

 Finance & Audit Scrutiny Committee - 19th June 2012		Agenda Item No. 8
Title	Progress Report on Enterprise Projects	
For further information about this report please contact	Ray Smith Enterprise Development Manager Tel: 01926 456029 Email: ray.smith@warwickdc.gov.uk	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	14 th March 2012 Executive C'tee 7 th June 2011 F&AS C'tee 28 th September 2010 F&AS C'tee	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	Yes/No (If No state why below)

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive		Bill Hunt
Head of Service		Tracy Darke
CMT		Andrew Jones
Section 151 Officer		Mike Snow
Monitoring Officer		Andrew Jones
Finance		Jenny Clayton
Portfolio Holder(s)		John Hammon
Consultation & Community Engagement		
None		
Final Decision?	No	
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

- 1.1 The purpose of this report is to update members of the Finance & Audit Scrutiny Committee on the operational performance of the Enterprise Projects, namely: **Althorpe Enterprise Hub (AEH)**, **Court Street Creative Arches (CSCA)**, and **Brunswick Enterprise and Employment Zone (BEEZ)**, This report also refers to **Spencer Yard (Phase 1)** managed by the Enterprise Team which has also just assumed management responsibility for the newly opened **Jubilee House**. Jubilee House however is not included in this report.

2. **RECOMMENDATION**

- 2.1 That the Committee note progress to date.

3. **REASONS FOR THE RECOMMENDATION**

3.1 **General Comments – all projects**

- 3.1.1 Creation of new businesses and new jobs is a key priority for WDC and demand for access to business start up advice, office and desk facilities and support services in the District remains high.
- 3.1.2 The national and regional business advice and support landscape is changing almost on a daily basis. The Business Link Advice Service was substantially reduced last November with the closure of the BL West Midlands operations and all that remains is a national online advice portal, and, whilst there have been a plethora of new initiatives over the last 12 months or so, many are online services only and most are targeted at specific audiences. Access to a business adviser and 1 to 1 advice which the majority of people prefer and need, is extremely limited.
- 3.1.3 The Coventry & Warwickshire Local Enterprise Partnership is in its second year of operation and whilst it is providing a strong strategic lead in matters such as planning, skills and training, infrastructure improvements and inward investment it does not have any core funding for enterprise support activities.
- 3.1.4 There is also an ongoing identified need to provide practical help to get unemployed people back into work to supplement gaps in Job Centre Plus provision. The Enterprise Team have supported the establishment of an Employment Club managed by BEEZ at the Brunswick Healthy Living Centre which has been running since July 2010.
- 3.1.5 Work has continued with the Graduate Employment Partnership with University of Warwick and Coventry University's Careers and Business School teams with 46 local companies being introduced to both Universities at our "Meet the Universities" events held in February 2011 and May 2012. The aim is to increase the take up of work placement opportunities by local businesses and ultimately increase the numbers of graduates employed and retained within the District.
- 3.1.6 Since launching AEH, CSCA and BEEZ in autumn 2009 the Council, and businesses, have been faced with extremely severe economic conditions. The recession and the slow recovery have meant that there is a glut of vacant property, particularly office space, and average market rents achievable have declined by at least 25%. Nevertheless AEH is now up to 74% occupancy, rent

levels have not had to be reduced, and, the project demonstrates that there is still a need locally for good quality small offices to support new or expanding businesses.

3.1.7 AWM Outputs.

With the closure of Advantage West Midlands last year contract responsibility and the monitoring of the AEH and BEEZ projects has transferred to the Homes and Communities Agency (HCA) and CSCA to the Department for Business, Innovation and Skills (BIS)

The Council remains contractually bound to deliver a number of outputs for AEH, BEEZ and CSCA projects. Failure to deliver these outputs could result in clawback of some of the capital and revenue grants awarded to WDC. The Council received approximately £1.9M by way of Capital and Revenue grants from Advantage West Midlands to fund these three projects.

The Table below summarises the progress made across all three projects. Comment is provided in the individual project summaries below.

Please note: These are the figures that have been reported to AWM, HCA and BIS so far. There are a number of outputs in the 'pipeline' to be reported once the necessary written evidence has been obtained from individuals and businesses that have benefited. The Enterprise Team will be concentrating over the next quarter in ensuring that they collect all relevant evidence to ensure that the maximum number of project outputs are reported. Further comment on the outputs will be made in each of the project summaries below.

Summary of AWM outputs reported to 31st March 2012					
Project	Output	Contracted Outputs	Output Figures Achieved to date	% Achieved	Outstanding to term end
AEH	Jobs created	69	62	89.9%	7
	Individuals assisted to get a job	55	46	83.6%	9
	Businesses created or attracted surviving 12 months	29	18	62.1%	11
	Businesses created or attracted surviving 24 months	10	0	0.0%	10
	Businesses assisted to improve performance	129	99	76.7%	30
	Total	292	225	77%	67
BEEZ	Job Creation - New Jobs Created	14	14	100.0%	0
	Businesses created or attracted surviving 12 months	11	3	27.3%	8
	Total	25	17	68%	8

Summary of AWM outputs reported to 31st March 2012					
Project	Output	Contracted Outputs	Output Figures Achieved to date	% Achieved	Outstanding to term end
CSCA	Jobs created	20	0	0.0%	20
	Individuals assisted in their skills development	20	0	0.0%	20
	Businesses created or attracted surviving 12 months	4	0	0.0%	4
	Graduates employed in private sector	10	0	0.0%	10
	Total	54	0	0%	54

3.2 Project Summary – Althorpe Enterprise Hub (AEH)

3.2.1 Letting Statistics May 2009 to 31st May 2012

Number of potential tenants that have viewed the property	149
Number of potential tenants that have taken office or desk space	36
Conversion Ratio: Potential Tenants/No's occupying %	24.2%
Current Occupancy %	74%

The conversion ratio has increased from 22.5% since the F & AS Report last year so that almost 1 in every 4 viewings now result in a new desk or office tenant.

- 3.2.2 AEH has proved that there is demand from new or recently established businesses, despite the tough economic conditions, for small high quality managed offices at reasonable cost. Demand for individual desk spaces has been slow to take off but the Hub now has 10 desk package subscribers. Two desk package users have now moved into their own offices.
- 3.2.3 Despite average market rents for office premises in Leamington Spa reducing by some 25% as a result of the recession AEH licence fees have generally been maintained but they have not been increased since they were set in May 2009 due to economic conditions. However an increase in service charge of 3 % was instituted from January 2012. If demand continues at the present pace then an increase in licence fees will be considered from January 2013.
- 3.2.4 One way in which AEH is supporting existing and new businesses is through the monthly Working Lunch programme which is proving highly successful both as a networking event and as a way of assisting businesses on current 'hot topics'. So far almost 100 companies have benefitted from the programme.
- 3.2.5 A threat for all of the projects, but particularly for AEH with its need to supply a high number of AWM outputs, is the uncertainty of the business support landscape. Up until September 2011 start up advice and training were delivered in partnership with Business Link and their local delivery agent the Coventry &

Warwickshire Chamber of Commerce which provided regular 1 to 1 advice sessions at AEH.

- 3.2.6 From April 2011 the Council's Community Enterprise Officer (CEO) started to fill this expected gap. However the CEO's services were lost from December 1st 2011 when he was successful in applying for the vacant Warwick Town Centre Development Officer post.
- 3.2.7 To ensure that WDC can deliver key outputs for business start ups the Chamber of Commerce were commissioned by WDC in March 2012 to provide a start-up business advice service for Warwick District using the salary saving from the CEO post. This service is being run as an experiment until September 2012 when the effectiveness of the service will be reviewed and whether the AWM outputs relating to business start ups and survivals are being achieved.
- 3.2.8 WDC has also taken the opportunity afforded by the hand-over of the monitoring of the AWM contract to HCA to renegotiate some of the output figures to reflect the progress being made and reflect areas where we are producing strong outputs. The number of new businesses created has been reduced and the numbers for business assisted increased.
- 3.2.9 Progress to date against outputs is going well. The 'Businesses Created' output is the most important and because of the requirement for the business created to have to survive for at least 12 months these outputs are only now starting to come through in larger numbers reflecting activity throughout 2010/11 and 2011/12.
- 3.2.10 In September 2011 a Mid Term evaluation of the project was completed and is attached - See Appendix 1

In summary the Evaluation concludes that :-

- overall our tenants at AEH are very satisfied with the facilities;
- the project is achieving its objectives of attracting technology-based and creative industries, high value added start ups and early stage businesses;
- there is confidence that the project will meet its output targets;
- the project is achieving occupancy targets
- data produced by Warwickshire Inward Investment Partnership shows that Warwick District is the preferred location for new and expanding businesses seeking small office premises

3.3 Project Summary - Brunswick Enterprise and Employment Zone(BEEZ)

- 3.3.1 BEEZ has proved to be a successful project with AWM outputs likely to be substantially exceeded. 23 new businesses have been created as a result of the support received from this project. Outputs are claimed when/if the business survives at least 12 months of trading. The Enterprise Team are collecting the written evidence that will allow these outputs to be reported and the project output target of at least 11 businesses created and survived at least 12 months achieved.
- 3.3.2 As well as supporting new businesses and social enterprises the CEO helped Brunswick Healthy Living Centre establish the successful Employment Club in

July 2010. As at 31st March 2012 317 people had registered for support from the Club and 52 have now found jobs as a direct result.

- 3.3.3 The Enterprise Team have been able to use the Brunswick Employment Club as an example of excellent practice and has successfully secured £32K from Morrisons Supermarkets to fund the Club over the next 2 years via a Section 106 Agreement. An Employment and Training Strategy will ensure that local unemployed people have a chance to apply for pre-start job training and job interviews. WDC are working in partnership with Brunswick Employment Club, Job Centre Plus and Warwickshire College to ensure the supermarket has the best possible impact on jobs for local people.
- 3.3.4 As a result of preparatory work done by the Enterprise Team the Crown Roots Consortium in Lillington has commissioned BHLC to deliver an Employment Club in North Leamington based in the Lillington Library. This service started in April 2012. It is the Enterprise Teams' aspiration to see a Club established in Warwick West if further funding can be obtained. This would mean all three of the most deprived areas in the District have employment support delivered in their own locality.
- 3.3.5 As mentioned in the AEH Project Summary the CEO moved over to be the Warwick Town Centre Development Officer on 1st December 2011. To fill the gap left business support is provided to BEEZ business start ups by the Chamber of Commerce in the contract mentioned in the AEH summary above. Management of the Brunswick Employment Club is now undertaken by the Brunswick Healthy Living Centre Management.

3.4 Project Summary – Court Street Creative Arches

- 3.4.1 Of the three projects this has proved the most challenging in terms of finding new tenants. However since the last report to the F&AS Committee things have moved forward considerably with 4 arches now occupied and the Council is in negotiations to let a further 3 units. The table below summarises progress.

Court Street Creative Arches		
Summary of Lettings		
Arch No.	Occupied/Vacant/Lease under negotiation	Lease commenced
1	Vacant	
2	Lease under negotiation – target completion date June 2012	
3	Occupied	Jun-12
4	Lease under negotiation – target completion date June 2012	
5	Occupied	Jan-11
6	Occupied	Jul-11
7	Lease under negotiation – target completion date October 2012	
8	Vacant	
9	Occupied	Feb-12

- 3.4.2 As previously reported AWM withdrew some of this project's revenue funding for 2012/13 and 2013/14 amounting in total to £12750. Hence, as of this financial year, there is no AWM revenue support for the CSCA budget.
- 3.4.3 Lack of tenants also puts pressure on the ability of the project to produce its AWM outputs. However the graduate related outputs are already being worked on as part of the Graduate Employment/Retention work with the University of Warwick and Coventry University. Outputs have to be achieved by 31st March 2014 and the Enterprise Team will be looking at different ways to achieve the remaining targets e.g. more use could be made of Arch 8 (already equipped as a training/meeting venue) for Business Mentoring and Business training events which could help the Council achieve its key targets for businesses and jobs created.

3.5 Project Summary – Spencer Yard Phase 1

- 3.5.1 Phase 1 comprises of the North Hall and West Wing buildings which were refurbished in 2005/2006 as part of the Leamington Old Town regeneration scheme and opened to creative businesses in May 2006. West Wing is home to Motionhouse Dance Theatre and North Hall to Hybrid Arts and Heartbreak Productions. A number of other small creative businesses have also occupied North Hall in the small offices since the facilities were opened. Currently there are two vacant offices.
- 3.5.2 A £5M largely AWM funded scheme to complete Phase 2 which would have seen the Loft Theatre move into the former Spencer Street United Reform Church (URC) after a substantial renovation and conversion was cancelled in summer 2010 when the Government made the decision to close all regional development agencies. Since then the Council has been looking at how it can either find alternative funding for the AWM scheme or alternative uses for the URC. This work is ongoing.

4. POLICY FRAMEWORK

4.1 Policy Framework No Changes to the following:

- Development Plan Documents
- Fit for the Future
- Food Law Enforcement Service Plan
- The plan and strategy which comprise the Housing Investment Programme

4.2 Fit for the Future

- 4.2.1 The Enterprise Team are very mindful that the net financial impact of the four combined projects on Council budgets should be at least neutral and are working hard to achieve this aim.
- 4.2.2 In terms of the Council's Vision and Purpose the enterprise projects are a key part of the Council's Sustainable Communities Strategy under the Economy Skills and Employment Thematic Priority and in particular contributing to 'a strong and diverse economy which provides jobs for all'. The projects are also focussed on supporting our three priority areas of Brunswick, Crown and West Warwick.

5. BUDGETARY FRAMEWORK

- 5.1 The budgets for AEH, CSCA, BEEZ and Spencer Yard are now amalgamated under Enterprise Development in the 2012/13 Budget Book. However for more detailed information a breakdown of all four budgets is provided in Appendix 2.
- 5.2 In summary the budget that we are working to for this financial year is as follows :-

Enterprise Development	
Income and Expenditure Budget 2012/13	
Direct Expenditure	£
Salaries	69,100
Premises	98,500
Transport	1,200
Supplies & Services	32,400
Third Party Payments	17,800
Total Direct Expenditure	219,000
Direct Income	
Service Charges	(22,500)
Hire of Workstations	(4,100)
Hire of Conference Rooms	(5,300)
Business Services	(3,500)
Rents	(117,300)
Total Direct Income	(152,700)
Net Direct (Income)/Expenditure	66,300
Support Services	35,800
Capital Financing Charges	50,600
Total Net (Income)/Expenditure	152,700

5.3 Comments:

- 5.3.1 A key objective of the Enterprise Team is to raise sufficient direct income to cover direct costs. The budget deficit forecast above of £66300 will be substantially reduced if we are successful in letting Arches 2, 4 and 7 within the targeted timescales. Income from Arch 3 (just let) and these three arches for the first full year for these leases amounts to £25331. In addition WDC would save £19648 per annum in business rates. In total this additional income added to cost savings on business rates would reduce the overall deficit by £44979 to just over £21K.
- 5.3.2 All projects have been running now for over three years and income targets are now becoming more reliable as occupancy rates rise. Costs too have all been identified and reduced as far as possible. However no account has been taken of the management time needed to run Jubilee House at this stage.
- 5.3.3 There is the likelihood that if most leases have been executed on CSCA units then legal fees should be substantially less as will marketing costs (agents fees) in the next financial year.

- 5.3.4 Spencer Yard historically has contributed a surplus of £15 to £20K to the overall budget but this is dependent on the level of property maintenance needed, and getting the two vacant offices let.
- 5.3.5 There is scope to increase income at AEH by increasing licence fees from next January and from a further increase in occupancy.
- 5.3.6 The Council is contractually obliged to invest surpluses from AWM funded projects (AEH and CSCA) into business support activities. It was expected that surplus income from letting the Court Street Arches would subsidize Althorpe Enterprise Hub in the early years of that project until breakeven was reached. Spencer Yard was included under the Enterprise Development umbrella and surpluses from previous years has helped support the AEH and CSCA.

5.5 Capital Investment

- 5.5.1 All Capital expenditure as reported in the previous report is now complete. However the Executive C'tee approved a scheme of ventilation in all CSCA units which was carried out in May/June 2012. The cost of £22000 was approved from the Capital Investment Reserve.

6. ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 Not applicable

Appendix 1

Althorpe Enterprise Hub – Mid Term Evaluation

See Document attached.

Appendix 2

Enterprise Development – Summary of Income and Expenditure

See Document attached