

Update on The Business Terrace

Final Decision-Maker	POLICY AND RESOURCES COMMITTEE
Lead Head of Service/Lead Director	Head of Regeneration and Economic Development
Lead Officer and Report Author	Sean Henry, Business Centre Coordinator Abi Lewis, Economic Development Officer
Classification	Public
Wards affected	All

Executive Summary

This report provides an update on the performance of The Business Terrace, outlining both the financial performance and the extensive business support offer provided through the facility. The Business Terrace continues to perform well, with 100% occupancy of the start-up and grow-on office accommodation and increased income levels over the past two years. There continues to be a lack of "next-stage" move-on office accommodation for businesses graduating from The Business Terrace and officers are exploring options to address this challenge.

This report makes the following recommendations to this Committee:

1. That the update on the performance of the Business Terrace be noted.

Timetable

Meeting	Date
Policy and Resources Committee	28 March 2018

Update on The Business Terrace

1. INTRODUCTION AND BACKGROUND

- 1.1 The Business Terrace opened in September 2015 to provide start-up businesses with affordable workspace and wrap-around business support, addressing a critical element of the Council's adopted Economic Development Strategy.
- 1.2 The initial phase of the development comprising 6 offices, seminar room, meeting room and 15 desk spaces was operated as a pilot to test the concept and demand, utilising redundant space to which the Council had a long term rental – and therefore financial – commitment until 2023. The cost of conversion was £250,000. The facility has been expected to deliver a financial contribution to help cover the unavoidable costs only.
- 1.3 Since opening in 2015, The Business Terrace has seen two expansions to address demand for additional office accommodation and grow-on space:
- Phase 2: In December 2015 the old Members' area on the first floor was transformed to create 6 new offices;
 - Phase 3: In October 2017 a further expansion on Floor 1 created an additional 5 offices as grow on space for businesses.
- 1.4 In order to reduce the financial costs of the expansion into Phase 3 in October 2017, the Council secured £52,582 funding and a six month rent free period from Capital and Regional - the landlord of Maidstone House – to deliver the capital works required to bring the space up to the required standards.

OCCUPANCY RATES

- 1.5 Following these two expansion phases The Business Terrace now consists of 17 offices, alongside hot-desking, with the number of businesses based in the facility as follows:

Table 1

Date	No. businesses in offices *	No. people working in offices	Hot desk users
Dec 16	18	26	4
Dec 17	29	58	11
March 18	29	60	11

*Note that some offices are multi-tenanted

- 1.6 Target occupancy rates for the offices in The Business Terrace are as follows:

Table 2

<u>Period</u>	<u>Target</u>	<u>Actual</u>
End of Year 1	30% occupancy	100%
End of Year 2	60% occupancy	100%
End of Year 3	85%	100%

- 1.7 Virtual Offices were introduced in March 2017, providing the option for homebased businesses to have a mailing address at The Business Terrace, providing increased privacy for the business owner and greater consumer confidence in the company's authenticity. The service is charged at £29 per month (inclusive of VAT) and there are currently 19 in use out of 33, demonstrating scope for further income generation.

BUSINESS SUPPORT

- 1.8 A fundamental component of The Business Terrace offer is the availability of free business support for pre-start, start-up and small established businesses, both for those renting space in the facility and across the whole borough, to assist business formation, survival and growth. The Council has contracts with Let's Do Business Group and Kent Foundation to provide onsite 1-2-1 advice three days per week and a rolling programme of one-to-many workshops throughout the course of the year. For 2017/18 this cost was £22,200 which is funded from the core Economic Development budget.
- 1.9 This is complemented by an extensive offering of specialist, pro-bono 1-2-1 advice and workshops from Terrace tenants, local private companies and other organisations. Partners this year have included: Innovate UK & University of Greenwich, Kent Business School, Cripps, MHA MacIntyre Hudson, Business Doctors and Outset UK. Appendix A highlights some of the recent events organised and held at The Business Terrace.
- 1.10 Between 1st September 2015 and 15th March 2017, 515 individuals have received support from an advisor on a 1-2-1 or from an expert at a free workshop. 211 of these are at the pre-start stage, 159 start-up and 145 established businesses.
- 1.11 In addition, The Business in Maidstone website hosts an online resource to provide businesses with detailed information, news, blogs and assistance in topics such as tax, employment law and general business planning.

BUDGET

- 1.12 The Business Terrace continues to perform financially, with a number of opportunities for income generation harnessed, along with the identification of long-term savings. The budgets for Phases 1& 2 and Phase 3 are held separately for accounting purposes, as shown below. When combined the facility as a whole meets its budget targets for 2017/18, returning a £3,830 surplus.

Phase 1 & 2

Table 3

	2016/17	2016/17	2017/18	2017/18	2018/19
	Budgeted	Actual	Budgeted	Actual	Forecasted Budget
Unavoidable Costs*	£134,330	£119,580	£133,790	£132,950	£137,150
Operational Costs**	£28,720	£33,870	£30,360	£37,510	£29,240
Business Terrace Staff Management Costs	£12,355	£12,355	£27,640	£27,640	£29,030
Rent Income	-£74,680	-£59,000	-£89,680	-£64,800	-£89,680
Services Income	-£4,670	-£5,650	-£4,670	-£13,280	-£4,690
Net contribution to unavoidable costs	-£38,275	-£18,425	-£36,350	-£12,930	-£36,100

*Rent to Capital and Regional, rates and other premises costs which are unavoidable and not incurred as a direct result of The Business Terrace.

** Includes all day to day operational costs. Does not include central or departmental recharges or depreciation.

1.13 It is worth noting that rents in Phase 1 and 2 areas were increased in 2016/17 by an average of 20% and now reflects relative local market rental values.

1.14 Variable income is also included within the rent budget line, generated through the rental of hot desks, meeting space and virtual offices, which has increased significantly over the 2017/18 financial year:

Table 4

	16/17	17/18	2018/19 forecast
Meeting rooms & hot-desks	-£9,220	-£12,335	-£16,000
Virtual Offices	-£145	-£3,120	-£7,320

1.15 'Services income' relates to recharges to tenants for services such as parking, telephones, printing and post.

Phase 3

1.16 The six month rent free period on the Phase 3 area concludes at the end of this financial year, reflected in the forecast expenditure. The forecast shows a surplus of £18,810 in 2018/19 to be used as a sinking fund for reinvestment back into the wider facility.

Table 5

	October 2017 – March 2018	October 2017 – March 2018	2018/19
	Budget	Actual	Forecast
*Total Expenditure	£35,970	£8,140	£53,140
Rental income	-£30,240	-£30,240	-£60,480
Services income	-£5,730	-£5,150	-£11,470
Net contribution	£0	-£27,250	-£18,810

*Includes expenditure on rent to Capital and Regional, rates and other premises costs. No staff management time is allocated to Phase 3 as it is so little.

1.17 As an aside, it is worth noting that prior to The Business Terrace coming into operation, the Council was liable for £25,700 business rates per annum on the Phase 1 area. Under the new space configuration each of the offices is viewed as a single hereditament and eligible for Small Business Rate Relief, with the Council's rate liability now reduced to £6,000 covering the communal areas. Over the remaining term of the lease, the Council has saved almost £157,000 in business rates relating to this space as a result of The Business Terrace.

ADDRESSING CONTINUING DEMAND

1.18 The Business Terrace continues to receive significant numbers of enquiries from businesses seeking a modern, collaborative and supportive office environment in Maidstone. Given that the facility is at full occupancy, officers are looking at the viability of a further phase of accommodation in undeveloped space on Floor 1 of Maidstone House. It is envisaged that this would provide a mix of additional move-on accommodation for existing Terrace tenants, as well as addressing the needs of external companies seeking to remain in Maidstone, for example those in office accommodation being converted for residential purposes. This will be considered within the context of the Council's wider lease commitments to Maidstone House.

2. AVAILABLE OPTIONS

2.1 This report is to note only.

3. RISK

3.1 This report is presented for information only and has no risk management implications.

4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

4.1 Members received an update report on the facility in December 2016. This report is being presented as a result of a formal question that was asked by a Member at Policy and Resources Committee in February 2018.

5. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council’s overall achievement of its aims to “secure a successful economy for Maidstone borough and enhance the town centre”	Head of Regeneration and Economic Development
Risk Management	Already covered in the risk section above.	Head of Regeneration and Economic Development
Financial	Financial implications are set out in the body of the report. The Business Terrace makes a positive contribution to the fixed costs of occupying its premises.	Section 151 Officer & Finance Team
Staffing	We will deliver the recommendations with our current staffing.	Head of Regeneration and Economic Development
Legal	We have worked with the client department to agree and finalise relevant construction contracts required to facilitate the project. Generally, there are no wider legal implications.	Legal Team
Privacy and Data Protection	No implications	Legal Team
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Policy & Information Manager
Crime and Disorder	No implications	Head of Regeneration and Economic Development
Procurement	No implications	Head of Service &

		Section 151 Officer
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6. REPORT APPENDICES

Appendix A: Snapshot of recent and planned events at The Business Terrace

7. BACKGROUND PAPERS

None.

APPENDIX A

Snapshot of recent and planned events at The Business Terrace

October

04/10	Developing a new product or service	Innovate UK & University of Greenwich
11/10	How to Build a Powerful Business Plan That Works	Pro Actions
12/10	Innovation Culture	Innovate UK & University of Greenwich
	After Hours Club	Kent Invicta Chamber of Commerce
19/10	GDPR Compliance & Cyber Security	1Stop Insurance & Harlequin CDIS

November

01/11	Introduction to Lean & 5S	Innovate UK & University of Greenwich
09/11	Building a Sustainable Business	Business Doctors
10/11	Start Up Workshop Week 1 (of 4)	Kent Foundation
16/11	Fighting Fit for Business	The Business Terrace networker
21/11	Disputes: Avoidance and Resolution	Cripps LLP

December

07/12	2 nd annual Dragon's Den event	12 companies based at the Terrace pitched to 'Dragons' including Alison Broom, Duncan Simmons (Area Director for Metro Bank) and Lesley Bennet (Head of Regional Relationships – South for IOD)
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January

<u>18/01</u>	Timeless Principles of Exceptional Businesses	The Alternative Board
<u>19/01</u>	Introduction to Lean & 5S	Innovate UK & University of Greenwich

February

<u>22/02</u>	Breaking Big	Business Doctors (1 st of 4 part series into the summer)
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March

07/03	The Right Model for Your Business (1 st of 4 part scale-up series into April)	Smart Support
16/03	Start up workshop part 1	Kent Foundation
19/03	Kent Investors Network judgement panel	Kent Investors' Network
	Time Management	Business Doctors

23/03	Start-up workshop part 2	Kent Foundation
27/03	Marketing for Growth	Pro-actions

April

10/04	Protecting & Growing Your Business	Peninsula
16/04	HR: Getting on with it	Outset UK
17/04	The Magic of Social Media	The Business Terrace networker
23/04	Making a Success of Brexit in Kent & Medway: The Role of the SME	Canterbury Christchurch University

Photographs of The Business Terrace, events and office-space



Start-up workshops with Kent Foundation



November 2016 – The Entrepreneur's Journey



July 2017 – 2nd Anniversary Celebrations



New Accelerator space – 5 new offices for growing tenants, opened October 1st 2017





November 2017 – Fighting Fit For Your Business



2018 Snow – The Terrace remained open for Business every day.