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|  Finance & Audit Scrutiny Committee 9th July 2013 | | Agenda Item No. 9 |
| Title | Progress Report on Enterprise Projects | |
| For further information about this report please contact | Joe Baconnet, Economic Development and Regeneration Manager Tel: 01926 456011 Email: joseph.baconnet@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| Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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 | 19 th June 2012 F&AS C'tee 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 |
| Head of Service | | Tracy Darke |
| CMT/Deputy Chief Executive | | 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 also has management responsibility for **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 in November 2011 with the closure of the BL West Midlands operations and all that remains is a national online advice portal. 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 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 was also an on-going identified need to provide practical help to get unemployed people back into work to supplement gaps in Job Centre Plus (JCP) 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. JCP's work programmes (provided through a third party provider) now fulfil some of the need identified by the original purpose of the Jobs Clubs. However, Welfare Changes and the way that JCP now work mean that some of the gaps we had originally identified have been fulfilled.
- 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 101 local companies being introduced to both Universities at our "Meet the Universities" events held in February 2011, May 2012 and February 2013. 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%. Despite this background, AEH achieved, and has maintained, 100% occupancy in November 2012. 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. National serviced office providers have continued their expansion in the area (Pure Offices are building at Warwick), but they do not have the level of additional support to businesses that AEH offers.

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 received approximately £1.9M by way of Capital and Revenue grants from Advantage West Midlands to fund these three projects and as such were contractually bound to deliver a number of outputs across the three projects

BEEZ and AEH final output claims have been submitted. It is considered that these projects are a success. Both projects have over-achieved against contracted outputs, which, according to the value for money (VFM) model used by AWM, represents an additional £7.6m in the local economy in value for money terms.

The Council remains contractually bound to deliver a number of outputs for CSCA project. Failure to deliver these outputs could result in claw back of some of the capital and revenue grants awarded to WDC.

The Table below summarises the delivery and 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 2013 | | | | | |
|--|-----------------------------------|--------------------|---------------------------------|------------|-------------------------|
| Project | Output | Contracted Outputs | Output Figures Achieved to date | % Achieved | Outstanding to term end |
| AEH | Jobs created | 69 | 148 | 214.5% | -79 |
| | Individuals assisted to get a job | 55 | 46 | 83.6% | 9 |

| | | | | | |
|-------------|--|------------|------------|--------------|-------------|
| | Businesses created or attracted surviving 12 months | 29 | 89 | 306.9% | -60 |
| | Businesses created or attracted surviving 24 months | 10 | 10 | 100.0% | 0 |
| | Businesses assisted to improve performance | 129 | 137 | 106.2% | -8 |
| | Total | 292 | 430 | 147% | -138 |
| BEEZ | Job Creation - New Jobs Created | 11 | 14 | 127.3% | -3 |
| | Businesses created or attracted surviving 12 months | 11 | 11 | 100.0% | 0 |
| | People Assisted to get a Job | 0 | 256 | | -256 |
| | Total | 22 | 281 | 1277% | -3 |
| CSCA | Jobs created | 20 | 19 | 95.0% | 1 |
| | Individuals assisted in their skills development | 20 | 37 | 185.0% | -17 |
| | Businesses created or attracted surviving 12 months | 4 | 15 | 375.0% | -11 |
| | Graduates employed in private sector | 10 | 3 | 30.0% | 7 |
| | Total | 54 | 74 | 137% | -20 |

3.2 Project Summary – Althorpe Enterprise Hub (AEH)

- 3.2.1 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.
- 3.2.2 Despite average market rents for office premises in Leamington Spa reducing by some 25%, as a result of the recession, AEH licence fees have 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 introduced in 2012/13 and a further 3% introduced in 2013/14.
- 3.2.3 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'. Over 140 companies have benefitted from the programme.

- 3.2.4 A threat for all of the projects, but particularly for AEH with its need to supply a high number of AWM outputs, continues to be 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.
- 3.2.5 Initially, after the demise of the Business Link support service, the Council provided staff support to fill the gap in business support. However, subsequent to this 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 Community Enterprise Officer (CEO) post. This service proved successful and AWM outputs relating to business start-ups and survivals have been achieved.
- 3.2.6 Final output claims for AEH and BEEZ have been submitted and both projects have over-achieved against our contracted targets.

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

- 3.3.1 BEEZ has proved to be a successful project having met its contractual output targets as well as reporting against 'Assisting People into a Job', which the project had not initially been targeted with.
- 3.3.2 As well as supporting new businesses and social enterprises WDC helped Brunswick Healthy Living Centre establish the successful Employment Club in July 2010. As a result of this initiative we have been able to report a figure of 256 to HCA, against the non-contracted output: 'Assisting People into a Job'.
- 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 Deeley Properties Ltd and Morrisons Supermarkets to fund the Club until March 2014 via a Section 106 Agreement. An Employment and Training Strategy ensured that local unemployed people had a chance to apply for pre-start job training and job interviews. WDC worked in partnership with Brunswick Employment Club, Job Centre Plus and Warwickshire College to ensure that the supermarket had 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 commissioned BHLC to deliver an Employment Club in North Leamington based in the Lillington Library. This one day per week service started in April 2012.
- 3.3.5 In June 2013 we submitted a final evaluation for the project to HCA – please see attached appendix 1

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, 6 arches are now occupied and the Council is in negotiations to let a further unit (Arch 7). The table below summarises progress.

| Court Street Creative Arches | | |
|------------------------------|---|-----------------|
| Summary of Lettings | | |
| Arch No. | Occupied/Vacant/Lease under negotiation | Lease commenced |
| 1 | Occupied | Mar-13 |
| 2 | Vacant | |
| 3 | Occupied | Jun-12 |
| 4 | Occupied | Jun-12 |
| 5 | Occupied | Jan-11 |
| 6 | Occupied | Jul-11 |
| 7 | Lease under negotiation – target completion date October 2013 | |
| 8 | Vacant – training arch | |
| 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 The initial lack of tenants put pressure on the ability of the project to produce its AWM outputs. However, the team made a decision to use a vacant arch, Arch 8, (equipped as a training/meeting venue) for Business Mentoring and Business training events which has contributed towards the reported 19 'Jobs Created'.
- 3.4.4 The graduate related outputs have been our biggest challenge and are 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. We are currently awaiting feedback from the University of Warwick and Coventry University as to how many graduate placements were issued as a result of our last event in May 2013.
- 3.4.5 The risk of 'clawback' is considered to be minimal, should we fail to meet the full graduate output target. To date we have over-achieved against two other outputs, resulting in an additional delivery of £1.3m for the project, in value for money terms.

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.
- 3.5.2 As previously reported, the £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. Since then the Council has been working on an alternative project with a key partner.

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 2013/14 Budget Book. In summary the budget that we are working to for this financial year is as follows:-

| Enterprise Development | |
|---------------------------------------|----------------|
| Income and Expenditure Budget 2013/14 | |
| Direct Expenditure | £ |
| Salaries | 69,400 |
| Premises | 84,000 |
| Transport | 1,500 |
| Supplies & Services | 24,900 |
| Third Party Payments | 35,700 |
| Total Direct Expenditure | 215,500 |

| | |
|--|----------------------------|
| | |
| Direct Income | |
| Service Charges | -31,200 |
| Hire of Workstations | -5,000 |
| Hire of Conference Rooms | -4,100 |
| Business Services | -5,600 |
| Rents | -172,000 |
| Other grants and contributions | -16,000 |
| Total Direct Income | - 233,900 |
| | |
| Net Direct (Income)/Expenditure | -18,400 |
| Support Services | 35,300 |
| Capital Financing Charges | 52,200 |
| | |
| Total Net (Income)/Expenditure | 69,100 |

5.2 Comments:

- 5.2.1 A key objective of the Enterprise Team is to raise sufficient direct income to cover direct costs. The budget surplus forecast above of £18,400 is unlikely to be achievable, as our planned forecast budget accounted for anticipated occupancy of both Arch 2 and Arch 7, from the outset of 2013/14. However, we anticipate that our net financial impact of the four combined projects on Council budgets should be at least neutral or make a small surplus.
- 5.2.2 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.
- 5.2.3 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.
- 5.2.4 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 subsidise 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 have helped support the AEH and CSCA.

5.3 Capital Investment

- 5.3.1 All Capital expenditure as reported in the previous report is now complete. However, Executive 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 and previously reported to F&A in 2012.

6. ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 Not applicable

Appendix 1

Brunswick Enterprise and Employment Zone – Final Evaluation

See Document attached.