

## **Chard Business Hub Project**

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### **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**

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

**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:

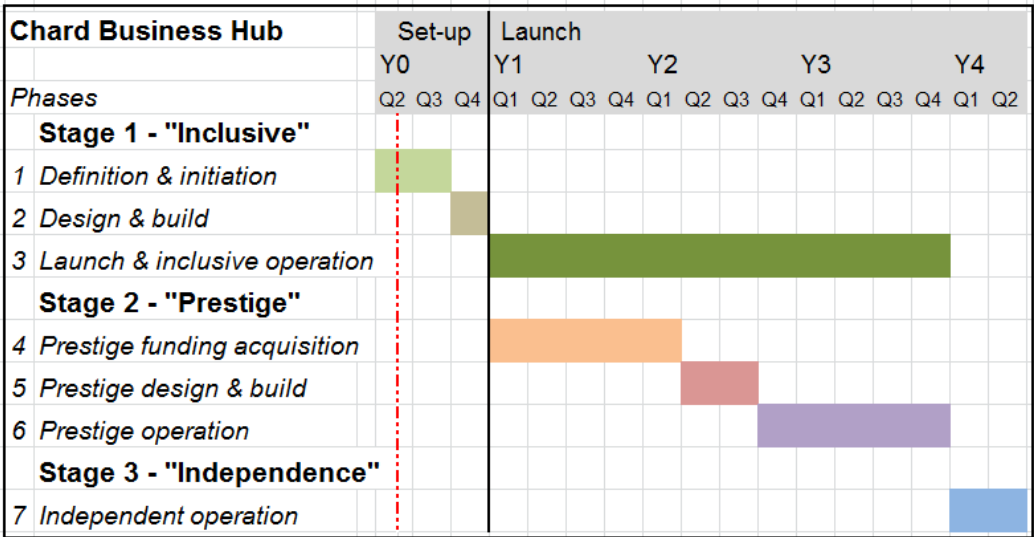
- Attracting people and businesses into Chard town centre
- Building new enterprise and creating new jobs
- Supporting and digitally enabling local businesses
- Supporting and enabling community projects and groups
- Raising the profile of Chard locally, regionally & nationally
- Building confidence, 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 SSSC and suppliers. Adaptation of the grade II listed building has to be agreed with SSSC and the conservation officer.

**The Project - Structure (stages, phases and timescales)**

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



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	High	Low	AW agree alternative

	established			governance structure
1	Suitable project manager cannot be recruited	High	Low	Agree AW NDO 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.
<b>Total</b>	<b>£25,150</b>	<b>£3,500</b>	

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	
<b>Total</b>	<b>£67,500</b>	<b>£56,600</b>	

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)	
<b>Total (year 1)</b>	<b>£31,200</b>	<b>(£4,400)*</b>	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)	
<b>Total (year 2)</b>	<b>£2,400</b>	<b>(£25,600)*</b>	No net cost if hub revenue hits targets
			*does not include cash-flow
<b>Total Stage 1 <u>net</u></b>	<b>£126,200</b>	<b>£30,200</b>	See notes below.



Note:

1. Total project cost given above is the net cost  

Total outgoings	£227,200
Total income	<u>£101,000</u>
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
  2. Workspace Demand Study (October 2015), by Thomas Lister
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