

 WARWICK DISTRICT COUNCIL	Finance & Audit Scrutiny Committee 2nd February 2010	Agenda Item No. 6
Title For further information about this report please contact	Progress report on Enterprise Projects Ray Smith Enterprise Development Manager Tel: 01926 333246 Email: ray.smith@warwickdc.gov.uk	
Service Area	Development Services	
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		
Date and meeting when issue was last considered and relevant minute number		
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

Officer/Councillor Approval		
With regard to officer approval all reports <u>must</u> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director		Bill Hunt
Chief Executive		
CMT		
Section 151 Officer		
Legal		
Finance		Jenny Clayton
Portfolio Holder(s)		Cllr Hammon
Consultation Undertaken		
Final Decision?	No	
A further more detailed update will be provided within the next 6 months, after the Capital budgets have been finalised for all projects.		

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 new Enterprise Projects, namely: Althorpe Enterprise Hub (AEH), Court Street Creative Arches (CSCA) and Brunswick Enterprise Zone (BEZ). The report also refers to the Spencer Yard (Phase 1) project – North Hall and West Wing buildings - which are managed by the Enterprise Team.

2. **RECOMMENDATION**

- 2.1 That the Committee note progress to date.

3. **REASONS FOR THE RECOMMENDATION**

3.1 **Althorpe Enterprise Hub**

- 3.1.1 AEH opened in March 2009 and the first office tenants moved in at the end of April. Interest in the facilities and partner services has remained high despite the severe recession. The Chamber of Commerce has advised us that start up activity in the last half of 2009 increased by 30% compared with the same period in 2008. As a direct consequence they will shortly be increasing the frequency of their advice sessions at AEH and sister project BEZ.
- 3.1.2 The terms of our grant support dictate that AEH facilities (offices and desks) are aimed primarily at businesses in the High Technology, High Growth and Creative Industries sectors.
- 3.1.3 Given the economic downturn extra effort has been focussed on marketing all of the Enterprise projects. Marketing is delivered in a variety of ways e.g. website activity, online newsletters, direct email to the professionals sector, Warwickshire Investment Partnership database and newsletters, press coverage of key events such as first tenant, opening event and others, Focus magazine etc. This activity complements the marketing undertaken by our appointed commercial agents, EHB Commercial (April to October 2009) and Bromwich Hardy (from November 2009).
- 3.1.4 Occupancy of Office Units is running well ahead of target at 47% as of January, 2010 (target 34%).
- 3.1.5 Desk spaces are not being taken up at the rate we predicted; both 'desk areas' are being held vacant to keep down liability for business rates on these spaces (which the Council would otherwise be liable for). Desks are currently offered on a shared basis in one of the small offices. One of the Open Plan desk areas is also being marketed as a large office through our agents. Interest has been expressed by 4 different businesses.
- 3.1.6 To kick start desk hire we are introducing three levels of monthly subscription from January 2010 aimed at start-up businesses:
- Gold: tailored to attract those that want 24/7 access and unlimited use of a desk; mailing address; secure storage for files & laptop; reduced conference room hire fees ;
 - Silver: a lesser package for occasional users with up to 32 hours desk time per month

- Bronze; a basic package offering 16 hours occasional desk time.

Each package comes with the use of the desk, internet, phone and access to business help and advice.

3.1.7 The Enterprise Team are currently in discussion with a major clearing bank to sponsor an Enterprise Grant Scheme aimed at unemployed people, graduates and, possibly, retail businesses. As well as helping those businesses that receive a grant, it is anticipated that having this type of scheme will attract interest from potential new businesses some of which may benefit from occupying the enterprise facilities at AEH or BEZ.

3.2 Progress so far:

3.2.1 We have shown 43 potential tenants (businesses) around the AEH facilities, ten of which have since moved in. A conversion ratio of approximately 25%.

3.2.2 These ten businesses have or are using the AEH desks and offices to get their businesses underway or to move their existing business on to its next stage of development. At the time of writing 6 businesses are in residence at AEH. These businesses have created 5 new jobs.

3.2.3 The Conference room is in great demand and 13 different businesses or organisations, including WDC, have used this facility contributing almost £1000 in revenue income.

3.2.4 Thirty five new, or potentially new, businesses have been supported by the Coventry & Warwickshire Chamber of Commerce, which has the contract to deliver the Business Link start-up advice service in Warwickshire through their one to one mentoring service which operates from AEH. Of this number 9 businesses have started up. We do not have data yet from the Chamber of Commerce on the numbers of jobs, but would expect a minimum of 9 more full time jobs to have been created from this activity.

3.2.5 Four training courses have been held at AEH and 35 participants have benefited.

3.2.6 The Enterprise Team led research into establishing a Graduate Retention strategy for the District. A working group involving both Universities has now been established to work up the strategy and develop an action plan to encourage more students who have studied and lived in the District to remain here after graduation. The first meeting will be held on 22nd January, 2010.

3.2.7 The Enterprise Team is leading the Council's support for the Government's Future Jobs Fund scheme which will enable young people that have been out of work for six months or more with salary costs fully paid by the Government. The job created for them will last for six months and must be in the public, community or voluntary sectors or 'green' businesses.

3.3 Court Street Creative Arches

3.3.1 The Scheme was completed and officially opened on the 9th September, 2009.

3.3.2 There has been plenty of interest in the arches and we have followed up all previous registrations of interest during the period the arches were under construction.

Progress so far:

- 3.3.3 Heads of Terms were agreed between this Council and a Creative Agency just before Christmas 2009 to let Arches 6 and 7. Negotiations are ongoing regarding their lease and fit out arrangements. Occupation is expected to take place from May 2010.
- 3.3.4 A number of promotional events have been held with the Coventry & Warwickshire Social Media Cafe which has raised awareness of the arches and the facilities are being actively marketed by agents Bromwich Hardy.
- 3.3.5 A temporary letting of Arch 7 has taken place in January for a period of 3 weeks to Elisabeth the Chef Ltd which is training staff in readiness for the new automated production lines being built on their Berrington Road, Sydenham site.
- 3.3.6 Arch 8 is currently being fitted-out as a meeting and training venue using AWM grant to provide support primarily to new creative industries businesses. Other organisations and businesses will however be able to hire the facilities as well. This activity will help the project achieve its AWM outputs.
- 3.3.7 Other innovative ideas that may attract grant funding, possibly through the Arts Council, are being actively explored to ensure usage of some arches until commercial businesses take up occupation. This usage will also increase awareness and help attract other users rather than having a number of vacant properties.

3.4 Brunswick Enterprise Zone (part of Brunswick Healthy Living Centre)

- 3.4.1 AWM Grant funding has allowed the development of this small Community Enterprise Centre focusing on enterprise awareness raising, pre-start business advice, social enterprise activity and employment advice and training.
- 3.4.2 BEZ officially opened in October 2009 and is steadily increasing its footfall. It is the base for Warwick District Council's Community Enterprise Officer. The Community Enterprise Officer runs a programme activities for BEZ and the Narrowing the Gap programme at other community centres and venues in Warwick District (including: The Chain Lillington, Sydney Centre, Bath Place, and The Gap, Warwick).
- 3.4.3 So far the Community Enterprise Officer has worked with 35 pre-start businesses, two of which have now started up. 3 existing businesses have also received help. Training events are also operated at BEZ which have been attended by 49 people. One of these events was specifically focused on Social Enterprise.

3.5 Spencer Yard (Phase 1) – North Hall and West Wing

- 3.5.1 The scheme remains fully let at the time of writing. The challenge will be to retain our tenants during the Phase 2 development works which start in the spring, 2010. The team continue to work with the tenants to ensure they are kept fully informed of the programme of works and the efforts that will be made to mitigate the access and noise problems that may be faced during the construction period.
- 3.5.2 The Enterprise Team has responsibility for the day to day management of the tenants in these two buildings including organising billing for rents and calculation and billing of

annual service charges. The team also hold regular Management meetings and co-ordinate support with the Council's Property Services Department.

4 ALTERNATIVE OPTION CONSIDERED

4.1 No other options were identified

5. BUDGETARY FRAMEWORK

5.1 Capital Budgets (All projects)

5.1.1 All three scheme budgets are expected to be finalised by the end of the current financial year, March 2010. All capital schemes are expected to be delivered on budget based on information from the Quantity Surveyors involved in the schemes who are currently working to get the final accounts agreed with the main contractors.

5.2 Revenue Budgets

5.2.1 It should be noted that the budgets for the four projects referred to in this report have been ring fenced and any surpluses must be re-invested in business support activity, as set out in the terms of the AWM grant support.

5.3 Althorpe Enterprise Hub

5.3.1 In line with original budget projections the AEH is not expected to breakeven until early in year 4 of operation – 2012/13. These were conservative estimates, and despite the current economic environment, Officers will still be working to ensure that this target is reached on time, if not much earlier.

5.3.2 In the meantime there is expected to be a revenue budget deficit for the current year of £14K. This figure takes into account the Warwickshire County Council monies received over the last two years towards project revenue costs, and which was carried forward into this financial year, of £20K, and the projected annual surplus from Spencer Yard of £10K

5.4 Court Street Creative Arches

5.4.1 The budget benefits from AWM revenue support of £8,500 p.a. towards Enterprise Team salary costs. An early letting of Arches 6 and 7 will generate rental income of £23,200 per annum which will more than cover the Council's rent to Network Rail of £15,000 and insurance costs that are not recoverable until tenants are in place of £3,000 p.a.

5.5 Brunswick Enterprise Zone

5.5.1 The Council has a 5 year 'peppercorn' rent lease of the 'Enterprise Zone' area of Brunswick Healthy Living Centre which is sufficient time to deliver the AWM enterprise project

5.5.2 The Community Enterprise Officer (who is based at BEZ) salary is jointly funded by Advantage West Midlands and the Local Area Agreement, Narrowing the Gap monies for this financial year and next. Other minor items of expenditure are covered either by Narrowing the Gap funds or the Illuminate Social Enterprise Grant which was awarded in 2008.

5.6 Spencer Yard Phase 1

5.6.1 This project is currently expected to produce an annual surplus of between £10K to £12K though this does very much depend on whether there are any heavy maintenance costs. No exceptional items are expected in the current year.

6. POLICY FRAMEWORK

6.1 The Enterprise Projects support the Council's Core Strategy 2008-11 delivery of the strategic vision under strategic objectives

- Leadership - To provide clear community leadership and effective management of resources whilst delivering responsive public services in an open and transparent manner.
- Development.- Create thriving town centres, retain pleasant villages and make the district an attractive place to live, work and visit.

6.2 Sustainable Communities Strategy 2009 – 2026