

Cannock Chase & Silverdale Enterprise Centre Extensions Business Case Summary Information

Summary

1. The County Council has a long-established reputation for creating & managing a series of managed Enterprise Centres, comprising primarily workshops, across the county. A recent review confirmed the Centres are well-run and well-managed and the Centre Survey 2016 indicated that there is a very high level of satisfaction with the services provided by centre staff and with the accommodation including the match of units with their business requirements.
2. Opportunities have been identified within two of the Centres for expansion to create additional units of the type that is under greatest demand at both Centres. The Centres are Cannock Chase & Silverdale and both proposed extensions will create extra workshop space. The Cannock element is for the conversion of existing space that is much in the same condition as it was when SCC acquired the site from the Coal Authority in the early 1980's and therefore needs extensive work to render it functional for the desired use. The Silverdale element is for the installation of additional modular construction-based units on surplus car parking area.
3. Funding is the key factor, especially for Cannock where several past schemes have failed due to insufficient grant availability to create a commercially viable business case. Both European Regional Development Fund (ERDF) & Local Growth Fund (LGF) investment has been sought for this project, the intention being for this scheme to be 100% externally funded. Unfortunately, the project could not comply with the stringent ERDF rules but £376,000 LGF has been offered by the SSLEP for the project. In addition, £150,000 has been secured for towards the Cannock element of this project from the joint SCC/CCC Cannock Chase Economic Growth Board. The request is therefore for the balance of funding £355,850 to facilitate the delivery of the project. Financial analysis indicates that the scheme should comply with the County Council's 15-year repayment target.
4. Recovery from the effects of the COVID-19 will be a major challenge for the local economies everywhere. A significant aspect of the economic recovery plan will be prioritisation of support for new, fledgling businesses creating jobs as well as downsized, longer-established businesses safeguarding jobs. The availability of efficient quality business premises on legislatively compliant, business-friendly terms will be vital to assist recovery efforts. Economic predictions show that some businesses will be lost but due to astute tenancy structuring by the Centre's management team, there should be a higher than average business survival rate at the Centres hence large number of vacancies are not expected from the COVID-19 impact. Whilst the duration of effect of the virus cannot be accurately predicted, the proposed premises would support the economic recovery then provide a robust revenue stream for the County Council in the long term.
5. Adoption of an innovative approach to the provision of the workspace at Silverdale has brought the potential for delivering a significantly greater floorspace than would otherwise have been possible. However, time constraints for the LGF funding and ensuring the quality and longevity of the units will require two exceptions to standard procedure. The first exception would be for a streamlined tender process

with the tender to be sent out to 6 companies with an established track record rather than place an advert in Contracts Finder. The second exception is requested is for the decision on tender selection to be made on a 60/40 quality/price basis thereby ensuring the tenderers focus on quality which should aid the longevity of the proposed units.

Introduction

6. The County Council has a long-established reputation for creating & managing a series of managed workspace, primarily workshops, across the county. A recent review confirmed the centres are well-run and well-managed and the Centre Survey 2016 indicated that there is a very high level of satisfaction with the services provided by centre staff and with the accommodation including the match of units with their business requirements.
7. This paper has been produced to provide guidance to assist determining the acceptance of the level of LGF investment, and supporting SCC investment, to facilitate the development opportunities at Cannock Chase Enterprise Centre and Silverdale Enterprise Centre.
8. Silverdale and Cannock have been chosen for this project as they are areas which need employment. A recent study by Sheffield Hallam University has shown that former mining areas still have not recovered from pit closures. Issues including unemployment, ill health and social disadvantage have extended beyond ex-miners in these areas. The Ministry of Housing, Communities and Local Government (MHCLG) said it was "determined to unlock the potential of former coalfield areas". This project is intended to help meet this need as the Enterprise Centres form significant employment sites for both Cannock and Silverdale.

Cannock Chase Enterprise Centre

9. Cannock Chase Enterprise Centre currently has 86 mixed use industrial, workshop and office units. There are rarely any vacant workshop or industrial units and there is a constant waiting list confirming the desire to be located at this site.
10. The opportunity is to develop a large area of unoccupied first floor space of Block 3 into 9 rentable business units. It would be possible to create 6 units of c. 600 ft² and 3 units of c. 300ft², all of which would be flexible in design to allow for potential mixed use but would be intended as light industrial / creative industry use.
11. A feasibility study proved the technical viability but gave options regarding the provision, or not, of windows as currently there are none. This element would enhance not only the attractiveness of the proposed units but also their sustainability through facilitating the use of natural light and ventilation. This approach has been adopted due to its enhanced sustainability benefits.
12. The main budget headings are as follows:

Capital build costs	£361,390	Project development assoc. costs	£8,089
Accessibility / visibility	£25,000	Client Project Management costs	£8,089
Contingency	£18,070	Optimism Bias	£23,425
Professional fees	£47,871	Total	£491,934

Silverdale Enterprise Centre

13. Silverdale Enterprise Centre is a mixed-use facility housing 21 offices and 10 workshops. The workshops remaining consistently popular since the opening of the Centre back in 2005 with an average annual occupancy rate of 99.50%.
14. A scoping study verified the project feasibility and gave the options for construction type. No traditional form of construction has proven financially viable whereas modular construction units have proven viable and have therefore been adopted as a preferred option.
15. The main budget headings are as follows:

Capital build costs	£293,000	Project development assoc. costs	£15,383
<i>of which 'Workshop & Welfare units' are (max)</i>	£175,000	Client Project Management costs	£6,153
Contingency	£14,650	Optimism Bias	£17,998
Professional fees	£36,918	Total	£384,102

Timescale

16. This project has tight deadlines. Entrust have undertaken the necessary investigative & design work to get the project to its current state and have also created programmes for the work required for both Centres. Those programmes indicate that they require formal briefing during the week commencing 18th May 2020 in order to satisfy the financial expenditure drawdown by 31st March 2021, the LGF deadline. Timescale contingency factors are included in the programme. If the necessary SCC approval processes have not been completed before this commissioning milestone, Entrust will be commissioned at the promoter's risk but with a parameter for immediate cessation of works should the project not receive the necessary approval.

Funding and Outputs of the Project

17. Originally, the anticipation for this scheme was for full funding to be available through ERDF and LGF hence requiring no capital investment from SCC. Despite giving protracted and painstaking promotion of the project, in October 2019 MHCLG decided the project was non-compliant with their criteria and therefore the potential for ERDF investment disappeared.
18. An intense period of review, project development & more detailed financial work followed which saw significant refinement and an identification of form, function and financial balance for the proposed project on the two sites. For the Cannock Centre proposal, the physical form could not be altered therefore a revised financial proposal was drafted comprising the following:

LGF investment	£148,065	£150,000 less 1.29% retained by LEP for admin costs.
Pye Green Investment Fund	£150,000	Approval given by Cannock Chase Economic Growth Board and E, I & S SLT.
SCC borrowing	£193,935	This meets the 15-year payback period requirement.
Total scheme cost	£492,000	

For Silverdale, adoption of modular construction gave a more cost and functionally effective proposal, comprising 12 units of c. 320ft² and 1 welfare unit with a funding structure as follows:

LGF investment	£223,085	£226,000 less 1.29% retained by LEP for admin costs.
SCC borrowing	£161,915	This meets the 15-year payback period requirement.
Total scheme cost	£385,000	

19. The combined figures are as follows:

LGF investment	£371,150	£376,000 less 1.29% retained by LEP for admin costs.
Pye Green Investment Fund	£150,000	
SCC borrowing	£355,850	This is substantially less than previous costs due to scheme refinements for the Silverdale proposal.
Total scheme cost	£877,000	

20. Financial approval has been secured for the £376,000 LGF from the LEP, less the administrative fees as indicated. Financial approval for the investment of the £150,000 from the Pye Green Investment Fund is also in place and which has approval from E, I & S SLT. Financial approval is also required for the investment of the requisite £355,850 from SCC borrowing for the delivery of the scheme. The cost of borrowing this sum is approximately £66,000 thus making the total cost of the scheme £421,850 (including borrowing costs) will be recovered by year 13. It is understood that there is the potential for this paper to need to go to Cabinet for ratification due to the level of borrowing required.

21. The outputs of the proposals comprise 21 additional industrial units and 45 new jobs at a cost per job of £19,500.

22. The true value, however, lies in the quality of the jobs attracted to the areas. The ambition of the Project is to attract higher skilled, higher productivity focussed businesses in; for example, advanced manufacturing, digital & environmental technologies. With these units being principally starter units, this should allow the companies to grow and move into the existing larger units already available at the two sites.

23. Work on the expansion of these two Centres was already well under way before the COVID-19 virus started to affect the economy, the prediction was that at current rents and the anticipated take-up rates, the new project would repay the SCC borrowing in the 13th year of operation therefore meeting the SCC 15-year repayment target.

The COVID-19 impact.

24. The Enterprise Centres are a very valuable resource for the county; for example, Cannock Chase Enterprise Centre is one of the largest non-retail employment areas in its district. Prior to the virus' effect on the economy, the Centre had been full for more than 2 years. The Silverdale Enterprise Centre has been operating for 15 years with a 99.50% annual occupancy rate and a waiting list for workshop space for a substantial proportion of that time.

25. A significant aspect of the economic recovery plan will be supporting new and fledgling businesses in efficient quality business premises on legislatively compliant, business-friendly terms. There is a shortage of light industrial units across the entire county, but the longest waiting list has been in Cannock. Economic predictions show that some businesses will be lost but due to astute tenancy structuring by the Centre's management team, most tenants have qualified for the £10,000 Small Business Rates Relief grant from the District Councils. This should mean a higher than average business survival rate hence large number of vacancies are not expected from the COVID-19 impact. Whilst the duration of effect of the virus cannot be accurately predicted, the proposed premises would support the economic recovery then provide a robust revenue stream for the County Council in the long term.
26. Recovery from the effects of the COVID-19 will be a major challenge for the local economies everywhere. A significant aspect of the economic recovery plan will be prioritisation of support for new, fledgling, highly motivated businesses in the 'Staffordshire Start-Up Programme' creating jobs as well as the downsized, longer-established businesses safeguarding jobs prior to expansion back to their former capacity. The availability of efficient quality business premises on legislatively compliant, business-friendly terms will be vital to assist recovery efforts.

Sustainability

27. Sustainability for the project is woven into the very fabric of the project. For Cannock, this comprises the refurbishment of building space lying predominantly vacant for more than 35 years. For Silverdale, the proposal is based on the upcycling of single-use shipping containers. In both instances, workspace would be created out of existing entities while aiming to minimise the embedding of additional carbon in their creation and minimising of future energy usage are key facets. Future inclusion of enhanced sustainability systems, such as installation of charging points for electric vehicles, can be accommodated as appropriate.

Risks Identified

28. Technical. For Cannock, this is a refurbishment of a very simple, robust building. For Silverdale, it is the installation of buildings on excess car parking space created as part of the Enterprise Centre in 2005. Entrust will be undertaking the enabling works and a specialist provider will be commissioned to create & install the workshop & welfare units. Therefore, the technical aspects for both sites are considered a low risk.
29. Procedural. Only the Silverdale scheme would require planning permission but as a scheme promoting marginal intensification of a well-established functioning estate with minimal external impact and with additional employment benefits generated, the risk is seen as low.
30. Scheme delivery. As stated earlier in this report, the timescale is quite tight but with the necessary contingencies in place, risk to the scheme delivery timetable is seen as low/medium.
31. External parties/stakeholders. As a low impact scheme supporting economic growth in a way that has marginal effect on 3rd parties, the risk of reputational impact is seen as low.

32. Financial.

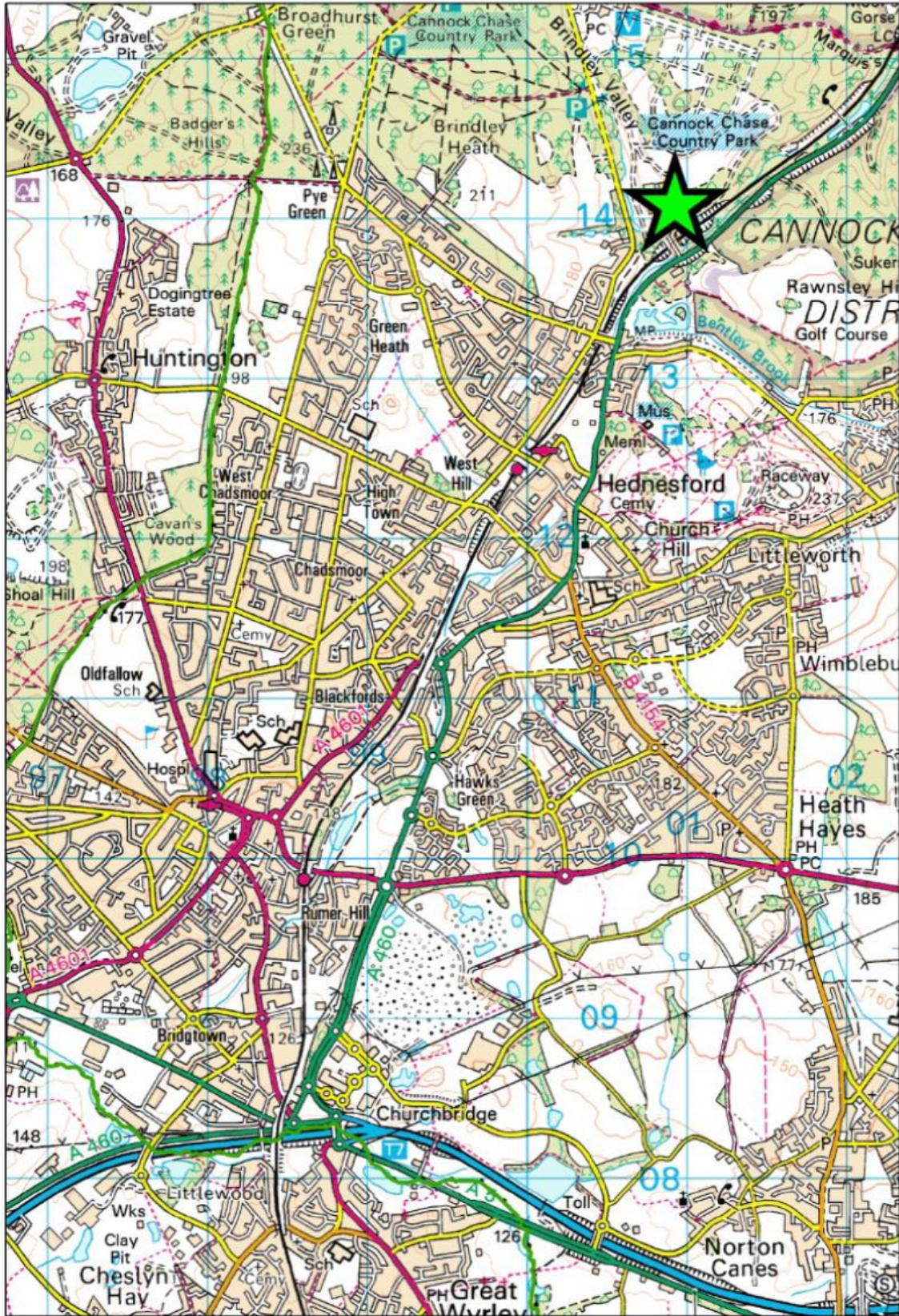
- a. A detailed financial study has been undertaken in conjunction with SCC Accounting Services for both sites and which includes all the contingency / optimism bias elements advised by Entrust. Given this and the preceding aspects, financial risk for delivery is also considered as low.
- b. The COVID-19 effect on the economy is expected to affect the rate of uptake of units but expectation is that the overall payback period will remain within the 15-year target; i.e. that the financial risk for repayment non-compliance is considered as low.

Conclusion

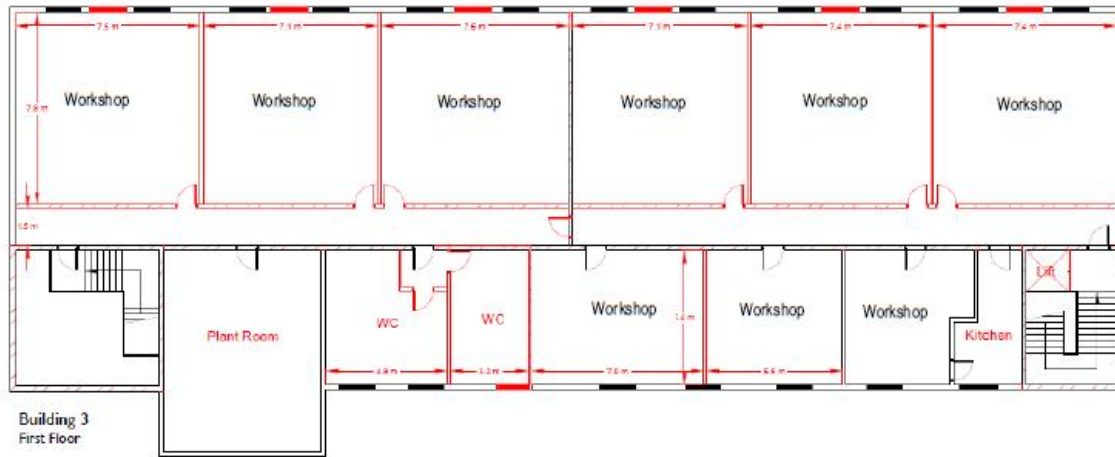
33. Both elements of this project, Cannock & Silverdale, are simple, functional, robust and what the local economy in both areas' needs. The business case for both elements of the project proves their commercial viability. It is envisaged that this type of unit will remain in demand in the long term thus underpinning the value of the project.
34. In light of the Covid-19 crisis, the project has been examined to ensure that it remains viable, sustainable and effective. The use of Enterprise Centres across Staffordshire has been a particularly effective model in helping businesses to gain confidence during and recovering from economic recession. The monthly licences and supportive atmosphere helps start-ups and fledgling businesses learn how to operate their business in a safe place where business support is readily available. Existing businesses are assisted in times of cash flow difficulties or loss of contracts to work out a plan of action and given time to get back on their feet. It is believed that the Enterprise Centres will be a necessary part of the Recovery Plan for Staffordshire and additional small workshop units in Cannock and Silverdale will be in demand.

Appendix 1 – Scheme locations & plans

CANNOCK CHASE ENTERPRISE CENTRE



Enterprise Centre Location Plan



Layout of upper floor conversion of Block 3



Block 3
Southern and eastern elevations



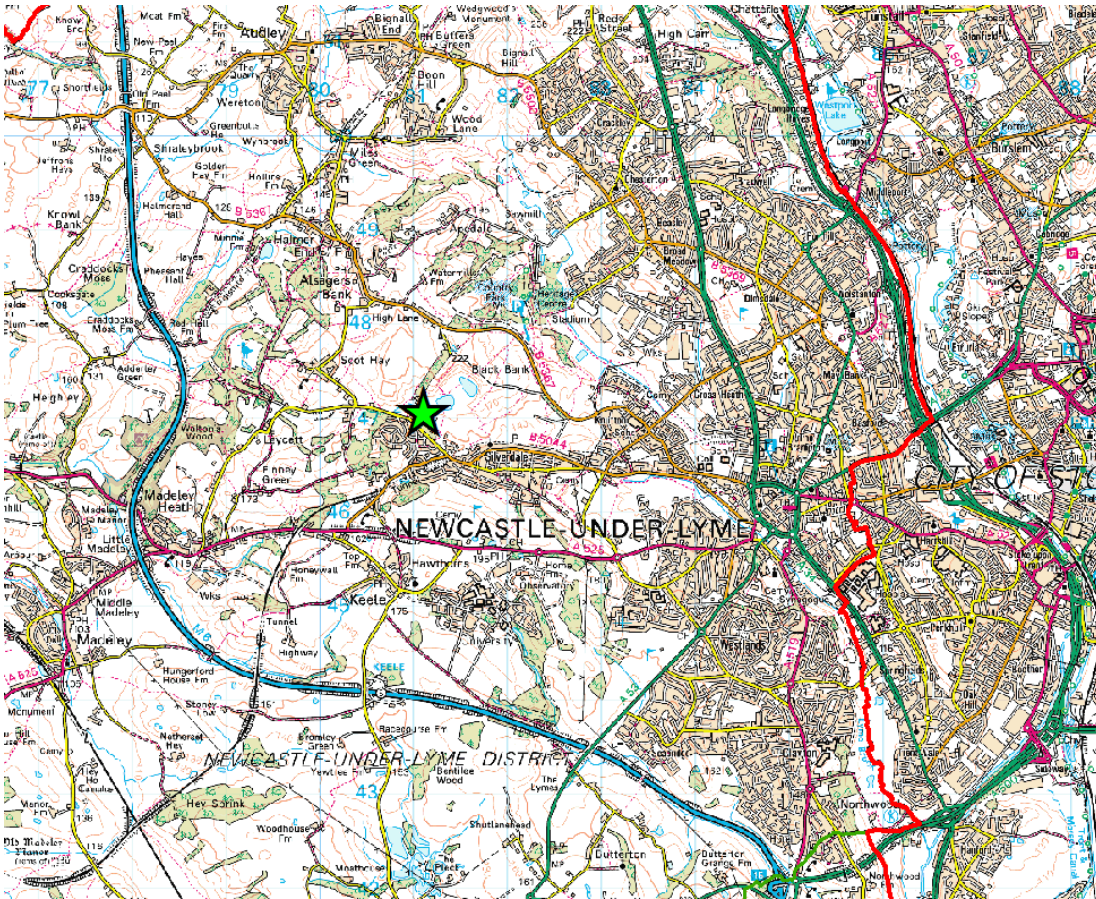
Block 3
Northern elevation



Current internal condition



SILVERDALE ENTERPRISE CENTRE



Enterprise Centre Location Plan



Red rectangle shows proposed location of the new units.