surrey Heath Borough Council
Performance and Finance Scrutiny Committee
13th September 2023

Property and Economic Development Service Performance Report

Portfolio Holder:	Cllr Kel Finan-Cooke - Economic & Income Development Portfolio Holder
Strategic Director/Head of Service:	Martin Breeden – Property and Economic Development
Report Author:	Natalie Annalls – Economic Development Officer

Summary and purpose

Briefing report on current Property and Economic Development performance monitoring arrangements and inputs/outputs achieved.

1. Service description

- 1.1 The Property and Economic Development Team carry out a wide range of the Council's regeneration and development functions.
- 1.2 The key areas covered by the service include:
 - Regeneration
 - Economic Development
 - Office and Industrial Portfolio
 - Leisure and Community Properties
 - Facilities and Building Management
 - Retail and Asset Management
- 1.3 Resourcing within the service currently totals 20 staff members, 10 of which have been appointed over the past 12 months (since August 2022). This has significantly enhanced the capability and resilience of the service. Please see Appendix 1 for Property and Economic Development Team Structure.
- 1.4 Key missions for the service include:
 - Deliver budgeted net income from the property portfolio
 - Progress key regeneration projects, in particular London Road Block and the House of Fraser building
 - Produce business case for potential relocation of Surrey Heath Borough Council offices and redevelopment of 'Land East of Knoll Road'.

- Enhance the property management of the leisure and community properties and identify surplus land and properties
- Provide an ambitious road map for good growth and prosperity of the local economy

2. Short Term Plan

- 2.1 The Property and Economic Development Team have been set a number of targets in the recently developed 'Short Term Plan', of which all targets are either 'On Track' or 'Complete'.
- 2.2 Please see Appendix 2 for Update on Property and Economic Development Short-Term Plan Targets - August 2023

3. Annual Plan

- 3.1 Please see Appendix 3 for Update on Property and Economic Development Annual Plan Targets - August 2023

4. Regeneration

- 4.1 **London Road Block** – In consultation with the Property and Regeneration Working Group, the team commenced working on a fresh procurement process for a development and funding partner in Summer 2022. 7 parties expressed interest in the original soft market testing. The formal process was launched on time in January 2023 involving the production of 25 different documents and the collation of a further 34 documents in the data site.

Although a number of parties filed formal expressions of interest and began the bid process via the framework, no formal bids were received. Including interviews post-closing of the process, the team has obtained detailed feedback from 28 different developers and accordingly a comprehensive market perspective on the opportunity. This has informed a revised tactical plan for progressing the developer search which may include a phased approach focussing on that part of the site which can be most easily and cost effectively delivered.

- 4.2 **House of Fraser** – House of Fraser closed in May 2023 and their lease expired in August 2023, leaving the building vacant. The Council has been working on alternative plans for the building, including complete modernisation and refurbishment, improved retail and hospitality areas, offices and community facilities such as health and civic uses.

RIBA stage 2 design work (schematic design) was completed on programme in July 2023 enabling a more accurate cost estimate to be prepared and shared with the property and regeneration working group.

Pre-leasing commenced in March 2023. The building consists of ground floor and 3 upper levels. Negotiations are in progress with commercial tenants for the entirety of the top (third floor), the entirety of the ground floor and half of

the first floor. The second floor could be a potential location for SHBC's relocated office and the remaining half of the first floor for a relocation of Surrey County Council's library. More progress on these negotiations needs to be made before committing to the expense of the production of detailed design and tender information.

The spend is within agreed budget, approved by executive with estimated project completion in 2026.

- 4.3 **Surrey Heath Borough Council Relocation:** this project involves scoping future requirements of SHBC for alternative accommodation, either in the House of Fraser building or elsewhere. Estimated delivery is 2026 and spend to date is within agreed budgets.
- 4.4 **Pembroke Broadway Public realm** – the Development Agreement with Berkeley Homes for the Lumina residential block included an obligation on SHBC to upgrade the public realm on Pembroke Broadway. SHBC is currently reviewing options and scope for the project with delivery estimated in 2024. Spend to date is within agreed budgets and it is proposed to bring a report to Executive in October 2023 recommending the way forward.
- 4.5 **Land East of Knoll Road** – This project includes evaluation of the land value of the Local Plan allocation – namely, Surrey Heath House, Camberley Library and the site of the former Portesbery School, for the redevelopment of 475 residential units. The Portesbery School site is expected to be sold separately by Surrey County Council. SHBC and the Library may relocate to House of Fraser building. Current spend to date on this project is within agreed budgets and is supported by One Public Estate funding, with an estimated project delivery of 2027.
- 4.6 **Finding locations suitable for gypsy and traveller pitches** – Property and Economic Development is assisting the Local Plan team with site search and acquisition of land suitable to accommodate gypsy and travellers. 8 commercial agents have been issued with the requirement details during 2023. 2 opportunities have been presented to the team of which one is under consideration. Spend to date is within agreed budgets.
- 4.7 **Acquisitions and Disposals** - An updated acquisitions and disposals policy was approved by the executive in April 2023. During the course of 2023, 18 acquisition opportunities have been shared with the Property and Regeneration Working Group. No acquisitions have been made although 7 of these opportunities continue to be monitored by the team as acquisitions which may fit with the strategy and may be suitable if they can be acquired at an appropriate price.

5. Economic Development

The Economic Development Team is currently working towards projects outlined in two documents – the 2023-2028 Economic Development Strategy, and the 2022-2025 UK Shared Prosperity Fund Project Plan. It is important to note that currently

the Economic Development team is a team of 2 full-time staff members, with an Apprentice joining the team in September 2023.

UK Shared Prosperity Fund

A summary table of current/Y2 projects for the UK Shared Prosperity Fund forms Appendix 4.

Economic Development Strategy 2023-2028

The Economic Development Strategy was agreed by the Executive on 14 March 2023. The strategy provides an ambitious road map for good growth and prosperity of the local economy, identifying opportunities for accelerated economic growth and resilience whilst taking a proactive approach to mitigating the global, regional and local challenges impacting the Borough. The Economic Development team are currently 5 months into the 5-year Strategy, with key updates below:

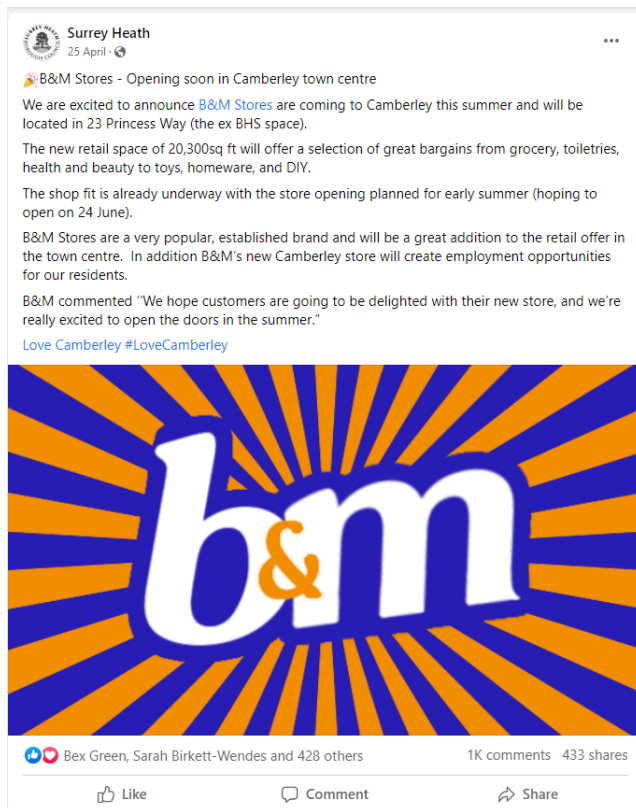
The strategy outlines 6 priority projects:

- Delivering inward investment and business retention
- Accelerating High Speed digital connectivity
- Boosting SME skills, productivity and business performance
- Assuring the appeal and vibrancy of Camberley town centre
- Enhancing the economies of the villages and rural areas
- Developing active travel infrastructure

5.1 Delivering inward investment and business retention

5.1.1 The council is taking a pro-business approach to inward investment and all services are committed to supporting businesses where possible, and where policy allows. The Economic Development team are contributing to the County Council's Inward Investment review and are ensuring that Surrey Heath is well represented on the following promotional material:

- Invest in Surrey website (<https://investinsurrey.co.uk/>)
- Invest in Surrey Brochure (due to be circulated end of September 2023)
- Business in Surrey Heath monthly newsletter – currently goes out to 5200 local recipients
- SHBC managed social media channels such as LinkedIn or Facebook
- SHBC managed press releases, in particular when new 'big' leases are signed or renewed, such as announcing B&M opening



5.1..2 The council has launched its Key Account Management Programme. This activity aims to engage with 25 of the largest and most strategic businesses in the borough. To date, 4 of the identified businesses have been visited: Jenoptik, Gordon Murray Group, Knights Foundation and NHS Frimley Health Foundation Trust. There is a further 5 scheduled in the coming months: Amazon Filters, Alpha Laval, BAE systems, Clean, and Stihl GB. All 25 of the businesses we have identified will be engaged with by end of calendar year. This figure will increase through having better relationships with the borough's larger businesses.

5.1..3 This work is in addition to a wider engagement programme which involves:

- Managing and leading SHBC business events (Independents Network, Careers Fair etc)
 - o Independents Network is a series of networking events held across the Borough for independent businesses to network, share experiences and best practice. The database of targeted businesses has been extracted from the Surrey Heath Business Directory, with the next networking event anticipated to take place in October 2023.
 - o The Careers Fair, taking place on 13th September 2023, is set to be the largest employment fair the Borough has seen. Currently there are over 40 businesses and 20 support

organisations registered to attend, alongside 200+ employment seekers. Of those 40 registered businesses, 3 are from our Key Account Management Program (BAE Systems, Alfa Laval and Clean). The event is also sponsored by BAE Systems, Alfa Laval and the Forces Employment Charity with a combined sponsorship total of £750

- Commissioning business support events (Net Zero event, Cyber Security event etc)
 - o On 6th July 2023, Surrey Heath Borough Council, in collaboration with Surrey Chambers of Commerce, hosted the first of a series of events to support and educate local businesses. The first event was '*Starting your Net-Zero Journey*', with an attendance of 12 local businesses and 4 guest speakers
 - o The second event, '*Cyber Security for Humans*' is due to take place on 28th September 2023.
- Supporting, contributing and promoting external events (BID events, Surrey Chambers Events)
 - o Sponsoring and hosting the Children's Business Fair on 15th July 2023. A hugely successful event despite last-minute changes to the venue due to bad weather, with 28 young entrepreneurs trialling their first experience as a business owner.
 - o Sponsoring the Camberley Business Awards 2023 with the 'Best Newcomer of the Year Award'
 - o Promoting and sharing all Business Improvement District and Surrey Chambers of Commerce events on social media channels for further outreach

5.2 Accelerating High Speed Digital Connectivity

- 5.2..1 The team are in discussions with several broadband providers such as Toob and BT to encourage connectivity within the Borough. It is the intention that these relationships are developed to have pro-active conversations with all providers who are investing locally. Within the Economic Development Strategy, the EM3 Fibre Spine was noted as being of particular significance and officers are reviewing how this proceeds with the EM3 Local Enterprise Partnership.

5.3 **Boosting SME Skills, Productivity, and Business Performance**

- 5.3..1 In August 2023, the Council commissioned IncuHive to provide free business support to businesses and individuals within Surrey Heath. So far, IncuHive has supported 13 businesses with a number of positive outcomes. We continue to support and promote the EM3 Growth Hub, who offer a high level of support to businesses looking to innovate and achieve Net Zero ambitions within the region. The Council are also involved in a review of business support across Surrey and are helping to ultimately shape a new provision.

5.4 **Assuring the appeal and vibrancy of Camberley Town Centre**

- 5.4..1 The council's meanwhile use action plan was agreed at the Property Working Group (formerly known as Property Investment Working Group) and several of the agreed actions have been implemented. This has included the re-launch of the Pop-Up Shop. The Pop-Up Shop, located on Obelisk Way, provides space for entrepreneurs to connect with shoppers, test their ideas and take their first step into a retail property. The Pop-Up Shop has been a success, with the first tenant in the scheme now inquiring about taking on a permanent unit within Camberley Town Centre.
- 5.4..2 A number of town centre events have also been supported, including the Children's Business Fair where over 50 young people experienced entrepreneurship for the first time in the Square shopping centre where they were able to produce and sell goods within a supported / controlled environment.
- 5.4..3 The Property and Economic Development Team also set up and led a multi-service management group called 'Town Centre Operational Management Group', inclusive of internal officers and external partners, actioning any reported or legacy concerns regarding the safety and or vibrancy of the town centre. This group has met monthly since January 2023 and is delivering improvements across 27 identified operational areas.

Focus points on the targets and projects include (but are not limited to):

- Bin provision across the town centre, including contracts with refuse companies
- Street cleaning
- Landscaping
- Street works by utilities providers and Surrey CC
- Car parks (Security, stairwell improvements, parking for larger cars, pricing)
- Directional signage and wayfinding
- Enhancing passageways and permeability
- Promotional events

- Footfall analysis
- Shopfront grants
- Delivery drivers
- Crime and anti-social behaviour
- Cycling infrastructure
- B2B marketing
- Community links and community engagement
- Environmental considerations and climate change
- Bus stops and taxi ranks
- Operation of the High Street Barrier
- Town centre illumination
- Public toilets
- The Square roof
- Service yards

5.4..4 Monthly visitor data is tracked and recorded to assess and review footfall statistics across the year. The footfall data is traced through Geolocation Tracking software, Town and Place AI, and tracks any device that has Bluetooth or GPS enabled. Monthly statistic reports are produced for the Town Centre Working Group showing trends, increases and adds to the evidence base for the success of an event held within the Town Centre. A copy of the Footfall Statistics Report can be found in Appendix 5.

5.5 **Enhancing Economies of the Villages and Rural Areas**

- 5.5..1 Although some activity has taken place to support this project it is one that requires attention in Q3. This will include:
- Launching the grant scheme for rural arts, culture, heritage and creative events (information listed in Appendix 4, UKSPF Project Summary Report)
 - Attending all business support / networking groups that are active outside of Camberley
 - Undertaking a review of villages / rural areas and develop bespoke action plans to enhance their economies

The Economic Development Team has also conducted a series of Rural Business Introductions, visiting the local rural areas (Frimley Green, Deepcut, Mytchett, Bagshot, Old Dean, Bisley, Chobham and West End) to introduce themselves to all public-facing businesses and discuss any concerns they may have, and action any points they have passed on. In total, over 100 businesses have been engaged with. The main positive outcome of these visits were to receive no immediate concerns regarding the businesses. Everyone the team engaged with received the contact details of the Economic Development Team for future communications.

5.6 **Developing Active Travel Infrastructure**

- 5.6..1 The Property and Economic Development service are working alongside Planning and Environment colleagues to support the production of the Local Cycling and Walking Infrastructure Plan. Work is also being undertaken to support the County Council with their active travel priorities. Active travel and associated infrastructure is something which we are keen to discuss with businesses as part of the business engagement action plan. The Local Cycling and Walking Infrastructure Plan is currently being developed.

6. The Workshop

- 6.1 In July 2023, the workshop opened its doors to even more residents in the Borough, originally helping 18–24 year-olds into employment and now helping anyone over the age of 18. The Workshop works in collaboration with the Department for Work and Pensions, the Camberley Job Club, Voluntary Support for North Surrey and many others to provide local unemployed residents support with finding employment or developing and enhancing skills to gain employment.
- 6.2 Since July 2023, the Workshop received 10 referrals from the Department of Work and Pensions, 15 people registering via Walk-Ins, and a further 41 registered service user appointments. In July, the Workshop assisted in 8 job outcomes, 2 of which were apprenticeships, and supported 26 through training, 16 through Social Inclusion Steps, and 14 through interview skills workshops or mock interviews.
- 6.3 A comprehensive report on The Workshop from July 2022-23 can be found in Appendix 6.
- 6.4 The annual operating costs for the Workshop are approximately £115,000 per annum, excluding rates and service charge. The vast majority of this cost is staff time, as well as marketing costs and admin fees.
- 6.5 On 13th September 2023, The Workshop are hosting a careers fair at Camberley Theatre. The event currently has over 40 businesses, 20 support organisations and 200+ attendees registered to attend. This is a huge opportunity for The Workshop clients and businesses alike to increase their employment and skills locally.

7. Retail and Asset Management

- 7.1 The town centre is looked at in 2 separate aspects – The Square Camberley, and the Town Centre as a whole. Currently, The Square has a vacancy rate of 4%. When looking at the entire town centre, vacancy rates sit at 15.1% (based on the total number of units as oppose to floor area). These rates are similar to pre-covid levels.

The national vacancy rates in town centres currently sits at 18.8% (based on

the PROMIS 200 centre average.

**We must, however, be mindful that the vacancy rate is distorted as 13 operators located within The Square are on terms that do not cover occupational costs, and that some of the lettings and meanwhile uses (e.g. the Workshop), while valuable in themselves, do not generate a positive rent .



- 7.1..1 The town centre is currently occupied with 53% independent businesses (as of July 2023)
- 7.1..2 In April 2023, Praxis was appointed as asset managers in the Square, replacing Montagu Evans after a competitive tender exercise. Under the re-tendered Asset Management core service contract with the new incumbent, Praxis Retail, the Council are saving £115,000 per annum over next 5 years.
- 7.1..3 Since April 2023, the Council has seen a month on month improvement on rent collection, with the collection rate currently being at 89% for August 2023. Montagu Evans handed over £776,168 of arrears.

With regards to The Atrium, under the head lease arrangement ground rent is being paid quarterly in arrears by Standard Life with audited statements submitted detailing permitted deductions and net income payable. Q1 & Q2 2023 payments have been made. Q3 is due at time of writing.

8. Office and Industrial Portfolio

8.1 Surrey Heath Borough Council (SHBC) has successfully secured occupiers for all its industrial properties. This follows a major letting at Theta building on Frimley Road now occupied by NHS providers.

8.2 Theta office building

8.2..1 The biggest letting of the year so far in the Surrey Heath portfolio has been exchanged with Surrey Heath Community Providers in our Theta office building in Frimley. They have taken 8,230 sq. ft and at the same time a dilapidations settlement has been agreed with the outgoing tenant, Amer Sports, who have moved to the Meadows Business Park. Surrey Heath Community Providers is owned by the 7 GP Practices within Surrey Heath & Ash Vale and the office will be used as their administrative centre. The negotiations and legal documentation were undertaken in house, saving considerable third-party fees.

8.3 Bagshot High Street

8.3..1 Refurbishment works were complete on budget and schedule and the offices have been let entirely with the current tenant occupying since July 2023.

8.3..2 The team are currently reviewing options for the disposal of the rear site to a developer following planning approval earlier this year to house a 2-bed detached home.

8.4 Other industrial properties

8.4..1 The current industrial properties within Surrey Heath's portfolio are as follows:

Estate	Size (sq. ft.)	Rental Income (As at 15/06/2023)	Vacancy %
Theta Building	50,070	£648,387	24.43%
Sandhurst Industrial Estate	162,175	£921,282.60	3.03%
St George's Industrial Estate	47,417	£560,665.25	0%
Albany Park	85,708	£982,451.10	0%
Trade City	56,621	£674,188	0%

9. Leisure and Community Properties

9.1 SHBC currently owns, manages and leases a number of leisure and community properties within the Borough, and an extensive Leisure Lease project is underway to ensure all property leases are up-to-date.

A significant number of the leases for the leisure and community properties have not been renewed for a number of years, and rental arrangements also need updating in a number of cases. These situations are now being systematically progressed in conjunction with the Portfolio Holder now that the Property and Economic Development team is appropriately resourced.

10. Facilities and Office Management

10.1 Office Accommodation Project

- 10.1..1 The Facilities team are currently working towards a greater vision for the office environment, with aims of this project being to reduce our footprint and a create a vibrant working environment.
- 10.1..2 Key aspects delivered so far include:
- identifying unneeded paperwork that needed to be destroyed, of which the destruction was completed by the Facilities Team.
 - Identifying furniture that can be removed, such as cabinets, empty pedestals, any other items unneeded items
 - Keeping all teams informed of decisions and moving dates
 - Creating a more open and inviting space, including specific breakout areas designed to increase productivity and concentration during the day
 - Hot-desking, enabling all teams to come together and work collaboratively
 - Making the office environment more vibrant and positive through murals
- 10.1..3 Part of the Office Accommodation Project has led to freeing up more space to rent to partners in the building. The Citizen's Advice area on the 1st floor has expanded significantly as a result of moving and removing furniture and files, and Surrey Police have expanded their space onto an entire wing on the second floor. This has generated an additional rental income for the Council.
- 10.1..4 Most staff have also been given a secure locker space for their personal items. These lockers enable people to store their files and documents safely and securely enhancing the hot-desking experience and de-cluttering the office environment.

10.2 Electrical Distribution Board Replacement Program

- 10.2..1 As part of Surrey Heath House electrical safety Program, we are doing a phased replacement of 14 electrical distribution boards across the building.
- 10.2..2 The electrical Distribution Boards are over 35 years old and are no longer compliant with Current Electrical Standards and are no longer serviceable and spare parts unavailable.
- 10.2..3 During August and September, we have scheduled the replacement of Electrical Distribution boards across the building, non-critical DB's (general lighting) will be replaced during normal working hours and the critical DB's (small power & combination of both: lighting & power) that could affect normal daily operations will be replaced during the early evenings.