

Decision Report - Executive Decision

Forward Plan Reference: FP/22/10/05

Decision Date – 10 July 2023

Key Decision – yes



Future Operation of Local Authority Workspace

Executive Member(s): Cllr Ross Wyke

Local Member(s) and Division: N/A

Lead Officer: Paul Hickson Service Director for Economy, Employment and Planning

Authors: Katriona Lovelock – Service Manager, Economy and Planning

Contact Details: Katriona.Lovelock@somerset.gov.uk

Charlie Field Strategic Manager Estates, Corporate Property

Contact Details charlie.field@somerset.gov.uk

Summary / Background

1. The Somerset Enterprise Centre Network (SECN) is a network of 9 enterprise centres located across the county. The SECN provides modern workspace and business support to SMEs to enable small business growth in market towns and rural communities across the county. The network has been developed to provide both economic and environmental benefits. The network supports locally based employment and business opportunities in rural areas, as well as the environmental benefits and impact of helping to keep business activity “local” in more rural areas.
2. The centre network is currently managed by the Torbay Development Agency (TDA) under a contract awarded in 2013. TDA undertakes routine managing agent functions securing tenants and managing the centres on a day-to-day basis. TDA also provides and signposts tenants and other Somerset businesses to business support services. The current contract with TDA ends on 31 December 2023.
3. This decision proposes that when the current contract ends the future management and operation of the Enterprise Centre network should be managed in-house, using council services to manage the network supplemented where necessary by some outsourcing of functions such as business support.
4. This decision is taken in the context of Local Government Reorganisation (LGR). Workstreams have been allocated to prepare for operating as the new Somerset Council. One workstream relates to workspace and developing a model that works across the workspaces the new Somerset Council has inherited from the predecessor councils. The workstream has identified efficiencies which will be

needed to deliver financial benefits which are aligned to options for consideration in Medium Term Fiscal Plan (MTFP).

Recommendations

The Service Director for Economy, Employment and Planning in consultation with the Lead Member for Economy, Planning and Assets:

5. Acknowledges that following the end of the current centre management operating contract on 31 December 2023 the future operation and management of the Somerset Enterprise Network (SECN) will be brought in-house to the new Somerset Council. The future in-house operation will be developed to be extendable across Somerset Council workspace asset base which will future proof the management of workspace provision. The in-house management approach will also allow for some outsourcing of functions such as business support services.

Reasons for recommendations

6. The Somerset Enterprise Centre Network is currently managed under a contract which ends on 31 December 2023. Arrangements need to be made for the future management of the Enterprise Centre network following the end of the current contract.
7. The LGR has offered an opportunity to review and rationalise the provision of publicly owned workspace across the county. The 5 authorities have shared knowledge about workspace owned by the authorities including more detailed discussions with officers at the former South Somerset District Council regarding the Yeovil Innovation Centre.
8. The LGR presents an opportunity to align future workspace provision using an in-house model to manage existing workspaces with external business support functions.
9. The proposed in-house model will provide an opportunity to transform the business support component of the current model. Consultations with stakeholders suggest that businesses would benefit from better signposting of existing business support services. There is an opportunity to provide more flexible business support across the county as well as integrating with other existing provision. Rationalising the business support will enable more efficient use of existing funding through the Shared Prosperity Fund to

provide a more effective business support offer across the county. This will benefit tenant businesses and the wider business community.

10. The proposed delivery approach will enable efficiencies which will help to retain rental income which has previously been paid to the current operator. The running costs of the workspace will continue to be met primarily from rental income, but any surplus can be retained to help to support activity of the Economic Development function of Somerset Council and to provide a fund for long term asset management. The retention of a greater portion of any operating surplus will contribute to the financial benefits which are considered as options in the MTFP.
11. Retaining a greater proportion of the surplus will help to support Economic Development activity and support across the County. Consultations with colleagues have identified relevant workspace owned by all authorities, the in-house approach will support the transition to alignment of economy services in the new Somerset Council. Operating such workspace in a co-ordinated way will offer both efficiencies and a better integrated operational approach.
12. Bringing the operation of the workspaces back "in house" will provide efficiencies which will align with options for consideration in the MTFP. As the new Somerset Council services align there will be opportunities to integrate other local authority provision. Officers are considering options for the future alignment of existing workspace over time.

Other options considered.

13. Continue the existing model of operation This would leave operation of the network managed externally, outsourcing the full management and business support function to another organisation. This option would require market engagement and testing before a new procurement of services could take place. Although the existing model of operation provides a guaranteed return to the council the operator retains 50% of the surplus after all running expenses have been paid. The operator secures a significant level of surplus for the comparatively low risk which it carries because all management cost is paid from income before the surplus is calculated. The running costs will need to be met whether the centre is managed externally or internally. It is considered that it would be better to retain the full operating surplus from the network to support the viability of the network and the delivery of Economic Development services across the county than the alternative of continuing the existing externally managed operating model.

14. Investigations have been undertaken to understand different operating approaches used by other local authorities to identify areas for development of publicly owned space. Areas of good practice have been considered including public workspace in Wiltshire and a public/ private collaboration in Southampton. The expansion of the Somerset Enterprise Centre Network (SECN) over recent years offers more opportunity to improve networking between tenants of the SECN and the wider business community. Experience of other councils indicates that bringing the management of the SECN in-house will also increase the opportunities for the Economy team to work with and alongside businesses to support business growth and opportunity across the county.

Links to Council Plan and Medium-Term Financial Strategy

15. The new Somerset Council Plan identifies the Council's priorities including developing a fairer Somerset which works to reduce inequality. The Council Plan highlights that a properly flourishing Somerset requires an enterprising and resilient economy.

16. The Somerset Enterprise Centre Network (SECN) provides business accommodation suited to SMEs and available on flexible terms in areas of market failure. The SECN operates where a need has been identified and where the private sector has failed to provide relevant accommodation. The Somerset Enterprise Centre Network supports SMEs across the county not just tenants of the network.

17. The SECN provides opportunity at locations across the county supporting economic growth across the whole county. This supports the Council Plan priorities to deliver:
- a. A greener, More Sustainable Somerset
 - b. A Fairer Ambitious Somerset and
 - c. A flourishing and Resilient Somerset

Business Plan:

The previous Business Plan sought to provide County Infrastructure that drives recovery, supports economic prosperity, productivity and sustainable public services.

- A County where all partners actively work together for the benefit of our residents, communities and businesses and the environment in which we all live.
- A County that provides you with right information, advice and guidance to help you help yourself and targets support to those who need it most.

This decision supports the delivery of the County Plan 2017-2030. Most notably in the objectives to:

- Enable Somerset to become a leading, largely rural and small business economy – Helping SMEs.
- Increase productivity.
- Create employment.
- Create collaborative businesses and networking and increasing connectivity across the county.

Financial and Risk Implications

Financial implications:

18. The proposal to move the management of workspace to an internally managed model will present an opportunity to retain a higher proportion of the current operating surplus. This has been identified as an opportunity as part of the MTFP planning to help to support the work of the Economy Group for the new Somerset Council.

19. Under the current operating model, the managing agent runs the network, securing tenants, collecting rents, paying all operating costs and routine maintenance from rental income, providing and signposting business support. At the year-end, any surplus profits are divided 50:50 between SCC and the managing agent. The managing agent guarantees a fixed minimum income to SCC. The operator has retained an average of £41,000 per annum. The future operating model would mean that the council would not have a guaranteed sum each year. However, the share of surplus which is currently kept by the

operator would be retained by the council. This sum would be available to support the ongoing delivery of the Somerset Enterprise Centre Network and workspace and Economic Development services of the new Somerset Council.

20. A move to an internal operating model with business support services will require the new Somerset Council to deliver management functions. These management costs are already paid for in the existing model as they are deducted by the current operator as an operational cost prior to calculation of the surplus. The future model will utilise income to cover:

- The operational costs including property, finance and legal costs and the costs of centre management.
- A contribution towards future maintenance and upgrades of the network.
- Financial monitoring to meet existing grant funding agreement requirements.
- Retention of surplus to fund business support and to support ongoing delivery of Economic Development services.

21. It is noted that the primary function of the workspace is to support economic growth across the county. Management of the workspace portfolio will be undertaken by internal services including property, finance and legal services. The cost of these service areas will need to be met by an operational recharge to the Economy group as the operating service group. The operating surplus will be used by the Economy group to support ongoing maintenance/ upgrades of the workspace with annual sinking fund contributions as well as business support and wider Economic development services.

22. Over the past 8 years the operator has retained part of the operating surplus amounting to an average of £41,700 per annum. In future the full operating surplus would be retained by the council.

Legal Implications

23. The future management of the Enterprise Centre network will be undertaken in-house. There will no longer be a contract for the management of the Enterprise Centre network. As the current contract comes to an end there will be a contract closure exercise to allow the orderly hand over of management from the current managing operator to the new unitary Somerset Council. There may also be a need to novate any agreements that TDA has entered across to Somerset Council.

24. After the end of the contract on 31 December 2023 officers in the new Somerset Council will conduct, supervise and implement management functions including securing and managing tenants, day to day management and facilities management of the premises and any utility and other contracts.

25. Any future business support services which may be needed for tenants will be procured in due course. This is likely to involve a procurement exercise.

26. The new rules on subsidies came into force on 4 Jan 2023 (the Subsidy Control Act 2022) and any issues relating to grant funding will be considered in consultation with legal services.

There may be TUPE implications for some of the existing TDA staff which will be worked through by SCC procurement and commercial team with consultation with legal and HR services as necessary.

HR Implications

27. There will need to be sufficient personnel to cover the management functions for the Enterprise Centre Network. The following key areas have been identified:

28. **Property Services;** agent functions, facilities management, routine maintenance, periodic maintenance, and refresh activity.

29. **Legal Services,** preparation, review and advice in relation to tenancy agreements, licenses, service agreements, grant funding agreements, procurement processes, rent deposits, other relevant documentation and any enforcement activity. Routine legal support.

30. **Finance Services,** reconciling and processing invoices and receipts, liaising with legal over debtors, preparation and maintenance of accounts, maintaining detailed information to support returns by centre to meet reporting obligations for grant funders.

Property Services and Finance Services have been involved in the development of the internal management model for the future operation of the Enterprise Centre Network and are aware of the future need for resources from December 2023. The service areas have indicated that current and future resourcing is expected to be managed using arrangements which already exist in those service areas including a combination of staff (including where appropriate the new staffing arrangements following unitarization) as well as existing contractual arrangements used by those Service areas.

The Legal Services team has been consulted about the capacity to manage the ongoing tenancy requirements and has indicated that this can be managed either with existing personnel, recruitment of suitable officers or using external legal support services in a similar way to the way that the current operator has managed legal requirements under the contract.

31. Centre management function. This has been identified as a key component of the new internal operating model. Property Services and Economy Group will continue to liaise to develop the job description for this function which will need to interface between facilities, property services, tenants, professional and legal support and business support advice. That function will be key and will be developed between the Property and Economy services to ensure there is good interaction and hand over between differing areas of operation.

SCC commercial and procurement team with support from legal will liaise with the current operator following this decision to identify whether there are any TUPE implications for staff currently employed by TDA. The outcome of that consultation will inform the future resourcing needs for the management of the Somerset Enterprise Centre Network.

32. Business support This function is expected to be secured through external provision. Feedback from stakeholders has suggested that there is business support available in Somerset however that SMEs often find it difficult to access the support already available. The Economy Group is currently analysing the available business support to try to identify any gaps in provision. Future resourcing of business support requirements may be through additional, more targeted, support which is not currently available. Consideration may be given to commissioning an improved sign-posting service to help business access the support already available.

Other Implications:

33. Delivery risk

Risk that the council is not able to deliver the internal managed model.

The council may not be able to deliver the property management function internally. This presents a risk that the premises may not be suitably managed. Recruitment and retention of staff will be essential and has been recognised as a risk which is already being faced by property and facilities management.

It is also noted as part of this risk that Somerset Council is entering its transition and transformation phase of development. There is risk inherent in change and a change of operational approach at a time of wider change within the Council also presents a risk.

Mitigation: The approach to an internally managed operating model with external business support has been developed jointly by the Economy Group and Property Services. The council has an existing experienced professional property team which can provide advice and guidance on property letting and management. Property Services has confirmed that the existing facilities management teams would be able to deal with routine facilities needs across the county. Recruitment and retention of experienced staff has been identified as a risk which will need to be managed by ensuring that pay

for skilled property resource (maintenance, FM and estates staff) remains competitive in the marketplace. The internal operating model will be further developed and finalised between Property Services and the Economy Group to ensure that all aspects of service are covered. A new centre is due to open in Chard spring/summer 2023. This centre will be managed internally using the proposed model which will offer the opportunity to pilot the new operating approach. Any difficulties in delivery which are identified during the pilot period can be addressed during that time prior to the commencement of the new operating approach in January 2024. The risk presented by transition and transformation changes which are occurring at Somerset council has been identified. The proposal to bring the management of the centres in house has been developed in collaboration by relevant service areas with senior officer engagement. This decision will help support the work of Economy Group of Somerset Council through MTFP savings and therefore has been identified as a high priority for this Service. The risk is noted by senior officers who will ensure that resources will be applied to manage this risk.

Likelihood	4	Impact	4	Risk Score	16
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34. **Risk** that the new operating model does not work as expected.

The Economy Group and Property Services teams have identified the importance of the centre manager role and how that function will interface between facilities, property services, tenants and business support advice. That role will be key and will be developed between the Property and Economy services to ensure there is good interaction and hand over between differing areas of operation.

As noted above the internal operating model will be further developed and finalised between Property Services and the Economy Group to ensure that all aspects of service are covered. A new centre is due to open in Chard spring/summer 2023. This centre will be managed internally using the proposed model which will offer the opportunity to pilot the new operating approach. Any difficulties in delivery which are identified can be addressed during the period prior to the commencement of the new operating approach in January 2024.

The internal operating model is expected to offer good opportunities to use the existing service capacity as well as the capacity of the new unitary council. However, should there be any capacity issues in the future then it would be possible to supplement internal provision by procuring additional support for relevant activity should that become necessary.

Likelihood	2	Impact	4	Risk Score	8
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35. **Risk** in not authorising recommended option.

Council will need to undertake a new procurement for the external management of the SECN. This presents a risk that there may not be a suitable operator to run the centres and that the council will retain less of the operating surplus.

Mitigation: This decision provides for operation and management of the network under an internal model with business support. The proposal has been developed jointly in consultation between the former SCC Economy Group and Property Services to ensure that a suitable comprehensive proposal will be available to deliver this ongoing service.

Likelihood	1	Impact	4	Risk score	4
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36. **Grant funding risk.** Several of the newer centres have ongoing grant funder reporting and operation requirements. Operations will need to comply with these requirements.

Mitigation: A schedule of all reporting requirements for grant funders has been developed and requirements will be shared with operations and finance to ensure that all reporting is completed. All centres will have the same reporting information so that comprehensive information is available in relation to all centres.

Likelihood	1	Impact	4	Risk Score	4
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37. **Risk:** Change to an internal operational model with some external provision such as business support may not achieve the same levels of occupancy. The internal management of the centres will require the network to maintain a high level of occupancy. There will no longer be a guaranteed surplus.

Mitigation: The existing network currently has an occupancy of over 90%. The work by Finance services shows that occupancy levels of around 80-85% are required for sustainability. Property Services team is aware of the need to secure and maintain tenants. The Property Services team has experienced professional staff who can provide direction and are able to identify the most suitable means to secure and maintain occupancy levels.

Likelihood	1	Impact	4	Risk Score	4
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Equalities Implications

38. Please see attached Appendix 1.

Community Safety Implications

39. No community safety implications have been identified for this decision.

Climate Change and Sustainability Implications

40. The Somerset Enterprise Centre Network provides workspace for SMEs locally across the county and makes a positive contribution to economic sustainability.

- There are several positive sustainability outcomes. Local workspace provides and supports employment in rural areas. This has positive economic impacts which support the local economy and local growth. The local workspace helps to sustain business activity in market towns, rural areas and in less advantaged areas such as West Somerset. In some areas such as Exmoor there is very limited availability of workspaces and businesses based at the Enterprise Centres provide benefits to a range of local businesses.
- The workspace also offers employment opportunities locally in rural and market town areas. This brings both economic benefits to a locality as well as helping to reduce environmental impacts due to reduced travel to work requirements.
- The existing network requires significant investment over the next 5-10 years to maintain and upgrade the assets. Retention of operating surplus will help to support the ongoing maintenance needed for the centres. Property Services is already advising the Economy Group on provision which needs to be made to continue to provide the facilities and to upgrade them to a suitable, environmentally sustainable, standard. The Economy Group is currently exploring funding opportunities to help with this upgrading work.
- Financial sustainability. The Network must remain financially sustainable to ensure that it can continue to provide the accommodation and business support services to the wider small business economy. Retention of operating surplus will help to support the ongoing financial viability of the network.
- The network also offers important opportunity to be used as local working hubs. These provide local workspace which helps to keep economic activity local to the area and supports reduction in travel need and a wider choice of travel alternatives. All these support sustainable employment opportunities meeting local needs.
- Either option would continue delivery of service, sustainability of network.

Health and Safety Implications

41. No health and safety implications have been identified for this decision.

Health and Wellbeing Implications

42. Positive impacts of network on individuals' health and wellbeing. Local work hubs, increased support for rural communities and businesses to access employment opportunities locally.

Social Value

43. Decision authorisation supports workspace in local areas which underpins the social value priority areas of:
- Developing employment, skills and training opportunities, particularly for hard-to-reach/disabled/target groups.
 - Improving health and wellbeing, maintaining independence and reducing inequalities of local residents and employees.
 - Helping build community capacity and playing an active role in the local community, especially in those areas and communities with the greatest need.
 - Creating opportunities for micro-providers, the voluntary sector, small and medium enterprises to be part of supply chains which support Somerset County Council priorities and service delivery.
 - Reducing air pollution, particularly in urban areas

Scrutiny comments / recommendations:

44. To follow

Enterprise Centre Network Operation Considerations

45. The Somerset Enterprise Centre Network comprises 9 centres spread across the county. Centres are in Frome, Bruton, Wells, Highbridge, Wiveliscombe, Williton, Minehead, Wheddon Cross and Barle. Two further centres are currently in development in Chard (due to open 2023) and Glastonbury (expected to open 2024). In both cases these new centres have approved business cases in place, involve the upgrading and repurposing of existing SCC assets and are being financed by secured external funding and previously approved SCC funds. The Enterprise Centre Network is currently managed under a contract for services with Torbay Development Agency which will end on 31 December 2023. The current contractual arrangements provide that the operator manages the centres, advertising vacancies and securing tenants, taking payment of rents and managing the centres covering all day-to-day running expenses including the provision of business support. Once all costs have been accounted for, any surplus is divided equally between the operator and Somerset County Council, with the centre managers providing a guaranteed minimum return to Somerset County Council.
46. In anticipation of the end of the current contract in December 2023 officers have investigated the future needs for the network. Although the current contract has worked well, with good levels of occupancy and business support, it is necessary to consider the future property and operational needs of the network for the next decade, and beyond. The end of a contract presents an opportunity to review the operating model. The current unitarization and the pooling of assets with differing operating models has added impetus to the review looking forwards to the new unitary council.

A Viable Network

47. It is important that the Somerset Enterprise Centre Network is viable and sustainable if it is to fulfil its function of supporting local economic growth with ancillary positive environmental impacts. This means that the network needs to make sufficient surplus to cover costs and make some provision towards the ongoing costs for the routine refresh and renewal costs inherent in any property portfolio.
48. The regular maintenance, repair and renewal costs for the network are an essential cost which affects the long-term viability of the network. Accordingly, the Economy and Property Services teams have worked closely to build an understanding of the needs for the network over the next decade.

Property Considerations

49. The underlying structural integrity and condition of the Enterprise Centre portfolio is integral to the Somerset Enterprise Centre Network's capacity to provide accommodation and support across the county. Property Services has undertaken a condition survey of all premises in the network to establish a baseline for the state and condition of this part of the estate. SCC Property Services have provided a condition report setting out the needs of centres in the network to inform future operations. Officers have noted that because most centres in the network are comparatively new the portfolio is in reasonable to good condition. One centre, Frome, has been identified as needing repair and renovation and funding opportunities are being explored to help to finance the necessary work. Property services has identified an indicative programme of ongoing work/refresh costs which will be required over the next decade. These works will be required under either operating model.
50. Property Services has identified that bringing the property management function in house will have the following benefits:
51. **An experienced internal team** with existing local knowledge and contacts across the county will lead on property matters. The internal resources already operate out of several locations across the county. Property and facilities management will be able to provide a service across the county. Another service area utilising these services supports the sustainability of the internal service.
52. **Greater control** over setting priorities for maintenance and upgrading. These may be set to meet internal best practice/ guidelines and where appropriate may also offer opportunities to schedule repairs, maintenance, and upgrades to dovetail with programmes being undertaken for the wider council estate. Although such activity would usually be paid for by the workspace network income it may offer opportunities for economies of scale.
53. Internal delivery more responsive/ agile in management.
54. Retention in county of the portion of "surplus" currently retained by the current operator will help to fund the ongoing maintenance costs.
55. **Property services recommendation** relating to the future management of the Enterprise Centre Network. Returning the day-to-day management in house provides an opportunity to utilise existing experienced property and

property management resources. This is likely to result in better control of the running of the network to current standards (which may develop over time) as well as retention of more of the operating surplus.

Economic Considerations

56. The Economy team has considered the future needs for the Network. The Network has been developed to provide modern business space with business support services for SMEs to help to promote local economic growth.
57. **Grant obligations.** The Network has benefited from circa £6.65 M of capital grants which over the past 5 years has helped to build four new centres and extend another. Grants were awarded to provide business space for SMEs and on the basis that businesses in the centres would have access to business support services.
58. **Financial viability.** Centres are in areas where the commercial sector has failed to provide suitable space and services. The Network must meet its running costs, provide sufficient for ongoing refresh works and must also provide business support to help to promote economic growth for tenants and the wider business community. It is therefore important that the centres maintain good occupancy levels to generate sufficient income to keep the network and business support activity viable.
59. **Internal capacity.** During consultations with Property services, it has been established that the routine property management functions can be delivered in house. This will provide greater control for the council to manage the properties including adjusting to any changes in best practice as standards evolve. Property services already has the structure to manage the portfolio and unitarization will also offer opportunities for integration of some officers to help manage and maintain the centres across the county.
60. **Business support.** Business support services and signposting will continue to be an important part of the future network delivery. This aspect of the service is important as grant funding was awarded for a model which provided business support services available to tenants at the centres. The Enterprise Centre Network will continue to work with other funded programmes, such as those provided by the Heart of the Southwest Local Enterprise Partnership and the Growth Hub which will be an important delivery vehicle for business support services. The Economy group is currently developing a county wide business support service using Shared

Prosperity funding which is expected to provide support to tenants and the wider business community.

61. **Signposting and future commissioning.** Feedback from local stakeholders indicates that business support is available in Somerset, however small businesses sometimes struggle to find support which is relevant to their needs. Work is currently being undertaken in the Economy group to identify the Somerset business support provision. That exercise will inform the future commissioning of business support services across the county for the benefit of tenants in the Somerset Enterprise Centre Network and the wider business community.

62. **Enhanced networking opportunity.** Centres which have been built in Wiveliscombe, Wells and Bruton over the past 3 years include light industrial, office and meeting room accommodation. A further centre is currently in build in Chard. All new centres have access to superfast broadband and digital screens in meeting rooms which make it possible to connect between centres. This combination of accommodation provides an opportunity to further develop the connections between the centres. The Enterprise Centre Network currently has over 90 businesses which could offer a range of networking opportunities for tenants. Centres could also be used as hubs where tenants and local businesses can interact with other business organisations including the FSB, local chambers, the Growth Hub and business groups. The recent pandemic has affected the ability to fully utilise the meeting room accommodation during the lockdowns over the past couple of years. However, there is an opportunity for future network development which would allow the spaces to be more fully utilised over the coming years.

63. **Opportunity to engage with business community.** Internal management of the Somerset Enterprise Centre Network will offer opportunities for the Economy group of the new unitary authority to engage with businesses and tenants at centres across the county. This should help officers as they develop new projects and programmes as they can access immediate feedback from businesses about what business really wants.

64. **Retention of greater proportion of surplus.** Returning the management of the centres in-house will allow the authority to retain a greater proportion of the surplus. This will support the ongoing viability of the Somerset Enterprise Centre Network and the delivery of Economic Development services. Over the past 8 years the operator has retained an average of circa £41,700 per annum. A decision to return management in house will allow the new unitary council to retain the full share of the

surplus. Such funds will help to support the continued delivery of the Somerset Enterprise Centre Network and ancillary Economy Group activity.

65. **Economic Development recommendation.** Returning the management of the Enterprise Centre Network in house will allow for more control and flexibility in the management of premises in the Somerset Enterprise Centre Network. It will allow the new unitary council to retain a larger proportion of any surplus. Such funds will help support the ongoing viability of the Somerset Enterprise Centre Network and the work of the Economy Group to facilitate economic growth. At a challenging time for public finance retaining a greater proportion of surplus will help to support the provision of this service.

Financial Considerations

66. The current contractual model provides that the centre operator secures tenants, collects all rental income and provides for payment of all routine costs and expenses. Following the end of year accounting the operator remits 50% of the surplus to the council but subject to a minimum annual payment.
67. The Finance team has noted that all operator costs attributable to managing the Somerset Enterprise Centre Network are covered either as Core costs, or costs which are allocated to individual centres. Once income and costs are assessed the amount of any operational surplus is calculated. Over the past 8 years the centre operator received its contracted share of surplus which was an average of £41,723 per annum.
68. If the management of the Somerset Enterprise Centre Network is returned in-house, the Core costs and the costs allocated to individual centres would continue to be incurred. Such operational costs would continue to be paid from rental income generated from tenants.
69. The financial analysis which has been undertaken has anticipated that rents and income will have to increase to meet any costs inflation. The financial analysis has modelled that market rents will increase to consider increases in the cost of services such as utilities. Such costs are incurred primarily in relation to office spaces because light industrial units have independent utility meters.
70. The financial analysis has considered income and expenditure over recent years and has prepared a projection for future costs. This has shown that the centres need 80-85 % occupancy to remain financially viable. Over

recent years occupancy has exceeded that figure and the light industrial units are rarely vacant with high levels of demand across the county.

71. The operational costs for the Somerset Enterprise Centre Network are expected to be similar whether the management is externally or internally managed.
72. Many costs will be standard whether internally or externally managed for example utility costs, waste disposal, cleaning, grounds and routine maintenance. However, for those activities which can be undertaken by council officers there will be no profit or overhead element which would represent a saving. In addition, moving to an in-house management model will allow the Council to exercise greater control over the timing of some spending.
73. Further, and importantly, internal management of the Somerset Enterprise Centre Network will ensure that after considering the running costs of the network the full operating surplus is retained by the Council.
74. **Finance recommendation.** That the move to an in-house model of operation would allow the unitary council to retain the full operating surplus. That retaining the additional surplus funds would provide a reason for the SECN to move to an in-house centre management model of operation which allows for some external functions such as business support once the current contract ends.

Background Papers

75. None

Appendices

76. Equalities Impact Assessment

Report Sign-Off (if appropriate)

	Officer Name	Date Completed
Legal & Governance	David Clark	12 04 2023
Implications	Scott Woolridge	17 04 2023
Communications	Chris Palmer	25 05 2023
Finance & Procurement	Nicola Hix	26 05 2023
Workforce	Chris Squire	12 04 2023

Asset Management	Ollie Woodhams	21 04 2023
Executive Director / Senior Manager	Mickey Green	21 04 2023
Strategy & Performance	Alyn Jones	21 04 2023
Executive Lead Member	Ross Wyke	25 05 2023
Consulted:	Councillor Name	
Local Division Members	N/a	
Opposition Spokesperson	Mark Healey	26 05 2023
Scrutiny Chair	Martin Dimery	16 05 2023