

## **Chard Business Hub Project (Executive Decision)**

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### **Purpose of Report**

To request an allocation of funding for the Chard Business Hub project.

### **Public Interest**

The business hub will provide low-cost office space and business support for new business start-ups, local businesses and businesses relocating into the area. It will be open to all-comers and will particularly encourage digital and media business.

### **Recommendations**

That Members:

1. Agree to support the Chard Business Hub Project as detailed in the report.
2. Agree that £49,640 in the Area Reserve can be reallocated to the Hub Project
3. Allocate £63,920 from the unallocated capital programme to the Hub Project.
4. Authorise the Initial Project Board to continue as the Project Board and add Board members as deemed necessary and appropriate to supplement their skills and expertise as the project progresses.

### **Background**

At the February 17th meeting of the Area West Committee, members:

- Agreed, in principle, to support the development of a business incubation hub based in the Holyrood Lace Mill (The Chard Business Hub project).
- Appointed the five Chard District Council Members to Initial Hub Project Board to oversee the detailed definition of the project and its initiation, subject to further detailed approval by the Area West Committee.
- Appointed the Neighbourhood Development Officer (West) as Project Manager

The Chard Business Hub project will create a flexible business incubation space based in the SSDC owned Holyrood Lace Mill in the centre of Chard:

- Attracting people and businesses into Chard town centre
- Building new enterprise and creating new jobs
- Supporting and digitally enabling local businesses
- Supporting and enabling community projects and groups
- Raising the profile of Chard locally, regionally & nationally
- Building confidence, demonstrating demand and attracting investment (new businesses, new facilities)
- Reducing risk with a two stage development: an initial low cost “Inclusive” stage to demonstrate demand, followed by an externally funded “Prestige” development.

As agreed, the Initial Project Board (IPB) has worked on further definition of the project as follows:

## **Aims, Objectives & Targets**

### **Aims**

1. To be an accessible, stimulating, supportive, high-profile place to work, network and do business.
2. To be a focus for creative, digital & media activity.
3. To bring new businesses, new opportunities and new employment to Chard.
4. To support and be supported by the community.
5. To raise public and business perceptions of Chard.
6. To be at the heart of soft regeneration in Chard.
7. To be more than cost neutral.

### **Objectives**

1. To provide flexible workspace with high-spec digital connectivity for businesses and community projects.
2. To develop a digital and media focus including provision of a video editing suite.
3. To establish the Hub as an exciting, successful, nationally recognised business centre.
4. To establish broad network of partners, collaborators and contacts across public, commercial and voluntary sectors.
5. To attract and support business start-ups & relocations into Chard.
6. In collaboration with others to:
  - a. Support and digitally enable local businesses and community groups.
  - b. Develop and support community and other projects.
7. To evidence demand for business premises in Chard.
8. To be cost neutral after 3 years.

### **Targets**

During the first 3 year period, to support;

1. 12 new businesses to set up in Chard
2. 30 local businesses to develop
3. 30 community projects
4. 15 people to find employment
5. 10 new jobs

## **Governance**

The IPB considers that the overall Project Governance to manage delivery of the Hub should be broken down into a number of phases. These include;

- Creating the facility
- Forming an Operating Company (see below)
- Issuing contracts
- Monitoring delivery

It was recognised that a small Project Board, open to the interests of the community including the surrounding areas, with the ability to recruit new members on a temporary or permanent basis and to commission necessary skills and advice would be best placed to take this project forward.

The IPB therefore recommend that Initial Project Board become the Project Board and be empowered to add Board members as deemed necessary and appropriate to supplement their skills and expertise as the project progresses.

The IPB agreed that exit points should be established so that the project can be shut down if it becomes clear that the Hub will not meet sufficient of its targets.

### **Establishing a separate Hub Operating Company**

The IPB decided that, subject to detailed legal advice, it would be advantageous for SSDC to own the Hub, and for the Hub to be run, under contract, by an independent operating company. The preferred form of the operating company would be a social enterprise limited by guarantee under the small membership model. A separate Hub operating company would:

- Enable access to grants and project funding
- Qualify for business rate relief
- Reduce overheads and provide practicality & flexibility
- Enable a distinct image & facilitate business credibility
- Reduce risk for SSDC

#### Access grants and project funding

A separate Hub operating company would be able to apply for wide range of external funding, for example Making it Local (LEADER) and National Lottery funds. Funding available to Local Authorities could also be applied for through SSDC.

#### Business rate relief

As a small business the Hub operating company will qualify for Small Business Rate Relief and Discretionary Rate Relief. If it operates as part of SSDC the Hub would not qualify for either and SSDC would not be able to award itself Discretionary Rate Relief.

#### Practicality & flexibility

As a small business trading with small businesses the Hub operating company will need to make small, cost effective purchases and issue small invoices. Operating separately these purchases and the accounting can be managed more efficiently and cost effectively, without creating the overhead within SSDC.

#### Enable a distinct image & facilitate business credibility

As a small business operating in a business environment, the Hub operating company can develop an independent image and a degree of credibility in the business community, making it easier to provide support and advice in that community.

#### Reduced risk

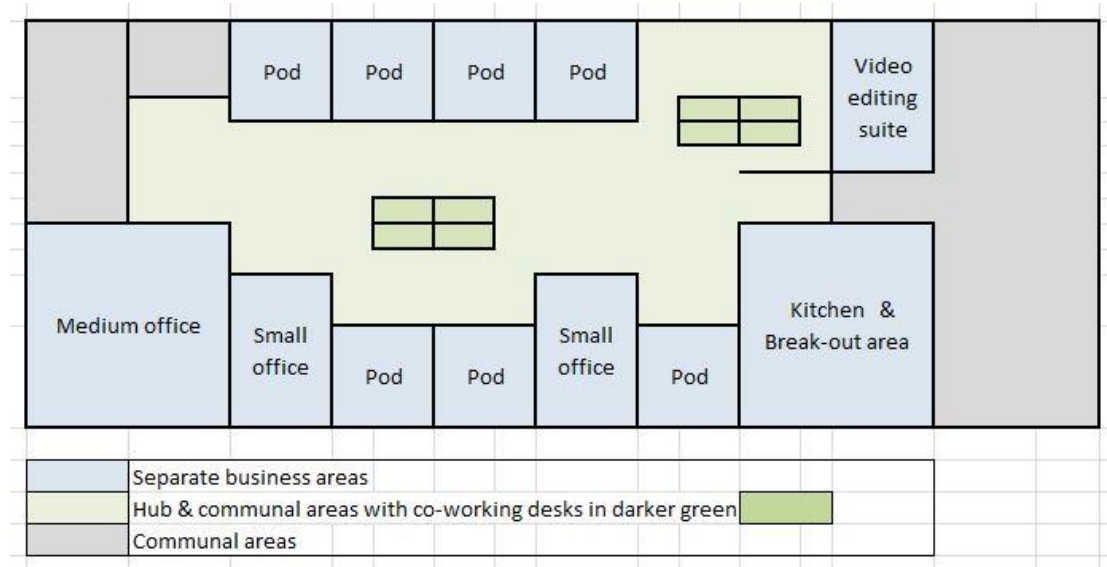
As landlord, SSDC would retain ownership of fixed assets funded through the project (equipment, furniture, fixtures and fittings etc) and contract the Hub operating company to deliver the service for a fixed term of 3 years. Contracted performance targets will enable the Hub Project Board to retain control and even replace the Hub operating company with another delivery partner if necessary.

In addition SSDC would have reduced liability arising from contracts entered into separately by the Hub operating company.

Work to identify or if necessary establish a suitable operating company for the Hub will be an immediate priority for the Project Board and Project Manager.

## Hub Form & Layout

The IPB developed the layout and form of the Hub based on the third floor of the Holyrood Lace Mill as follows:



To keep set-up costs to a minimum it was agreed to divide the space using partitions of less than full height and of a temporary nature, enabling them to be moved if required. This flexibility is likely to be important as the Hub develops. All units will be open fronted without doors.

### Units

- Co-working desks – flexible ‘hot’ desks, 4 conventional and 4 high level.
- Pods – dedicated space for one person
- Small office – dedicated space for two people
- Medium office – dedicated space for three or four people
- \*Video editing suite – bookable sound-reduced room with VE equipment
- Kitchen-breakout area – three breakout tables and a kitchenette
- Note: Meeting rooms can be hired from SSDC at the Holyrood Lace Mill.

This layout forms the basis of set-up costs and income projections. It is recognised that requirements may change as the Hub develops and market needs become clear.

\* While the video editing suite is important for the digital media offer, equipping it is budgeted at £24,000 which represents around 30% of the capital investment cost. The IPB agreed that this should be ring-fenced and held in reserve until demand can be evaluated.

The Valuation Office Agency (VOA) has confirmed that each unit in the layout above can be rated separately and has provided estimates of their individual rateable value. This significantly reduces the rateable value of the area occupied by the Hub enabling it to qualify for rate relief.

### Revenue Streams

Three revenue streams were identified:

- Rental – e.g. desks, pods, offices, event space, video editing suite.
- Services – e.g. virtual offices, telephones & calls, digital bandwidth.
- Projects – e.g. project management, admin, hosting, events.

The projects will stimulate uptake of Hub facilities and services and have the potential to generate additional income through project management and support services.

The 3<sup>rd</sup> and 4<sup>th</sup> floors of the Holyrood Lace Mill are empty and do not currently generate an income.

The Hub is expected to generate the following income for SSDC over the three years:

- Rental income - £42,552
- Service charges - £33,655
- Contribution to buildings insurance - £ 3,432
- **Total contribution = £79,639**

If this stage is reached, the Hub is expected to generate income for SSDC in the following years.

If the Hub is successful, under the terms of its contract, the Hub operating company could also pay an annual profit share to SSDC. This will be most likely if the Hub expands into the 4<sup>th</sup> floor creating additional income and economies of scale.

### Estimated Timescales

- **May 16 – AWC approval & funding allocated**
- **Aug 16 – Hub operating company contracted**
- **Oct 16 – Hub build complete**
- **Nov 16 – Hub launch**

### Financial Projections and Implications

The projected costs are shown in the tables below. Analysis by the Area West Team indicates that the aims, objectives and targets of the Chard Business Hub project could be achieved based on this investment. A break-even point, generating a net rental and service income of £20,000 per annum could be reached by the end of year 3. Income cannot be guaranteed and if it is lower than anticipated the Project Board may need to source additional funding or the project may have to close.

The figures do not include initial project management costs as these will be met by secondment of existing staff as agreed.

<b>Set Up Costs</b>	£
<b>Capital</b>	
Contracts tendering, negotiation and legal	2000
Premises build (partitions, décor, fixtures, fittings)	16000
Digital & telephone services, equipment, systems & networks	16109
Video editing suite*	24000
Contingency (10%)	<u>5811</u>
<b><u>Total</u></b>	<b>63920</b>
<b>Revenue Reserve</b>	
Incorporate Hub CIC and establish governance	1400

Branding, design, promotion and project launch	7000
Promotion, marketing and launch	3500
Projects development	3500
Operating costs in build phase (pre-launch)	2888
Furniture & office equipment	2000
Contingency (10%)	<u>2029</u>
<b><u>Total</u></b>	<b>22317</b>

<b>Net Operating Costs</b> (based on achieving revenue targets)	
Year 1 -	27323
Year 2 -	0
Year 3 onwards	<u>0</u>
<b><u>Total</u></b>	<b>27323</b>

<b>Total Revenue Costs</b>	<b>49,640</b>
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An allocation of £63,920 would reduce the available Area West Capital reserve from £121,353 to £57,433.

As reported to Area West Committee in December 2015 existing allocations of the Area West Revenue reserve amounting to £49,640 are no longer needed and this can be safely reallocated to the Chard Hub project. Members should note that making these allocations will underwrite the project costs and enable it to go ahead. As the project develops, alternative sources of funding may be found and if so, the need to draw down from allocations in Area West reserves will be reduced.

## Implications for Corporate Priorities

### SSDC Council Plan

#### Focus 1 – Jobs:

- maintain the jobs we have and bring new jobs to our towns
- encourage the creation of new, high value employment by attracting investment and fostering the growth of small and medium sized companies
- promote business diversification and innovation
- provide opportunities and support for employment including youth employment

#### Focus 2 – Environment:

- Reduce commuting, shopping and business miles by the provision of local facilities, local employment and uptake of digital technologies.

#### Focus 4 – Health & communities

- Supporting local community groups and businesses to promote and engage through participation in community projects and using media and digital technologies.

### Chard Regeneration Scheme

*“Work with the council and private sector to encourage the development of new incubation workspace in the town centre to promote social enterprise and innovation. Provide multi-functional spaces that support potential business start-ups and the artistic community of the*

*area. Use the incubation spaces to promote innovation.” Page 42, Chard Regeneration Framework (Rev.C 2010), LDA Design*

The Council Plan **Tackling the Challenges** was adopted by Full Council in April 2016. Progress of the Chard Hub project is given high priority in its 2016/17 Annual Action Plan.

### **Carbon Emissions & Adapting to Climate Change Implications**

Chard is of a size where a healthy resident could easily walk or cycle to the centre to their workplace. The hub could reduce commuter car miles and subsequent carbon emissions. Use of digital technology also reduces the need to travel.

### **Equality and Diversity Implications**

The hub will open to all and will be promoted to all groups and members of the community. Any promotional materials will be produced to an accessible standard.

The building and fourth floor are accessible and conform to equality and diversity legislation.

Access4All will undertake a full access review and will also advise on plans for the hub as they come forward.

### **Background Papers**

1. Chard Regeneration Framework (Rev.C 2010), by LDA Design.
  2. Chard Business Hub Project, Agenda reports pack, Area West Committee, 17<sup>th</sup> February 2016.
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