

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Economic Development and Rural Affairs
Date:	28 June 2012
Title:	Armed Forces Enterprise Centre Project Options
Reference:	4079
Report From:	Director of Economy, Transport and Environment

Contact name: Chris Shephard

Tel: 01962 846876

Email: chris.shephard@hants.gov.uk

1. Executive Summary

- 1.1. In 2010 support from the Civilian Military Partnership was given to the Hampshire Economic Military Partnership to scope a project that would research the possibilities for an Enterprise Centre in Aldershot. Such a centre would offer flexible workspace for service leavers, their families, and the wider community to develop small businesses in. The scoping work has now been completed. This paper presents the headlines of this work, and some options for consideration as to the future direction of the project.
- 1.2. The paper also seeks a decision on the options presented, with the recommendation being to continue with the project but reject the proposed building at 1 Knollys Road, Aldershot, and search for a new property (option 3), that needs less investment and has a longer lifespan.

2. Contextual information

- 2.1. In 2011 two studies were commissioned by Hampshire County Council to help get a better understanding of the market. One of the studies commissioned reviewed the supply of flexible business space within 5km of Aldershot. The other researched whether there would be demand from those connected to HM Forces for such a facility.
- 2.2. The headlines from the supply side report, produced by Enterprise First, are that:
- Although 24 sites across the specified area were identified and analysed, there is no “enterprise centre” type accommodation in the Garrison area.
 - Two developments marketed as ‘Enterprise Centres’ within the search area are essentially light industrial estates let on commercial leases with

limited flexibility, and afford no ancillary services or support to their tenants.

- Within current industrial property stocks, there is capacity to support new start-up businesses. However they are commercial industrial estates occupied on traditional leases at market rents, without flexibility or ancillary support, shared areas or services. In addition, the accommodation available is potentially too large for start-up businesses.
- Commercial agents agree that there is a gap in the market for entry-level industrial units providing less than 500 sq. ft. on flexible terms to offer a comparable level of flexibility offered in the serviced office sector.
- Within the serviced office sector there are good levels of supply for office space to accommodate small businesses, operated by companies such as Regus and other private sector landlords available on short licences, but they are comparatively expensive.
- Landlords are currently offering start-up businesses a greater level of flexibility due to the unprecedented market conditions. The fear is, however, that start up businesses could be frozen out of the market altogether once conditions improve.
- Service leaver start-up businesses occupying individual industrial units or serviced offices across the area may lead to a feeling of isolation and make the transition into the commercial sector more difficult.

2.3 The headlines from the demand report, produced by QA Research, are that:

- 86 people were interviewed at the Armed Forces Employment Fair in March 2011.
- The same survey was sent out via email through as many relevant Service community functions as possible, across all 3 services including 145 Brigade, the Service and Personnel Veterans Agency (SPVA), the HIVE Information Centres, the Career Transition Partnership, and others, which generated a further 8 responses.
- The 94 people questioned either at the Employment Fair or via email, all stated they were self employed, home workers and/or those intent on setting up their own business.
- 41% of respondents were interested in accessing such premises as an enterprise centre, with a further 15% saying they were unsure. The majority who were interested lived within a 50 mile radius of Aldershot.
- On the type of premises required, 52% would like shed/portacabin style Facilities (B8 use).
- 69% showed interest in a business advisor and 38% in a mentor. 87% said they would be interested in accessing specific training, advice and support in business operations with financial support (help with accounting and taxation) and business planning the key areas.

2.4 A report was sent to the Executive Member for Economic Development in September 2011, outlining the above results and recommending that £189,000 of capital expenditure be ring-fenced for this project. It also recommended scoping the project further, including sourcing an appropriate building and researching existing business models.

- 2.5 The working group involved in scoping this project (including Rushmoor Borough Council, the Chamber of Commerce, and Hampshire County Council), reported to the Hampshire Economic Military Partnership that evidence from the studies proved there was still a need to create an Enterprise Centre in Aldershot. With limited public funds, testing the market first in a pilot project for 3-5 years was thought to be an appropriate course of action. It was thought that a purpose built enterprise centre could be part of a commercial development inside the Aldershot Urban Extension, which is planned to be built in the future, should the pilot prove to be successful.
- 2.6 Alongside this work, a number of enterprise centre models were investigated from Southampton, Liss, and Fareham. Models showed that, as landlords, local authorities lease their building to Enterprise Centre service providers. The service providers also manage the building and take a significant proportion of the shared profit. Although still for consideration in this project, this model works well in these locations.
- 2.7 With potentially appropriate but currently disused MOD buildings becoming available due to the Aldershot Urban Extension development, work has been carried out which identified 1 Knollys Road, Aldershot, as a possible option. Research has also been carried out to see if there are any other suitable buildings. One possibility has been identified but needs further examination at this stage.
- 2.8 In principle, 1 Knollys Road fits the requirements for an enterprise centre well. It is well located, within easy walking distance of Aldershot and the Garrison. It has a number of suitable offices and potential meeting rooms, with a kitchen space and toilets. It has a number of car parking spaces, two portacabins, and a set of garages. However, it has a number of issues which when added together become significant.
- 2.9 The most fundamental issue is the longevity of the building. Messages have been mixed on its future and whether a commitment would be made for a specific term. However, a quote has been given by the MOD that shows rent would be charged at market rates, or slightly lower, with a break on both sides at year 3. This could therefore result in a revenue burden on the project of up to £80,000.
- 2.10 The second issue is the cost of bringing this building back into use. Hampshire County Council Building Surveyors have assessed the property recently, and reported that the work would cost in the region of £220,000. This is only an approximation and, without a full acquisitions survey, this estimate has been provided with caveats that could mean the price will rise. It is unlikely that lower costs will apply to this particular building. Combined with its rent, costs will be higher than the monies already ringfenced to run a successful pilot operation and such a capital outlay could not be justified on a short lease for the building.

3. Options

3.1. Option 1: the project team continues with 1 Knollys Road. Hampshire County Council leases the building and sub-leases to a service provider for an enterprise centre, with agreement that a) a commitment to a specific term is received from the MOD, with no break clauses and at a peppercorn rent, and b) further finance is found to bring the building back into use.

Positives:

- The building has lots of attributes that would make it an ideal enterprise centre.

Negatives:

- Renovation costs are higher than initially considered/money available, and could rise still further.
- The term offered and future of the building are uncertain.

3.2. Option 2: the MOD brings the building back into use, leasing the building to either Hampshire County Council or an Enterprise Centre service provider directly, again at peppercorn rent, and for a specific term.

Positives:

- Again, the building has lots of attributes that would make an ideal centre.
- No waiting for a different building.

Negatives:

- Renovation costs are high.
- The future would still be uncertain.

3.3. Option 3: continue with the project but reject 1 Knollys Road, and investigate further properties.

Positives:

- Other properties may become available that need less investment.

Negatives:

- Other buildings that are as suitable but need less investment may not exist or may take time to find, meaning current need is not met.

3.4. Option 4: Project put on hold until purpose built centre is developed as part of AUE.

Positives:

- The centre would be purpose built.

Negatives:

- By the time this is possible, the need may have reduced.
- No timeframe.

4. Other key issues

4.1. The recent announcement of the Defence Service Review redundancies has made the project time critical.

4.2. The MOD needs to be encouraged to be more flexible in its financial support of this project, and this should be addressed through the Defence Infrastructure Organisation.

5. Recommendations

5.1. To reject the proposed building at 1 Knollys Road, Aldershot, as a potential Enterprise Centre, as refurbishment and rent costs are too expensive in relation to the building's uncertain future.

5.2. To continue to investigate other buildings that may become available in the short term, that need less investment, and have a longer lifespan.

5.3. To periodically update the Executive Member for Economic Development and Rural Affairs on the project, including a formal project appraisal, when a suitable building is identified.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	no
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Improvement plan link number (if appropriate):	
OR	
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because:	
It is part of the ongoing work between the military & Hampshire County Council, working to achieve ambitions 1, 3 and 6 of the Sustainable Communities Strategy, i.e. those that focus on making Hampshire a globally competitive location for business growth and investment, where everyone has the opportunity to develop their skills and play a full part in the county's success.	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u> Armed Forces Enterprise Centre	<u>Reference</u> 3108	<u>Date</u> 16 th September 2011
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1 The Centre will be open to all but will mostly benefit Service Leavers from the Armed Services looking to start their own business.

2. Impact on Crime and Disorder:

- 2.1. No direct impact but the Centre has the potential to reduce unemployment.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

The proposals in this report are not expected to impact on our carbon footprint/energy consumption.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

The proposals in this report do not affect adaptation to climate change.