

Wiltshire Council

Cabinet

27 March 2018

Subject: The Enterprise Network - Old Fire Station Extension

Cabinet Member: Cllr Baroness Scott of Bybrook OBE
Leader of Wiltshire Council

Key Decision: Yes

Executive Summary

Cabinet approved the business case for the extension of the Old Fire Station Enterprise Centre and placed the project on the Forward Plan in September 2016, with a caveat noting that if Council funding is required the proposal will be brought back to Cabinet.

Council funding is required, and the proposal to Cabinet is a request to borrow £500k from the Public Works Loan Board to match against £500k secured through European Structural and Investment Fund (ESIF) to refurbish an extension at the Old Fire Station Enterprise Centre in Salisbury.

Proposal

To approve borrowing £500k from the Public Works Loan Board to match against £500k secured through European Structural and Investment Fund (ESIF) to refurbish an extension at the Old Fire Station Enterprise Centre in Salisbury enabling the previously approved business case to progress to delivery.

Reason for Proposal

Funding for this project has been sought through an initial application to the Growing Places Infrastructure Fund (GPIF) which was not awarded, on the recommendation of the Section 151 officer, advising that funds could be borrowed more cheaply elsewhere.

A subsequent application was made to the European Structural and Investment Fund for an amount of £500k– to be matched by the applicant / partners 50:50 (total project value £1m). This has passed the first stage and has now proceeded to full application.

Cost effective borrowing of £500k from the Public Works Loan Board would match £500k secured through European Structural and Investment Fund (ESIF).

Cabinet approval is sought as Council funding through the Public Works Loan Board is required to realise the business case for the extension of the Old Fire Station Enterprise Centre.

Alistair Cunningham – Corporate Director

Wiltshire Council

Cabinet

27 March 2018

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Cabinet Member: Cllr Baroness Scott of Bybrook OBE
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Key Decision: Yes

Purpose of Report

1. To authorise submission of the full application to European Structural and Investment Fund (ESIF) with £500k match funding provided by borrowing from the Public Works Loan Board.

Relevance to the Council's Business Plan

2. This agreement will support the development of sustainable communities and a resilient economy through economic development activity. The project will underpin the Wiltshire Council Business Plan priority "to increase the number of businesses that start up and support those in existence to grow and invest" and "to continue supporting businesses across the LEP area with initiatives such as the ERDF SME Growth Project; Growth Hub; The Enterprise Network and Wiltshire 100". The proposed extension of the Salisbury Enterprise Centre will help to address the Council's priority to boost the local economy; creating and safeguarding jobs by stimulating economic growth in partnership with the Swindon and Wiltshire Local Enterprise Partnership.

Background

3. The Enterprise Network (TEN) is a project delivering business space for new and early growth businesses operating with the oversight of the LEP. Four Centres were established in 2013/14 alongside six satellite centres offering office and light industrial workspace. The four TEN-managed centres have grown to achieve occupancy levels of 70-80% with the centres in Salisbury and Trowbridge being fully occupied. During the period 2016-17 141 businesses were supported with physical space. Many more were supported with networking events, training and grant support.
4. The demand for space in Salisbury exceeds supply. The planned extension will add around 18 additional offices and flexible work and meeting spaces through refurbishment of the adjoining, unutilised section of the building (previously Social Services) which will be refurbished with this funding. Physical workspace will be provisioned with on-site business support and development services.
5. This project was placed on the Forward Plan in 2016 when Cabinet approved the business case for the extension of the Old Fire Station Enterprise Centre, with a caveat noting that if Council funding is required the proposal will be brought back to Cabinet. The rationale for the approval of the extension was cited as "*The Old Fire Station*

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building is currently underused and the Enterprise Centre is oversubscribed having already demonstrated considerable success in providing a much needed service, assisting business growth and generating jobs. There is a lack of business workspace in the centre of Salisbury as a result of commercial pressure to convert property to residential use. This risks having a knock on effect of decreasing the overall vitality and attractiveness of the retail core. Providing for and stimulating the demand for office space for new start-ups will have considerable economic benefit for the area while maximising the usage of one of the Council's assets."

Main Considerations for the Council

6. TEN are seeking to enter a funding agreement with DCLG to obtain £500k to refurbish the unutilised part of the Old Fire Station premises. Borrowing of £500k to match this is sought from the Public Works Loan Board.
7. The funding will enable the previously approved business case proposal to be realised. This involves converting the remainder of the Salisbury Old Fire Station building (corner of Salt Lane and Endless Street), doubling the existing workspace. An outline floor plan is attached (**Appendix 2**).
8. This will involve refurbishing the redundant half of the building, making good and repairing the roof, undertaking general repairs and fit out as contemporary start up business units. If the building continues to deteriorate, it would result in considerably higher costs in future to either remediate the building or significant loss in the sale value.
9. There is strong demand for space of this type in Salisbury. The current operation in the Old Fire Station was 81% occupied within 12 months of opening and is now 100% with a strong waiting list.
10. Extending the Salisbury Enterprise Centre will allow more small businesses the chance to operate in the city centre, where there is an identified shortage, in part as a result of 'above retail' office accommodation being changed to residential use.

11. Retention of business and office accommodation, as well as provision of a range of business services and networking opportunities, will help maintain/increase the vitality and vibrancy of the city centre.
12. The proposal will also create additional income that can be used to support costs at other TEN centres where the optimum occupancy is taking longer to achieve increasing the overall sustainability of the service.
13. The project will result in a refurbished, attractive asset with an increased value that the Council could sell on as a going concern at some point in the future.
14. It will also contribute towards creating a more vibrant local economy and consolidate the business support offer.
15. The 18 new offices, provide a minimum of 46 desks, potentially delivering an additional 75 jobs per annum, plus ancillary off site employment likely to factor (e.g. administrative businesses employing field based workers e.g. domiciliary care enterprises). The additional space will provide local employment opportunities close to local homes.
16. The development of the Old Fire Station in its central location will enhance business activity in Salisbury and benefit from being within an existing Business Improvement District.
17. The Section 151 Officer has indicated that borrowing from the Public Works Loan Board is a more appropriate way of funding this project, and this directive was key in rejecting an application to the Growing Places Infrastructure Fund (GPIF). Potential funding from European and other national programmes has been explored leading to £500K match funding through the European Structural and Investment Fund (ESIF).
18. Senior officers' projections show that the anticipated revenue from rental income and room hire from the extension would generate a net surplus after operating costs, which could be used to repay borrowing.

Overview and Scrutiny Engagement

19. There is no requirement for Overview and Scrutiny.

Safeguarding Implications

20. There are no safeguarding implications.

Public Health Implications

21. Improving access to employment has an overall benefit to public health locally as there is a proven link between jobs, financial security and better health.

Procurement Implications

22. Wiltshire Council Procurement regulations will be followed for all items of expenditure. Advice and guidance has been sought and will continue to be sought from the Corporate Procurement Unit prior to embarking on any procurement activities.

Equalities Impact of the Proposal

23. There is no requirement for an Equality Analysis regarding the decision to approve applying for a loan. There will need to be an assessment of equality impacts during planning/design of the refurbishment, particularly in regard to access to the building and services provided.

Environmental and Climate Change Considerations

24. Refurbishment of the remainder of the building will help maintain and preserve the fabric of the building and prevent further deterioration. Refurbishment and repairs to the roof will also improve the buildings overall efficiency and reduce heat loss.

Risks that may arise if the proposed decision and related work is not taken

25. The previously approved project will be delayed or shelved.

- (i) The building continues to deteriorate resulting in considerably higher costs in future to either remediate the building or significant loss in the sale value.
- (ii) Failure to improve the income stream to the wider TEN operation will have an impact on its future sustainability and self-sufficiency resulting in either reduction of closure of the programme.
- (iii) There is a potential loss of growth businesses from Salisbury as result of lack of suitable space.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

| Risk | Impact (0-4) | Prob (0-4) | Total | Mitigation |
|---|-------------------------|-----------------------|--------------|---|
| Project cost exceeds funds available. | 4 | 2 | 8 | <p>A full cost appraisal will be undertaken at the start of the project and any necessary cost engineering to keep the project within the budget envelope.</p> <p>Tight project management controls will be put in place and the project will be developed in conjunction with the programme office.</p> <p>The forecast figures provide contingency for repaying a higher value loan.</p> <p>Potential match funding from ESIF is in the pipeline.</p> |
| Cost escalation due to unknown / unforeseen issues. | 3 | 2 | 6 | <p>A full survey will be carried out to identify the extent of construction risk and required contingency.</p> <p>Ongoing monitoring throughout delivery will ensure further issues and risks are identified early and dealt with efficiently.</p> |
| Lack of buy-in from local partners. | 2 | 2 | 4 | <p>Ongoing liaison with local partners will continue. A user/design group has been established to ensure the project is delivered to the specifications required by the end user.</p> |
| Delay in the project delivery / completion time | 2 | 2 | 4 | <p>A detailed project plan will be prepared in advance. Funding will only be drawn down when project is ready to commence.</p> |

| Risk | Impact (0-4) | Prob (0-4) | Total | Mitigation |
|---|-------------------------|-----------------------|--------------|---|
| Insufficient income generated over project lifetime to repay loan | 3 | 2 | 6 | Evidence has been gathered which demonstrates a high level of demand. More of the resources of the wider TEN service can be directed at marketing and promotional efforts. Alternative letting arrangements and target markets could be considered i.e. pop up retail, Contingency has been allowed in the cash flow forecast to increase the percentage of the operating margin used to repay any borrowing. The building could be sold either as a going concern or as a refurbished building for office use or if necessary as a potential residential conversion if for any reason it is not viable. This would enable the council to recoup its borrowing. |

Financial Implications

26. The financial model is based on certain assumptions around utility costs, staffing levels and occupancy achieved. The costs are based on figures prepared by Steele Davies and officers from the property service. Full costings will be supplied before the money is drawn down. The revenue part of the European funding will support staff costs to facilitate the capital build and operate the building.
27. The running and projected income costs are based on the operation of the existing centre. It should be noted that the income from operating half the building already covers the business rates for the whole building.

Legal Implications

28. There are no specific legal implications beyond normal procurement regulations.
29. The building will be operated as a TEN centre as is the current situation. It will simply be bigger with an accompanying increase in turnover.

Options Considered

30. Option 1 – to obtain funding from other grant sources. This avenue has been tested without success.

31. 15. Option 2 – borrow the £500k from the submit Public Works Loan Board and submit a full application in order to secure the £500k funds from ESIF.
32. 15. Option 3 – do not refurbish the unutilised part of the Old Fire Station. This would miss an opportunity to grow The Enterprise Network and support business across the LEP area. The 500k funds from ESIF would not be drawn down.

Conclusions

33. Cabinet support for the Economic Development recommendation to submit the full application for £500k with the £500k secured from the Public Works Loan Board (total project value £1m) will enable to previously approved business case to be realised. Redevelopment of the remainder of the building as an extension to the successful Enterprise Centre is both financially viable and beneficial to the local economy. Furthermore it will safeguard and enhance the value of a Council asset.

Tim Martiensen (Director - Economic Development and Planning)

Report Author: Rachel Finlay Senior Development Officer (ED&P with responsibility for The Enterprise Network).

Date of report 23.02.18

Appendices

Appendix 1: Floor plans (x4 before & after)

Appendix 2: Cash flow spreadsheet (Cash flow_capital costs_OFS2.xls)

Background Papers

The following documents have been relied on in the preparation of this report:
none