

RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

19 SEPTEMBER 2023

REPORT OF THE DEPUTY LEADER, PORTFOLIO HOLDER FOR ECONOMIC GROWTH, REGENERATION AND TOURISM

A.2 POST DELIVERY SCRUTINY OF THE SUNSPOT COMMERCIAL WORKSPACE (Report by Barbara Pole)

PURPOSE OF THE REPORT

This report is required as part of the Resources and Services Overview and Scrutiny Committee's work programme 2023/24. The focus of the report is post delivery scrutiny of the Sunspot commercial workspace in Brooklands, Jaywick Sands including funding arrangements, management arrangements and details of the lettings.

INVITEES

None

BACKGROUND

The Sunspot (Jaywick Workspace) is a newly constructed building which will house 24 low-cost business units, including six seafront shopfronts, as well as a covered market and event hall/space. It will also include a café, public toilets and community garden, along with new pavement provision and covered bus stop along Brooklands.

Early interest in the building has been really strong with eight (33%) of the units being allocated to tenants prior to the building being handed over. Original forecasts were built on 10% occupancy. These units include all but one of the retail units, the large manufacturing unit and the café. By filling these units first the building will have a vibrancy from the start. Enquiries are still coming in on a regular basis but showing the tenants around has been now suspended until the building is handed over so that it doesn't interfere with construction.

Prior to constructing this development, which is in partnership financially with Essex County Council (ECC) and the South East Local Enterprise Partnership (SELEP), cabinet adopted the Council's Back to Business recovery plan at its meeting on 13 November 2020, which confirmed that a bid had been submitted to South East Local Enterprise Partnership for a new Covered Market and Managed Workspace facility at Jaywick Sands. Further to that, on 19 February 2021 Cabinet announced the success of that funding bid in the Back to Business Delivery Plan and their intention to deliver the project for Jaywick Sands, to 'support the local economy, grow local entrepreneurship, and grow and retain economic activity and job creation in the local area.'

In December 2020, the Council moved to procure its Professional Team (HAT Projects) to lead on the technical design and cost planning of the proposed building and to manage the construction phase through to completion and in February 2021, the Council selected an Operating Partner (COLBEA). COLBEA assisted HAT Projects with the Building Design (Space Planning) during the pre-construction and construction phases of delivery.

In January 2022, a report went to Cabinet which provided a summary of the project

progression and requested that TJ Evers were awarded the construction. On the 25th April 2022, TJ Evers took possession of the site.

DETAILED INFORMATION

1. DETAILS OF THE FUNDING ARRANGEMENTS

- **21st May 2021**

A report was presented to Cabinet by Tom Gardiner, Head of Regeneration seeking approval to develop the Covered Market and Managed Workspace facility.

Within the report it was announced that In September 2020 the Council applied to the South East Local Enterprise Partnership (SELEP) for funding under the Government's Getting Building Fund (GBF).

In November 2020 the Council were notified by the SELEP that its bid for funding to the value of £1.97m, had been successful. This award of funding, together with that allocated by the Council (£105,535), and by Essex County Council (£50,000), provided a total project fund of £2,127,535. It was also noted within the report that ECC were considering a further contribution of £300k

- **8th October 2021**

In a joint Cabinet report authority was sought to increase the Councils contribution for enabling works and for operational costs for year 1. A further allocation of £70,000 from the budget set aside to support housing in Jaywick was agreed and made available.

- **28th January 2022**

A Cabinet report requested a further £254,465 from Tendring District Council's New Homes Bonus to the Jaywick Sands Covered Market and Managed Workspace Project given the significant increase in construction costs demonstrated by tender returns. Also, to seek further external funding from partners and enter into agreement with them to meet the remaining gap in funding for the project.

The report stated that on 3 December 2021 the Council's cost consultants Potter Raper produced a revised cost appraisal based on the Council's tender pack and the latest market information on the cost of materials. This work indicated that the total construction cost of the scheme had likely increased from £2.1m to at least £2.7m.

On 6 December 2021 the Council received tenders from building contractors as part of the Council's procurement exercise, which came in significantly above the budget, with the lowest tender after value engineering at £3,877,239, over £1.1m greater than the cost consultant's recent estimate. This gave a total scheme value of £4,407,182, which is £1.98m over the total budget allocated of £2,427,000 to secure delivery.

This increased TDC's contribution to £430,000 with ECC contributing the extra £1,680,182 required.

- **11th March 2022**

An Informal Cabinet briefing note set out a number of emerging issues relating to the construction as well as increased costs due to an extension in the project timeline. This highlighted the fact that the original contingency was extremely low for this type of construction project.

To help reduce the impact of further rising costs it was proposed and agreed that the remaining funds within the existing Business Investment and Growth Budget of £411,000 would be held in reserve and used to bolster the contingency if required.

- **19th December 2022**

A decision was published and Letters of Concurrence were received to accept further

funding from SELEP.

This resulted from the Council being notified by the SELEP that due to a couple of SELEP GBF projects not being able to deliver, £3.2m additional GBF funding became available for all GBF projects to bid for. Therefore, in September 2022 Tendring District Council (TDC) submitted a further bid for £410k which included funding for unforeseen contamination and underground obstructions costs as well as the possibility of funding omitted items removed from the project to reduce costs.

In November 2022 the Accountability Board awarded TDC a reduced amount of £300,879 with the possibility of further funding at a later date. This funding was added to the original agreement with SELEP.

In January 2023 TDC were notified that they had been granted the additional £118k bringing the total additional funding to £410k as requested.

- **17th February 2023**

A report went to Cabinet regarding the operational management of the Sunspot setting out the changes required to the budget and informed members that an estimated additional cost of £170k was required to support years 1 and 2 of the building. This additional cost would need to be moved from the projects capital account to a revenues account and has been allocated from the £411k held in reserve.

- **UK Shared Prosperity Fund (UKSPF)**

An allocation of £41k from year 1 of the UKSPF was granted. This allocation had a split of £10k capital which was allocated to the construction costs and £31k revenue which was allocated towards a contract with Colbea to support the opening of the building and securing tenants.

A further £10k has been allocated from year 2 of UKSPF to fund a community open day to launch the building and to introduce the tenants to the residents of Jaywick.

2. ARRANGEMENTS FOR THE MANAGEMENT OF THE BUILDING

In December 2020, the Council moved to procure its Professional Team (HAT Projects) to lead on the technical design and cost planning of the proposed building and to manage the construction phase through to completion and in May 2021, the Council selected an Operating Partner (Colbea). Colbea assisted HAT Projects with the Building Design (Space Planning) during the pre-construction and construction phases of delivery.

In October 2021, Cabinet gave their approval to make a direct award to Colbea as Operating Partner for Jaywick Sands Covered Market and Managed Workspace, based on a Licence to Occupy and Service Contract, and to increase the Council's financial contribution for enabling works and the operating costs of the facility for year one.

On the 17th February a report went to Cabinet requesting that the management of the Sunspot was no longer outsourced to a third party but delivered by the Council in-house. The report stated:

- After a change of management at Colbea, the organisation have subsequently informed the Council they are no longer in a position to take on the licence agreement, which may have been driven by the financial risk associated with the building. These risks will therefore remain with the Council, as set out in elsewhere in this report. Colbea do however remain content to enter into a service contract for a period of 7 months. In order to increase their capacity to deliver at pace however, Colbea will partner with HAT projects for additional support. Colbea have also

offered a further service once the 7 months activation period has ended, which will consist of drawing on their specialist expertise in this area to manage staff within the building, until such a time as Council staff are fully trained and self-sufficient.

- As a result of this change in position, it is recommended to bring the operation of the building in house, to be run by staff directly employed by the Council. Colbea currently hold the contract to provide the Council's Business Support Service and are committed to provide the support needed to any future tenants in the Sunspot.
- The activities associated with this in-house approach will be undertaken within the General Fund, with the costs charged to the HRA via existing internal processes. Direct property related transactions such as maintenance and rental income will be accounted for within the HRA. Based on this approach, the financial risks associated with bringing the operation of the building in-house will fall to the HRA. The shorter to medium term impact is set out within this report and in the longer term the operation and management of the units will be considered as part of the HRA Business Plan.

Cabinet agreed with the proposal to bring the running of the building in-house and for TDC to commission Colbea, with support from HAT, to provide an activation service of the centre for 7 months, and short term ongoing management support if required for the TDC Operations and Facilities Manager. A decision as to whether the extended management support service is required with Colbea will be made once the Operations and Facilities Manager has occupied the building.

On the 24th August 2023, after a full recruitment process, The Operations and Facilities Manager started with TDC and is currently working with HAT and Colbea in order to gain the experience and knowledge required to run the site once available.

3. REVIEWING THE SUCCESS OF THE BUILDING

It is important that the building becomes self-sufficient within 3 years of opening and therefore reviewing the occupancy and income on a regular basis is essential to monitoring success.

Target occupancy is:

	Sept	Oct	Nov	Dec	Jan	Feb	March	Year 2	Year 3	Total
All office/ industrial/kiosks	25%	40%	50%	60%	60%	60%	60%	70%	85%	
Covered market spaces	40%	50%	60%	80%	80%	80%	80%	80%	80%	
Training room utilisation	30%	30%	30%	30%	30%	40%	40%	40%	40%	
Café	100%	100%	100%	100%	100%	100%	100%	100%	100%	
No. of virtual tenancies	0	0	1	1	1	2	2	2	3	
Target income	£ 3,216	£ 4,724	£ 5,801	£ 6,933	£ 6,933	£ 7,133	£ 7,133	£ 117,984	£ 147,674	£ 310,805

The following will be monitored on a monthly basis:

- Review building operations
- Satisfaction of the tenants
- Customer feedback
- Occupancy levels and demand for meeting rooms, market spaces, events etc.

- Budgets – income v expenditure.
- Feedback from tenants business support.
- Success of the tenants business

4. DETAILS OF LETTINGS AND USE OF THE FACILITIES

Current scheme summary

- 24 low cost units over 10,500 sq. ft. (GIA) offering 9,500 sq. ft. net lettable area of affordable space for a range of business uses including light industrial B1 office space and retail
- Bookable hot desk and meeting spaces with a business support programme including mentoring and skills development for locally based entrepreneurs and potential entrepreneurs.
- Creation of a vibrant covered market with 10 x affordable pitches to provide a pathway for start-up businesses into trading, respond to local demand for access to fresh food and household goods/services, and facilitate positive health benefits through affordable access to fresh foods
- Improved public realm including a community garden, outdoor market/events space and safe pavement where there currently is no footway connecting the two main residential areas of Jaywick Sands.

Agreements with funders

The funding agreement with the South East LEP for the facility stated that the Jaywick Market and Commercial Space project would

- build and operate a covered market and affordable business space on a gateway site in Jaywick Sands to support the local economy, grow local entrepreneurship, and grow and retain economic activity and job creation in the local area.
- The proposal has been developed in response to community needs as well as a wider assessment of demand for small business space in the wider area.
- There is a demonstrated undersupply of commercial space and a high level of demand for affordable light industrial, studio and basic office facilities within the area.
- Using the Council-owned site in a very central location in Jaywick Sands presents the opportunity to draw this tenant market to Jaywick Sands, creating employment in the area and stimulating the secondary economy, alongside supporting local start-ups and small businesses in the community through creating a pathway from very affordable market stall accommodation to renting permanent space.

The Funding Agreement with Essex County Council States:

- The Jaywick Market and Commercial Space scheme aims to build and operate a covered market and affordable business space in Jaywick Sands.
- Based on more detailed design work and the additional funding provided by ECC, the scheme will now deliver 25 mixed use (1 of which is the Operation and Facility Managers office) affordable rent business units offering 9,073sq ft lettable area and a covered local market of 10 affordable pitches.

The letter to the Secretary of State that gained approval for the use of the Housing Revenue Account land for this purpose states:

- Following a successful bidding process (Getting Building Fund) for capital funding to the SELEP a small section of the purchased land will be developed into a covered market site as well as for the provision of business units to facilitate the creation of employment opportunities and for a community garden and improved pedestrian access.

Criteria for businesses entering the Sunspot Centre

The Council has developed criteria for businesses moving into the Sunspot Centre, which are in line with the agreements with funders to invest in the construction of the building.

Units

Those agreeing to operate from the building should be:

Business

- A trading business, or
- Have experience and track record of running a trading business, or
- Experience in a field / subject matter related to the proposed business, and

Financial

- Experience of managing finances,
- Sufficient capital to set up the proposed business,
- Strength of proposed business model/ business case including proposed cashflow
- Rent deposit and a month in advance

Reputational

- Not a business that could be seen to bring the Council into disrepute
- Not a business that causes substantial noise, pollution or disturbance and so suitable for a residential area

Café

- Track record in running a café successfully
- Positive social media reviews of existing business
- Quality of the community offer, i.e. local events
- Length of opening hours and days
- Quality and price of food on offer
- Financial standing, including for fit out

Deposit

If the tenant's prospect is deemed viable, they will be required to pay a holding deposit to TDC and sign a licence.

Suitability Checks

Potential tenants who want to secure a unit are subject to an affordability check, linked to the financial criteria above. Any applicant is requested to provide the following as appropriate:

- Self-employed self-assessment
- Copy of accounts
- Profit & loss statement
- Or proof of funds if pre-start
- Business case for pre-start

Once this is provided a pre-tenancy interview will be booked using the pre-tenancy whereby the applicant can give an overview of their business and obtain a business plan.

New businesses, with no trading track record will be referred to Colbea so that support can be provided and a business case generated.

Decision process for New Tenants

Approval for future tenants will follow the same process as TDC Assets:

- Short term agreement (max 1 year) - Head of Service/Assistant Director decision.
- 1 to 7 year agreement – Corporate Director decision
- Over 7 years – Portfolio Holder decision

As this building is designed to be a low cost, start-up facilities for new and emerging

businesses the terms of the licence are intended to be flexible with an 'easy in, easy out' option. The café is potentially the only business that will require a licence/lease that is not short term but will contain break clauses.

Current Tenants as of 25th August 2023

- **Swedish Asset Finance – Finance**
A financial broker for business vehicles including agricultural vehicles. In a position to expand into their own office here from a shared office.
- **Angelwood – Retail**
Operating in Jaywick selling crystals and talismans, looking to move to the business centre. Also proposed fortune telling business, and selling furniture made from driftwood.
- **Joir – Retail/Ecommerce**
Jewellery and hair accessories. Currently has a successful on-line business. This will be first physical premises. Also wants to expand into men's accessories. Family run business.
- **Uniform 7 - Manufacturing**
Manufacturing of school uniforms including a collection for children with sensory and physical challenges. Expanding into workwear.
- **Buddies Barbers – Health and Beauty**
Currently working out the Never Say Die in Jaywick.
- **Agony and Ecstasy - Creative**
Artist. Using the office as a studio. New business.
- **Seadogs – Service Industry**
Dog groomer. This is a new business.

The Café:

- **Seabreeze Kiosk –**
Seabreeze is one of our current kiosks on the seafront at Clacton. The owner wants to expand to his first café and is a fourth generation Jaywick resident and would like to develop the café as a community hub. He is also interested in organised events and employing local people.

Appendix A: Fees and Charges

RECOMMENDATION

That the Committee determines whether it has any comments or recommendations it wishes to put forward the relevant Portfolio Holder or Cabinet.