



AGENDA ITEM: 9

SUMMARY

Report for:	Cabinet
Date of meeting:	21 st October 2014
PART:	1
If Part II, reason:	

Title of report:	Office Expansion at the Maylands Business Centre (MBC)
Contact:	Cllr Andrew Williams, Portfolio Holder, Planning and Regeneration Author/Responsible Officer: Rebecca Oblein, Strategic Planning and Regeneration Team Leader X3482 Lesley Crisp (Strategic Planning and Regeneration Officer (Maylands Business Centre) – 01442 531003
Purpose of report:	To request permission to spend Maylands Plus (MBC) reserves on adding a mezzanine floor to Unit 9, thus creating 3 additional offices for rent.
Recommendations	<ol style="list-style-type: none"> 1. That Cabinet recommend to Council the release of £32,000 from the Maylands Plus Reserve for the purpose of constructing additional office units at the Maylands Business Centre 2. That authority is delegated to the Assistant Director, Planning Development and Regeneration to organise the procurement and appointment of contractors to carry out the agreed work
Corporate objectives:	<p>Regeneration – the expansion to the Maylands Business Centre will support the development of the local economy</p> <p>Dacorum Delivers – the proposals have efficiency gains by enabling the new units to be serviced directly from the current centre management arrangements</p> <p>Community Capacity – the Maylands Business Centre</p>

	provides the opportunity for small businesses to become established.
Implications:	<p><u>Financial</u> The centre now has progressed to self-fund through rental and other incomes from the businesses based there, and additional revenue comes in from virtual office clients and rental income from the board room/meeting room.</p> <p>The centre is currently operating at 100% capacity and there is a waiting list for both the offices and the industrial units.</p> <p><u>Value for Money</u> Numerous economic and reputational benefits at low additional cost to the council; the additional units can be accommodated within existing management arrangements, and so the proposals demonstrate excellent value for money.</p>
Risk Implications	There is an inherent risk of having the offices vacant for any period of time. However the waiting list has been and continues to be sufficient to minimize this risk. In addition empty rates relief would be applied for a period of 6 months.
Equalities Implications	Equalities Impact Assessment to follow.
Health And Safety Implications	All works will be carried out to full building regulations and all Health and Safety conditions adhered to.
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer:</p> <p>No further comments to add to this report.</p> <p>Deputy S.151 Officer</p> <p>There are sufficient funds in the Maylands Plus reserve to finance this project.</p>
Consultees:	<p>Yaqubul Islam – Directorate Accountant, Housing and Regeneration</p> <p>Mike Evans – Group Manager Commercial Assets and Property Development</p> <p>Building Control</p> <p>Maylands Business Centre Operating Board</p>
Background papers:	N/A
Glossary of acronyms and any other abbreviations used in this report:	<p>MBC – Maylands Business Centre</p> <p>EEDA – East of England Development Agency</p>

BACKGROUND

1. The MBC took in its first tenants in summer 2011. Over the three year period since opening, the centre has been successful in generating a profit of £79,000. It should be noted also that a £18k bad debt provision has been made for 2014/2015 for the Maylands Business Centre.
2. This centre has already been instrumental in the growth of several of our incubator businesses, one of which has grown over 200% in jobs terms, since moving to the centre. In total the 53 companies that have used the MBC have created 42 new jobs since the centre opened, which helps to grow our local economy. The centre currently has a healthy waiting list of 14 businesses waiting for offices at the centre, 8 of which are looking for 1 or 2 man offices.
3. The processes and procedures to operate the centre are now well integrated into DBC's current systems. The sign up process has been implemented to include DBC's Estates and Legal teams and all finance is overseen by officers within DBC finance teams. Officers work closely with the centre manager to stay ahead of any possible financial issues. This close management has ensured that although this is an incubation centre, which inherently could mean a high risk for bad debt, to date there has been no use of the bad debt provision.
4. Within the MBC, there are two units that are suited for conversion into mezzanine office units. Units 9 and 10 are at the front of the incubation building (the larger of the two on site). They are single storey units but have windows already present at the top and bottom and do not have roller shutter doors. They are currently being used as office units but as yet do not get charged at these rates, as they were not set out as offices originally.
5. Unit 9 is being vacated on 1st November as the tenants have reached their maximum 3 years' occupancy, and from this point we will be changing serviced office rates for the ground floor. Unit 10 is occupied with their lease not ending until November 2015. Unit 9, however, represents a good opportunity to put in a mezzanine floor.

As there is no roller shutter door and ample light from a large number of windows on both levels, the proposal is to keep one large office downstairs, which we already have a tenant lined up for, and create 3 smaller offices upstairs.

6. Providing 3 new serviced offices will not only shorten the growing waiting list but also allow 3 further businesses to take advantage of the services at the centre immediately and to have the opportunity to grow further. As offices have a maximum of 3 years tenancy, this means that over future years, several more companies will benefit from the services at the centre.
7. It is estimated that it will cost around £32k to build the mezzanine. This will be paid back into MBC reserves, through the additional income generated by the new units within 6 years.
8. The new mezzanine floor containing the three additional office units will generate a minimum yearly profit of £5445 (see below).

				TOTAL GBP
Mezzanine				
Income				
Additional	Square	Feet	from	426
Mezzanine				
Average Occupancy %				90%
Rental £ charged Per Sq Ft				23
Sq Ft Occupied				383
Total rental income				8,809
Costs				
Cleaning				972
Heating and lighting				600
Provision for bad debt				220
Insurance				100
Loss income from ground floor				1,472
Total annual costs				3,364
Profit				5,445

9. The proposition to build the mezzanine was passed before the Operating Board and was unanimously agreed to be a sound proposition.
10. The Maylands Business Centre was delivered with funding provided by the East of England Development Agency. The funding from EEDA included grant criteria on what the revenue generated from the MBC can be used for. The criteria stipulates that the revenue must be used for the following purposes:
 - Cover the costs of the centre including appointing centre staff, when income allows this.
 - Repay any outstanding revenue costs to the Council
 - Improve service levels at the centre to ensure delivery of the outputs (e.g. new equipment, additional maintenance or service/staff provision)
 - Investment in the delivery of the Maylands Master plan in line with identified priorities from the Maylands Implementation Team.

This proposal to expand the centre meets criterion 3 of the EEDA funding agreement.

11. Quotes for the mezzanine build have been received and independently reviewed and the contractor will be appointed to commence the work 1 November 2014.