

Harborough District Council

Report to the Performance Scrutiny Panel Meeting of 17 November 2022



Title:	Update on Harborough District Council Business Centres
Status:	Public Report
Key Decision:	N/A
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Portfolio Holder:	Cllr Phil King
Appendices:	Appendix A – Business Centres Update November 2022

Executive Summary

The report updates Members on progress at the Council's two Business Centres over the last year. This demonstrates that occupancy has increased from 71% to 94% at the Harborough Innovation Centre and from 23% to 46% at the Harborough Grow-on Centre. The report also sets out some of the improvements and developments planned for the next 12 months.

Recommendations

That the Performance Scrutiny Panel notes the progress made at the Council's two Business Centres over the last year, particularly in relation to the considerable growth in occupancy at both centres.

Reasons for Recommendations

This report demonstrates that the Business Centres have achieved and exceeded the targets set out within current budgets and are providing flexible and vital support for small and medium-sized enterprises (SMEs) across Harborough District. In addition, due to the levels occupancy and income being higher than anticipated, particularly at the Harborough Innovation Centre, the Business Centres are now making a greater positive contribution to the Council's overall financial position.

1. Purpose of Report

The report updates Members on progress at the Council's two Business Centres over the last twelve months, since the report to the Performance Scrutiny Panel in December 2021.

2. Background

Harborough Innovation Centre (HIC) is a business centre with up to 52 individual office spaces, shared workspaces, virtual services, meeting rooms, onsite café, and reception services. Established in 2011 as Harborough District Council's (HDC) first business centre and funded by HDC, European Regional Development Fund (ERDF) and East Midlands Development Agency, the HIC has supported more than 260 businesses since opening. The HIC's main point of difference is the targeted and tailored business support for start-up businesses and SMEs receive. This includes strategic coaching and mentoring as well as advice on grants and funding. Designed to give a flexible workspace solution without long-term financial ties, the HIC continues to be the perfect location for local growing businesses.

In the early years, the management of the HIC was outsourced to a centre operator, Oxford Innovations. In 2019, HDC brought the running of the HIC in-house. In recent years, occupancy at the HIC fell due a combination of factors, the main being the Covid-19 pandemic from early 2020 until early 2021.

Harborough Grow-on Centre (HGC) is a business office centre offering 17 individual office spaces ranging from 532 – 2,076 sq. ft. with two separate meeting rooms and a reception area. It was designed and built following the success of the Harborough Innovation Centre and was opened in the middle of 2020, in the height of the Covid-19 pandemic. The project was funded by HDC with support from the European Regional Development Fund (ERDF) and the Leicester and Leicestershire Enterprise Partnership (LLEP).

The original aim of the HGC was to transition companies that outgrow the HIC to the HGC to continue their growth, whilst also encouraging other small to medium scale businesses into the HGC either from within the district or further afield. Designed to meet the needs of SMEs (small and medium-sized enterprises), tenants can sign longer leases of 3 years or more dependent on their requirements. Buildings and facilities management services at HGC are currently operated by an out-sourced facilities management company, MK2. Given the building was only completed in late 2019 and opened during the Covid-19 pandemic with government requirements to work from home for much of the following year, many businesses had either put their plans on hold or decided to scale back. As a result, lack of demand for office space left the HGC with no tenants until late 2020.

In March 2021, responsibility for the Harborough Grow-On Centre transferred from the Council's Fixed Assets Service to the Economy and Business Service, in order to operate alongside and benefit from the synergies with the Harborough Innovation Centre.

The operation of business centres is a non-statutory service, but has been considered as an important way in which the Council can support new and growing small businesses to develop and thrive, thus helping to ensure the prosperity of the area through long term economic growth and added value employment, in a way in which the commercial property sector would not fulfil on its own.

3. Details

The attached report provides an update on progress in relation to occupancy at both centres, as well as new and current initiatives.

The intention is that this will be expanded on within the presentation (Appendix 1), with the opportunity for members of the Scrutiny Panel to ask questions.

The report will demonstrate:

- The impact of the Covid-19 pandemic on occupancy and usage levels of the Business Centres and how these have been built upon over the last year.
- The steps being taken to adapt services, both to meet the needs of businesses post-Covid-19 and also to create a strong and supportive business community.
- The progress being made to secure new tenants, increase income, reduce running costs, and raise awareness of the Business Centres.

4. Implications of Decisions

4.1 Corporate Priorities

The two Business Centres directly contribute towards the delivery of Priority 4 of the Corporate Plan: “Supporting businesses and residents to deliver a prosperous local economy”. The Business Centres are specifically referred to within the plan and link to a number of the Critical Outcomes.

4.2 Financial

At the end of 2020/21, the net cost to the Council for both the HIC and HGC was £311K.

Since then, the growth in occupancy and income, particularly at the HIC, has been considerably in excess of what was originally forecast as part of the budget setting process in 2021. Following a comprehensive review of current and projected occupancy, by the end of 2022/23, it is estimated that the net cost to the Council will have reduced to £77K and by the end of the current MTFS period the Business Centres will be delivering a surplus of £181K.

Of course, it must be recognised that the Business Centres are subject to the vagaries of both the national and local economy, but at this time the projected occupancy levels are considered to be appropriately prudent.

4.3 Legal

Tenancy at both Business Centres is governed by legal agreements. In the case of the HIC, this is via a flexible, ‘easy in, easy out’, ‘rolling’ licence, which requires minimal legal input to manage, whereas at the HGC, tenants sign up to a longer term room lease, extending over multiple years, normally 3 or 6), which often have ‘break clauses’ at key points. The latter obviously require greater legal input by both parties.

Legal agreements exist for key outsourced services, particularly at HGC, where these will need to be carefully reviewed, prior to any significant changes in these arrangements.

4.4 Policy

The successful operation of the two Business Centre contributes significantly towards the delivery of key elements of the Council’s Economic Development Strategy, particularly in relation to the objective to: Encourage the entrepreneurial the SME economy through both business centres and business support frameworks.



4.5 Environmental Implications including contributions to achieving a net zero carbon Council by 2030

Both Business Centres were built to high environmental and sustainability standards, with the newer HGC having achieved to rigorous BREEAM Excellent environmental construction standard. However, it is an ongoing priority to try to improve the environmental performance of both buildings, as well as reducing running costs and potential carbon emissions. During the course of the coming year, the intention is progress a number of green initiatives at the HIC, including completing the switch-over to LED lighting, installing new faster Electric Vehicle charging points and submitting a proposal for capital funding to install PV solar panels.

4.6 Risk Management

A risk management approach is adopted for the operation of the Business Centres, and particularly in relation to planning the implications of the Covid-19 pandemic on occupancy levels.

4.7 Equalities Impact

Equality implications are always considered in relation to the day-to-day operation and development of the service at both Business Centres.

4.8 Data Protection

Not applicable.

5. Summary of Consultation and Outcome

A key part of the operation of the Business Centres is ongoing engagement and consultation with existing and potential tenants to ensure that the services provided remain fit for purpose and relevant for growing businesses. In addition, opportunities are taken regularly to engage with wider audiences within the business community and elsewhere, in order gauge changing trends and learn from good practice elsewhere.

6. Alternative Options Considered

Not applicable.

7. Background papers

7.1 Report and Minutes of Performance Scrutiny Panel meeting on 9 December 2021.

7.2 Economic Development Strategy 2018 – 2023 – Harnessing Harborough District.