

	<b>Finance &amp; Audit Scrutiny Committee</b> <b>30<sup>th</sup> June 2015</b>	<b>Agenda Item No. 9</b>
<b>Title</b>	Progress Report on Enterprise Projects	
<b>For further information about this report please contact</b>	Joe Baconnet, Economic Development & Regeneration Manager Tel: 01926 456011 Email: <a href="mailto:joseph.baconnet@warwickdc.gov.uk">joseph.baconnet@warwickdc.gov.uk</a>  Gayle Spencer, Business Manager - Enterprise Tel: 01926 333220 Email: <a href="mailto:gayle.spencer@warwickdc.gov.uk">gayle.spencer@warwickdc.gov.uk</a>	
<b>Wards of the District directly affected</b>	All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	10th June 2014 F&A C'tee	
<b>Background Papers</b>		

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

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

## 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, principally: Althorpe Enterprise Hub (AEH), & Court Street Creative Arches (CSCA). Brunswick Enterprise and Employment Zone (BEEZ) and Spencer Yard Phase 1 (SY) are included for financial purposes. In addition, this report gives an update on 26HT and also the business support and skills initiatives.

## 2. **RECOMMENDATION**

- 2.1 That the Committee note developments since our previous report in June 2014.

## 3. **REASONS FOR THE RECOMMENDATION**

### 3.1 **General Comments – all projects**

#### *Althorpe Enterprise Hub (AEH)*

- 3.1.1 Despite launching Althorpe Enterprise Hub (AEH) in autumn 2009 when businesses were faced with severe economic conditions, the onset of a recession and a slow recovery, AEH achieved, and has maintained, full occupancy since November 2012. Rent levels have been maintained and the project demonstrates that there is still a need locally for good quality small offices to support new or expanding businesses. Whilst national serviced office providers have continued their expansion in the area (principally Pure Offices at Tachbrook Park and Tournament Fields, Warwick) they do not provide the added value and support to businesses that AEH provides. AEH's location in the Old Town has been significant and has proved no deterrent to office businesses.

#### *Court Street Creative Arches (CSCA)*

- 3.1.2 Court St. Creative Arches (CSCA) officially launched in autumn 2009. It was also affected by the same economic conditions as AEH, perhaps even more so as CSCA required tenants to sign up to long-term leases. The remaining building works for the project were completed in May 2010. The first lease was completed in January 2011. As of July 2015 there are seven (7) occupied arches and one (1) vacancy. The policy on the lettings of the Arches have remained committed to the project aim and all tenants fall within the list of 'accepted creative criteria.'
- 3.1.3 An added complication of the CSCA, is that all the arches are owned by Network Rail (NR). This meant that all leases undertaken by WDC for tenants needed Network Rail approval. The time delays and costs (approximately £1250 per lease) this has put onto the District Council has been considerable. However, following the loss of a potential tenant because of legal delays with Network Rail's lawyers, a complaint was made to Network Rail. Given the authority's previous good performance, Network Rail have waived the requirement for WDC to enter into new licences for subleases. This will significantly reduce the amount of time and cost it takes to complete a lease.

#### *Brunswick Employment and Enterprise Zone*

- 3.1.4 The outputs for the BEEZ were largely based around Job Creation and Businesses created or attracted (and surviving for 12 months). However,

during the project, "assisting people into a job" was added as a non contracted output as a result of the establishment of a Jobs Club in 2010.

### *Spencer's Yard*

- 3.1.5 Phase 1 of Spencer's Yard 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.
- 3.1.6 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. A soft market testing exercise is underway for the Creative Quarter, that Spencer's Yard forms part of.

### *26HT – Gaming Incubation Hub*

- 3.1.7 In July 2014, WDC secured funding from the Coventry and Warwickshire Local Enterprise Partnership's Growing Places Fund for the conversion of one of our vacant and underinvested properties (26 Hamilton Terrace, Royal Leamington Spa) into an incubation hub for digital software and gaming companies. This was designed to meet the need of the industry for a small, high quality, town centre start up space. The building had been unoccupied for a number of years and the £108,000 award covered all capital costs associated with the renovation and fit out of 26 HT. The project launched at the end of 2014, with the first two businesses taking occupancy in December 2014 and February 2015. A third business, Natural Motion, is due to move in at the end of July 2015. Due to problems with high speed broadband connectivity (outside of WDC's control) there has been a conscious decision to not market the project actively. The current tenants have all been secured through word-of-mouth. The new fibre line should go live during July 2015.
- 3.1.8 The optimum gross annual rental income is £34k, with an additional service charge income £16.8k to cover costs, which will be reviewed. Under the terms of the grant agreement, WDC has to maintain the building for the agreed use for a minimum of 10 years.

### *General Business Support*

- 3.2.1 Creation of new businesses and new jobs continues to be a key priority for WDC and there is continued demand for access to business start-up advice, office and desk facilities and support services in the District.
- 3.2.2 Since 2011, when the Business Link Advice Service ceased, business support across the whole area has been patchy. WDC made the decision to engage with the Coventry and Warwickshire Chamber of Commerce (CWCC) to provide start-up support. The Executive granted permission in August 2013 to extend the contract with the Coventry and Warwickshire Chamber of Commerce and thereby continue to deliver business mentoring and support under the WDC Business Programme. A further £10k was allocated for this purpose. As a result a further 50 individuals started up a business. This programme eventually came to an end in December 2013.

- 3.2.3 Through the allocation of a portion of the £50k skills budget (in 2014/15 financial year) CWCC were re-engaged to provide start up support until April 2015. During this period 20 new business starts have been supported. In addition to this, provision was made to re-engage with previously supported start up businesses. 10 of these existing businesses have been able to access additional business support with the CWCC who also undertook analysis to report back on survivals. The report from CWCC is due July 2015.
- 3.2.3 It is hoped that the previously unequal business support landscape will be address through the European Structural and Investment Funds (ESIF) bid process for support for Small and Medium sized enterprises across Coventry and Warwickshire.

### *Skills*

- 3.3.1 It was recognised that practical help to get unemployed people back into work, to supplement gaps in Job Centre Plus (JCP) provision was needed. As has been previously reported, the Enterprise Team supported the establishment of an Employment Club managed by BEEZ at the Brunswick Healthy Living Centre (BHLC), which has been running since July 2010. JCP's work programmes (provided through a third party provider) do fulfil some of the need identified by the original purpose of the Jobs Clubs. However, changes and the way that JCP now work mean that some of the gaps we had originally identified have not yet been fulfilled. WDC Enterprise successfully secured £32k from Deeley Properties Ltd and Morrisons Supermarkets to fund the Club via a Section 106 Agreement over a two year period.
- 3.3.2 Through a portion of the 2014/15 skills budget, WDC funded 2 cohorts of a new 'Gold Programme', which was designed by BHLC to complement the work being undertaken by the jobs club. It had been recognised that there were individuals that required more direct and intensive support. Through these two delivered programmes WDC and BHLC have been able to deliver support to 13 individuals. Early stage feedback confirms that two of these individuals have found full-time employment. Another has joined the BHLC volunteer programme, where individuals gain experience in a working environment and eventually move on to paid employment elsewhere. In addition a further two individuals have enrolled on an IT course.
- 3.3.3 The Enterprise Team also supported the multi-agency Leamington Jobs Fair, which was held at the Town Hall in March 2014 and March 2015. On both occasions around 300 individuals attended the fair and had the opportunity to attend a session to support them to find work and/or to meet with local businesses that had vacancies. This year's event was extremely successful. The feedback received was that 20 people secured employment through the event.

### *Games Industry Support*

- 3.4.1 WDC Enterprise supported Arch Creatives, a not for profit business. Their venture undertakes to assist and encourage individuals and small 'off-springs' with their own gaming projects. Arch Creatives originally took a lease on Arch 2 of the CSCA for this project and launched in May 2014. Individuals and 'off-springs' have benefitted from sharing a hot-desking space on an ad hoc basis with other likeminded individuals, with additional opportunities to attain key skills and to network. The project has been so successful that they are taking a larger, double arch.

## Networking

- 3.5.1 Since January 2010 AEH launched a monthly Working Lunch programme WDC support existing and new businesses, not only providing networking opportunities but also as a way of assisting businesses on current 'hot topics'. Over 180 companies have benefitted from the programme. In October 2014 these events ceased as it was considered that the business networking environment had become saturated and there was no longer a requirement or gap to be filled by the District Council.
- 3.5.2 Despite the windup of the WDC Working Lunch programme, there was continued demand for accessible knowledge and businesses skills/workshops. Through the skills budget we were able to hold two, full-day seminars for SMEs. Over 50 businesses and individuals were supported through these two sessions.

## C&WLEP Outputs – 26HT

- 3.6.1 Having successfully secured funding from the Coventry & Warwickshire Local Enterprise Partnership's (C&WLEP) Growing Places Fund, WDC are contracted to fulfil a number of outputs as detailed below: -

Project Output	2014	2015	2016	2017	2018	Total
Jobs Creation	2-5	4-10	9-15	9-15	9-15	36-60
New business creation	1-2	4-6	5-8	4-7	4-7	14-30

- 3.6.2 At this stage, despite the delays in occupation caused by broadband issues, WDC Enterprise consider these to still be realistic and achievable. 2014 output targets have been carried over into 2015.

## 4. POLICY FRAMEWORK

### 4.1 Policy Framework:

Compliant with the refreshed SCS and the Prosperity Theme  
"To improve the economic, social and environmental well-being of Warwick District by pursuing a balanced and sustainable growth agenda that delivers improvements in each of these areas whilst protecting those things that make the Warwick District special"

### 4.2 Fit for the Future

- 4.2.1 The net financial impact of the Enterprise projects (AEH, BEEZ, CSCA and SY) on Council budgets should be at least neutral and the team have worked hard to achieve this aim. In 2013/14 we ended the financial year with net direct income of £44k, excluding depreciation and support charges.

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 Prosperity Theme and in particular contributing to 'a strong and diverse economy which provides jobs for all'.

## 5. BUDGETARY FRAMEWORK

5.1 The budgets for AEH, CSCA, BEEZ and SY are amalgamated under Enterprise Development in the 2015/16 Budget Book. In summary, the budget being worked to for this financial year, as of June 2015 Budget Monitoring, is as follows:-

<b>Enterprise Development*</b>	
<b>Income and Expenditure Budget 2015/16</b>	
<b>Direct Expenditure</b>	£
Salaries	71,700
Premises	87,400
Transport	2,500
Supplies & Services(1)	19,500
Third Party Payments	2,700
<b>Total Direct Expenditure</b>	<b>183,800</b>
<b>Direct Income</b>	
Service Charges	-34,600
Hire of Workstations	-5,000
Hire of Conference Rooms	-4,500
Business Services	-7,100
Rents	-167,600
Other grants and contributions	0
<b>Total Direct Income</b>	<b>-218,800</b>
<b>Net Direct (Income)/Expenditure</b>	<b>-35,000</b>
Support Services	32,200
Capital Financing Charges	53,700
<b>Total Net (Income)/Expenditure</b>	<b>50,900</b>

\*note: only covers Althorpe Enterprise Hub, Court Street Creative Arches, Spencer's Yard. Excludes: 26HT & BEEZ.

(1) includes legal fees and disbursements – ie: Network Rail Charges

## 5.2 Comments:

5.2.1 A key objective of the Enterprise Team is to raise sufficient direct income to cover direct costs. The net direct budget surplus forecast shown above, of £35k, is a lower end forecast. It would be a far more realistic since these budgets have been set to anticipate a surplus somewhere in the region of 2014/15, at around £44k.

5.2.2 As a note, the Council is contractually obliged to invest surpluses from AWM funded projects (AEH and CSCA) into business support activities.

### 5.3 Capital Investment

5.3.1 All Capital expenditure as reported previously is now complete.

## 6. RISKS

6.1 The main risks & mitigation associated with the Enterprise Projects are:

Risk	Mitigation Measures
Clawback of funding for missing output targets	Revised Output targets reached on all projects
Successor Agencies –(particularly the HCA) triggering contractual payment obligations	Enterprise Manager has been attempting to get assurance from HCA contract managers regarding the gross / net split (these are believed to be a mistake). WDC’s Lawyers carrying out an assessment of the contract and all subsequent correspondence should the HCA re-examine the contracts.
Economic Downturn leading to loss of tenants / increase in vacancies or voids (and therefore increased costs)	Active marketing of sites, ability to vary rents to be competitive, support package to businesses making WDC sites more attractive
Tenants allowed to occupy buildings without legal agreement	Adequate procedures in place, monthly review of on-going property issues
Tenants cause damage to property	Dilapidations procedure to ensure tenants carry out their legal duties
Increased cost of maintaining properties in good order leading to loss of tenants	Planned preventative maintenance programme. Early identification of particular issues.

6.2 All are covered within the Estates section of the Development Services Risk Register.

## 7. Alternative Options considered

7.1 None at this stage.

## 8. Background

8.1 AEH, CSCA and BEEZ were all funded via Advantage West Midlands (AWM), the former regional development agency. 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

8.2 With the closure of Advantage West Midlands in 2012 contract responsibility and the monitoring of the AEH and BEEZ projects transferred to the Homes and Communities Agency (HCA) and CSCA to the Department for Business,

Innovation and Skills (BIS). Figures are submitted annually as required. BIS have not responded to the submissions. HCA

- 8.3 BEEZ and AEH final output claims were submitted in 2012/13. It is considered that these projects are a success. Both projects over-achieved against contracted outputs, which, according to the value for money (VFM) model used by AWM represented an additional £7.6m in the local economy in value for money terms.
- 8.4 AEH and CSCA have conditions relating to the length of time that the projects must continue to run.