

ANGUS COUNCIL

INFRASTRUCTURE SERVICES COMMITTEE - 20 JANUARY 2009

SUBJECT: ELECTRICITY UPGRADE, UNIT 4 BROOMFIELD INDUSTRIAL ESTATE,
MONTROSE

REPORT BY THE DIRECTOR OF INFRASTRUCTURE SERVICES

Abstract: This report seeks approval to contribute towards the upgrade of electricity to Unit 4 Broomfield Industrial Estate, Montrose

1 RECOMMENDATION

- 1.1 It is recommended that the Committee approve a contribution of 40% towards the cost of upgrading the electricity supply serving Unit 4 Broomfield Industrial Estate, Montrose at a cost of £33,278.

2 INTRODUCTION

- 2.1 Unit 4 Broomfield Industrial Estate was leased to Portlethen-based oil engineering company Pedem Ltd in August 2008. Pedem Ltd are engaged in the design, manufacture and rental of oilfield equipment. The unit, at 18,625 sq ft / 1,730 sq m, is one of the largest in Economic Development's property portfolio, and yields a current rent of £37,250 per annum. The company projected employing four staff initially and possibly rising to 15 when fully operational. The lease is for six years, with an option to break in August 2011.
- 2.2 Due to the urgency with which the new tenant was looking to move into the premises, the lease was agreed by the Head of Economic Development in consultation with the Head of Property and the Convener of Infrastructure Services.

3 ELECTRICITY UPGRADE WORKS

- 3.1 Before the lease was concluded, Pedem Ltd identified that the electricity serving Unit 4 would be insufficient to meet its requirements within the first year of operation. The existing supply is metered by a 3 phase 40/100 amp meter and is fused at 60 amps. The tenant's requirement is for the supply to be increased to 300kW in order to operate the heavy machinery it needs to install.
- 3.2 Given the potential job creation and sizeable rental income from the proposed lease, in order to secure the project for Angus, the Head of Economic Development in consultation with the Head of Property and the Convener of Infrastructure Services intimated to Pedem Ltd that the Council might make a contribution to the cost of electricity upgrade once costs had been established. At that point Scottish & Southern Energy (SSE) intimated that the capacity did not exist in the network to accommodate the increase in power required, and estimated that the cost of upgrading the network to suit would be in the region of between £80,000 to £85,000.

- 3.3 SSE subsequently undertook a full network study to establish precisely what works would be required, and has reported that the upgrade will cost £83,195 exc VAT – thus the Council's contribution if agreed at 40% would be £33,278. The works will involve installing a new substation in proximity to the unit and laying new underground cables to the existing substation on Broomfield Industrial Estate.
- 3.4 The Council's Chief Services Engineer has examined the quotation from SSE and considers it to be fair in terms of the amount of work that will be involved.
- 3.5 It should be noted that SSE has a monopoly in maintaining and upgrading the electricity network, and it is therefore impossible for the Council or the tenant to seek alternative quotes for these works.
- 3.6 The Committee is also asked to note that SSE estimates that some spare capacity will be left in the new substation following the upgrade. This will in theory be available for any tenants of the Council units in the vicinity (ie, Units 1 to 4 and 5a to 5c) who are looking to increase their power supply in future. It could also be of benefit in respect of Unit 2 (a former hanger) which is currently vacant and which has a current annual rental value of £27,340. This spare capacity, however, cannot be ringfenced without paying SSE an annual retainer, and would therefore be available to other potential users on a first-come, first-serve basis.
- 3.7 In addition to the extra capacity, the electricity upgrade will increase the future marketability of Unit 4 and its attractiveness to a far broader range of companies – the current supply in relation to the building's size renders the unit useful mostly for storage and distribution-type operations; indeed, the inadequate supply contributed to another prospective tenancy from an oil engineering company being lost in 2005.

4 FINANCIAL IMPLICATIONS

- 4.1 It is proposed that the Council's contribution to the works of £33,278 be met from Land/Property Sustainable Improvement Capital budget for 2008/09.

5 HUMAN RIGHTS IMPLICATIONS

- 5.1 There are no Human Rights implications arising from this report.

6 EQUALITIES IMPLICATIONS

- 6.1 The issues dealt with in this Report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment has been undertaken is not required.

7 SINGLE OUTCOME AGREEMENT

- 7.1 This report contributes to the following local outcome(s) contained within the Single Outcome Agreement for Angus.
- Sustainable business growth is achieved

8 CONSULTATION

- 8.1 The Chief Executive, Director of Corporate Services, Head of Law & Administration, Head of Finance, Head of Property, Head of Roads and Head of Environmental & Consumer Protection have been consulted in the preparation of this report.

9 CONCLUSION

- 9.1 Should the Committee agree to make the proposed contribution towards the upgrade of the electricity to Unit 4, the Council may benefit both in terms of the additional electricity capacity which would be created, and the future marketability of Unit 4.
- 9.2 Additionally, this contribution would represent a significant partnership approach to problem solving with one of the Council's most important business tenants, and should help build a positive long-term working relationship with the company.

ERIC S LOWSON
DIRECTOR OF INFRASTRUCTURE SERVICES

NOTE

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

ECDEV/DV/DJB/FM
14 January 2009