

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 up to £49,640 from the Area Reserve can be reallocated to the Hub Project.
3. Allocate up to £63,920 from the unallocated capital programme to the Hub Project.
4. Agree that the project will explore if some of the project costs can be met from other sources including the Regeneration Boards.
5. 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.

Start-up and initial operation (year 1)

It is proposed that the Hub will be set up and operated by SSDC initially to establish the Hub, demonstrate demand and keep start-up costs to a minimum. Once established the project will, subject to detailed legal advice, seek to hand over operation to an independent operating company.

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 grant funding.

Business rate relief

As a small business the Hub operating company may qualify for business rate relief as a separate legal entity, subject to the Valuation Office Agency deciding that the pods and offices can be separately rated. If it operates as part of SSDC the Hub would not qualify for business rate relief 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.

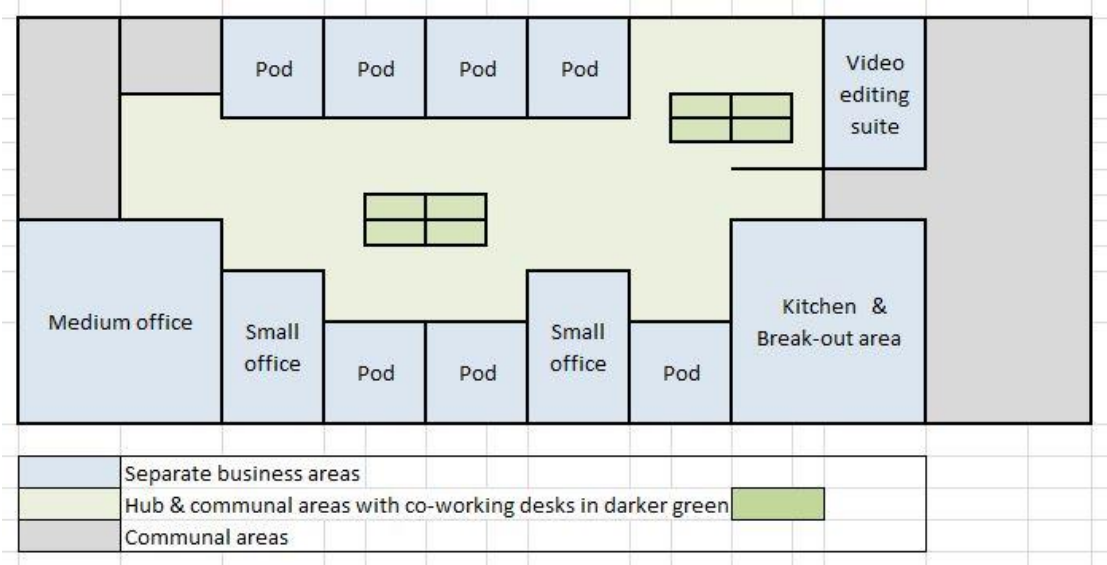
Reduced risk

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.

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 3rd and 4th 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 - £40,007
- Service charges - £33,655
- Contribution to buildings insurance - £ 3,432
- **Total contribution = £77,095**

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 4th floor creating additional income and economies of scale.

Estimated Timescales

- **June 16 – AWC approval & funding allocated**
- **September 16 – Hub build complete**
- **October 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 £25,698 per annum could be reached by the end of year three.

Income cannot be guaranteed and if it is lower than anticipated the Project Board may need to source additional funding after year 1 or the project may have to close.

Members should note that up to £49,640 allocated to the project, takes account of lower rent and service charges while the project is being established.

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

Set Up Costs	£
Capital	
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>
Total	63,920
Revenue	
Incorporate Hub CIC and establish governance	1000
Branding, design, promotion and project launch	5000
Promotion, marketing and launch	2200
Projects development	3400
Operating costs in build phase (pre-launch)	1244
Furniture & office equipment	2000
Contingency (10%)	<u>1484</u>
Total	16,328

Net Operating Costs (based on achieving revenue targets)	
Year 1 - Revenue Target £48,709	29764
Year 2 - Revenue Target £87,354	2731
Year 3 - Revenue Target £91,404	<u>783</u>
Total	33,278

Total Revenue Costs	£49,606
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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 the Area West Revenue reserve amounts to £49,640 and can be allocated to the 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 will be actively sought and if found, the need to draw down from these 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, 17th February 2016. (Included in Appendix A for convenience.)
3. SSDC Council Plan 2016-2021 (Adopted April 2016)

Appendix A – Chard Business Hub report for AWC Feb 2016

Area West Committee – 17th February 2016

Chard Business Hub Project

Assistant Director: Helen Rutter, Communities
Service Manager: Andrew Gillespie, Area Development Manager (West)
Lead Officer: Dylan Martlew, Neighbourhood Development Officer (West)
Contact Details: dylan.martlew@southsomerset.gov.uk 01935-462695

Purpose of Report

To inform members of the project to develop a business incubation hub based in the Holyrood Lace Mill in Chard and to request approval to develop the next stage of the 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. Note the content of the report.
2. Agree, in principle, to support the Chard Business Hub project.
3. Agree to an initial project board to oversee the detailed definition of the project and its initiation, subject to further detailed approval by the Area West Committee.
4. Appoint the five Chard Members to Initial Hub Project Board.
5. Appoint Dylan Martlew on behalf of the SSDC Area West Development Team as Project Manager.

Background

A business incubation centre in Chard has long been the subject of discussion with Members and effort has been invested to research and develop proposals. In 2006 a proposal was developed for the Chard Enviro-Centre, aiming at a £3M EU funded development of office and light industrial units in a purpose built, environmentally friendly building. In 2010 the Chard Regeneration Framework identified the need for a new incubation workspace in the town centre. There have been various discussions to try to attract investors to set up an incubation space in Chard but as yet none have come forward.

Research shows that there is a shortage of office premises in Chard and suggests that, as rental values are low, developers do not have the confidence to invest and build new premises, because returns are likely to be low and there is little evidence of demand. This is cyclic: no premises means no demand, so none are built. To break this cycle we need someone to take a risk and invest to demonstrate that there is demand. The recent study commissioned by SSDC and carried out by property specialists Thomas Lister suggests that this investment is unlikely to come from private investors because there is no guarantee of a return.

Holyrood Lace Mill in the centre of Chard is owned by South Somerset District Council (SSDC) and the third and fourth floors have been empty for several years. The Lace Mill is

ideally situated; it has allocated parking, internal facilities are good, the building is accessible and secure access is provided. It is important that the building be brought back into commercial use for the benefit of Chard and to generate income for SSDC.

To address the long-term demand SSDC Area West Development has developed the Chard Business Hub project. The project addresses market failure by setting out to demonstrate demand. The project will develop the Chard Business Hub, supporting businesses to start up, expand and move to Chard. The project will promote Chard as it markets the Hub's services and environs to attract clients. The Hub will provide networking for local businesses and support community groups and projects to help its clients develop their skills, promote their services and build relationships. The success of the Hub will build confidence, raise perceptions of Chard and attract investment.

The concept of The Chard Business Hub is well defined (see below). It will require significant investment of public funds and further work is required to define important details and more accurately quantify costs and plan the project. At this stage the Area West Development Team seek confirmation that the additional investment in time and effort to develop this level of detail is supported by Members, and also that a project board be set up to oversee the work. The project board would be comprised of the 5 Chard SSDC members.

In summary, Members are asked to appoint a Project Manager and an Initial Project Board to develop a detailed business plan, project plan and funding proposal, and bring them to the Area West Committee for approval.

The Chard Business Hub Project Proposal

The Concept	<ul style="list-style-type: none"> • Aims • Facilities & services • A digital focus • Location
The Need	<ul style="list-style-type: none"> • Why Chard needs a business hub • Facilities in Chard • Market failure & the need to intervene • How the Hub will help to overcome market failure
The Project	<ul style="list-style-type: none"> • Where we are and what we need to do • Structure (Stages, phases and timescales) • Governance • Risks
Outputs, Returns and Costs	<ul style="list-style-type: none"> • Outputs • Returns • Costs
Summary	

The Hub Concept - Aims

- Within three years of operation the Hub will:
- Raise public and business perceptions of Chard
 - Support 12 new businesses to set up in Chard
 - Support 30 local businesses to develop
 - Support 30 community projects
 - Support 15 people to find employment
 - Support the creation of 10 new jobs

- Operate at a profit and offer financial returns on investment

The Hub Concept - Facilities & services

The Hub will provide shared work-space, hot-desking, dedicated desks, small offices, meeting rooms, a basic digital media studio, high-speed and high-capacity digital connectivity, telephony, communal space, event space, and office equipment for printing, copying, display and projection. A virtual office service will also be provided.

The Hub will provide events and networking for tenants and the wider community, specifically targeting and engaging the full range of local Chard and area businesses. The Hub will encourage its tenants to engage with community projects to support the community and develop their skills, contacts and reputation. Business support will be provided and external services brokered to support tenants.

The Hub will promote Chard, its tenant businesses and itself to attract individuals and business to use its facilities and set up in Chard.

The Hub Concept - A digital focus

The Hub will welcome all-comers but will seek to attract and develop a strength in digital and media businesses in order to address the shortage of digital skills and services in Chard and the local area. This focus will create opportunities for younger people and create an interesting focus for Chard. The success of the Hub will make Chard an attractive place for business and build confidence and raise perception of Chard locally and beyond.

The Hub Concept – Location

The Hub will be located on the fourth floor of Lace Mill bringing the building back into commercial use and bringing new footfall to the town centre. The Hub will pay commercial rent, rates and service charges, generating revenue for SSDC. As the Chard Regeneration Scheme progresses the Hub can relocate to stimulate other premises if required.

The Need - Why Chard needs a business hub

Chard is dependent on three large businesses which provide around 40 percent of the employment. While this is positive it would be good to diversify and expand the employment base. A business hub would attract and develop new businesses and support existing businesses to expand and diversify the employment base.

Chard has a reputation as having low aspiration, low pay and few opportunities for advancement. A business hub would help to create new opportunities and support people with aspirations to achieve.

Chard is poorly represented online and it appears (from online research) that uptake of digital marketing and services is low in Chard. A business hub with strength in digital services would support Chard to adopt modern promotional and marketing techniques and working practices.

The Chard Regeneration Scheme specifically recognises the importance of business incubation in Chard town centre stating one 'soft' regeneration initiative is to:

“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 Need - Facilities in Chard

The 2015 Workspace Demand Study by Thomas Lister states:

“...there is neither any serviced [office] provision nor any small office provision currently available” (Section 8.17).

“...the nearest offer is at Honiton (circa. 14 miles), or for meeting room hire (beyond the Chard Guildhall) at Ilminster (circa. 5 miles).” (Section 6.18)

Note: The large “Stringfellow” meeting room is available at Holyrood Lace Mill subject to restrictions and a small meeting room is available upstairs at the Elios café.

The Need - Market failure & the need to intervene

2015 Workspace Demand Study by Thomas Lister identifies market failure:

“Chard is an area which has low property values (partly through poor quality accommodation and partly through lack of perceived demand). As such the potential for the market to deliver any new speculative scheme is severely constrained in terms of [commercial] viability.” (Section 8.21)

“As per Yeovil, the ability to provide some funding support to encourage delivery of small units (office and/or industrial) within Chard, with a view to stimulating demand and enhancing viability of development, might be worthy of further consideration.” (Section 8.24)

The Need - How the Chard Business Hub help to overcome market failure

The Hub will be the heart of soft regeneration:

- 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)

The Project - Where we are and what we need to do

The hub project is well defined however with significant public funding involved further definition is required. For example forming the Hub as a ‘not for profit’ community interest company (CIC) may make it easier to attract external funding. Insurance costs are dependent on the legal form. Property lease, access management, provision of digital connectivity and internal ICT networks and telephony systems have to be negotiated with SSDC and suppliers. Adaptation of the grade II listed building has to be agreed with SSDC and the conservation officer.

The Project - Structure (stages, phases and timescales)

The Hub project is divided into three stages and seven phases.

Chard Business Hub	Set-up			Launch													
	Y0	Y1	Y2	Y3	Y4	Q1		Q2		Q3		Q4		Q1		Q2	
Phases	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Stage 1 - "Inclusive"																	
1 Definition & initiation																	
2 Design & build																	
3 Launch & inclusive operation																	
Stage 2 - "Prestige"																	
4 Prestige funding acquisition																	
5 Prestige design & build																	
6 Prestige operation																	
Stage 3 - "Independence"																	
7 Independent operation																	

Note:

- If Stage 1 does not demonstrate demand Stage 2 will not progress.
- Phase 3 “Launch & inclusive operation” will last for two years unless Stage 2 secures funding, in which case it will be extended to three years funded as part of Stage 2.

The Project - Governance

To ensure public money is properly spent and the project is properly managed through to successful delivery, strong governance is required.

If appointed the Initial Project Board will agree a governance structure and legal form for the project and its independent operation. These will then be presented to Area West Committee for Members approval.

In the initial phase the project manager will be responsible for the day-to-day running of the project and will report to the Initial Project Board. The project board will be responsible for the overall management and direction of the project. The Initial Project Board will report to the Area West Committee on a monthly basis or as required by them.

The Project – Risks

There is inevitably risk when addressing market failure. The project proposal seeks to minimise investment and risk by developing the business hub in two stages: **Stage 1** creates a basic business hub with modest facilities and supports it to run for two years until it is established. Stage 1 will demonstrate demand. **Stage 2** will use this evidence of demand to raise funding to create a prestige hub with better facilities to attract a wider range of businesses.

The following table identifies risks and practical mitigation.

Phase	Risk	Impact	Prob-ability	Mitigation
1	Governance cannot be established	High	Low	AW agree alternative governance structure
1	Suitable project manager	High	Low	Agree AW NDO

	cannot be recruited			resource
1	Holyrood Lace Mill contract terms cannot be agreed	High	Low	Agree alternative premises
2	Costs exceed budget	Low	Low	Reduce specification
2/3	Suitable Hub manager cannot be recruited	Med	Med	(i) Retain project manager as interim Hub manager (ii) Revise offer & trial
2/3	Demand is low	High	Med	(i) Revise marketing strategy & trial (ii) Revise offer & trial
3	Target business are not recruited	Med	Low	(i) Revise marketing strategy & trial (ii) Revise strategy to work with demand
3/7	Hub manager is unable to run the hub successfully	High	Med	Ensure performance clauses are included in contract. Terminate contract after due period and support.
3/7	Hub is not financially viable	High	Med	Revise business model & trial

The critical risks are;

- (i) low take up and/or that
- (ii) the Hub manager cannot attract and retain businesses and run the hub effectively.

Ideally we would establish demand before investing in the project. However, desk based research suggests that it is extremely difficult to establish effective demand with any degree of accuracy, largely due to accessing a suitable target audience and the wide range of factors affecting decisions to start up and relocate businesses.

The 3 stage project proposal helps to minimise the risks.

Stage 1 uses minimal investment to set up and operate a basic business hub, and uses that hub to establish and evidence demand. The maximum exposure if the project runs full term and the hub does not generate an income is projected to be £227,200. This is a worst case scenario and highly unlikely. The minimum exposure is c. £30,200. Further definition will explore the risk and exposure to inform decision making

Stage 2 uses the evidence and experience of the initial hub to develop the business model and attract the further investment needed to create a more sophisticated, targeted business hub. If there is insufficient evidence of demand in Stage 1 the project will not advance to Stage 2 and losses will be minimised. The objective is that funding for Stage 2, the Prestige Hub, is drawn from other sources using the evidence of demand generated in Stage 1. Any further funding requirement will be addressed by a separate application.

Stage 3 could see the evidence and experience of **Stage 2** used to create an independent project.

The Outputs, Returns and Costs – Outputs

The projected outputs mirror the aims, i.e.

- Raised public and business perceptions of Chard
- 12 new businesses supported to set up in Chard
- 30 local businesses supported to develop
- 30 community projects supported
- 15 people supported to find employment
- 10 new jobs created

The Outputs, Returns and Costs – Returns

The hub will generate revenue from renting facilities and selling services. The projections for uptake are based on graduated uptake and a maximum capacity of 70% in Stage 1. The cost of rental and services have been kept low given that local rental rates are low in Chard and the service is new and untried. The intent is that the targets should be challenging but achievable in the current climate and local context.

Budget analysis (indicative figures)

Stage1 – “Inclusive” design, build and supported operation

Phase 1 – Definition & initiation (6mths)	Project cost	Budget	Notes
Detailed definition and approval	£500	£500	
Project initiation	£1,000	£1,000	
Promotion & communications	£2,000	£2,000	
Project management	£18,850	0	Cost covered through AWD NDO (includes £4000 recruitment cost saving)
Facilities & operating costs	£2,800	0	Costs covered through AWD NDO.
Total	£25,150	£3,500	

Phase 2 – Design & build (3mths)	Project cost	Budget	Notes
Design & specification	£2,000	£2,000	
Base build (including digital media studio)	£36,000	£36,000	
Marketing & promotion	£8,000	£8,000	
Project management	£10,900	0	Costs covered through AWD NDO.
Facilities & operating costs	£10,600	£10,600	
Total	£67,500	£56,600	

Phase 3 – Launch & supported operation	Project cost	Budget	Notes
Year 1			
Launch	£1,000	£1,000	
Project management	£13,600	0	Costs covered through AWD NDO.
Hub management & staff	£8,000	£8,000	
Facilities (rent, rates, service charges)	£22,000	0	Internal recharge
Operating costs	£25,600	£25,600	
INCOME	(£39,000)	(£39,000)	
Total (year 1)	£31,200	(£4,400)*	No net cost if hub revenue hits targets
Year 2			
Project management	£5,000	0	Costs covered through AWD NDO.
Hub management & staff	£9,800	£9,800	
Facilities (rent, rates, service charges)	£23,000	0	Internal recharge
Operating costs	£26,600	£26,600	
INCOME	(£62,000)	(£62,000)	

Total (year 2)	£2,400	(£25,600)*	No net cost if hub revenue hits targets
			*does not include cash-flow
Total Stage 1 <u>net</u>	£126,200	£30,200	See notes below.

Note:

1. Total project cost given above is the net cost
Total outgoings £227,200
Total income £101,000
Net project cost £126,200
2. The net project cost and net budget are dependent on Hub revenue targets being met. Underperformance would increase project cost and budget.
3. Budget totals do not include cash-flow support.

Projected Financial returns

Within the project period;

- £33,200 rental income
- £6,900 business rates

Annually thereafter;

- £14,500 rental income
- £3,000 business rates
- Share of profits (IRO £10,000 pa)

The Outputs, Returns and Costs – Costs

- (i) The project costs include project management fees and a facilities component for the project manager. Initially, it is proposed that the cost of this is met through the project being managed by the AW Neighbourhood Development Officer for Chard. This would be an appropriate and legitimate use of an existing resource in the short term, but it should be noted that in the longer term additional resource may be needed.
- (ii) The project costs will also include an amount for rent, rates and service charges which will be paid as income to SSDC.

Summary

The Need

There is a need for a business hub in Chard and this is recognised by the Chard Regeneration Scheme. There is a severe shortage of office premises and there is market failure: rents are low and a perceived lack of demand makes investment high risk and so commercially not viable. (Lister 2015)

The Hub

The Hub will promote Chard and the local community will benefit as new businesses are attracted to the town centre increasing use of local shops and providing new services and employment. Digital and media skills from the hub will help local businesses and community organisations to develop. The hub will provide opportunities for people to set up in business and participate in community projects to build their portfolio, promote their services and build local relationships. Based at the Holyrood Lace Mill the hub will bring empty office space into use and provide revenue for SSDC.

The Project

The Hub and the project to deliver it need more work to define and agree the detail necessary to support the investment of public funds. The Area West Development

Team seek confirmation that this additional work is supported by the Members and ask that funding is set aside to deliver the project.

To oversee this work it is proposed that a project manager and an initial project board are appointed to direct definition of the project. Once agreed the project will be brought back to Area West Committee for Members to approve the plans and governance, and allocate funding.

The Finance

Detailed definition is required to establish more accurate costs however the indicative figures show the hub project would have a total cost of £227,200 over the 2¾ years. The projected income is £101,000 giving a net project cost of £126,000.

If the AW development team project manage the project then project management costs are covered under the NDO's role making a net project cost of £77,850.

If rent, service charges and rates payable to SSDC as owners of the Lace Mill are deducted the net project cost becomes £30,200.

These net costings are dependent on the hub meeting income targets. These targets are set at a maximum of 70% of capacity.

Financial Implications

There are no financial implications arising directly from this report. However, approval of the recommendations will lead to a further report with recommendations to allocate funding as indicated.

Implications for Corporate Priorities

SSDC Council Plan 2012-2015

Focus 1 – Jobs: The Chard Business Hub will

- 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

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 would 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
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