

# Executive Appendix 5

Committee

16th June 2010

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## **FURTHER DETAIL REGARDING RECOMMENDATIONS 3 AND 4 – IMPROVE OCCUPANCY, BUSINESS SUPPORT AND THE INCOME-EXPENDITURE BALANCE**

Officers are instructed to consider the matters below to enhance performance. Performance monitoring criteria and, where relevant, targets are suggested for each option.

### Instigate offers to attract new licensees

While more intensive marketing can help increase occupancy, ultimately financial incentives will be the main draw in attracting new licensees. Officers will investigate the ease of introducing the following offers and their financial and legal implications.

*Rent-free periods:* Three or six month rent-free periods could be offered to attract new tenants. In a similar offer at Bromsgrove's Basepoint, occupiers paid rates, lighting, heating and water bills. The centre had already ensured it could meet general running costs and staff salary bills from existing income, factoring in a percentage of units being empty. Essentially the running costs associated with the empty units were covered, but the 'extra' (income) part of the license fee was foregone. It is noted that many occupiers stay after a rent-free period – sometimes because of the premises and offer, sometimes due to inertia.

Other centres offer a six-month rent-free period on the condition a 12 month contract is signed. Such offers could be restricted to businesses which have been trading for less than four years – thereby supporting firms as they grow through the most vulnerable stages in the early lifecycle of the business. The number of units available offering a six month rent-free may need to be limited.

*Tiered rent* - to help start-up and young, growing businesses. Data shows that businesses are most vulnerable in their first two to three years of trading. Under this system, rents could be subsidised (at a tiered rate) for the first three years of occupancy, after which businesses would pay market rates. For example, new firms could receive a discount of 20% in year one, 10% in year two, 5% in year three then the market rate from year four. Established businesses already located in or moving to the centre would pay the market rate.

It should be noted this is just an example and an exact tiering structure would need investigating in detail with Finance Officers.

A decision on the definition of new or young business would be essential to this offer – for example, length of time trading or in commercial premises.

Offers could be conditional upon the business having a free review with a Business Link Advisor.

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*Furnished units let for short-term project offices.* Such units – for example used by inward investors assessing the area – would be more attractive if offered furnished, so firms can move in (subject to availability) at short notice.

*Furniture loans for start-up and young businesses* - to reduce the initial costs of setting up an office – and as a draw to potential licensees.

### Performance monitoring:

- **Investigate the feasibility and affordability of the above and make proposals for implementation within 12 months.**
  - **Rent-free periods and tiered rent:** The number of units available rent-free or the particular level of discount is not specified here, but Officers will investigate the financial, legal and administrative viability of the offer and then outline the appropriate detail.
  - **Furnished units:** Officers will investigate the likely demand for such an offer and the practical implications, including cost of furnishing, having phone and internet connections ready at short notice and storing the furnishings when the units are not being used for project offices.
  - **Furniture loans:** Officers will investigate the demand for, and cost of, such an initiative.
  
- **If the above offers are implemented, targets for take-up of the offers would be set annually, depending on the number of vacant units.**
  
- **General occupancy:** Previously, occupancy targets have been set during the annual budget projection process and in individuals' performance review meetings. This review recommends a general occupancy target of 80% – in line with many other Council-owned business centres – be set, but with the prevailing economic conditions noted during monitoring.
- **New lettings:** Target to be set annually, dependent on current occupancy rates and general economic conditions.

### Improve the income-expenditure balance

Asset rental (depreciation), utilities, repair and maintenance and central services recharges are the considerable cost areas for the business centres. However it is unlikely that these could be reduced significantly. The focus therefore for improving the financial position is to increase income.

### Performance monitoring:

- **Target: trend the variance between projected budget and actuals towards zero or a positive figure.**
- **Target: trend the actuals accounts towards zero or surplus.**

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### Maximise license fee income

License fees are reviewed annually. The Property Services Manager confirmed rent reviews consider operating costs and a baseline to cover overheads, market conditions and comparisons of competitors' rents. A rental element is then applied to give an overall licence fee for each size/category of unit. In 2008/09 the fees were increased by 4.95%. In 2009/10 the fees were not increased, due to the economic downturn. Fees were increased by 1.5% for 2010/11.

Fee levels need to remain at market levels to keep the centres attractive and competitive – particularly as supply is exceeding demand. There is however scope for increasing the charges for secretarial services (see below).

#### **Performance monitoring:**

- **Verify rents are within market rates.**
- **Verify initiatives to increase occupancy through offers and marketing strategies ultimately have a positive impact on income.** Initiatives to increase occupancy should help increase income although the two variables can not always be improved at the same rate – for example with a tiered rent system. Rent-free period offers are only likely to bring more income in the first instance through new tenants' use of secretarial services.
- **Ensure annual rent changes have a positive impact on the income-expenditure balance.**
- **Ensure annual rent changes do not have a negative impact on occupancy rates.**

### Maximise income from meeting rooms by improving usage

In 2009/10 the meeting rooms were available for approximately 2000 hours per year. Rooms at Greenlands were used for 325 hours (of which 57.5 hours were by external organisations). Rooms at Rubicon were used for 215 hours (of which 156 hours were by external organisation). Total income – including hire and refreshment costs – was £6,637.

To increase usage and income, Economic Development Officers are already publicising the meeting rooms within Redditch Borough Council. Larger empty units are also being utilised as extra meeting rooms until new occupiers are found.

Officers will explore further options to increase usage. This includes offering the meeting rooms to external organisations for innovative uses such as exhibition space, product launches, interview / assessment days or to hold training courses. General business support events – for example a procurement seminar or a jobs fair – could also be held at the centres. Such events could be open to businesses in the wider locality as well as tenants and could include networking time. This would also allow for informal promotion of the centres.

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Wifi internet access has recently been provided. Facilities now match those offered by other local business centres. The internet connectivity has already attracted more business.

### Performance monitoring:

- **Verify charges are within market rates.**
- **Maintain a record of where external users heard about the facilities.**
- **Verify new offers and marketing strategies have a positive impact on usage.**
- **Verify any future facilities' upgrades have a positive impact on usage.**
- **Monitor customer satisfaction.**
- **Target: As a minimum, maintain usage levels. Aim to increase use by more companies more often, with annual target for number of hours used to be set annually, dependent on general economic conditions.**

### Increase income from reception and secretarial services

Service provision is an important part of the centres' offer. Annual surveys suggest the secretarial services are 'good value for money'. In 2009/10 they were used by 99% of Greenlands licensees and 96% of Rubicon licensees.

It is believed usage is high because it is both cheaper than employing a dedicated secretary and easier than licensees doing jobs like franking post themselves. As an example of the former - the gold phone service (phones answered with a personalised company-specific greeting and message taken if staff are out of the office) is charged at £2 per day.

It is appropriate to sell these services at market rates to established businesses that are more likely to be in a position to afford the set charges for service provision. The services are however particularly useful for sole traders and start-up businesses who cannot afford to employ a secretary. These businesses however may not find the services financially viable at the fixed market rates. Therefore the case for subsidising access for start-up and young businesses will be investigated with Finance Officers. The review recommends the Business Centres Manager has discretion to negotiate prices when approached about large and / or regular secretarial jobs.

Outsourcing secretarial services is not recommended. Staff undertake secretarial work alongside their reception duties, ensuring an effective use of staff time. Staff are familiar with licensees and their needs, resulting in good customer service and satisfaction. This in itself is a good selling point when marketing the centres' offer.

Some business centres offer selected secretarial services (for example photocopying) to the wider business community as well as tenants. Officers and the Business Centre Manager will investigate whether this would be manageable and profitable.

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### Performance monitoring:

- **Verify charges are within market rates.**
- **Assess the scope for increasing charges – before January 2011 as charges are normally changed in March / April.**
- **Monitor the impact of fee increases on usage and income.**
- **Monitor customer satisfaction through annual survey.**
- **Target: at a minimum, maintain level of income generated from these services.**
- **Investigate the feasibility of offering secretarial services to external businesses.**

### Improve marketing to attract new licensees

The Business Centres Manager and Economic Development Officers will liaise more closely on the marketing strategy, assessing appropriate advertising mediums and target audience. Officers will continue to promote the units and meeting rooms internally and at external events including to other organisations and training providers which may be in contact with businesses.

The design and production of a more up-to-date and attention-grabbing brochure will be costed.

Information provided on the Borough Council website will be reviewed to ensure it is sufficiently informative and appealing. Officers will investigate (with IT Officers) the possibility of a dedicated website advertising the centres – such as [www.stocktonbusinesscentre.org](http://www.stocktonbusinesscentre.org).

### Performance monitoring:

- **Clarify an appropriate marketing strategy and continue promotion.**
- **Investigate the cost of developing a new brochure and leaflet; implement design and production if feasible within budget allowances.**
- **Investigate time and cost factors in developing the existing or a new website; implement if feasible and appropriate.**
- **Continue to record details of where enquirers heard about the centres and use to ensure marketing strategy is appropriately focused.**

### Expand the business support offer for all licensees

The centres are well-placed to offer business development support, in addition to just accommodation. Business centres' staff can help raise awareness of the assistance available from the Borough Council's Economic Development Officers.

New and young businesses could be offered a 'support package' – involving a free review with a Business Link advisor, a place on a three-day business start-up course and information on other business development courses.

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In some centres, Economic Development Officers have a permanent presence or office. However there may not be enough requests for assistance from tenants of Redditch Borough Council's business centres to make the permanent presence of Economic Development Officers financially or logistically viable. Nonetheless tenants will continue to require support, therefore a more regular opportunity to seek advice and information when required would be welcomed and may be a more feasible alternative for the Borough Council. As such a small-scale free business advice surgery – with Economic Development Officers and a Business Link advisor – will be trialled.

An annual business support roadshow could take place with representatives of business support agencies and local training providers. Advice or specialised clinics could be provided on, for example: IT support, business planning, accessing finance, legal matters, accountancy or marketing.

Currently a directory of tenants is available in paper form, primarily for licensees. An online version would help tenants promote their services more widely. It may also be used by prospective tenants to assess the centre.

Inward investors using units as short term project offices would have a specific Economic Development Officer to assist them as required.

### **Performance monitoring:**

- **Ensure all licensees are aware of the business support services available from the Borough Council; are kept informed of news and events; and are aware of how to contact Economic Development Officers.**
- **Organise a roadshow and business surgeries, with regularity dependent on demand.**
- **Ensure all enquiries are responded to within seven working days. (A target for number of businesses assisted is not appropriate as not all licensees may need assistance.)**
- **Monitor customer satisfaction through annual survey.**
- **Provide an online directory of licensees, giving licensees the opportunity to opt out.**
- **Name an Officer as dedicated liaison to assist inward investors letting units as project offices.**