

REPORT TO EXECUTIVE			
PORTFOLIO AREA: Economic Prosperity			
Date of Meeting:		25 th March 2002	
Public			
Key Decision:	Yes	Recorded in Forward Plan: Yes	
Inside Policy Framework			

Title: Carlisle Enterprise Centre Position Statement

Report of: The Head of Economic Development

Report reference: EDU 0402

Summary:

This report has been prepared in response to the recommendations of the Best Value Inspection of the Economic Development service.

The report has the following objectives:

- To clarify the future roles and purpose of the Carlisle Enterprise Centre as an instrument of business support
- To respond to the recommendations of the Best Value Review of the Economic Development Unit and the Best Value Inspection of the Economic Development Service.
- To highlight some of the issues to be considered in the property review of the Carlisle Enterprise Centre under the Asset Management Plan.
- To establish the contribution made by the Enterprise Centre to the achievement of the Economic Prosperity objectives in the Carlisle City Vision.

Recommendations:

To note the attached Position Statement

To agree to receive a further report in due course on financial and property management matters in the context of a more detailed analysis of the local property market and the offer to small businesses in Carlisle.

Contact Officer:

Don Taylor

Ext: 7123

Business

Development

Officer

1. BACKGROUND INFORMATION AND OPTIONS

The Economic Development Best Value review highlighted issues regarding the funding and maintenance of the Carlisle Enterprise Centre. These matters are being analysed but will need to be assessed in the light of the various strategic issues which will be determined by the Council in the coming months. Most notably, the Enterprise Centre needs to be considered in the context of the review of the Council's property assets.

In the meantime, to enable the future of the Centre to be properly considered an Interim Position Statement has been prepared. This sets out the current position with occupancy and financial management and should enable a better understanding of the Centre's contribution to the local economy.

The Executive is asked to note the attached Position Statement and to agree to receive a further report in due course on financial and property management matters in the context of a more detailed analysis of the local property market and the offer to small businesses in Carlisle.

2. CONSULTATION

2.1 Internal only

2.2 the report is a Position Statement. Any changes to the operation on the Enterprise Centre that may follow will be fully discussed with tenants.

3. STAFFING/RESOURCES COMMENTS

Not applicable

4. CITY TREASURER'S COMMENTS

1. With regards to the Central Department Costs recharged to the Enterprise Centre, the City Council would have to meet these costs regardless of whether they were charged to the Centre or not. The only way of reducing charges both to the Centre and to the Council as a whole is to stop providing Central Support services to the Enterprise Centre and attempt to save the resulting surplus capacity in staff, systems etc. However, as the LSVT exercise is currently proving, the savings are not easy to achieve as many of the central costs are 'fixed' (e.g. Accommodation, IT systems etc) and therefore cannot be readily saved. In this scenario, the Centre would still require these services and would need to purchase them from a different provider.
2. The Central charges made to the Centre are calculated based on a variety of methods (timesheets, cost per payslip, cost per PC etc) and are therefore as accurate as possible (although it is accepted that there is always room for improvement). This method of recharging central costs is required under the Best Value Accounting Code of Practice (BVACOP), which requires that all overheads are fully recharged to the services benefiting from the support (to enable accurate comparisons of costs of services between different organisations). If charges to the Centre were 'subsidised' then the Council would not be complying with the BVACOP.
3. It should be noted that there is no longer a charge (from 2000/01) made to the Centre for the support provided to the Centre from the Economic Development Unit and therefore the current total cost of the Centre as shown in the attached Financial Summary does not reflect the true cost of the Service (and does not comply with the BVACOP). This accounts for the significant reduction in costs of the Centre from 2000/01 and 2001/02. This will need to be corrected.
4. The Capital Financing Charge is again required by the BVACOP and is intended to reflect the cost and use (i.e. depreciation) of the asset. It is intended to encourage effective use of fixed assets over their whole lives (e.g. is the asset being used and maintained effectively or should it be considered for disposal). The basis of the charge made to the Centre is set out in Appendix 3, however it should be noted that this charge is a 'notional' charge to the Council and has no impact on the Council Tax (i.e. the charge is made to individual services and then reversed out centrally).
5. In summary, all 'overhead' charges currently made to the Centre are required under BVACOP rules and we have no discretion to change them.
6. It may be worth considering whether, if the objective of the Centre is to 'break-even', that this be concentrated on the 'Operational' line in the statement, (albeit the overhead costs do represent real services and therefore costs consumed by the Centre).

5. LEGAL COMMENTS

Not Applicable

6. CORPORATE COMMENTS

6.1 Corporate Comments - from the Head of Property Services.

The review needs to be undertaken in a corporate context of what the Council's corporate plan is asking of all service delivery and how property assets can contribute.

A policy is required about what the Council wishes to achieve from those assets acquired to further the economic development strategy but may now be held primarily for income.

. This policy for assets can only derive from how the economic development strategy is to evolve in the future.

. An externally focused consultation should be carried out, including business entrepreneurs who may have a better format for service delivery of small business needs than that delivered by the Council from the Enterprise Centre currently.

. An assessment of alternative development value compared to existing cost in use is required to ascertain whether the Enterprise Centre is providing the best location in value for money terms or whether a new centre elsewhere can offer better and more effective space for the business needs of tenants - perhaps as a location, too, for community support initiatives such as the CAB, for example.

On the same Executive, there is a guidance note about surplus assets and the Asset Management Plan and a strategic review needs to be put into the context of other Council priorities.

For these reasons, it is recommended that Members' consider the report as a draft as a basis for consultation, but that a final review to take place once the policy for all economic based assets is considered and in place.

7. RISK MANAGEMENT ASSESSMENT

Not Applicable

8. EQUALITY ISSUES

Not Applicable

9. ENVIRONMENTAL IMPLICATIONS

Not Applicable

10. CRIME AND DISORDER IMPLICATIONS

Not Applicable

11. RECOMMENDATIONS

To note the attached Position Statement

To agree to receive a further report in due course on financial and property management matters in the context of a more detailed analysis of the local property market and the offer to small businesses in Carlisle.

12. REASONS FOR RECOMMENDATIONS

Response to recommendations of Best Value Inspection of Economic Development service.

gh reports01 DRAFT REPORT 12 11 01

Carlisle Enterprise Centre Position Statement

Contents

Introduction and Context to the Forward Plan

Summary of Recommendations

Section 1 Evaluation and Review

Carlisle Enterprise Centre – What is it?

Evaluation of Performance to Date

Financial Performance

Section 2 Forward Plans

Carlisle Enterprise Centre – What should it be?

Maintenance

Lettings Policy

Performance Management and Reporting

Scheme of Delegation and Financial Systems

Appendices

Appendix 1 Extract from Best Value Review of the Economic Development Service

Appendix 2 SWOT Analysis

Appendix 3 Definition of Capital Finance Charges

Appendix 4 Tenancy Agreement

Appendix 5 Brief for Audit Project

Introduction and Context

This position statement sets the context for consideration of the future strategic direction of Carlisle Enterprise Centre. It is set against the changing environment in which the Centre operates. It also recognises the conclusions of the Best Value Inspector who recommended that the Council should:

"Give greater financial and managerial freedom to the Enterprise and Brampton (Business) Centre to get greater cost efficiency. In particular allow them to source repairs and maintenance from outside the Council's Direct Services arm"

Best Value Inspection Report May 2001

This report has the following objectives.

- To clarify the role and purpose of the Carlisle Enterprise Centre as an instrument of business support.
- To make an initial response to the recommendations of the Best Value Review of the Economic Development Unit and Best Value Inspection of the Economic Development Service.
- To highlight some of the issues to be considered in the property review of the Carlisle Enterprise Centre under the Asset Management Plan.
- To establish the contribution made by the Enterprise Centre to the achievement of the Economic Prosperity objectives in the Carlisle City Vision.

Summary of Recommendations

Role and Purpose of Carlisle Enterprise Centre

It is recommended that:

That the role of the Centre in providing a supportive environment for small businesses be recognised.

That Carlisle Enterprise Centre should be seen as a means of sustaining employment and small businesses rather than as an Incubator Centre for new businesses.

That the supplement charged after two years, designed to encourage businesses to move on, should be absorbed into the rent and charged to new tenants from the outset.

That the performance of the Centre should be measured against national standards for

- Occupancy
- Financial Management (Direct Cost/Income)
- Financial management (Average Debtor Days)
- Customer Satisfaction

That Carlisle Enterprise Centre remains within the overall control of the City Council in line with the wishes of the tenants as expressed in the Best Value Review consultation (See Appendix 1).

Achieving the Recommendations of the Best Value Review and Best Value Inspection

That the Building Surveying Manager, the Business Development Officer and the Enterprise Centre Manager identify ways in which the system of ordering repairs and maintenance can achieve some of the aspirations of the Best Value Review and Best Value inspection.

That the consultancy exercise to be carried out by the Internal Audit Section and described in this plan should be the subject of a later report.

That the City Treasurer be requested to examine the impact of overheads on the financial performance of the Centre and the opportunities for savings.

Issues to be addressed in the Property Review

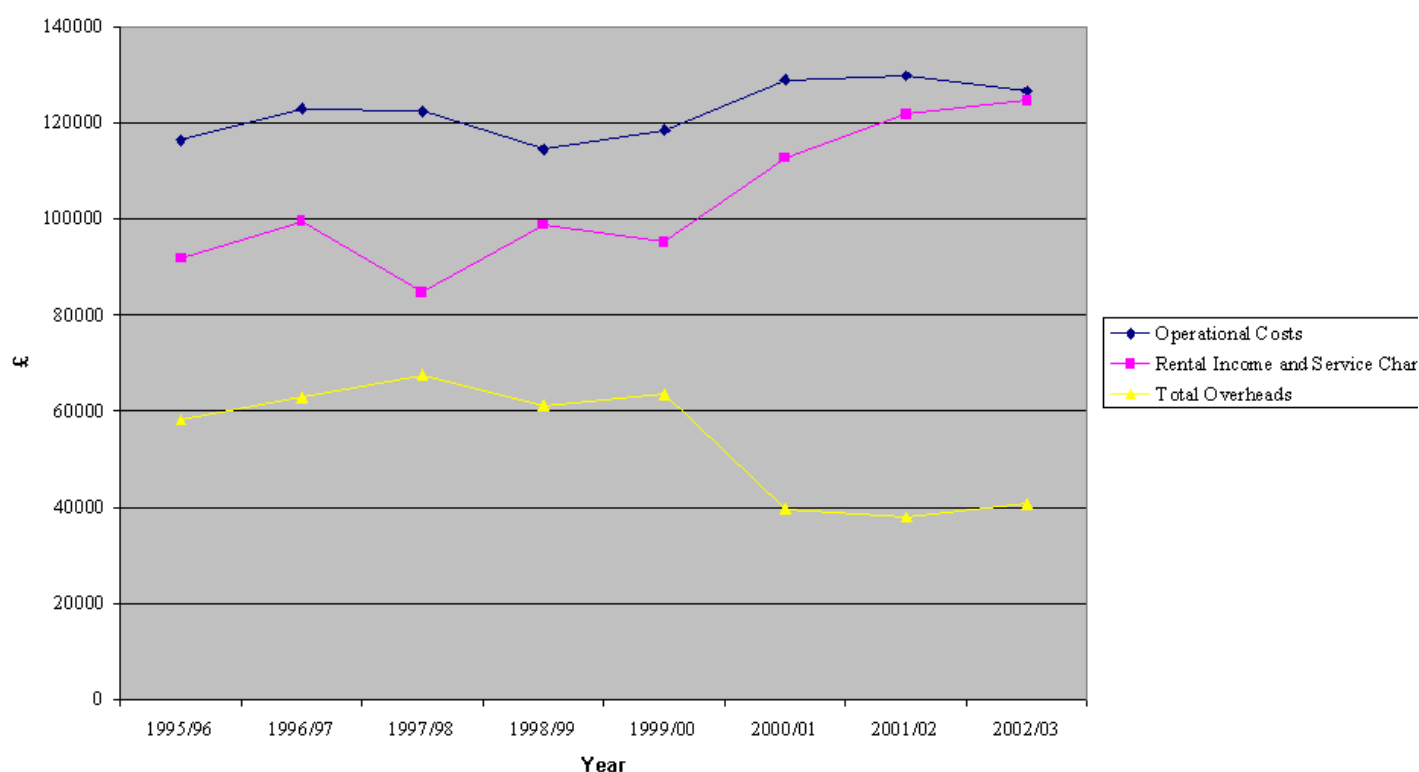
That the Asset Management Property Review should address the long term investment needs of the building both in terms of the fabric but also the future business needs of the tenants.

	1995/96		1996/97		1997/98		1998/99	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
	£	£	£	£	£	£	£	£
EMPLOYEE COSTS	35,460	35,351	36,840	33,667	34,850	34,095	36,560	36,460
PREMISES RELATED COSTS	8,080	46,847	13,600	13,436	14,220	14,138	14,650	14,639

BUILDING REPAIRS	39,000	0	35,730	35,603	36,800	36,861	27,470	29,069
ENERGY	6,240	6,283	6,240	4,792	6,240	6,007	6,010	5,621
RENT & RATES	14,470	11,480	17,520	16,691	18,180	25,797	18,690	16,892
INSURANCES	1,970	1,876	2,040	2,079	2,110	3,241	730	727
SUPPLIES & SERVICES	11,170	10,978	10,980	9,336	10,010	9,365	10,420	10,598
OPERATIONAL COSTS	116,390	112,815	122,950	115,604	122,410	129,504	114,530	114,006
RENTAL INCOME & SERVICE CHARGES	-91,870	-101,148	-99,530	-86,029	-84,770	-91,657	-98,860	-99,625
MISC SERVICES	0	-3,871	0	-2,816	0	-605	0	0
OPERATIONAL DEFICIT/SURPLUS (-)	24,520	7,796	23,420	26,759	37,640	37,242	15,670	14,381
PERSONNEL RECHARGES	810	13	800	225	820	221	810	142
CENTRAL SUPPORT CHARGES	24,450	24,875	25,080	28,227	29,480	29,480	29,230	29,230
CAPITAL FINANCING	33,000	37,084	37,080	37,084	37,180	37,084	31,200	29,700
TOTAL OVERHEADS	58,260	61,972	62,960	65,536	67,480	66,785	61,240	59,072
	82,780	69,768	86,380	92,295	105,120	104,027	76,910	73,453

These figures are only provided up to the end of period 11 and are expected to change before the end of the year.

Carlisle Enterprise Centre Budget



Carlisle Enterprise Centre – What is it?

The original objectives of Carlisle Enterprise Centre prior to opening in 1988 are covered in the Evaluation section of this report. However, it is timely to understand the role of the centre in economic development and how this role has evolved over the last 14 years.

In 2000 the Local Government Association published a best practice guide for local authorities operating managed workspaces and business incubators.

This document provided the following useful definitions:

"Managed workspace schemes are usually seen as a form of property development which provide premises from which small businesses can trade – they may also provide core activities such as shared office services, equipment, security and possibly some business support and advice. Business Incubators are similar to the managed workspace model in that they provide serviced units for small companies; however, they additionally provide more intensive sources of support to their tenant companies, as well as operating a selective entrance and exit policy".

Based on the above definitions it is clear that Carlisle Enterprise Centre falls into the category of a Managed Workspace rather than a Business Incubator and the conclusion of this Position Statement is that the Centre should retain this position. A

SWOT Analysis for the Centre is attached at Appendix 2.

A number of issues flow from the acceptance of this definition, not least about how the effectiveness of the Centre should be measured and how it should be positioned in the future. These issues are also addressed in this Forward Plan.

In terms of some statistics, the Centre has a total of 51 Units and is home to 42 individual businesses a number of which occupy more than one Unit. At the time of writing, there are 3 vacant Units in the centre. Businesses based in the Centre employ a total of 210 people, 150 of which are based in the building. Since the Centre opened it has been home to 320 businesses.

As part of the Best Value Review of the Economic Development Service, the Consultants interviewed tenants at the Centre. The results are attached at Appendix 1. This revealed that tenants are generally satisfied with the Enterprise Centre as a business location. One of the factors in the satisfaction of tenants was that the City Council was seen as a fair and trustworthy landlord. The Review concluded that:

"Many firms (in the Enterprise Centre) commented that they would be unhappy to see the ownership of the Centre pass into private hands due to concern over rent increases and less security over their tenancy rights".

Evaluation of Performance to Date

The original aims and objectives of Carlisle Enterprise Centre were set out in a report to the Economic Development Sub –Committee meeting of 4th June 1986. This report explained the need for managed workspace in the City and that this need was not being met by the private sector. It positioned the Enterprise Centre as part of a package of support to small businesses that included a grant and loan scheme and financial assistance to Business Initiatives Carlisle (the local enterprise agency) and a workshop construction programme.

The original objectives of the Centre were described as being:

"It is intended that the provision of small - scale accommodation in a supportive working environment will help achieve the following

- **Assist the creation of new jobs or job opportunities by encouraging the unemployed and the growing numbers of self - employed to start up or expand a small business.**
- **Encourage the development of new business ideas and test the viability and practicality of a new venture or product.**

- **Complement the Council's existing workshop programme by providing a greater variety in the range of units to meet known demand.**
- **Broaden the range of economic initiatives employed by the Council to stimulate economic activity."**

It is interesting to note that original report makes no reference to any policy of actively encouraging tenants to move on, rather it simply noted that one of the benefits of the Enterprise Centre is that it would:

"Provide a pool of potential tenants to move in to Council and other advance factory units once they have out grown the managed workspace."

This matter was revisited at the meeting of the Economic Development Sub Committee held on 2nd August 2000 (ED 52/00). At that time it was agreed that the original objectives of the Centre still held good.

The Centre opened in 1987 and presently provides managed workspace for 42 small businesses. Since it opened it has been home to 320 businesses, only 10 of which ceased trading during their time in the Centre (this figure excludes retirement and non-businesses reasons for cessation of trading). It is interesting to note that the majority of these company failures occurred in the period 1990 –1992, when there were grants available for starting a new business under programmes such as the Enterprise Allowance Scheme. It was at this time that the numbers of enquiries for space at the Enterprise Centre was also at its highest.

In 2000, the Local Government Association published a good practice guide for local authorities that operate managed workspace. This identified a number of positive reasons for local authorities to managed workspaces and business incubators and these are:

- Business creation and survival
- Social inclusion
- Job creation
- Income generation
- Partnership working

Based on the above list, as well as being a successful re-use of a redundant building and providing many good news stories for the City Council, Carlisle Enterprise Centre has delivered three very significant benefits:

Business creation and survival - As noted above, Carlisle Enterprise Centre can boast a business survival rate of over 90%. This confirms the research findings

included in the LGA report that found that 80% to 90% of businesses in managed workspaces survive, compared to 50% of small firms outside such establishments.

Social Inclusion – The LGA Best Practice Guide recognises that managed workspace can contribute to the delivery of local authority social objectives. The Enterprise Centre has provided accommodation for a number of community businesses and not for profit organisations and is presently home to a training scheme for people with mental health problems.

Job Creation – The businesses in the Carlisle Enterprise Centre presently employ 210 people of whom 150 work in the Centre and a further 60 who are employed by businesses but work elsewhere. This gives an average of 5 employees per business. In addition, many of the businesses that started in the centre have gone on to new premises and to generate additional jobs.

Carlisle City Vision

The Carlisle city Vision calls for a diverse and vibrant economy. It is true to say that some of the businesses based in the Centre are in direct competition with identical businesses in the City. However, it is home to several highly specialised businesses, many of which started in the Centre and who now serve national and in some cases international markets. One example being DesCad, a specialised computer based engineering design company. This company rose from the closure of the Rolls Royce Power design facility and the City Council was able to assist by providing accommodation in the Centre.

City Vision also calls for a comprehensive small business support network for both existing business owners and those wishing to start a business. The Economic Development Unit believes that the provision of cost effective business workspace with a supportive environment is a key element of the business support network. The Enterprise Centre lies in the lower cost end of the market, serving the micro-business and new business market described in the City Vision document.

Financial Performance and Sustainability

The City Treasurer at the request of the Economic Development Unit has produced the attached financial summary. It splits the budget for the Enterprise Centre into three elements, Operational Costs, operational income and overheads. It provides the Actual and Budget figures for the financial year 1995/96 to date.

The operational Deficit/Surplus line is of particular note. Work by the Enterprise Centre Manager to reduce operating costs and maximise income, and work by the Corporate Property Manager to remove anomalies in rents, has reduced the actual Operational Deficit to the point that the Centre went into Surplus in operational terms in 2000/01 and this has continued to date.

The information described above is also shown in graphical form to highlight the trend,

by comparing Budget and Actual figures from 1995 to date.

The level of overheads charged to the Centre was the subject of comment by the Best Value Inspectors. The attached financial table shows the impact of Personnel Recharges, Central Support Charges and Capital Financing Charges. This latter is of particular note. A definition of the charge has been supplied by the City Treasurer and is attached at Appendix 3. It should be noted that in the financial year 2001/2002 this overhead accounted for some 16% of total costs. The impact of Overheads on the overall financial performance of the Centre can be seen by comparing the Operational Deficit/Surplus line and the Net Cost to the City Council line.

The Economic Development Unit has set the objective of providing the Carlisle Enterprise Centre at nil cost. It can be seen that this has effectively been achieved in operational terms. The extent to which the Centre can be operated at nil cost in overall terms depends upon how overheads are handled. It is assumed that the City Council would face the overhead costs described in the attached table whether it held the Enterprise Centre or not.



Other Business Centre in Carlisle

There are three centres offering similar facilities as the Enterprise Centre, these are Warwick Bridge Mill and Atlas Works on Nelson Street and Riverside Business Centre on Warwick Road. All of these have been developed by the private sector since Carlisle Enterprise Centre opened.

Warwick Bridge Mill

Warwick Bridge Mill consists of a mixture of offices and workshops in sizes similar or perhaps a little larger than the Enterprise Centre. The nature and location of the building means that it is able to present a more up market image than the Enterprise Centre.

In terms of support services, Warwick Bridge Mill offers a similar package to that on offer in the Enterprise Centre including photocopying, faxes in and out, word processing, laminating and postal services. These are generally more expensive than at the Enterprise Centre. In other cases services such as telephone message taking which is free in the Enterprise Centre is charged for at a rate of 50p per message (almost all businesses in the Enterprise Centre now have their own BT lines and therefore demand for this service is very limited). Postal service that is charged at cost in the Enterprise Centre is subject to a 3p per item handling charge at Warwick Bridge Mill. Tenants in Warwick Bridge Mill have access to ISDN service that is not available in the Enterprise Centre. There are a number of common services between the two centres including meeting rooms and security measures such as CCTV.

Differences between the two Centres are that Warwick Bridge Mill offers on site catering and Health Club and trading units. Retail activities are not allowed at the Enterprise Centre.

At the time of writing only four offices were available in Warwick Bridge Mill. The proprietors do not quote floor sizes in their marketing literature. At Warwick Bridge Mill, units are classified by the number of work- stations they contain.

The licences are on flexible terms.

Atlas Works

It is difficult to assess the extent to which the Enterprise Centre duplicates the package available from Atlas Works. Atlas Works does not publish marketing materials and appears to negotiate a package for each prospective tenant and all office services are by negotiation. It is understood that rents are generally in line with those of the Enterprise Centre and workspaces are larger.

Riverside Business Centre

The Riverside Business Centre is similar to the Enterprise Centre in that it provides small office and work units with on site secretarial services. However, it differs in that the units are not included in a single building, though there is on site management and office services.

Conclusion

From a brief review of the other Centres and anecdotal information on demand suggests that the Enterprise Centre is positioned between Atlas Works and Warwick Bridge Mill. It would appear that the demand for small, serviced office and work units is fairly buoyant with each centre reporting few available units.

Further work needs to be done to analyse the wider market, particularly regarding the availability and cost of suitable premises for small businesses to move on to when they require larger premises.

Carlisle Enterprise Centre – What should it be?

The conclusions of the Best Value Review of the Economic Development Unit and the Best Value Inspection of the Economic Development service point to a Centre within the overall ownership and control of the City Council but where the Manager has a higher level of autonomy and is able to acquire services directly within an agreed framework.

Though not perhaps reflected in the final report, discussions with the Audit Commission Inspectors pointed to the Enterprise Centre and the Brampton Business Centre as having the potential of being established as "micro business units" within the Economic Development Unit. This will require the untangling of the operating budget for the Enterprise Centre so that the true operating costs can be established and the Manager put in the position of truly managing all aspects of the Centre. In particular the level of overheads charged, which presently makes up some 30% of the cost of the Centre, needs to be more transparent.

To assist the Manager and ensure that the objectives of the City Council are being met the Audit Section has been commissioned to undertake a research project working to a brief prepared by the Economic Development Unit. A copy of this brief is attached at Appendix 5.

Maintenance

As noted in the Introduction the Best Value Inspectors called for the Enterprise Centre to have greater financial and managerial freedom to bring greater cost efficiency, and made specific reference to sourcing repairs and maintenance from outside the Council's Direct Services arm.

This needs some detailed consideration with the Building Surveying Manager and Head of Property Services. It would appear that such a system may not be workable and could lead to duplication with the system of recording corporate maintenance.

The Building Surveying Manager has already indicated a willingness to consider how the maintenance of the Enterprise Centre could be improved and how the Centre Manager could have more influence over the management of maintenance and repairs. It was also agreed that there needs to be a better understanding of the maintenance and repairs system and greater transparency.

There is a need to address the long - term maintenance of the Centre. In particular the sandstone façade of the building on James Street will require major attention in the near future.

In addition to future maintenance of the building needs to be linked to the future development needs of the businesses housed in the Enterprise Centre. In particular businesses will need access to high speed broadband communications and the may be important in the future marketing and attractiveness of the building.

It is recommended that the review of Carlisle Enterprise Centre under the Asset Management Plan should address both of the above issues.

Lettings Policy and Charging

A copy of the present tenancy agreement is attached at Appendix 4. The current policy enables expanding businesses are able to move easily and to bring forward units to be re-let. It is the view of the Centre Management that the easy in/easy out arrangements have worked well and is a useful marketing tool.

At present, tenants pay an additional 10% in year two and a further additional 10% six months later and then onwards. If the Enterprise Centre is positioned as managed workspace and not as a business incubator; it is proposed that this supplement be incorporated in to the initial rent for new tenants. This will not only yield greater rental income, but it will also remove an administrative process.

In terms of charges, the present arrangement is that tenants pay a monthly charge that covers rent, service charge and contribution to the cost of the internal telephone system.

In the past the level of service charge was a historic figure and was not linked to actual costs. This was corrected at the last review of charges and the service charge now covers common costs with the exception of staff salaries.

The usage of electricity in Units is measured through individual meters and tenants are responsible for their own electricity. Whilst this presented few problems when there was a monopoly electricity supplier the growth in the number of suppliers has encouraged many tenants to shop around for electricity suppliers. When a tenant leaves the Enterprise Centre Manager is responsible for informing the electricity provider and for meter reading. The situation described above has given rise to an additional bureaucratic process, with the Centre Manager having to constantly obtain information from tenants on current electricity suppliers. The Centre Manager is concerned that a situation may arise that on the termination of a tenancy agreement, he may be faced with the problem of having to track down a provider where the tenant has changed supplier without notifying him.

The inclusion of the Centre within the City Council's Electricity Supply Contract will be further examined.

Performance Measurement and Reporting

To assist and guide the Enterprise Centre Manager, a clear set of Performance

Indicators need to be agreed for the Centre along with a reporting mechanism. The development and use of performance indicators was also a recommendation of the Best Value Review of Economic Development carried out by CLES.

The Local Government Association and Warwickshire County Council have been leading on a project to develop a consistent set of national performance indicators for managed workspace.

The Local Government Association established a working group that has produced a set of key Performance Indicators for occupancy and the effective management of managed workspace. This group has set some national standards to enable Centre's to benchmark and compare performance.

From the menu discussed above, it is proposed that the following set of Performance Indicators be adopted for Carlisle Enterprise Centre.

Level of Occupancy

The National Standard set by the LGA Working Group is 70%. The definition of this indicator is the average percentage occupancy for a quarterly or annual period. It is proposed that Carlisle Enterprise Centre has a target of 80% occupancy.

Financial Management (Direct Cost / Income)

This indicator is based upon direct operating costs versus income. The standard will be based on evidence collected. The definition provided by the LGA is the total (direct) financial out goings of a Centre for a fiscal year compared with the total income generated over the same period.

Financial Management (Average Debtor Days)

This is a measure of the average length of outstanding debts measured in days. The national standard is 30 days. As yet no targets have been set for the financial management performance indicators.

Customer Satisfaction

The standard for this indicator is 95% of tenants expressing satisfaction in customer surveys. The LGA suggest that a questionnaire be circulated on an annual basis. It is proposed that the national standard of 95% be set as an initial Target.

In terms of reporting it is proposed that the Enterprise Centre Manager be required to prepare a quarterly report for the Head of Economic Development covering the Level of Occupancy and Financial Management Indicators. The Corporate Information and Strategy Unit would be asked to carry out a Customer Satisfaction Survey annually.

Scheme of Delegation and Financial Systems

The recent Internal Audit of Carlisle Enterprise Centre examined the existing financial systems against the context of the Financial Regulations.

If progress is to be made in achieving the objectives of the Best Value Inspection, a fundamental review of the review of the financial systems is required, to identify the extent to which greater cost efficiencies can be achieved through giving the Centre increased financial all managerial freedom within the framework of the Financial Regulations. For the purpose of clarity and governance it is felt that a Scheme of Delegation needs to be produced to assist the Centre Manager in day to day decision making.

A successful bid has been made for consultancy time from the Integral Audit Section. A copy of the brief for this work is attached at Appendix 5 and the result of this exercise will be the subject of a late report.

APPENDICES

Appendix 2

SWOT Analysis

Strengths

Variety of business units available

Limited competition

High level of occupancy (over 90%)

Low levels of tenant rent arrears

Tenants trust City Council as a landlord

Security through gate and CCTV

Car Parking (limited)

On- site management and offices services

Central and highly visible location

Track record in supporting new businesses and micro-businesses through low cost premises

Consistently high level of occupancy

Support to not for profit and community businesses

Enterprise Agency housed in same building

Contribution to job creation by businesses in the Centre

Acceptable turn over tenants

Successful re-use of a redundant building

Source of good news stories for the City Council

Weaknesses

High level of over - heads charged to Centre give a misleading picture of operating

costs

Manager has limited control of significant budgets such as maintenance

Lack of clarity over objectives of the Centre

No long - term view of the direction of the Centre

Limited opportunity for tenants to be involved in making decisions over the future of the Centre

Lack of appreciation of economic development contribution made by the Centre.

Opportunities

NWDA and the Small Business Service set to promote new business starts

Potential to be financially sustainable

Delegate control of budgets to Enterprise Centre Manager

Canvas tenants for their views on how they might become more involved in shaping the future of the Centre

Clarify current and future role of Centre through a Forward Plan

Potential to become focus of entrepreneurial activity

Threats

Lack of investment in the building may result in emergency repairs being required

Trends in new business formation (increased home working) may result in fall off in demand.

Maintenance and investment in the building do not keep up with changing business needs.

Appendix 5

Forward Plans for Brampton Business Centre and Carlisle Enterprise Centre

Background

The Best Value Inspection of the Economic Development Service concluded that the Council should:

"Give greater financial and managerial freedom to the Enterprise Centre and the Brampton (Business) Centre to get greater cost efficiency. In particular allow them to source repairs and maintenance from outside the Council's Direct Services arm"

This project is concerned with giving support to the Economic Development Unit as it seeks to develop Forward Plans for the two Centres in an effort to deliver the recommendations of the Best Value Inspection. It also seeks to identify ways in which the greater cost efficiency identified above can be achieved, the development of a scheme of delegation within which the Managers of the two Centres can operate and the financial systems that need to be in place. The project should also consider how the Centres could be financially sustainable in the long term.

Brampton Business Centre and Tele-centre

Brampton Business and Tele-centre opened in 1999 and currently provides a range of services including:

- Tele-centre and Tele-study providing access to IT including the Internet.
 - Six managed work units for small businesses
 - An Arts and Crafts Centre providing access to equipment, training and workspace.
 - Access to Learndirect training
 - Access to certificated training from Carlisle College
 - Conference and Meeting Rooms
 - Office services including reprographics
-
- Advice to people seeking self - employment or considering a career change.

The environment in which the Centre operates has changed considerably over the last three years and there has been considerable development in areas such as community access to IT and the delivery of IT based training. To inform this process it has been decided to seek outside assistance in positioning the Centre in this changing environment and to identify what factors may influence the future direction.

The brief for this exercise is attached as Appendix 1.

Carlisle Enterprise Centre

Carlisle Enterprise Centre opened in 1988. At the time it was viewed as part of the City Council's package of support to new businesses. The aspiration was that it would provide a foundation for new businesses that would be quickly able to move on into larger premises. The reality has been that many businesses have remained in the Centre for a number of years. When interviewed as part of the Best Value review of the Economic Development Unit, many explained that they had stayed in the Centre as there no suitable Units available (i.e. those that were available were too large).

It would be wrong to suggest that the Centre has in any way fallen short of the objectives. It has been home to many successful businesses and has contributed to considerable job creation. Very few businesses that started in the Centre have failed due to business reasons.

The Forward Plan for the Centre recognises that the role of the Centre should be clarified, and that it is to provide workspace to small businesses and given that options are limited, there should be no immediate expectation that these businesses will move on into larger units. The implications of this positioning are being worked through in the Forward Plan.

Brief for Audit Project

The brief for this project is as follows:

- To identify the nature and extent of the cost efficiencies that could be achieved through giving increased financial and managerial freedom to the two centres.
- To test and validate the assumptions in the Forward Plans for the two Centre's.
- To map and, where appropriate, design the financial systems that would allow the freedoms discussed above and meet the governance requirements of the City Council.
- To prepare a scheme of delegation to clarify the responsibilities and freedoms available to the Centre Managers.
- To identify the direct operating costs including the true costs currently included in the overheads carried by each Centre.
- To consider ways in which the two Centres could be financially sustainable in the long term.

In the case of Brampton Business and Tele-centre, the project should consider

models for the long - term management of the Centre, that would allow further financial efficiencies, increased autonomy and community involvement. This may include research in to how similar Centres operate elsewhere.

Timetable

The initial Forward Plan for Carlisle Enterprise Centre is due for consideration by the Executive before the end of March. It is accepted that it will not be possible for the above work to be completed in that time frame. However, the plan could include details of the work yet to be undertaken and this will form the basis of a later update.

No timetable has been set for the production of a Forward Plan for Brampton Business Centre and Tele-centre however, work is underway, particularly looking at the future direction and market for the Centre's services.

Appendix 1

CARLISLE CITY COUNCIL BEST VALUE REVIEW OF ECONOMIC DEVELOPMENT

CONSULTATION: CARLISLE ENTERPRISE CENTRE TENANTS

Carlisle Enterprise Centre, run by the City Council, accommodates over 30 businesses. These range from engineering companies, business service providers and recruitment consultants to furniture manufacturers and caterers.

As part of the Best Value review consultation took place with a random sample of approximately one-quarter of these companies. The consultation was based on a Proforma and undertaken through face to face interviews at the companies' premises during November 2000. The main issues emerging are outlined below.

Enterprise Centre

The majority of companies currently operating from Carlisle Enterprise Centre have been based there for at least two years. Only one of the surveyed businesses had been a tenant there for less than 24 months having moved into the Centre just 9 months ago. Others, however, had been located there for as long as 7 years whilst one company has been a resident since 1989.

In the majority of cases, movement into the Centre represented the start of their business enterprise. For those who had relocated to the Centre, this often took place from rented office space elsewhere in the City or represented the expansion of a business which was previously being run from home. Some companies also reported that they had moved around within the Enterprise Centre itself, typically to larger units to accommodate expansion.

One of the main factors encouraging businesses to initially locate in the Enterprise Centre was the availability of cheap rates and convenient tenancy agreements. In the case of the latter, the provision of monthly tenancy agreements was commonly cited as a valuable tool for encouraging new start-up businesses due to the 'no ties' approach. This meant that companies were not felt to be over-committing themselves and that the risk associated with starting a new enterprise was significantly reduced. Similarly, many companies reported that affordable rents represented a key factor in their decision to locate in the Enterprise Centre.

The importance of cheap business rates for companies within Carlisle Enterprise Centre was re-affirmed with discussion regarding future location plans. The majority of firms reported that they had no intention to move from the Centre. This was considered to be particularly due to the financial advantages they gain at their current location and the difficulties they would experience in securing similar priced accommodation elsewhere. Other factors which contributed to tenants' contentment with the Centre include parking space and good accessibility. For the few companies who are looking to move from the Centre, this was generally due to requirements for larger workspace. However, a reported lack of alternative locations within Carlisle has led a couple of tenants to consider building their own premises elsewhere.

The fact that the City Council effectively acts as the landlord for Enterprise Centre tenants also appears to be a factor in their satisfaction with their business location. Many firms commented that they would be unhappy to see the ownership of the Centre pass into private hands due to concern over rent increases and less security over their tenancy rights.

Appendix 3

Capital Financing Charges

Capital Charges are intended to reflect the cost of the use and consumption by service departments of those assets owned by the department and are made up of a depreciation charge and a notional interest charge.

The capital charge (£26,400) at the Enterprise Centre is based upon a 6% notional interest charge on the asset valuation of £440,000. No depreciation is charged as the asset is classed as a non-operational investment property.

The charge for the Irthing Centre is made up of £24,180 for depreciation and £31,930 for notional interest. The depreciation policy is to write off the expenditure (approximately £602,000) incurred at the Centre since 1997/98 over a 25 year period. (The City Council has a 25 year lease for the Centre from 1/2/96). The notional interest charge (6%) is based upon the year end value of improvement work after applying depreciation. Therefore the depreciation charge is fixed for the next 25 years but the notional interest charge will reduce marginally year on year as depreciation continues to be applied - unless, of course, we are advised by CIPFA to apply a different rate of interest.

Appendix 4

**CARLISLE CITY
COUNCIL****CARLISLE
ENTERPRISE
CENTRE****James Street
Carlisle CA2 5BB
01228 625700****TENANCY AGREEMENT****Between the Council of the City of Carlisle
of the Civic Centre Carlisle CA3 8QG "The
Landlord" and**

"The Tenant"**Referred to in this
Agreement****Details****Commencement Date** _____**Deposit** **£100****Permitted Use** _____**Rent per Calendar Month** _____**Tenants Emergency Telephone No** _____**Unit No** _____**8 Limit on the Landlords Liabilities**

To the extent permitted by the Unfair Contract Terms Act 1977 the Landlord shall not be liable to the Tenant for and the Tenant shall indemnify the Landlord against any actions claims demands losses and expenses which may be brought or made or sustained or incurred by the Landlord howsoever arising directly or indirectly out of or in connection with this tenancy in respect of the following matters:

8.1 Death of or injury to any person unless arising from the Landlords negligence as defined in Section 1 of that Act. "Any Person" includes but is not limited to the Tenant the Tenants invitees and employees.

8.2 Loss or damage to the Tenants Property or that of any other Person and

8.3 Any consequential or other loss incurred or suffered by the Tenant or any other Person.

Loss includes:

- any loss caused by failure or inadequacy of lighting power heating or plumbing in the Unit or any other part of the Workshops
- any damage to the Tenants goods and
- any disruption of the Tenants business as a result of any fire or water damage or any other cause.

9 Termination

Because this is a tenancy at will either the Landlord or the Tenant may terminate this tenancy at any time without notice. However the Landlord intends to give the Tenant as much warning as possible before terminating this tenancy at will. Normally the Landlord will give about three months warning unless the Tenant is in breach of this agreement.

10 Centre Management

The day to day management of the Centre is the responsibility of the Centre Manager. All queries must be referred to the Centre Manager.

Special Terms

In addition to the foregoing it is hereby agreed that the building known as Carlisle Enterprise Centre is a no-smoking area.

**I agree the terms of this Tenancy
Agreement**

DATE

**FOR AND ON BEHALF OF THE
COUNCIL OF THE CITY OF
CARLISLE**

DATE

Another significant factor in tenants' overall satisfaction with Carlisle Enterprise Centre as a business location seemingly relates the office services which are made available. These include services such as photocopying, faxing, and postal services. Whilst the use of these services varied considerably between companies, with some having their own administrators and facilities for example, there was a consensus that the services provided centrally were good.

Comments regarding improvements which could be made to the Centre itself tended to focus on issues such as security and general décor/heating within the building.

Encouragingly, all of the companies surveyed reported that their business had grown whilst they had been tenants of Carlisle Enterprise Centre. This was in terms of turnover and in some cases, number of employees. However, some tenants suggested that their growth was not a function of being located within the Centre per se but was related more closely to the operation of the company, such as securing a niche market.

1 Premises, Commencement Date and Rent
The Landlord hereby lets and the tenant hereby takes the Unit at the Carlisle Enterprise Centre Workshops ("the Workshops") on a tenancy at will commencing on the Commencement Date at the Monthly Rent which is payable on demand at such time or times as the Landlord thinks fit provided that if the Landlord demands the Rent at fixed periods the demand or acceptance of rent shall not create any periodic tenancy.

2 Deposits

On signing this agreement the Tenant shall pay the Landlord the Deposit. After the termination of this tenancy at will and the departure of the Tenant from the Workshops the Landlord will return the Deposit to the Tenant without interest. The Landlord shall be entitled to deduct any amounts due from the Tenant to the Landlord. If the Deposit shall be insufficient the Tenant hereby agrees to pay the excess to the Landlord at once.

3 Increases in Rent

The Landlord shall be entitled at any time to increase the rent without notice.

4 Landlords Obligations

The Landlord shall pay or set money aside for the following outgoings of the Workshops:

- local authority rates and water rates
- comprehensive insurance of the Workshops and its plant and equipment (including the structure of the Unit but excluding its contents) against fire aircraft explosion and allied risks at full replacement costs fees and consequential loss of rent
- insurance against the Landlord Public and Employers Liability in respect of the Workshops
- reasonable precautions against theft and damage in and to the Workshops (excluding the Unit and its contents)
- repairs, maintenance and renewal of the Workshops (including the Unit but excluding its contents and excluding the obligations undertaken by the Tenant under Clause 5.10)
- enabling Tenants to use their Units at any time and to facilitate goods access during normal working hours each weekday
- providing such other services and facilities as the Landlord decides including as far as it practicable a Reception and Enquiries Service for visitors to the Workshops.

5 Tenants Obligations

The Tenant shall:

- 5.1 Access:** permit the Landlord and any person authorised by the Landlord on prior notice or without notice in an emergency to enter the unit to ensure that the terms of this tenancy are complied with and to examine repair or improve the structure and technical services of the Workshops. The tenant acknowledges that it may be necessary to exclude him from the Unit for whatever period might be necessary to enable the repairs or improvements to be carried out.
- 5.2 Alterations:** not to make any structural or other alterations to the Unit or Workshops

(including the fixing of machines fixtures fittings etc to the floor walls or ceiling) without the Landlords prior written consent. Tenant will reimburse the Landlord the cost of inspecting and reinstating unless a otherwise.

5.3 Workshop Rules: observe all requirements and regulations about the use of the Unit and the Workshop made by Landlord and published in the current version of the Workshops Handbook.

5.4 Statutory Regulations: conform at Tenants own expense with all statutory other regulations concerning the Unit and Tenants business and indemnify the Landlord against any claims arising from any breach of such regulations.

5.5 Insurance: not to do anything to invalidate or increase the cost of the Landlords insurance policies; insure the contents of the Unit; obtain Employers Liability Insurance if employees are used; have Public Liability Insurance with an indemnity limit of at least £1m and show the Landlord the receipt on request.

5.6 Telephones: the telephone system connected to the Centre switchboard is an integral part of the safe and efficient management of the Centre and all charges resulting from this service as determined by the Landlord must be paid in full when requested.

5.7 No Assignment Subletting or Share Possession: not assign sublet share or otherwise part with possession of the Unit or any part of it.

5.8 Payment: pay the rent in full on the 1st of the month (and by Direct Debit if requested to the Landlord) and all electricity and other charges (other than those expressly mentioned in Clause 4) at once on notification. Failure to pay by 14th of the month will result in the imposition of a £10 surcharge to cover the cost of the additional administration costs.

5.9 Permitted Use: only use the Unit for the Permitted Use.

5.10 Repairs: maintain the Unit fixtures fittings glass equipment and decoration in good condition and on vacating the Unit hand it over in such condition and make good any damage caused by removing the Tenants equipment and fittings.

5.11 Waste: remove all waste and refuse from the Unit and place it in the refuse collection area designated by the Landlord.

5.12 Nuisance: not cause any nuisance to Landlord or other Tenants in the Workshops.

5.13 Vehicles: only park vehicles in the parking areas belonging to the Workshops designated from time to time by the Landlord. The vehicle must display the appropriate permit.

6 Tenants Property

The property of the Tenant is at the Tenant's own risk in the Workshops.

7 Loans/Collateral

This tenancy at will does not give the Tenant security of tenure or provide collateral for a bank loan.

Appendix 5

Forward Plans for Brampton Business Centre and Carlisle Enterprise Centre

Background

The Best Value Inspection of the Economic Development Service concluded that the Council should:

"Give greater financial and managerial freedom to the Enterprise Centre and the Brampton (Business) Centre to get greater cost efficiency. In particular allow them to source repairs and maintenance from outside the Council's Direct Services arm"

This project is concerned with giving support to the Economic Development Unit as it seeks to develop Forward Plans for the two Centres in an effort to deliver the recommendations of the Best Value Inspection. It also seeks to identify ways in which the greater cost efficiency identified above can be achieved, the development of a scheme of delegation within which the Managers of the two Centres can operate and the financial systems that need to be in place. The project should also consider how the Centres could be financially sustainable in the long term.

Brampton Business Centre and Tele-centre

Brampton Business and Tele-centre opened in 1999 and currently provides a range of services including:

- Tele-centre and Tele-study providing access to IT including the Internet.
- Six managed work units for small businesses
- An Arts and Crafts Centre providing access to equipment, training and workspace.
- Access to Learndirect training
- Access to certificated training from Carlisle College
- Conference and Meeting Rooms
- Office services including reprographics
- Advice to people seeking self - employment or considering a career change.

The environment in which the Centre operates has changed considerably over the last three years and there has been considerable development in areas such as community access to IT and the delivery of IT based training. To inform this process it has been decided to seek outside assistance in positioning the Centre in this changing environment and to identify what factors may influence the future direction.

The brief for this exercise is attached as Appendix 1.

Carlisle Enterprise Centre

Carlisle Enterprise Centre opened in 1988. At the time it was viewed as part of the City Council's package of support to new businesses. The aspiration was that it would provide a foundation for new businesses that would be quickly able to move on into larger premises. The reality has been that many businesses have remained in the Centre for a number of years. When interviewed as part of the Best Value review of the Economic Development Unit, many explained that they had stayed in the Centre as there no suitable Units available (i.e. those that were available were too large).

It would be wrong to suggest that the Centre has in any way fallen short of the objectives. It has been home to many successful businesses and has contributed to considerable job creation. Very few businesses that started in the Centre have failed due to business reasons.

The Forward Plan for the Centre recognises that the role of the Centre should be clarified, and that it is to provide workspace to small businesses and given that options are limited, there should be no immediate expectation that these businesses will move on into larger units. The implications of this positioning are being worked through in the Forward Plan.

Brief for Audit Project

The brief for this project is as follows:

- To identify the nature and extent of the cost efficiencies that could be achieved through giving increased financial and managerial freedom to the two centres.
- To test and validate the assumptions in the Forward Plans for the two Centres.
- To map and, where appropriate, design the financial systems that would allow the freedoms discussed above and meet the governance requirements of the City Council.
- To prepare a scheme of delegation to clarify the responsibilities and freedoms available to the Centre Managers.
- To identify the direct operating costs including the true costs currently included in the overheads carried by each Centre.
- To consider ways in which the two Centres could be financially sustainable in the long term.

In the case of Brampton Business and Tele-centre, the project should consider models for the long - term management of the Centre, that would allow further financial efficiencies, increased autonomy and community involvement. This may include research in to how similar Centres operate elsewhere.

Timetable

The initial Forward Plan for Carlisle Enterprise Centre is due for consideration by the Executive before the end of March. It is accepted that it will not be possible for the above work to be completed in that time frame. However, the plan could include details of the work yet to be undertaken and this will form the basis of a later update.

No timetable has been set for the production of a Forward Plan for Brampton Business Centre and Tele-centre however, work is underway, particularly looking at the future direction and market for the Centre's services.