



AGENDA ITEM: 5(a)

CABINET: 18th March 2014

Report of: Assistant Director Housing and Regeneration

Relevant Managing Director: Managing Director (Transformation)

Relevant Portfolio Holder: Councillor A. Owens

**Contact for further information: Mrs R Kneale (Extn. 2611)
(E-mail: rachel.kneale@westlancs.gov.uk)**

SUBJECT: WEST LANCASHIRE INVESTMENT CENTRE – UPDATE

Wards affected: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To advise Members of the current position of the Investment Centre at Whitemoss as requested at the Cabinet meeting on the 18th June 2013.

2.0 RECOMMENDATION

2.1 That the improved financial position of the Investment Centre be noted.

3.0 BACKGROUND

3.1 In order to encourage the take up of space at the Investment Centre by embryonic businesses, elected members indicated that they wished the relocation of the staff members of Regeneration and Estates, who are not directly involved in the management of the Investment Centre, to 52 Derby Street, Ormskirk.

3.2 The relocation was completed by the end of September 2013.

3.3 The Investment Centre was commissioned in 2004 at a cost of £5.6m. The funding for this scheme came from WLBC (£300,000) with the remainder from ERDF and NWDA funds. The funding was predicated on the fact that the

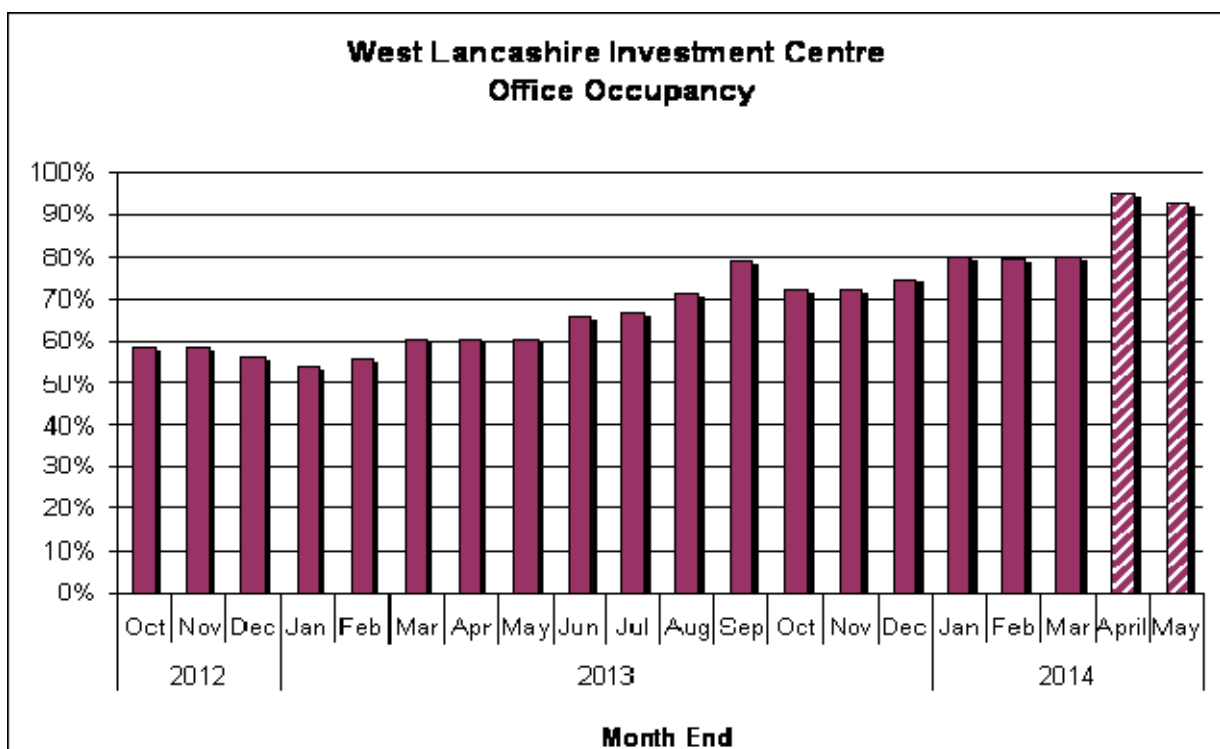
tenants would be, in large part, incubator businesses that would grow and develop within the Investment Centre confines.

- 3.4 The Investment Centre accumulated surpluses over the first several years of operation which were accounted for within a ring fenced reserve account. Under the terms of the funding, any surpluses made by the centre were to be used within the centre or for wider community and social economic development activity. The surplus generated over that time was £335,000. Over the last few years the Centre has traded at a loss, due to the downturn in the economy, which has meant utilisation of this reserve to support the financial position.
- 3.5 More recently, there has been an upturn in both office rental interest and conference bookings, and there are reasons to be positive about the financial position of the centre from 2014/15 onwards.
- 3.6 The Investment Centre made an operating loss of approximately £75,000 in 2012/13. In 2013/14 the budget was set in anticipation of a £110,000 deficit, of which, £10,000 was a contribution from GRA resources as the Investment Centre reserve would be fully utilised.

4.0 CURRENT POSITION

- 4.1 The financial position of the Investment Centre is now much improved. A number of existing tenants have expanded their office accommodation and a new tenant has taken a significant area. Agreement has been reached with a large national company who will take up occupation of the suite which the Council vacated together with Suite C1 in late April.

The graph below indicates the trend.



- 4.2 The graph has been extended to show the occupancy level of the centre once the new tenant has been installed. The uptake of offices has been spectacular over the past 15 months and has bucked the national trend which flat lined at best.
- 4.3 The Centre staff have worked hard to attract conference business and to ensure that repeat custom is achieved. They have exceeded the already challenging budgeted figure by more than £25,000 to date.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 5.1 The prime reason for the construction of the Investment Centre more than 10 years ago was to meet the need for white collar jobs and to provide a supportive environment to fledgling businesses. The Investment Centre has exceeded this brief spectacularly and whilst there has been a number of privately developed prime office space, there is still nothing which provides the wrap around environment of the Investment Centre.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 6.1 The income levels achieved from the Investment Centre have improved significantly over the last financial year and subsequently the financial position has significantly improved over the last 3 years, moving from a loss of £176K to an estimated small budget loss of £20K in 2014/15, which is to be funded from the remainder of the Investment Centre reserve. Costs have been scrutinised fully with many contracts being reconfigured in order to achieve savings. Rental and conferencing income levels have improved however some of the square foot rental charges achieved have not been as high as when market conditions were more buoyant.
- 6.2 A sinking fund has been established commencing from financial year 2012/13 whereby tenants get charged an amount, via their service charge to cover repairs and maintenance of the Investment Centre. This is to enable a planned approach to the maintenance of the Centre and ensures that tenants are contributing equitably towards this goal.
- 6.3 Looking forward it is hoped that 2014/15 could achieve an actual surplus outturn position and this will be closely monitored throughout the year. Market conditions, whilst still developing, appear to be more positive and the challenge is now to improve the rental charges levied per square foot in order to achieve an enhanced surplus and to fill the remaining vacant units.
- 6.3 A new full time Investment Centre Manager has been engaged and will provide stability going forward.

7.0 RISK ASSESSMENT

- 7.1 Any property ownership comes with risks of economic downturn and consequent rental depressions. The Investment Centre has shown that, with careful management and financial prudence the Centre has weathered the longest recession that the UK has ever known.
- 7.2 Nevertheless the building is now 10 years old and will require programmed maintenance to continue to function and attract tenants. A sinking fund has been created so that funds may be accrued to meet future repairing/refurbishment liabilities.

8.0 CONCLUSIONS

- 8.1 Members note the improving financial state of the Investment Centre and a further report is brought to cabinet in 12 months.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Exempt Information

In all the circumstances of the case the public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information.

Appendices

None