

 Finance & Audit Scrutiny Committee 10th June 2014		Agenda Item No. 11
Title	Progress Report on Enterprise Projects	
For further information about this report please contact	Gayle Spencer, Business Manager (Enterprise) Tel: 01926 333220 Email: gayle.spencer@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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	9 th July 2014 F&AS C'tee 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 developments since our previous report in July 2013.

3. REASONS FOR THE RECOMMENDATION

3.1 General Comments – all projects

- 3.1.1 Creation of new businesses and new jobs continues to be a key priority for WDC and there is still demand for access to business start-up advice, office and desk facilities and support services in the District.
- 3.1.2 Since 2011, when the Business Link Advice Service ceased, business support has been patchy. WDC made the decision to engage with the Coventry and Warwickshire Chamber of Commerce 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 in a business. This programme eventually came to an end in December 2013.
- 3.1.3 In October 2013 a collaborative business mentoring group, called Spokes, was formed. This group includes WDC Enterprise and business tenants based at Althorpe Enterprise Hub. The philosophy behind Spokes is to provide those businesses that initially benefitted from the Althorpe Enterprise Hub's facilities and support, with an opportunity to provide meaningful support to other individuals who want to set up in business.

Early figures suggest since the soft launch of Spokes 6 months ago that we have assisted over 34 individuals who want to start a new business.

It is understood that a countywide strategy is being formulated around Business Support. Currently, the only level of formal business support being provided within Warwick District is via the Rural Growth Network. The Spokes initiative provides a level of support for businesses within the towns during this period of uncertainty. It may well prove to be a sustainable project which could complement any further provision which develops.

- 3.1.4 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, 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, Welfare 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. The final payment for 2013/14 has now been received.

The Enterprise Team also supported the multi-agency Leamington Jobs Fair, which was held at the Town Hall in March 2014. Over 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.

- 3.1.5 Over the last three years the Enterprise Team have been working with the Graduate Employment Partnership, which includes University of Warwick and Coventry University's Careers and Business School teams, by holding annual events. As a result of this intervention, where 101 local companies were introduced to both universities, we understand that 18 graduates have either secured a work placement or full time permanent role. The aim was 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 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. National serviced office providers have continued their expansion in the area (principally Pure Offices at Tachbrook and Tournament Fields) but they do not have the level of additional support to businesses that AEH offers. Despite this, the Tachbrook Pure Offices are almost fully let with the Tournament Fields offices being 65 – 75% let after 9 months.
- 3.1.7 Court St. Creative Arches (CSCA) again 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 outstanding building works for the project were completed in May 2010. The first lease completed in January 2011. Three years later six of the eight arches are let, with a further 1 under offer. WDC is retaining an arch to support an interim project for the gaming sector and it is expected to be available to the general market in January 2015. Lettings on the Arches have remained committed to the project aim and all tenants fall within the list of 'accepted creative criteria.'
- 3.1.8 WDC has secured funding from the CWLEPs Growing Places Fund for £108,000. This sum will cover all capital costs associated with the renovation and fit out of 26 Hamilton Terrace, Royal Leamington Spa, for the purpose of a Gaming Incubation hub. This primarily will make good use out of an empty run-down WDC building and provide sector specific support to retain key talent in the area and allow further off-spring businesses to emerge.
- 3.1.9 WDC Enterprise have supported Arch Creatives, a not for profit business. The objective of the project undertaken is to assist individuals and small 'off-springs' with their own gaming projects. Arch Creatives have taken the lease of Arch 2, Court St. Creative Arches, as their base. The arch has become a gaming incubation hub and officially launched in May 2014. Individuals and

'off-springs' will benefit from sharing a hot-desking space on an ad hoc basis with other likeminded individuals, they will also obtain key skills and opportunities to network.

- 3.1.10 In September 2013 Blitz Games made 150 of their employees redundant as the company ceased trading. WDC and Arch Creative partners offered support to those individuals affected. Following the Blitz redundancies a number of 'off springs' have formed and existing UK companies have set up Leamington studios utilizing the talent available.
- 3.1.11 WDC Enterprise has also supported the Rural Innovation Centre at Stoneleigh. Specifically we prepared job descriptions and supported at interviews. We also assisted in the project costings and provided advice/information to La Salle. With this the confidence and knowledge gained has enabled La Salle to take on the management of the project themselves, with on-going support from WDC. The result is a nearly fully occupied building. It is understood that as a result of this success La Salle are now looking at renovating another vacant Stoneleigh Park building to provide a similar serviced office facility.
- 3.1.12 Through the monthly Working Lunch programme WDC continues to support existing and new businesses, which not only provides networking opportunities but also as a way of assisting businesses on current 'hot topics'. Over 170 companies have benefitted from the programme.

3.1.7 **AWM Outputs.**

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).

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

As reported last year both BEEZ and AEH final output claims had been submitted. It was considered that both projects were to be 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 combined.

In our last update The Council remained contractually bound to deliver a number of outputs for CSCA project. It was reported that failure to deliver could result in claw back of some of the capital and revenue grants awarded to WDC.

The Table below summarises our final set of output deliveries achieved for CSCA. Comment is provided in the individual project summaries below.

Summary of AWM outputs reported to 31st March 2014					
Project	Output	Contracted Outputs	Output Figures Achieved to date	% Achieved	Outstanding to term end
CSCA	Jobs created	20	19	95%	1
	Businesses created or attracted surviving 12 months	4	15	375%	-11
	Individuals assisted in their skills development	20	37	185%	-17
	Graduates employed in private sector	10	3	30%	7
	Total	54	74	137%	-20

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, particularly in light of the economic climate and recession. The average market rent for office space reduced by -25%. The Court St. Arches are let on a fully leased and self-contained basis, therefore, we are targeting established businesses and WDC have faced the same problems as other landlords in this market. We have, however, remained committed to the project aim and all tenants fall within the list of 'accepted creative criteria.' All but one arch is either let or under offer. This last remaining arch is being retained to support projects in the gaming sector, which will complement and endorse other work in the District.
- 3.4.2 As previously reported AWM did withdraw some of this project's revenue funding for 2012/13 and 2013/14 amounting in total to £12750.
- 3.4.3 The initial lack of tenants put pressure on the ability of the project to produce its AWM outputs. The Enterprise 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, as a result, has contributed towards the reported 19 'Jobs Created'.
- 3.4.4 The graduate related outputs were the biggest challenge. However, feedback received from shows that graduates were recruited into posts within local businesses. Although WDC is achieving the outputs, difficulties in obtaining the employer and employee final details have hampered the final completion of the data. Despite this, a number of returns have been made that support to support and evidence this output for the purposes of our AWM (BIS) agreement.
- 3.4.5 The risk of 'clawback' is considered to be minimal. Although the full graduate output target has not been met, the projects have over-achieved against two

other outputs, resulting in an additional delivery of £1.3m for the project, in value for money terms.

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 Enterprise Team are very mindful that the net financial impact of the four combined projects on Council budgets should be at least neutral and we have worked hard to achieve this aim. In 2013/14 we ended the financial year with net direct income of £35.5k, 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'. The projects are also focused 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 amalgamated under Enterprise Development in the 2014/15 Budget Book. In summary the budget that we are working to for this financial year, as May 2014 Budget Monitoring, is as follows:-

Enterprise Development	
Income and Expenditure Budget 2014/15	
Direct Expenditure	£
Salaries	68,600
Premises	79,000
Transport	1,000
Supplies & Services	18,500
Third Party Payments	24,500
Total Direct Expenditure	191,600
Direct Income	
Service Charges	-36,700
Hire of Workstations	-5,000
Hire of Conference Rooms	-5,000
Business Services	-8,500
Rents	-171,500
Other grants and contributions	0
Total Direct Income	-226,700

Net Direct (Income)/Expenditure	-35,100
Support Services	35,300
Capital Financing Charges	57,500
Total Net (Income)/Expenditure	57,700

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 above of £35k is thought to be realistic. However, we anticipate that, at the very least, our net financial impact of the four combined projects on Council budgets should be 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 2015/16.
- 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.

5.3 Capital Investment

- 5.3.1 All Capital expenditure as reported previously is now complete.

6. ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 Not applicable