Feasibility of developing a Business and Enterprise Centre at Louisburg Barracks

Summary of findings

Structure

A. Context for – and purpose of – the Business and Enterprise (B&E) Centre
B. Demand-side perspectives, focusing on:
   - Whitehill and Bordon today
   - Whitehill and Bordon in the future
   - Wider sub-national setting
C. Supply side view – nature and location of competing provision
D. Service Provision
E. Case Study: Cherwell Innovation Centre
F. Typical Centre Customer Profile
G. Concept for Broxhead House – number and nature of units, etc.
H. Concept IC Analysis
I. Indicative Business Plan
J. Job Creation Model
K. Case Study: Harborough IC
L. Consideration of principal risks and underlying assumptions
M. Possible sources of revenue funding

oxford innovation

SQW

A: Context and purpose

- Whitehill and Bordon are identified by EM3 LEP as step-up towns: their regeneration presents a substantial opportunity for the whole LEP area and it has been identified as a clear priority
- The military is vacating Whitehill and Bordon – this will continue for some time
- A substantial programme of redevelopment is planned – with major housing and employment growth

The proposed B&E Centre at Broxhead House – within Louisburg Barracks – needs to be a flagship

Its purpose is therefore two-fold:

- to encourage enterprise and accommodate new and small enterprises
- to signal a new economic future for Whitehill and Bordon, and to be a catalyst for future investment (including in relation to wider employment provision)

B: Perspectives on demand – (i) Whitehill and Bordon today

- In socio-economic terms, Whitehill and Bordon differ from elsewhere in East Hampshire (and the wider EM3 area). In large part, this reflects the strong military legacy
- The current population has a much weaker skills profile than elsewhere. 37% of W&B's population have no or only L1 qualification – 10% points lower than East Hampshire
- Data from the 2011 Census points to significant net out-commuting from W&B
- W&B's residents often work locally, but there is significant out-commuting to Farnham; and also to Guildford and Waverley
- In-commuting to W&B is generally from other areas in East Hampshire, especially Alton
- W&B is characterised by relatively poor connectivity – the nearest railway station is 5.5 miles away (15-20 mins by car); and broadband provision (for civilian uses) is poor
- W&B is however close to two major radial (from London) trunk roads: A3 and A31

B: Perspectives on demand – (ii) Whitehill and Bordon today

- In land use terms, economic activity in W&B is dominated by light industrial uses; there is currently little office space; and the town centre is poor
- Firms have been attracted by premises that are cheap and/or secure: there is a distinctive local economy albeit one that may not "feed" an aspirational B&E centre
- Nearby, there remains significant defence-related activity through major contractors (e.g. Astrium). Their medium-long term plans need to be ascertained
- Current perceptions of W&B as an employment location will need to be changed radically… It is regarded as run-down and very different from Alton, Petersfield and Liss: its "offer" will need to be outstanding (and "me too" is unlikely to be sufficient)

B: Perspectives on demand – (iii) Whitehill and Bordon in the future

- Over a period of time, the intention is to build 4,000 new houses in W&B; this should be transformational

- Evidence suggests that new settlements tend to attract young families (as housing is *relatively* cheap). This demographic profile will be important in relation to the B&E Centre: activity rates are likely to be strong

- Across East Hampshire, there is already evidence that the incidence of homeworking is relatively high

- With improved broadband, relatively poor physical connectivity, and a high incidence of "younger working age" households, it is probable that self employment and/or micro-enterprise will be significant. Provision will need to be made for "coffice"* space – and the B&E Centre could play a key role

- Separately, plans for Louisburg include a wider economic/employment strategy, for which the proposed centre could provide a catalytic role

B: Perspectives on demand – (iv) Whitehill and Bordon in the future

- In total, there is likely to be 12.3ha of employment land (of which 2.9ha will be at Louisburg Barracks)
- There needs to be a strong relationship between the Centre and the wider employment strategy
- The wider employment strategy (for Louisburg) focuses on “quick wins” (of which the B&E Centre is one) and “meanwhile uses”, but there is not a strong statement of sectoral priorities or targets
- The quality and character of the “environs” of the B&E Centre are likely to be very important, especially in its early stages – *hence there is the potential for virtuous (or vicious) circles in relation to the wider employment strategy*

B: Perspectives on demand – (v) wider sub-national setting

- The sub-national context is very positive: EM3 is one of the best performing LEP areas; there is intrinsic growth potential; and land supply may well be a constraint. All of this should help in relation to W&B

- The EM3 SEP identifies four sectoral priorities in relation to long term economic prosperity:
  - aerospace and defence
  - ICT/digital
  - professional and business services
  - pharmaceuticals

- EHDC's *Joint Core Strategy* identifies a need to create a less industry dependent W&B economy

- The W&B *Eco-Town Development* and *Inward Investment* strategies also recognise priority sectors:
  - green technologies
  - tourism
  - education, innovation & training
  - sustainable construction
  - home-based micro-businesses
  - IT, software and media

B: Perspectives on demand – (v) wider sub-national setting

- Given current and likely future economic activity in and around W&B, *and* existing travel-to-work patterns, it would seem that the sectors to the right may have a role to play in relation to both:
  - the B&E Centre
  - wider employment provision
- Sectors that may drive demand:
  - defence and aerospace
  - ICT/digital
  - professional and business services
  - education and training
  - home-based micro-businesses

B: Perspectives on demand – (vi) wider sub-national setting

- For aerospace and defence:
  - significant defence-related activity takes place in the area although future plans and growth potential uncertain
  - It is unclear whether these firms will remain near W&B once the military leaves
  - Farnborough already has a well-established defence cluster – we suggest W&B should not try to compete with this
- For ICT/digital:
  - requirements for good quality and secure premises – will be a good fit for the B&E Centre's workspace
  - the "Achilles heel" might be the quality of the broadband infrastructure – this will need to be considered at design stage (either for residential or commercial)
  - provision of secure data storage (potentially building on dis-used military infrastructure) will be an additional attractor

B: Perspectives on demand – (vii) wider sub-national setting

- For business and professional services:
  - W&B ought to offer a very cost effective alternative to Guildford (and presumably much of the out-commuting to Guildford is linked to this sector) – but "cost/price" alone may not be sufficient
  - is there scope for the B&E Centre to "go out of its way" to form a real "hub" with, for example, Chamber of Commerce events and other business focussed training held at Broxhead House?
  - broadband will be a critical issue for businesses in these sectors too
- For education and training:
  - new businesses in the area may provide a larger customer base for training firms
  - scope for provision of training events at the B&E Centre
  - given the current skills profile of the resident population, upskilling may become a pressing priority

B: Perspectives on demand – (vii) wider sub-national setting

- For home-based micro-businesses:
  - Provision of occasional workspace and meeting space at the B&E Centre will suit these types of firm
  - Many in this sector operate in professional services or ICT/digital – already identified as priority sectors for the area
- Sectoral focus of the B&E Centre:
  - From our research we know that usual occupants of enterprise centres tend to be business/professional services and ICT/digital
  - It is impractical and time consuming to categorise potential occupants by loose sector definitions
  - The Centre needs to be designed to accommodate micro/small businesses from a broad spectrum of business and professional and ICT / digital sectors
  - The transformational and 'market making' nature of the centre mean perceptions of the area need to be changed

C: Supply side view – the situation in Bordon

- The main business sites in Bordon are currently Bordon Trading Estate, Woolmer Estate, and Viking Park
- All are more general business parks rather than specific enterprise centres
- Currently, there is no enterprise centre in Bordon. However, there are successful enterprise centres in the surrounding areas
- Existing employment sites in Bordon do have empty space
- Notable existing Enterprise Centres in proximity to Bordon are:
  - Charwell House, Alton Business Centre
  - Antrobus House, Petersfield
  - Turner House, Alton
  - Farnham Town Hall Exchange (Regus), Farnham
  - Coxbridge Business Park Enterprise Centre, Farnham
  - Riverside Business Park, Farnham
  - Plestor House Business Centre, West Liss

C: Supply side view – nearby enterprise centres (i)

Charwell House, Alton Business Centre

- *Has no sectoral focus, and caters for a mix of start-ups and SMEs*
- *On site facilities and services include:*
  - *business networking events,*
  - *postal management services*
  - *fast internet*
  - *virtual assistant / secretarial services*
  - *free parking*
  - *Staffed reception*
- *Office prices around £38 ft^2*
- *2 small offices available*
- *About to be upgraded*

Antrobus House, Petersfield

- *Owned by the accountancy firm Antrobus and available to all small businesses*
- *On site facilities and services include:*
  - *Reception, secretarial and business administration support*
  - *virtual offices*
  - *conference rooms*
  - *accounting and payroll services*
  - *mail and telephone service*
  - *broadband connection*
- *Prices range from £450 per month*
- *No availability*

C: Supply side view – nearby enterprise centres (ii)

Turner House, Alton

- *Has no sectoral focus, and primarily aimed at business start-ups*
- *On site facilities include:*
- *easy in/out lease terms*
- *high speed internet access*
- *secretarial services*
- *fully equipped meeting rooms*
- *parking*
- *references to local businesses*
- *Shared office space*
- *Prices currently stand at £250 per month per person (around £37.50 ft^2)*
- *2 small offices available*

Farnham Town Hall Exchange (Regus), Farnham

- *No sectoral focus and available to small and large businesses*
- *On site facilities and services include:*
- *high speed internet*
- *business lounge*
- *virtual office facilities*
- *hot desking arrangements in shared workspaces*
- *networking opportunities*
- *Virtual offices available from £49, and business lounge access from £39. Office space prices range between £56 and £66 ft^2*
- *Some small office availability*

C: Supply side view – nearby enterprise centres (ii)

Coxbridge Business Park Enterprise Centre, Farnham

- *Has no sectoral focus*
- *On site facilities include:*
  - *high tech/industrial space and office space*
  - *parking*
  - *on site security*
  - *easy in easy out licence arrangements*
  - *shower facilities*
- *2 office units currently available but all high-tech/industrial space taken*

Riverside Business Park, Farnham

- *No sectoral focus and available to small and large businesses*
- *On site facilities and services include:*
  - *virtual office, hot desk, and serviced office options*
  - *secretarial services*
  - *IT infrastructure*
- *Virtual offices available from £50 per month, hot desks from £150 per month, and serviced offices from £200 per month*
- *Some office availability: 3x 3 person offices, 2x 5 person offices*

C: Supply side view – nearby enterprise centres (iii)

Plestor House Business Centre, West Liss

- *Provides serviced office space for a range of small businesses and*
- *On site facilities include:*
  - *broadband*
  - *cleaner*
  - *print studio*
  - *hot desking space*
  - *references to local businesses and contacts*
  - *car parking*
- *Prices range from £160/month to £825/month for offices, and £150/month per hot desk space*
- *No availability*

Summary of enterprise centre provision

- Have no sectoral focus and open to all businesses
- Common facilities are internet, meeting rooms, hot desking space, flexible leases, and networking opportunities (informal and informal)
- Prices range from £25ft^2 to £66 ft^2
- Only limited small offices are available and 2 centres are completely full
- No provision of formal on-site training

C: Supply side view – other small office space

- There are a number of Commercial Agents active in the area, acting for a range of urban and rural small offices
- In and around Farnham, Farnborough and Fleet there are several small 'Business Centre' type developments providing space on a fully inclusive basis, furnished or unfurnished
- Prices range from around £28 ft^2 (incl.) up to £38 ft^2 depending on the services and space provided
- In general there are limited options for a start up SME in the Bordon area and nothing that provides the range of support that the proposed B&E Centre would offer
- However, this does not mean that the proposed Centre will automatically be successful – it will need to be 'market making' and effectively create the demand for its services

C: Supply side view – availability of local training provision

- Aside from Babock's training centre in the town, there is little training provision in W&B
- A number of organisations offer business training locally:
  - Speaking with Ease: public speaking trainers operating across Hampshire
  - Leap UK: corporate team building training providers operating across Hampshire
  - Professional Training Services: Farnham based providers of accredited training
  - Hampshire Chamber of Commerce: training events largely in Winchester area
- FE Colleges providing business training programmes:
  - Sparsholt College, Winchester
  - Alton College
- Business networking and mentoring providers:
  - Crammond Business Development (across Hampshire)
  - Mentor Net (Farnham based)
  - Southern Business Consulting (across Hampshire)
  - BGN (networking group meeting weekly in Petersfield)
  - BRX Hants networking group
  - Business For Breakfast Solent
  - Hampshire Chamber of Commerce

C: Supply side view – what future provision is planned

- Regeneration of Whitehill & Bordon will provide 12.3ha of employment land to accommodate commercial space on Louisburg Barracks and adjoining land, at Quebec Barracks and at Viking Park

- 84,000sqm of new commercial space including the town centre

- Louisburg is the second phase of development at Whitehill and Bordon, led by the HCA. Outline planning for Louisburg is expected in autumn 2014 with a residential developer selected by spring 2015. Louisburg will deliver 500 new homes, the first phase of the relief road and 2.9ha of employment space

- Outside Bordon, there is additional activity. A proposed new business park, north of Old Ively road in Blackwater Valley may provide a degree of competition to the proposed Enterprise Centre

C: Supply side view – balance between existing/future supply and demand

- Present demand for office space in Bordon is limited, partly because of the poor facilities, and partly because business activity in the area is currently limited
- Demand in W&B will need to be stimulated – new, vibrant, and high quality premises may provide a "pull" factor, especially as few additions to the local commercial property stock are planned
- There are no direct competitors to the proposed centre within Bordon itself
- There is competing provision nearby (e.g. Alton, Petersfield, Farnham). Some of these centres have little available space – suggesting that additional enterprise centre provision is appropriate
- Very little business training provision in and around W&B

D: Service Provision

Enterprise and Entrepreneurship

- Supporting the development of knowledge based economies
- Incubating new businesses
- Landing zone for inward investment
- Priorities based on regional economic development agenda
- Grow and move-on strategies:-
  - Broader economy
  - Science Parks

Structural Economic Shift

- To stimulate growth of new sectors and industries
- Sector focussed
- Growing an eco-system

R & D Centres

- A ‘translational infrastructure’ that bridges research and technology commercialisation
- Technology focussed
- First step for spin-out companies

- There are various ‘types’ of centre – depending on the location, economy and objectives. The shift from military to commercial purposes means this centre will need to be focused on a ‘structural economic shift’

- The proposed centre at Louisburg Barracks must be market making – that is it will be stimulating new industries and will need to be pivotal in creating and growing the innovation / enterprise eco-system

E: Case Study – Cherwell Innovation Centre

- Cherwell Innovation Centre comprises 2 buildings on the site of the former RAF Upper Heyford base near Bicester, providing a home for about 40 companies in just over 20,000 sq ft of office and laboratory space
- Opened in 1998 with support from North Oxfordshire Consortium and Cherwell District Council
- The Centre is also the home of the DiagnOx Laboratory, a managed and equipped 3,000 sq ft laboratory and office micro incubation facility located within the Centre
- Due to the range of companies in the centre, a real entrepreneurial community has developed and there are several examples of cross working or application of existing products to new sectors as a result of new relationships
- Despite the recent economic downturn and the relatively isolated location of the Centre occupancy levels sit consistently at about 85%

oxford innovation

SQW

F: Typical Centre Customer Profile

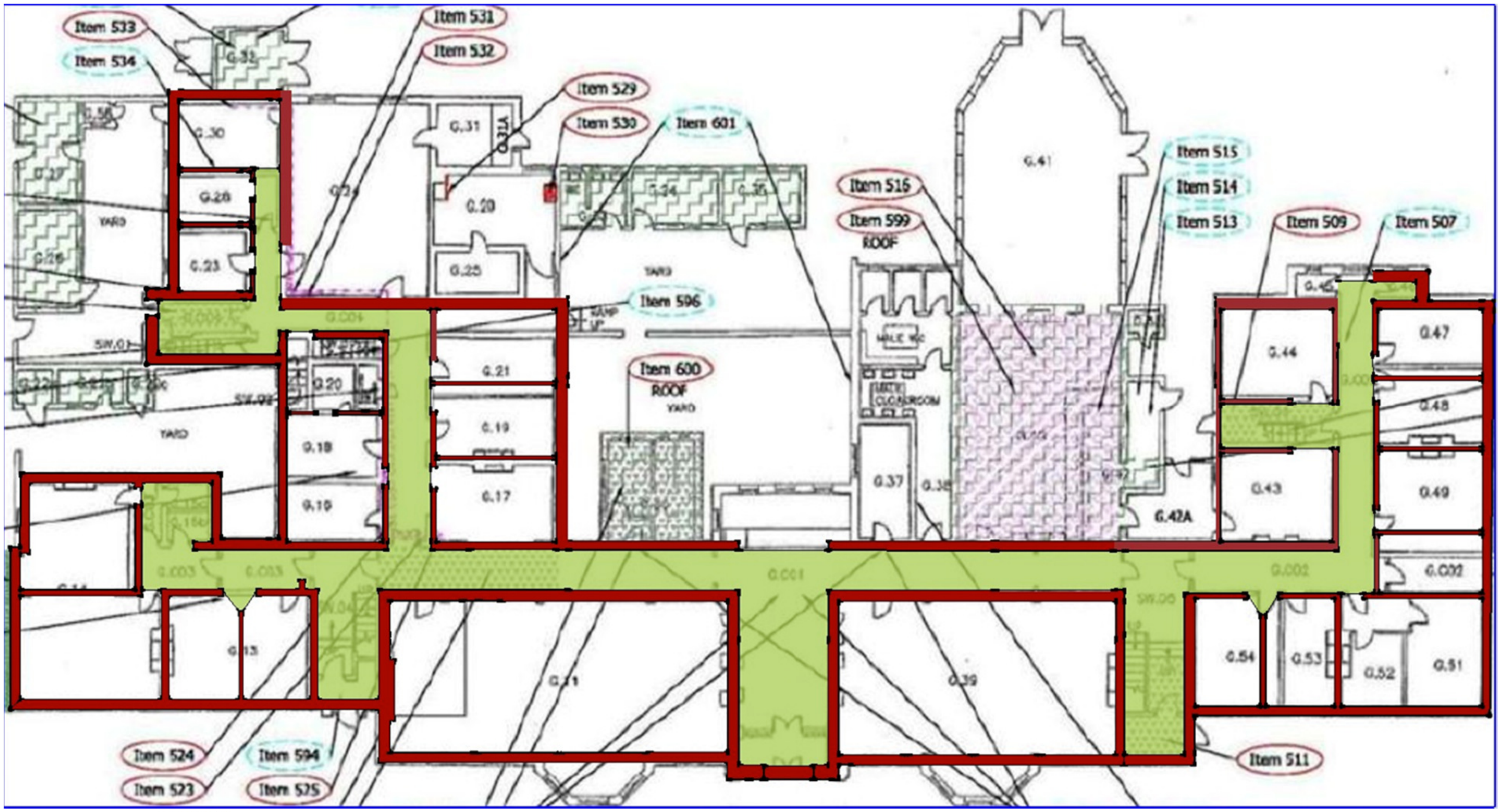
- **94%** — Have less than 10 employees
- **62%** — Have an annual turnover of less than £100k
- **58%** — Are local to the Innovation Centre and were previously working from home / had no prior office
- **29.2 m^2** — The average size of office space they occupy when they move in
- **20** — The average number of months a company stays in the centre
- **60%** — Stay local to the centre after graduation

oxford innovation

SQW

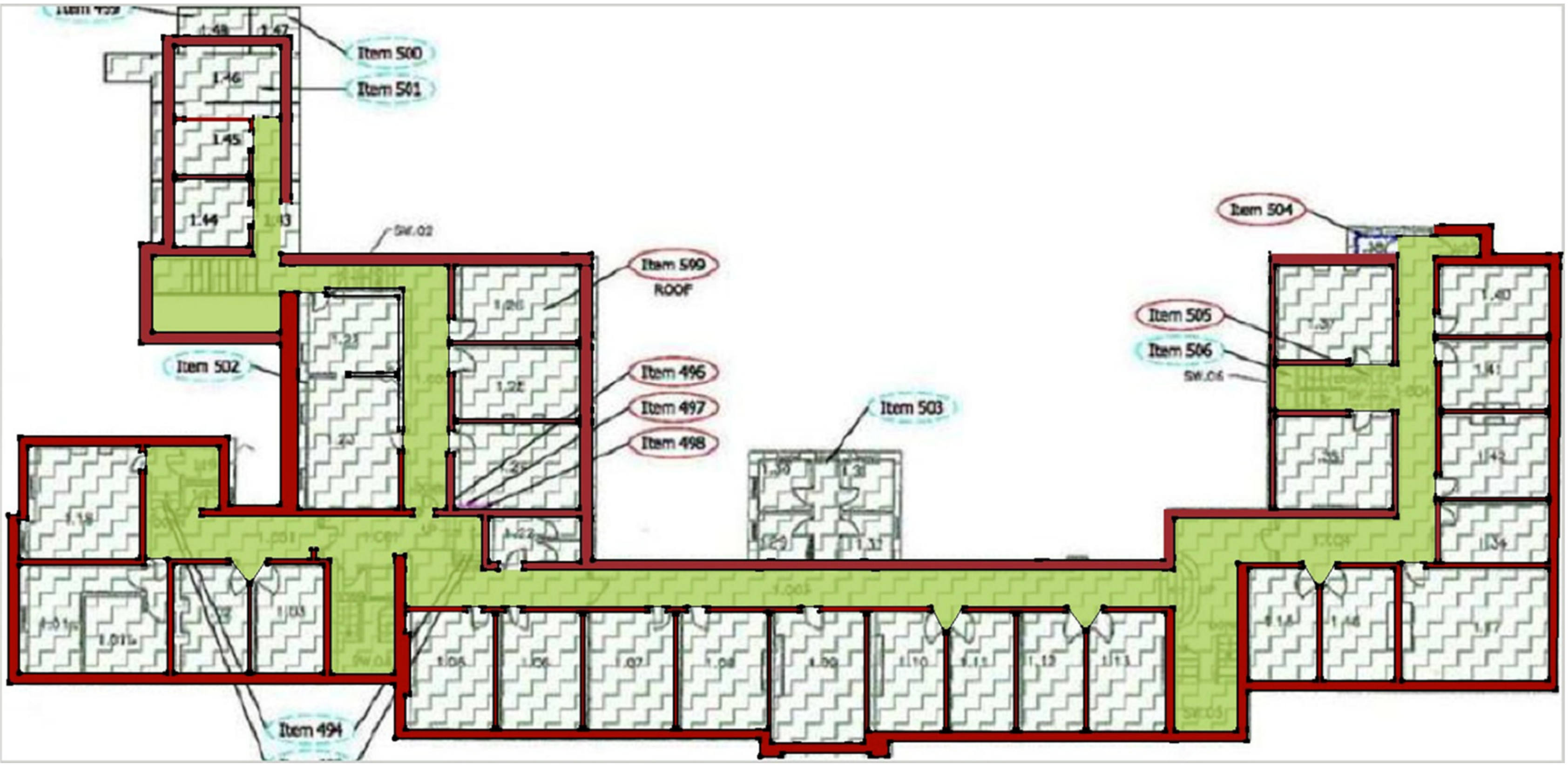
G: Concept for Broxhead House (i)

A measured survey was not available at the time of this analysis so unscaled drawings (supplied as images) with reference measurements from Google Earth were used



Ground floor

G: Concept for Broxhead House (ii)

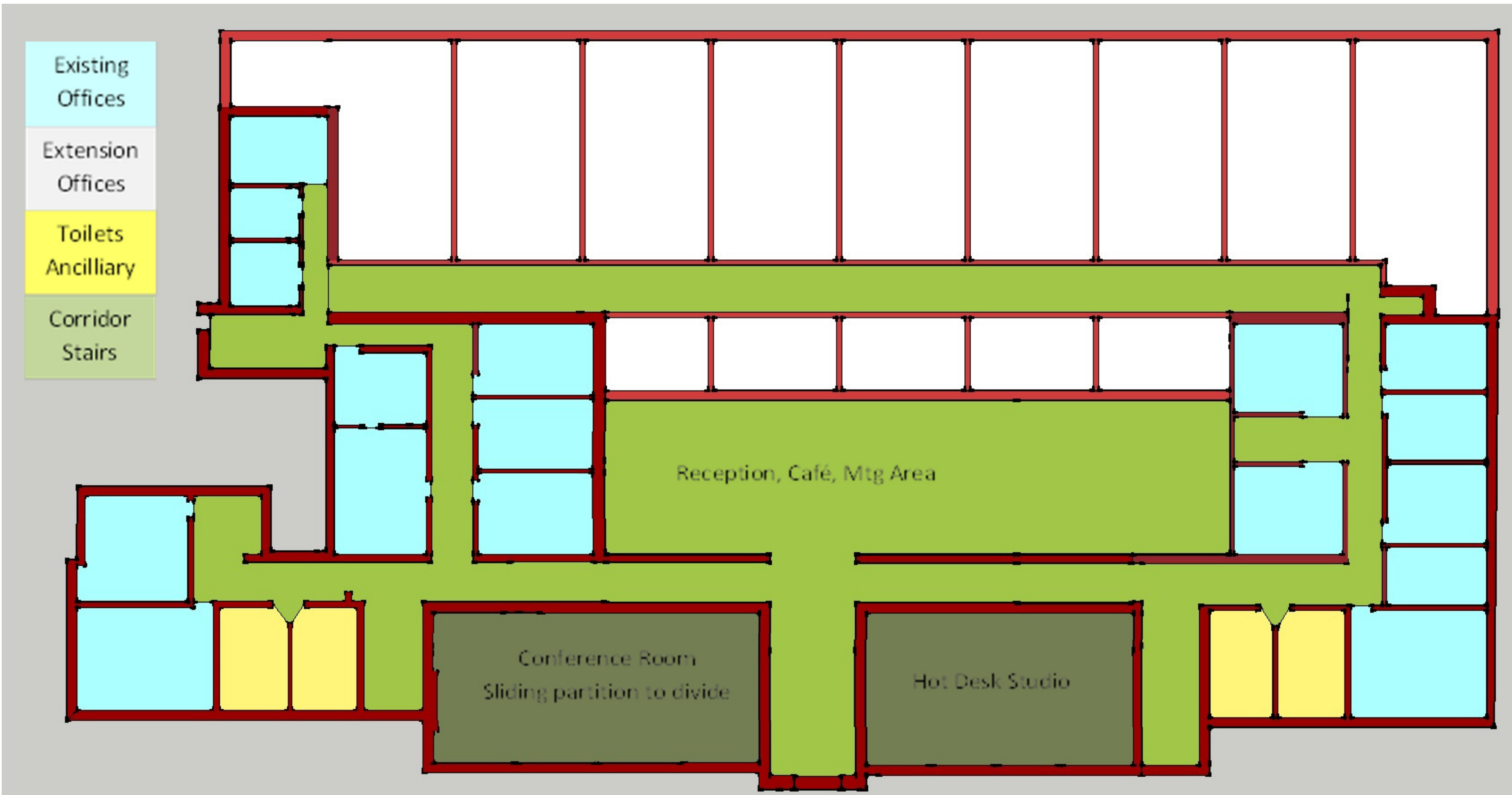


First floor

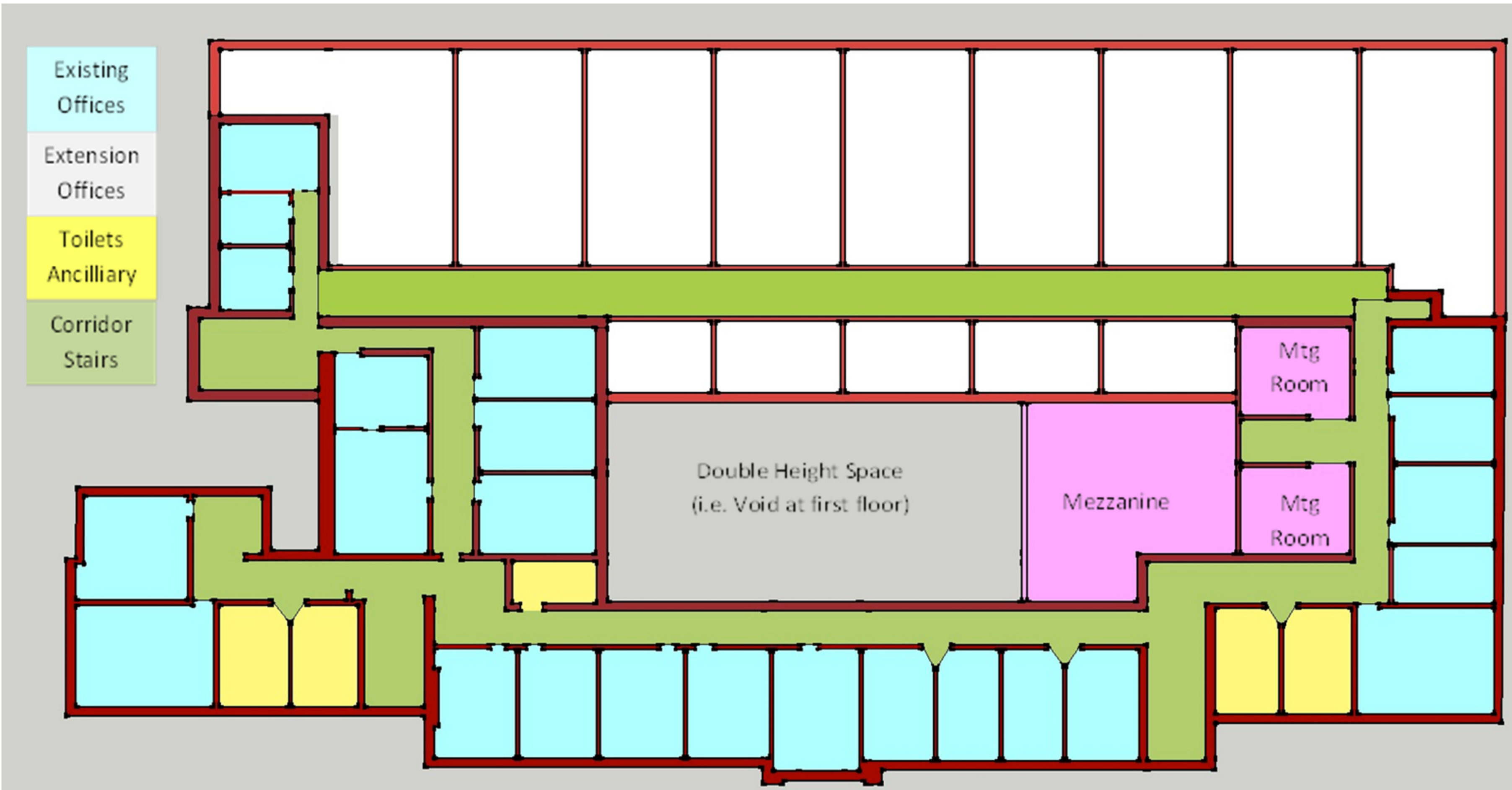
oxford innovation

SQW

G: Concept for Broxhead House (iii) – new ground floor



G: Concept for Broxhead House (iv) – new first floor



oxford innovation

SQW

H: Space utilisation – Concept IC Analysis

Concept IC

Room Size Model (Concept IC)

Gross Internal Area (GIA)	2,873 m2	30,921 ft2
Exclusions to derive net lettable		
Conference	176 m2	1,894 ft2
Café and Business Lounge	46 m2	495 ft2
Management	27 m2	291 ft2
Common and Services (25%)	718 m2	7,730 ft2
Reception	135 m2	1,453 ft2
10 workstation hot desk Studio	80 m2	861 ft2
Net lettable	1,690 m2	18,196 ft2

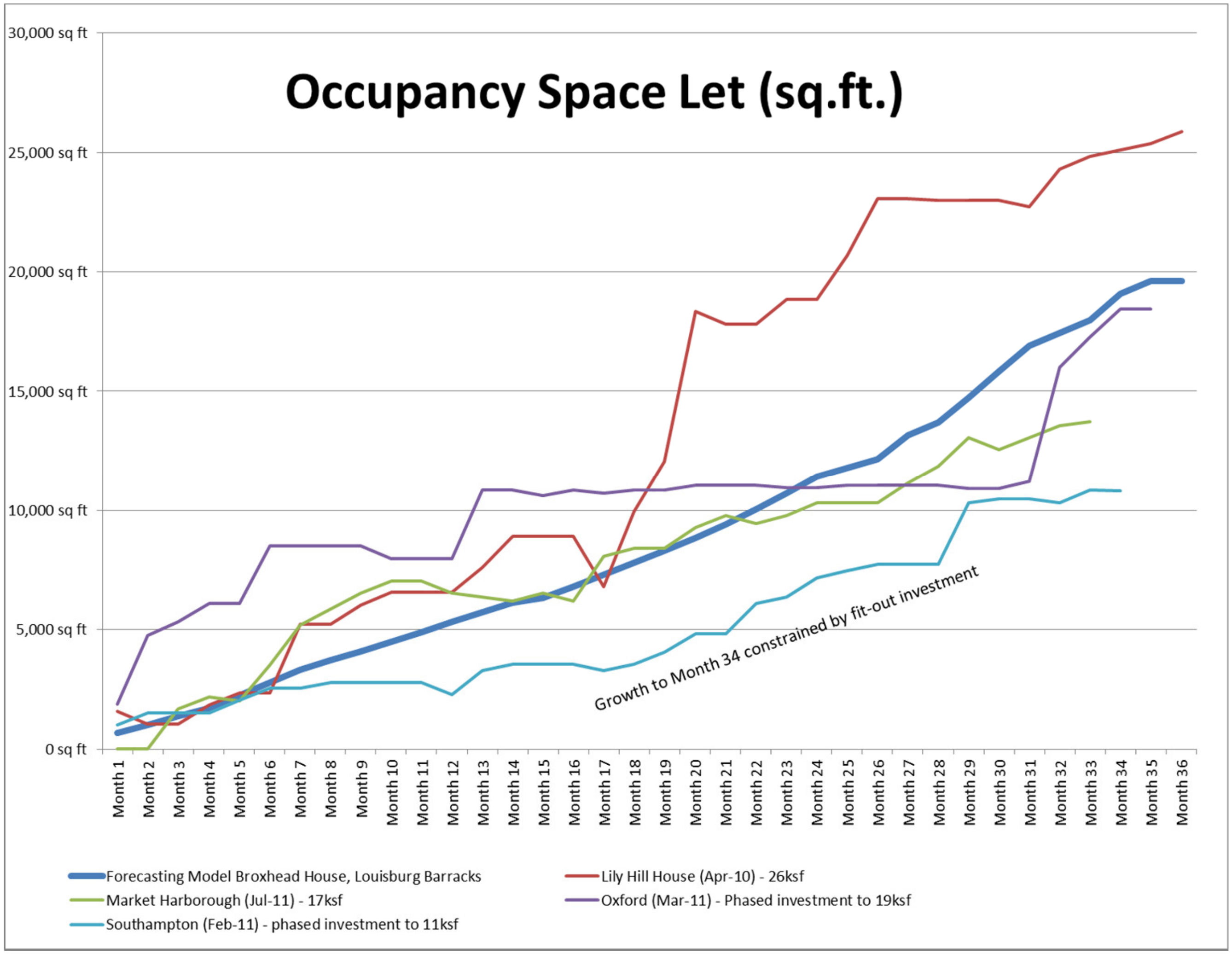
Office Spread (8m2/wk.stat.)	Unit Size	Quantity	Total area used	Cum.
2 workstation Rooms	16 m2	21	336 m2	19.9%
3 workstation Rooms	24 m2	13	312 m2	38.3%
4 workstation Rooms	32 m2	12	384 m2	61.0%
5 workstation Rooms	40 m2	6	240 m2	75.2%
6 workstation Rooms	48 m2	3	144 m2	83.8%
7 workstation Rooms	56 m2	1	56 m2	87.1%
8 workstation Rooms	64 m2	1	64 m2	90.9%
9 workstation Rooms	72 m2	1	72 m2	95.1%
10 workstation Rooms	80 m2	1	80 m2	99.9%
11 workstation Rooms	88 m2	0	0 m2	99.9%
12 workstation Rooms	96 m2	0	0 m2	99.9%
13 workstation Rooms	104 m2	0	0 m2	99.9%
14 workstation Rooms	112 m2	0	0 m2	99.9%
15 workstation Rooms	120 m2	0	0 m2	99.9%
			1,688 m2	
		Workstations at capacity (excluding Studio)	211	
		Studio	10	
		Management/Reception	3	
		Total	**224**	

Based on CJA Initial Schematic

Gross Internal Area (GIA)	2,873 m2	30,921 ft2
Exclusions to derive net lettable		
Conference	194 m2	2,087 ft2
Café and Business Lounge	72 m2	775 ft2
Management	33 m2	358 ft2
Common 23% of GIA	669 m2	7,205 ft2
Reception	135 m2	1,453 ft2
9 workstation hot desk Studio	74 m2	798 ft2
Net lettable	1,695 m2	18,244 ft2

	Average Unit Size	Quantity	Actual area used	Cum.
1 workstation Rooms	10 m2	3	29 m2	32.1%
2 workstation Rooms	15 m2	36	545 m2	32.1%
3 workstation Rooms	24 m2	8	188 m2	43.2%
4 workstation Rooms		0	0 m2	43.2%
5 workstation Rooms		0	0 m2	43.2%
6 workstation Rooms	49 m2	14	692 m2	84.0%
7 workstation Rooms	58 m2	1	58 m2	87.5%
8 workstation Rooms	61 m2	3	183 m2	98.3%
9 workstation Rooms		0	0 m2	98.3%
10 workstation Rooms		0	0 m2	98.3%
11 workstation Rooms		0	0 m2	98.3%
12 workstation Rooms		0	0 m2	98.3%
13 workstation Rooms		0	0 m2	98.3%
14 workstation Rooms		0	0 m2	98.3%
15 workstation Rooms		0	0 m2	98.3%
			1,695 m2	
		Offices	211	
		Studio	9	
		Management/Reception	3	
		Total	**223**	
			100%	

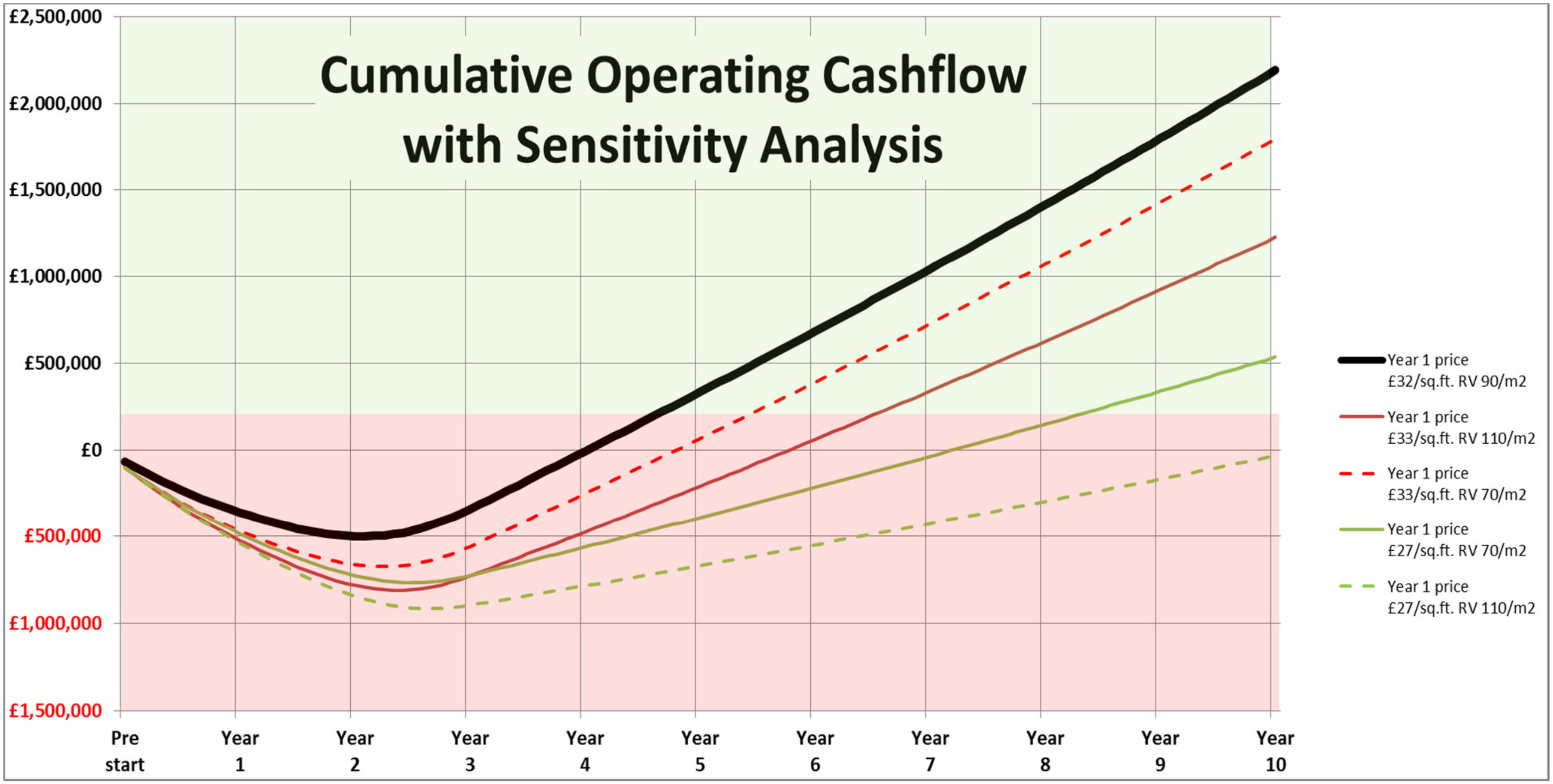
I: Indicative Business Plan – Predicted Occupancy Growth



I: Indicative Business Plan – Key Points

- Operational breakeven achieved in month 25
- Cumulative breakeven achieved in Year 5
- Revenue (working capital requirement) of circa £500k to cover early year losses
- Anticipated annual return of between £350k & £400k once established
- The business plan demonstrates the need for public sector intervention – the 10 year predicted return is c£2m – approximately 50% of the required investment
- Sensitivity Analysis (slide 32) shows impact of lower licence fees & higher rates on working capital requirements

I: Business Plan – Sensitivity Analysis



oxford innovation

SQW

J: Job Creation – Modelling Assumptions

- 58% of companies were previously working from home and had no prior office (this therefore reduces the likely displacement effect of an Innovation / Enterprise Centre)
- The average size of office occupied is 314 sq ft
- The average length of occupancy is just under 2 years
- On graduation the average number of employees is 7.5 per company
- Taking this data, plus using the assumptions from the business plan on occupancy growth we can therefore calculate *gross* job creation for the proposed Centre at Louisburg Barracks

J: Job Creation (i)

Forecast for Broxhead House										
Size of new centre (sq.ft.)	30,921									
Net lettable	18,244									
Average occupancy at 86%	15,507									
Forecast companies in occupation	49									
Forecast virtual companies	16									
Total companies	65									
FTE jobs at 3.65 per occupier, 1.0 per virtual and 3.6 centre staff	200									
Churn and Graduation	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Year average occupancy	13.0%	36.0%	70.0%	85%	85%	85%	85%	85%	85%	85%
Let space	2,372	6,568	12,771	15,507	15,507	15,507	15,507	15,507	15,507	15,507
Average companies in occupation	8	21	41	49	49	49	49	49	49	49
Average Virtual Occupiers	2	10	12	12	12	12	12	12	12	12
Graduations to Move-on Space (companies) - Nottinghamshire research provides evidence that 5% of current year occupiers (rounded up) graduate from the centre. Start Year 2.	0	1	3	3	3	3	3	3	3	3
FTE jobs at 3.65 per occupying company plus 1 per virtual	30	86	160	192	192	192	192	192	192	192
Cumulative FTE jobs at 7.5 per graduating company	-	7	30	52	75	97	120	142	164	187
Centre Staff	3	4	4	4	4	4	4	4	4	4
Total gross jobs created by an Innovation Centre at Broxhead House	**33**	**97**	**194**	**248**	**271**	**293**	**315**	**338**	**360**	**383**

J: Job Creation (ii)

- Up to 65 business can be supported p.a. in the concept plans proposed
- Predicted ‘gross’ jobs created by the proposed centre over 10 years is around 380
- We know from our research* that for 58% of centre customers this will be their first office – therefore at least 220 of these predicted jobs are ‘new’

* Business Survival and Growth within Oxford Innovation Centres: Research Findings 2003 to 2013, July 2014

K: Case Study – Harborough Innovation Centre – KPIs and Outputs

Key Outputs Project to date (Aug 2011 to Sept 13)

Output	Result
Number of resident businesses	35
Centre Internal Expansions • Number of businesses taking growth steps • Average time in centre @ growth step • average amount of extra office space taken at graduation • Number on second growth step	 11 16 months 180sqft (~ 2 people) 1
Number of new jobs created	46
Number of jobs safeguarded	49
Number of new companies created	12
Number of companies attracted to the region	7
Number of second companies created at the centre	10
Number of companies working with other centre customers (supplier, customer, collaborator, associate etc.)	30
Successful referrals to third party support providers	36
Number successfully supported to access government grant or funding schemes	GA – 1 MAS – 1 UKTI - 1

L: Key risks and assumptions

- Key risk is the site development timing (and any associated delays), especially the access road and the housing
- The initial business plan has been developed using a starting price of £32ft^2 – this positions the centre well against existing local provision but may need to be reduced to attract the right companies in the early days
- Assumptions in the business plan need testing – currently these are from our benchmarking data
- Risk of getting high speed broadband and utilities to the site
- Occupancy growth is based on the evidence base of the Oxford Innovation portfolio of centres and our judgement based on operating in other areas requiring economic shift and an understanding of the area
- No management training facility has been assumed, however the centre should deliver a range of business support workshops and events
- We have assumed a full service Enterprise Centre delivering business support

M: Possible sources of revenue funding

- Alternative / additional funding sources may be needed alongside ERDF and LGF. They could include:
  - Regional Growth Fund (BIS): initiative to boost private sector employment in England (https://www.gov.uk/government/policies/boosting-private-sector-employment-in-England)
  - European Cluster Excellence Programme (EC): promoting cluster excellence for SMEs (http://ec.europa.eu/easme/cluster-excellence-programme_en.htm)
  - COSME (EC): EU programme for the Competitiveness of Enterprises and SMEs (http://ec.europa.eu/enterprise/initiatives/cosme/index_en.htm)
  - Is there scope for East Hampshire DC to contribute to revenue requirement?

Contact

[redacted]