

Southwold Enterprise Hub – Station Yard



Business Plan

Version 2.3

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Executive Summary

Economic Background

Southwold is a unique coastal town. Its attractive streets with elegant Georgian buildings, its sandy beaches, pier and characterful beach huts draw more than 1.5m visitors annually, 42% of them during June to September, with a peak overnight visitor population of 15,000. Annual tourism spend is estimated at £50m.

However, such a successful tourism industry has significant negative consequences for the town. Demand for holiday homes has driven up property prices, and as a result, by 2011, 50% of Southwold's houses had no permanent residents, the highest level of any coastal town in the country. The resident population has halved since 1981, losing 12% since 2011 alone, and now stands at just 964. It is close to unsustainable.

Employment in the town is also dominated by the tourist economy; many jobs are low paid, seasonal and without career development prospects. For businesses, the economy is equally challenging. Demand from national retailers for space in the High Street has driven up rentals, with corresponding rises in business rates – up to 400% increases in some cases. Many independent retailers struggle to survive, particularly in the low season with so few residents to support them. For non-retailers, there are virtually no business premises in the town; those that do come on the market are in the High Street retail area, with some rents comparable to London rates.

Coastal Community Fund

In response to the crisis facing Southwold, the Town Council, working with the Southwold Coastal Community Team, devised a project, the 'Southwold Enterprise Hub'. It consisted of two elements:

1. Capital investment to create a new enterprise space on an existing brownfield site, Station Yard, to attract knowledge/creative industry businesses to set up in the town, offering higher-value sustainable employment;
2. Revenue support to establish a Southwold Development Team to extend the visitor economy beyond peak season and to support businesses across the town to become more productive.

A grant application was submitted to the Coastal Communities Fund, supporting an overall CCF priority focused on stimulating regeneration and economic growth, in this case regenerating a key site in Southwold. The enterprise hub provides a unique workspace, incorporating business support services to encourage business start-ups, growth and diversification as well as safeguarding and creating jobs. However, this business plan also assesses a number of alternatives for development, at varying levels of funding, in order to arrive at a recommendation for the way forward.

The initial bid to Coastal Communities Funding round 5 was unsuccessful, but, unusually, Southwold was assigned to a waiting list, and in September it was informed its bid had been successful.

Given that CCF funding has been secured, there is one clear option that should be progressed: the development of the Southwold Enterprise Hub.

It goes furthest in achieving the Council's strategic aims and offers the best return on investment, and is further enhanced by the fact that over £800k of the capital cost does not need to be recovered.

The Recommended Project

Over the last two decades, the Council has repeatedly identified Station Yard, a 0.12ha brownfield site at the entrance to the town, for development. However, no decision has been taken, and most of the buildings are now in a condition beyond repair. It is therefore proposed that the existing layout will be demolished, and two new buildings will form the Southwold Enterprise Hub, providing a new home for the current convenience store (for use by a local independent) and 15 offices of varying sizes, rented as managed workspace. At maximum occupancy, it is estimated there would be 15 businesses of which 5 will be new; up to 73 people would work at the Hub, of which 64 should be of higher value and up to 26 of which should be new jobs.

Two larger offices could be established as co-working space, supporting up to 24 single-person businesses. However, co-working forms a key part of the SouthGen Community Hub project. It would be counterproductive to establish a facility in competition with SouthGen; instead, a key objective of the Enterprise Hub should be to provide grow-on space for businesses incubated at the old Hospital site, retaining them in Southwold for the community's benefit.

Virtual tenancies¹ will be offered, enabling businesses to benefit from the cachet of the Southwold brand, and creating a pathway for those intending to move into the town in future.

Business support will be provided to all tenants of the Hub, including virtual, plus those elsewhere in the town. This will include advice and guidance, networking events, training and knowledge-sharing to create a stronger business community and help businesses become more stable, productive and sustainable.

Timetable

The capital project is estimated to take 96 weeks, meaning, for example, if it were initiated on 1 December 2019, it should complete in October 2021. Exact timings will not be clear until such time as responses to the main contract tender have been received.

Costs & Funding

The overall project, including capital works, professional fees, enabling costs, inflation and 15% contingency, is estimated to cost £2.799m.

The capital grant of £809k secured from the Coastal Communities Fund covers 29% of the overall project budget. It is recommended that match funding from the Council of £1.991m should comprise £895k in earmarked reserves, and £1.096m from further property sales. Although a Public Works Loan Board loan would be readily serviceable from rental income, it would nonetheless reduce the overall ROI significantly, with almost £866k of interest payable over 30 years.

'A passive reliance on tourism will not be enough for seaside towns to fulfil their potential. What's needed is a transformation in the way seaside towns view themselves, as well as how they educate their children and manage their infrastructure.'

Seaside towns need entrepreneurs to bring ideas, jobs, and wealth to their communities; but entrepreneurs need talent, infrastructure, and public support to help them lead the revitalisation of seaside towns.'

"From ebb to flow – how entrepreneurs can turn the tide for Britain's seaside towns"

Report for the Centre for Entrepreneurs, 2015

¹ Virtual tenancies are similar to 'postal addresses' but include phone answering and access to business support

In contrast, transferring of capital currently invested in housing in the town would meet Southwold Town Council's strategic objectives of rebalancing and achieving significantly better returns on its property portfolio, and enable it to undertake more positive developments for residents as a result.

Risks

The primary risks facing the project fall into two distinct categories: those relating to the capital project, and those linked to the operational programme.

For the capital project, the risks all result in potential increased cost and/or delay to the programme. Principal amongst these are the risk that designs increase costs above budget, requiring a value engineering process to bring them back in line, or that contaminated land is found. There is specific contingency in the project, in addition to standard contingency of £320k, to deal with this issue.

For the operational risks, the greatest is that income is less than anticipated, either as a result of slower/lower take-up of units (because of decreased or changed demand) or due to lower than projected rental rates being necessary. In the case of slower take-up, operationally the project requires just 40% occupancy (six units of 15) to break even in year 2, or just 10 out of 15 units to be occupied long term for capital payback by year 19. For lower rental, the project can sustain a 40% drop in the rental rate, to return an operating profit from year 2 onwards. Clearly, however, action would be taken to stimulate demand or implement alternative uses should these issues arise.

Section 9 in the main report gives details of the risks, including mitigations.

Conclusion

The Southwold Enterprise Hub is much greater than its physical footprint. By providing not only space, but support and leadership for the business community, combined with strategic development to help extend the visitor economy outside the peak season, Southwold Enterprise Hub is a key step in helping Southwold become a more balanced, vibrant and sustainable community.

1. Introduction

This document has been prepared for Southwold Town Council by MossKing Associates Limited to investigate options and recommend a way forward for the Station Yard site at the entrance to the town.

2. Background

Economic backdrop – community

Southwold, on Suffolk's east coast, is a unique place, a tourist destination of international renown. Over 1.5m trips were made to the town in 2017², and annual visitor expenditure – on accommodation, shopping, food & drink and attractions - is estimated at just over £50m³. Peak visitor season is from June to September, with 42% of day trips and 37% of overnight stays taking place in these months⁴. However, research undertaken for the Coastal Communities Team's Economic Plan during 2017 showed that, whilst tourism is vital to the town's economy, it has significant negative consequences too.

Demand for holiday accommodation and second homes, coupled with the desirability of living in such an attractive location, have forced up house prices dramatically, with the house price to earnings ratio now twice that of London. Many younger people have been driven out, with the total number of permanent residents in steep decline for the last three decades (from 1,839 in 1981 to 1,098 in 2011⁵). In 2017 the resident population was 964, of which 53% were over 65, with 41% of working age⁶. The current electorate is estimated at 815. Southwold's resident population is rapidly shrinking to a level that could make the community unsustainable.

Southwold has a resident population of 964, but an overnight population in high season of >15,000. Just 43% of houses are used as primary homes.

Adjacent to Southwold is the town of Reydon, where house prices are slightly lower. Its population is larger (2,573), half of whom are of working age⁷. Surrounding Southwold is a rural hinterland, dotted with villages and hamlets, for which Southwold is the principal town.

Over 50% of Southwold's households had no 'usual residents' in 2011, the highest rate for any coastal community in England and Wales, compared with 38% in 2001⁸. A more recent consultation⁹, conducted by the Southwold Neighbourhood Plan team, found 8% of properties were held vacant, having been acquired for investment purposes, with only 43% of residential properties in town used as primary homes.

Employment opportunities are dominated by the tourism economy: 78% of jobs in the town are dependent on, and 40% are directly in, the tourism sector¹⁰. Traditionally, the tourism sector offers below average earnings¹¹: workers in Suffolk earn £58 per week less on average than the rest of England

² Economic Impact of Tourism Report, 2017 – trips include day and overnight stays

³ Economic Impact of Tourism Report, 2017 – figures net of travel expenditure

⁴ Economic Impact of Tourism Report, 2017

⁵ ONS Census 1981, 2011

⁶ ONS estimate 2017

⁷ ONS estimate 2017

⁸ ONS (2014) 2011: Coastal Communities

⁹ Southwold Neighbourhood Plan (2018)

¹⁰ NOMIS (2017)

¹¹ Eurostat: Structure of Earnings Survey (2014)

as whole¹², and Southwold is no exception to this. Although the town is a year-round destination, almost half of its visitors come between May-August¹³, resulting in seasonality of employment, with a significant dip outside the peak months. This over-reliance on seasonal trade creates capacity and sustainability issues at peak periods, and a corresponding reduction in employment/hours in the off-peak months. Low wages and unreliable employment make Southwold a less attractive place with fewer opportunities for residents.

The scarcity of higher value employment in Southwold is a major contributory factor in 45% of working age residents leaving the town to go to work each day. The impact of this goes beyond the loss of community – people spend money where they work, they become habituated to their work destination and will ultimately use facilities and services there in preference to those in their hometown.

Economic backdrop – business

As a consequence of the seasonality of the tourism trade, local independent services struggle to maintain their businesses in the off-peak months, due to the drop-off in visitor footfall which in turn increases reliance on a dwindling permanent resident population. In the recent Town Centre Strategy research, 35% of businesses reported that securing potential local customers was a problem for them, compared to just 3% in small towns nationally¹⁴.

Over 45% of working age residents leave the town to go to work each day, taking their spending power with them.

For businesses in Southwold there are many challenges. Retail businesses on the High Street have faced up to 400% increases in business rates, as demand from national chains, keen to engage with the tourist footfall, has driven up the rental value of properties. This is seen as a significant negative by 89% of businesses surveyed in 2017¹⁵, as it often prevents local businesses – who contribute much more to the local economy - from gaining a presence in the town.

Many of the national chains present in the town see Southwold's visitor demographic as a key marketing target and their shops' presence is therefore predominantly marketing-focused, with sales per square metre being a lower priority. Consequently, they contribute little to the local community, and do not participate in business forums etc; as a result, the Chamber of Commerce in Southwold is no longer operational.

For non-tourism non-retail businesses, there is an overall lack of suitable premises, and particularly any that are not located within the expensive High Street area. Premises in the vicinity of the High Street often have suboptimal space in converted former residential properties with restricted access, and, as they mostly have A1/A2 permitted use (retail/professional services) as well as business use, are snapped up by national retail chains or have rents that reflect the fierce demand for retail premises in this location. In September 2019, two offices were on the market in Southwold, with unserviced¹⁶ annual

¹² Suffolk Health & Wellbeing Board: JSNA State of Suffolk Report (2019)

¹³ Visit Suffolk/Destination Research Market Segmentation (2015)

¹⁴ Southwold Town Centre Strategy, People & Places (2018)

¹⁵ Southwold Business Confidence Survey (2017)

¹⁶ 'Unserviced' refers to premises on the market without any additional costs, eg cleaning, utilities, security, broadband/phone etc. Serviced offices let with two fees, one for rental, and one a bundled charge for services, preferable for small/startup business because of the simplicity and no need for repeated credit checking by each individual service provider.

rents of £28.73 and £34.42 per square foot – comparable to some central London prices¹⁷. Neither had B1 planning use as general offices, thus being restricted to professional/financial services (estate agents, banks etc). This lack of suitable premises is considered a negative aspect by 51% of businesses¹⁸.

The shortage of business premises has been an issue for many years. In the Southwold Town Plan consultation in 2013, 62% of businesses said there was inadequate provision for them in the town, and, in the same consultation, 84% of residents thought it important or very important that 'small flexible use premises were provided for small and start-up businesses' were provided. Since then, the King's Head public house has been converted into a retail outlet with three small offices at the rear, but otherwise, no new capacity has been delivered and there is none in the pipeline.

*'The community supports the creation of a more diverse economy and more business space. Support for 'non-tourism-based businesses' was the **first or second priority** for nearly **60%** of respondents, with start-up units for new businesses being a priority for over **50%**.*

*In addition, **84%** of respondents thought it important or very important for 'small, flexible-use premises for small and start-up businesses' to be provided. The need for business meeting rooms was also highlighted by the business leaders Focus Group.'*

Southwold Neighbourhood Plan 2018

Similarly acknowledging the issue, the East Suffolk councils included this deliverable in their joint Economic Growth Plan: "ensuring that market and coastal towns have **appropriate levels and types of small business provision, and grow-on space**, recognising that there are market failures in this context and that a positive approach to enterprise provision will be important."¹⁹

All research to date has reached two recurring conclusions that are relevant to this plan:

1. Southwold must attract non-tourism business into the town offering higher value employment opportunities to help balance the economy and attract more residents to build a sustainable community.
2. There is a scarcity of suitable accommodation for businesses within the town, despite the attraction of Southwold as a place to do business, and this directly limits the ability to attract new non-tourism businesses to the town.

SouthGen Old Hospital Site

The former hospital site in Southwold is being developed as a community hub, offering a nursery with 17 places, a 70-cover farm-to-fork café, the public library and a co-working space. The co-working space will provide up to 30 desks for hire, with superfast broadband, access to meeting services etc. The SouthGen Community Hub business plan²⁰ estimates that it will create 35 new jobs in Southwold and Reydon in its first five years, the majority through its co-working provision attracting start-ups.

Given the nature of co-working space, it is likely that almost all the occupants will be self-employed/single person companies. SouthGen Community Hub offers excellent opportunities for start-ups, as well as existing entrepreneurs making the first move away from the kitchen table.

¹⁷ Sources: Zoopla, Knight Frank (Apr 19)

¹⁸ Southwold Business Confidence Survey (2017)

¹⁹ East Suffolk Economic Growth Plan 2018 - 2023

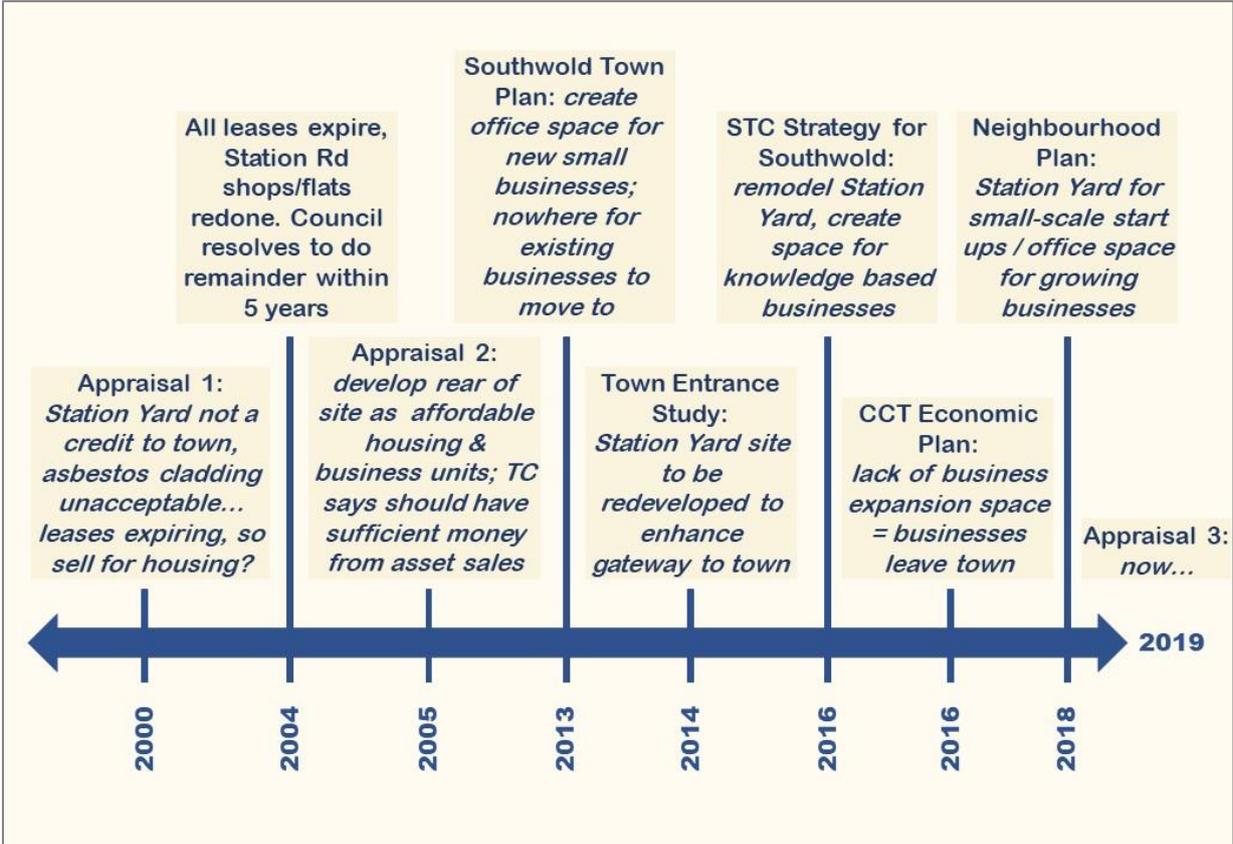
²⁰ SouthGen Business Plan V2 Draft 13, March 19

However, should these same businesses expand beyond single person entities, as is hoped, (and therefore potentially create further higher-value employment opportunities for local people), the dearth of office premises in Southwold would force them to move elsewhere. Losing growing businesses originally fostered by SouthGen Community Hub’s excellent offering is a key issue for Southwold that needs to be tackled urgently, to protect the community’s investment in this innovative project.

Station Yard

The Station Yard site, owned by Southwold Town Council, comprises a small newsagent/general store providing valued services for local people, two garage buildings and cycle hire businesses. All buildings are sub-optimal, with the garages in particularly poor state of repair, having been deemed in 2000 to be unacceptable due to asbestos cladding. Since then, despite tenancies with repairing leases, little maintenance has been possible. As a consequence, the buildings within the Station Yard itself are now beyond repair, and it is not considered feasible for them to be occupied safely any longer.

The site has been appraised for redevelopment on three separate occasions since 2000, with Council resolving in 2004 to take action within a five-year timescale. However, despite continued strategic intent, and inclusion of the site in several development plans such as the Council’s Strategy for Southwold (2016) and the Neighbourhood Plan (2018), no progress has been made to date. Windows of opportunity for radical redevelopment arise periodically, as leases come to an end; currently all leases are coming to an end, so now is the time for action. The illustration below shows the various initiatives.



Affordable Housing

Recent development in the town has made inroads into the housing issue, with new market housing being delivered alongside a substantial tranche of affordable homes, such that the current registered needs are being met. More housing is due to come online in the coming year, enabling more younger people and families to stay in, or return to, their town.

However, alongside affordable housing, it is essential for there to be employment opportunities for returning/retained residents, avoiding the need to travel out of town for work and the incumbent costs on the individual, and loss of income to the town as a result. Whilst the town's tourism/hospitality sectors offer employment, as noted, this tends to be seasonal and low paid.

Whilst the principle driver for the need for affordable homes in Southwold is, arguably, the exceptionally high market cost of housing, rather than the low income of the residents themselves, this does not negate the need to deliver higher value jobs in the town for this generation and the next.

SouthGen's work at the old hospital site will create some jobs directly, and will foster entrepreneurship, but there will be few jobs arising from these entrepreneurs until their businesses grow. At that point, new premises will be essential, to retain those young businesses in the town, rather than lose them to other centres nearby, such as Lowestoft, Leiston and Ipswich.

Community Wellbeing

The Co-Op commissioned a Community Wellbeing report, in partnership with the Young Foundation and Geolytix²¹, which looks at towns and communities around the UK, and measures how strong each community is. The survey measures different aspects of community that communities around the country have said are important to them.



As can be seen from the above, the 'score' for Southwold is 49, below the national average of 52, and equal to Great Yarmouth. Aldeburgh and Cromer score 59 and 57 respectively. Southwold's score

²¹ Co-op Community Wellbeing Report <https://communitywellbeing.coop.co.uk/>

reflects the findings of most of the strategic analysis undertaken in recent years in the town, including the Neighbourhood Plan, the Council's Strategy for Southwold, and this report.

There are four areas where Southwold is significantly below the national average:

- Education and learning, which includes access to schools, adult education and nearest library
- Economy, work & employment, including proximity of work to home, average hours worked, and household income
- Health, including access to health services, as well as the frequency of a number of key conditions (diabetes, obesity etc)
- Relationships and trust, covering social spaces, single person households 50+, the number of babies and young children, proximity of work to home, number of houses sold, crime.

The small number of permanent residents in Southwold, compared to its capacity, combined with the age profile, where residents are skewed towards the upper end (reflecting the tendency of second homes to convert to permanent homes post-retirement), contribute to the findings above.

Housing is marginally above the national average, yet affordability is a huge problem. The wellbeing score is artificially inflated by two other key measures in the category, access to open spaces and overcrowding. Neither of these, clearly, is an issue in Southwold.

Many of Southwold's initiatives in progress will help tackle some of these key issues, such as provision of further affordable housing, establishing the library in the SouthGen Community Hub, and creating a co-working hub for start-ups, but there is still more to be done.

3. The Need

To an 'outsider', Southwold is a booming, successful town. It is busy, the shops are nearly all occupied, buildings are mostly in good condition, there is clearly money in the town. However, the inside story differs, as evidenced by the community wellbeing score, and by findings of recent research in the town.

STC's strategic planning work, both in 2016 and 2019, identified several key priorities including:

- Diversify the local economy
- Reverse the decline in resident population, achieving a more balanced age range
- Make the town a more attractive proposition for families to live and work
- Retain and enhance the natural and built environment
- Effectively manage STC income streams in order to secure a firm financial base
- Rebalance, expand and achieve better returns for STC property portfolio²²

Work is in hand to address some of the issues of the town, particularly via SouthGen Community Hub and the affordable homes provision, but there is a strategic need, as identified by councillors and the people of Southwold, to drive forward with further development focused on the community, strengthening its wellbeing.

²² Southwold Town Council 'Our Strategy for Southwold' Apr 16, updated July 17; Draft Strategy 2019-2022

There is a clear requirement therefore, to:

- Create more high-value employment for local people, including those moving into affordable housing
- Attract new non-tourism businesses to the town
- Leverage Station Yard to contribute positively to the community's economic needs
- Address the long-standing building issues of Station Yard once and for all
- Support and secure the SouthGen Community Hub's efforts to bring new jobs to the town.

4. Options Appraisal Process

Background

In 2014, Southwold Town Council instructed Ingleton Wood LLP to explore options for the potential redevelopment of the entrance to the Town, crossing the marshes from nearby Reydon. The area is an important location, being the first thing people see when they enter the town, and was a mixture of ad hoc development and redundant utility buildings. The Town Council was keen to build on the planning policies within East Suffolk Council's Adopted Development Plan, to provide a locally-specific guide to influence future developments within the area and promote high quality design in this sensitive location.

The scheme overview developed by Ingleton Wood indicated how, in the fullness of time, the individual sites in the study area could be developed to provide a joined-up street pattern and, crucially, an appropriate entrance into Southwold. Station Yard is a Town Council-owned site within the land included within the 'Town Entrance' and identified for potential redevelopment. Ingleton Wood noted that redevelopment would provide an opportunity to protect the existing Victorian frontage on Station Road which incorporates Town Council-owned residential properties and retail premises²³.

2018 Options Appraisal

As part of this business plan development process, MossKing facilitated an options appraisal process with a working group of councillors, the town clerk, and representatives of East Suffolk Council's Economic Development Team. A 'long list' of options was developed, then assessed against a set of criteria, which were developed by the team based on the strategic work and related community consultations undertaken to date. Those in bold are the 'test' criteria, ie any option that does not meet one or more test criteria is eliminated.

- **Economic diversification**
 - broadens the local economy and addresses seasonality
 - creates higher value jobs
- **Business growth**
 - creates opportunities for business and jobs
 - generates/supports business growth
- **Income threshold**
 - greater than currently achieved from the site
- **Strengthens community**
 - attracts and retains young people
 - helps to address decline in resident population

²³ Southwold Town Entrance Study, Ingleton Wood LLP

- Meets an identified need
 - does not replicate something already provided
- Enhances the built environment
 - maintains local character
 - delivers an exciting/attractive gateway to the town
- **Sustainability/flexibility**
 - sustainable financially & organisationally without undue burden on Council staff
 - flexibility to respond to future economic changes and shifting community needs

The resulting shortlisted range of options included development as a business hub, use as creative spaces and retail space. Replacing the existing garages with new building(s) was included as a low-cost 'do nothing' option, despite its failing all of the test criteria.

Councillors then individually scored each option against the criteria, and these were collated into a table. In clear lead was development as a business space (561 points), with retail space (406) second. The 'do nothing' option of rebuilding the garages (because they are in such poor condition, rebuilding is the only option available), came last with 138 points, reflecting its shortcomings in terms of strategic change/delivering the benefits needed for the community as a whole.

Details of the options appraisal, including the brainstormed original 'long list', and scorings for the shortlisted options, can be found at Appendix B.

5. The Proposal

Development of Station Yard as an 'enterprise hub'²⁴ was researched further as the best strategic solution for the site, and funding was sought from the Coastal Communities Fund (see Alternatives for details of this 'CCF' option). Other suitable locations for such a hub to be developed do not exist either within the Council's property portfolio or in the town; there are no greenfield sites allocated for this use.

However, Southwold Town Council has had some concerns about the lack of vitality of an enterprise-only solution, particularly at weekends, when many businesses are likely to be closed. As a result, five alternatives were analysed, including using the premises fronting Blyth Road as retail outlets, as well as some smaller/partial schemes, all of which might deliver more casual footfall to the area and which might help protect existing businesses. Details of all the alternatives considered are included in Section 6.

Two clear options stood out, when measured by delivery against the stated strategic aims, particularly for the number and quality of jobs supported, and the extent to which they could protect and enhance the current development at SouthGen Community Hub.

- a) **Enterprise scheme:** as CCF funding has been secured, the recommended option is the enterprise scheme as submitted to CCF. This will deliver more jobs - and more higher value ones - than any other alternative and would provide grow on space for businesses incubated at the old Hospital site. Importantly, it offers the best return on investment in job terms, with a 'per job' capital cost of around £27k, as well as the shortest capital investment payback period.

²⁴ An 'enterprise hub' would provide space for a range of entities, such as social enterprises and non-profit organisations, as well as commercial businesses. A key point would be the number of people to be employed, and the quality of the jobs.

b) **Business & retail scheme:** without CCF funding, Council could opt to include two retail units on Blyth Road, plus one further unit inside the courtyard, in order to create a 'buzz'. This would deliver 17% fewer jobs overall and 23% fewer high value ones than the enterprise scheme but would still make a significant contribution towards diversifying the local economy. Provision of grow-on space for SouthGen Community Hub would be created, albeit at a slightly decreased capacity. The 'per job' capital investment in this case would be about £45k, and payback would be significantly extended, as effectively the investment is £809k 'down' on the preferred option from the outset.

Station Yard Site – Current Use & Ownership

Southwold Town Council owns Station Yard, a site located to the north-west edge of Southwold. Station Road is the main entry point to the town and continues on to form the main High Street.

Station Yard is close to good existing sustainable transport links and is in close proximity to the main Southwold High Street to the south, with its range of services and shops.

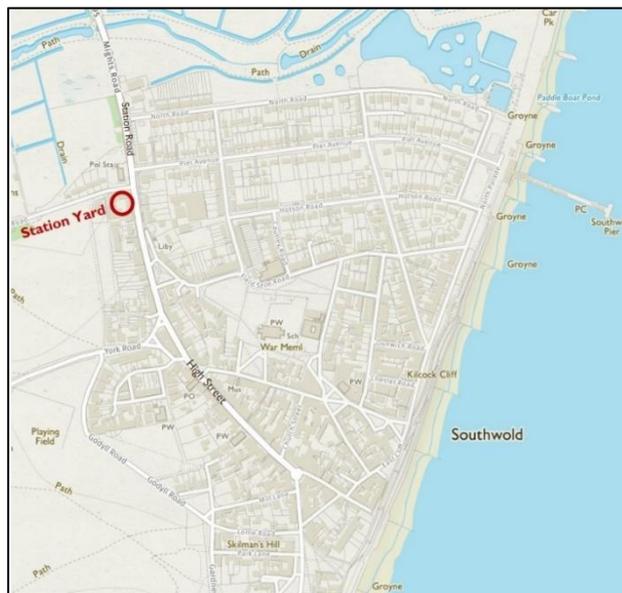
The site was first partially developed around 1903, with additional buildings appearing after 1947. Southwold railway station originally occupied the site immediately opposite, which is also targeted for redevelopment.

Today, Station Yard consists of three main buildings leased to separate businesses. On its Station Road frontage there is a convenience shopping outlet (an independent general store) and behind it are two buildings currently used as garages.

All the buildings are of poor design and constructed with low-grade materials. The garage buildings have no long-term future, as they are clad in asbestos panels, and are in a very poor condition, partly because no significant maintenance work can be undertaken on them because of the presence of asbestos.

It is likely that, even if leases were to continue, occupation of Station Yard would no longer be safe, and Council would be forced to 'mothball' the site, ie secure both the buildings and the site itself, to prevent public access.

Although the services themselves are very important to local people, the buildings do nothing to enhance the initial appearance of Southwold as a town.





Station Yard Proposed Development

The existing site would be demolished and replaced with two new buildings offering just under 600m² of usable space, forming the Southwold Enterprise Hub, a “Gateway” development at the entrance to the town.

The development has been designed by Ingleton Wood LLP. Planning permission was granted in January 2019, after extensive amendments required by the Design & Conservation Officer were incorporated into it. Further images of the designs are shown in Appendix F.

The design for which planning permission has been secured included one retail unit on the main Station Road frontage, as part of building 1 (blue in the diagram right)²⁵, and further retail units on the Blyth Road side. Two residential flats were included upstairs in building 2 (pink), along with a café on the ground floor of that building, facing into the courtyard.

However, given the priorities that the council has identified for this development, as part of its strategic planning, and looking at potential occupancy rates etc, it is clear that neither the residential units nor the café are optimum uses of the spaces. This is discussed further in Section 6.



²⁵ Note that a requirement from the outset for all schemes has been the need to accommodate the existing convenience store in the design for Station Yard, so that this important service for local people can be maintained.

Instead, it is proposed to create enterprise-only use onsite. If CCF funding was not used, Council could choose to convert three units to retail although the benefits of this are less than would be achieved by an enterprise-only implementation.

Such a change would be relatively straightforward from a design perspective, given the layout of the current plans. The existing planning permission includes retail on Blyth Road, but change of use would be required for other units in any case. There is no obvious planning reason why such consent should be withheld by the LPA.



In the proposed solution, Building 1 will have business units on the ground and first floor. The existing convenience store/newsagents' business will move into new premises on the Station Road frontage of Building 1.

Building 2 will become all enterprise use, with the café replaced by a meeting room for use by the occupants of the Enterprise Hub, as well as other businesses in the town. Upstairs, the residential units, with their multiple small rooms, should be readily convertible to small start-up units with shared facilities. These are particularly important for SouthGen Community Hub grow-on space, as they would be the smallest units, and a likely next step for businesses moving on from co-working at SouthGen.

In total, this means there would be 15 business units and 1 shop in the Enterprise Hub, including the existing general store relocated to modern premises.

Adjacent to the meeting room, shared welfare facilities including showers, to encourage cycling to work, would complement private toilet/kitchen facilities in each unit.

Half the units and all shared welfare and meeting facilities are on the ground floor and are fully accessible to all. If Council was minded not to accept CCF funding, and instead introduce retail units, these would be at ground floor level, since siting retail upstairs would be unlikely to create the footfall and activity the council would like to see; retail units in upstairs positions are more likely to be reliant on a loyal, repeat customer base, such as those for beauty or similar services. Note that no retail spaces could have separate stock



rooms of any useful size, which could limit the types of businesses that would be interested²⁶.

The design of the buildings utilises a steel framework to minimise the number of load-bearing walls, so that the buildings are future proofed against emerging needs and changing demands for space.

The units will range in sizes from 14m² (for 1 – 2 people) to 107m² (comfortably accommodating up to 15 people)²⁷, and therefore can support start-up businesses as well as offering 'move on' accommodation for businesses as they grow.

Two of the largest offices could be established as co-working space, ready to move into with all services in place, and supporting up to 24 single-person businesses. Evidence from other coastal towns, particularly in Devon, show the enormous impact co-working communities can have on the self-employed, creating opportunities for collaboration, inspiration and creating an entrepreneurial hub of activity. However, co-working space now forms a key part of the SouthGen Community Hub project, and creation of similar space in Southwold Enterprise Hub will depend on the progress of that project. It would be unhelpful to establish a facility in competition, especially as part of the benefit of business space of the Southwold Enterprise Hub is to provide grow-on space for businesses incubated at the old Hospital site, and to thus retain expanding businesses within Southwold for the benefit of the community.

It is proposed that no action should be taken on this until the impact of the SouthGen Community Hub can be assessed: should SouthGen have 'sold out' of co-working space, there is an opportunity to provide further in the Enterprise Hub. The timings of the projects are such that this option can be evaluated in advance of full marketing of the Enterprise Hub, as SouthGen Community Hub would be functional before that time²⁸.

Units will be developed as 'shell plus', meaning that they will have all infrastructure, Cat-6 cabling, lighting, carpeting etc in place, but no furnishings. Each unit has CCTV and a security alarm and is separately metered for utilities so that individual businesses could establish their own contracts if they wish; this is especially important for established or 'move on' businesses with existing preferred suppliers.

The meeting room (right) will have full AV support for presentations with adaptable



²⁶ It is unlikely that a cycle hire business would find any of the retail units suitable for them, due to the need (under current planning permission) for the frontages to be fully glazed. A significant redesign of the Blyth Road frontages is unlikely to be approved, as the detailing was specified by the Conservation team.

²⁷ Note that occupancy rates vary significantly dependent on the type of business occupying space, and the way in which they operate. Businesses such as design agencies, architects etc tend to have lower density due to the equipment needed to be housed, and some businesses prefer an informal layout with breakout spaces too. All these can be accommodated within the current design.

²⁸ Note that co-working was included in the grant application to CCF, but clearly it could not be implemented if it were simply in competition with SouthGen, to the detriment of that project.

conference furniture enabling a variety of meeting layouts up to boardroom style for 16 people. Immediately adjacent is the kitchen, so that refreshments for meetings can be stored and delivered into the room as required.

Green technology will play an important role in the Hub. Photovoltaic panels are planned for two of the south-facing roofs; air source heat pumps are being investigated to support climate control for some of the units. Sedum will be planted on the flat roof of the meeting room, providing a more pleasant outlook for nearby buildings, improve air quality and provide nectar through their long flowering months.

A green travel plan will be embedded into the project and all tenants will be encouraged to promote it, to walk, cycle or use public transport as far as possible. As noted, showering facilities are included to encourage cycling to work as part of this policy - currently only 2% of Southwold’s working population cycle to work²⁹.

The central courtyard will be landscaped with nectar-rich planting and an ornamental tree. Benches around the site will provide space for tenants to use during work-breaks, but importantly this will also provide a facility for local residents to use, especially those, such as the Council’s tenants in Station Road, who have no outdoor space currently.



There is no parking onsite. Ad hoc parking will be available in the new Millennium Foundation Car Park, close to Station Road. Additionally, ten reserved spaces have been agreed with the Millennium Foundation, which can be rented to tenants on an annual basis, with a small percentage of the income being returned to SMF to support ongoing maintenance. Given that business use is generally not on weekends and bank holidays, Station Yard businesses and their visitors will provide useful addition income to the Foundation without reducing capacity at peak visitor times over weekends.

The retail unit on the Station Road frontage improves the existing independent convenience store, providing significantly upgraded facilities in the new building. It is hoped that the tenant of the current store will move into these new premises, continuing an important service for local residents. The introduction of up to 73 office workers (and their customers) immediately behind the store should deliver additional footfall to the shop – and the wider vicinity - helping to improve year-round sustainability.



²⁹ Southwold Neighbourhood Plan, 2018-2038

Because of the Enterprise Hub's location outside the designated High Street zone but adjacent to it, it will be more affordable for business start-ups, with lower rent and rateable values. However, its proximity to the High Street means that the commercial area is effectively extended to include the Enterprise Hub, benefiting both hub tenants and the businesses in between. As noted above, business premises in Southwold are in short supply. The units within the Enterprise Hub will boost the supply, providing alternative accommodation for businesses that do not need to be close to the High Street (and leaving premises around the High Street for those who *do* want to be there, such as estate agents and other professional services).

Target Market

The project aims to support start-up businesses in the town, businesses that wish to expand, and, importantly, those from outside the area that want to relocate to the town or develop additional services within the town. These will predominantly be micro-businesses with 1-9 staff, of which there are 5.4million in the UK, representing 96% of all businesses in 2018, with a combined turnover of £808bn.³⁰ The East of England accounts for just over 11% of all businesses in England, and has a higher than average number of businesses by population, being the third largest in the UK, outside London.³¹

There are already several businesses in the town that have created new branches in Southwold, but the absence of suitable presence is a barrier to more businesses making the move and increasing employment in the town³². Repeatedly, studies have shown that *local* businesses employing *local* people contribute 7x more to the local economy than those businesses run remotely or as part of chains, so creating more space for local business to operate must be a priority.

The many assets of Southwold that attract visitors also have the potential to attract business owners making quality of life changes, particularly those from London and the South East (where property prices are even higher than Southwold, meaning that a major barrier is removed). The Devon Chamber of Commerce reports an increasing number of businesses establishing a local presence in seaside towns, despite having a client base in major cities elsewhere in England. The reliability of video conferencing and workgroup technology enables them to be based remotely, and make occasional visits to clients, thus enjoying a better lifestyle, and benefiting from lower establishment costs, than in the cities. Devon is a particularly useful comparator to Suffolk, as it has similar geographic and demographic attributes; towns like Salcombe face comparable challenges to Southwold.

The East Suffolk councils' Economic Growth Plan and accompanying Delivery Plan recognise the importance of micro and SME's to the coastal economy, highlighting their potential growth, and the attraction of East Suffolk's unique location. It stresses the importance of having appropriate workspaces and premises for businesses, as well as the need to equip small business owners/managers with the skills they need to gain the confidence to invest and grow.

³⁰ House of Commons Library, 'Business Statistics' Briefing Paper Number 06152, 12 December 2018

³¹ Ibid.

³² This is supported by feedback from both Durrants & Chapmans Surveyors, and also from the Lowestoft & Waveney section of the Suffolk Chamber of Commerce

Businesses Supported

In designing the centre, consideration was given to creating spaces to meet the varying needs of the small and micro businesses likely to choose Southwold as their base. It is anticipated that the occupants of the Enterprise Hub will be a blend of:

- start-ups businesses requiring premises, perhaps even as new joint ventures with shared admin staff – these could be potential occupants on a shared basis of the larger 1st floor offices in Building 1
- 'moving on' micro and small businesses that are expanding, taking on new staff, increasing their capacity or looking for more or better space, including businesses initially established within the SouthGen Community Hub
- a smaller number of established businesses that may expand marginally in new accommodation
- (if co-working were introduced based on evidenced success of SouthGen) self-employed single-person businesses looking to move out of home-offices, either for better, more professional looking space in which to meet clients, or to improve their life-work balance by creating a gap between home and workplace.³³

There is no assumption about the types of businesses that might locate in Southwold – previous suggestions have included technology businesses, for example – although it is possible that there may be a noticeable presence of businesses serving Southwold's specific needs, such as architects/designers working with property owners, and those managing or administering tourist services. Instead, occupants are differentiated by their space requirements, and split into two groupings termed 'standard' - needing around 6.96sqm per occupant - and 'lower' – requiring/preferring 9.69sqm amount of space per occupant; this latter is likely to include businesses such as architects or designers with large screens and printers to accommodate, or businesses seeking breakout or meeting space³⁴. This methodology helps ensure that the business case does not overestimate numbers employed, by reducing the space/person to unacceptable levels.

It is difficult, with so little business accommodation provision in the town currently to use as a basis, to be certain about the new jobs likely to be created from the above, but using the groupings, and looking at other business hubs around the country, it is predicted that job creation could arise as follows:

Start-ups renting business units – 50% new jobs. Not all start-up business roles will be new, as many will previously have been operating as sole traders; some may come from SouthGen's co-working space.

Moving on businesses – 30% new jobs. A lower rate of new job would be expected as these businesses already exist but are expanding further and require new premises.

Established businesses – 10% new jobs. Established businesses are unlikely to create many new jobs, as they will probably have around the profile required to operate successfully. However a small number may use the availability of new premises to expand marginally.

³³ Research into the needs of small and micro-business beneficiaries included looking at projects in other coastal towns. The Devon Work Hubs programme, instigated by Devon County Council, has been particularly inspirational. It offers co-working space for individuals to use on a short-term hire basis. The positive impact and substantial benefits delivered to the individuals, to their businesses' viability, and to the towns that host them, are clear to see. The project has been so successful that new sites are springing up across the county.

³⁴ The legal minimum (from HSE) is 4.6m² for rooms with ceiling heights comparable to the Enterprise Hub. However, this does not take into account circulation and movement space. Both Ingleton Wood and NWes recommended 6.96m² ('standard') and 9.69m² ('lower') as optimum space allowances for the types of uses anticipated.

Mapping these figures to the spaces provided and likely occupants, it is conservatively predicted there will be a minimum **5 new businesses** and around **26 new jobs** created at the Hub, of which **64** are expected to be higher value roles, and, importantly, not directly reliant on the visitor economy. In total, **73** people could be employed at the hub when at peak occupancy (assuming that businesses hire the optimum space for their current requirements rather than paying a premium for potential future growth). See Appendix C for the occupancy model.

Management of the Hub

Southwold Enterprise Hub would be run as 'managed workspace', with support from an experienced third-party provider to coordinate all aspects of securing tenants, including legal and financial processes, as well as managing the facility day-to-day, and providing business support. If CCF funding were accepted, an apprenticeship will be created within the Southwold Development Team which is wholly funded by the CCF grant. The apprentice's role would include some support of the hub on a day-to-day basis, including supporting the virtual tenancies.

Virtual tenancies will be offered, where remote businesses use the address and a central Southwold phone number, although located elsewhere. This capitalises on the cachet of a Southwold address³⁵ but will also enable businesses intending to relocate or expand into the Enterprise Hub to begin that process in advance. An additional higher-level virtual tenancy option will include access to business support services and networking (see below) and it is anticipated that this will help to develop a 'pipeline' of businesses to move into the Enterprise Hub as vacancies arise, particularly since virtual tenants will be given priority.

The meeting room, which can be hired at a discount by tenants, including virtual, will be available for public hire; there is a significant shortage of good-quality, fully-accessible business space for meetings in Southwold and this will provide important support for businesses across the town. Bookings will be managed by the workspace management team, with any additional catering requirements delivered by local providers. Use of the meeting room by businesses will bring clients into the town, who in turn may become visitors to the town too.

To ensure the benefits of the Hub are extended further in the town, the managed workspace provider will be required to use local suppliers for most services – such as cleaning, grounds maintenance, minor refurbishments and repairs.

Proposed Rental Rate

The current financial models (see Appendix D) are based on an average annual rental rate for offices of £22.00 per square foot, excluding VAT³⁶.

The office rate compares favourably with the available premises on the market in Southwold, being between 24% and 34% lower. The units in Station Yard are also purpose built, fully accessible and optimised for business use, with B1 use (office) in place, unlike those available elsewhere in town.

³⁵ Local businesses up to eight miles distant bring Southwold into their location details to benefit from the perceived value of the Southwold 'brand'

³⁶ Mid-range estimate from managed workspace specialists NWes.

Purpose-built units run as managed workspace are available in Ipswich³⁷ and in nearby Leiston³⁸. However, in both cases, units do not have private welfare facilities and neither is in a prestigious location or can offer the cachet that Southwold has. Leiston's prices are broadly comparable to those used within the financial models here, whilst the Ipswich building is approximately 30% more expensive.

In consultation with both Chambers of Commerce and the Federation of Small Businesses³⁹, it is clear that there are other factors that affect rental rates, and in turn, demand. Key amongst these are lease terms, and the length of leases. Small businesses, and in particular relatively young businesses, are reluctant to enter into long leases, as this represents a major risk to their stability during a period of development. Many leases, particularly of older buildings, are on repairing and/or insuring terms; again, there is a real disincentive to enter into these agreements as there is potentially no limit to the liability of the tenant, and protective insurance is hard to obtain and costly.

As a result, whilst rental rates may sometimes appear lower elsewhere, the hidden cost to businesses lies in the lease terms. For the Enterprise Hub, there is significant flexibility around the terms of the lease, and certainly no requirement for either insurance or repairing terms. This will not only secure a higher level of demand, but should also support a higher rental rate, by ensuring barriers to exit are relatively low.

Although a standard rental rate is used for modelling purposes, Council may decide to charge a lower rate for some of the smaller units, where tenants are less likely to be VAT registered. This would therefore alleviate the impact of a 20% additional cost, which larger businesses can offset against their VAT liability.

All units would be offered as serviced units, ie with managed workspace supervision and business support, plus services including utilities, broadband, security, cleaning and standard waste disposal included in that rate, as well as a contribution to external maintenance and repairs. The service rate in this business plan is £5.31 per square foot annually, ie an average of £2,400 per unit annually. This again is competitive, and importantly will provide a ready-to-use infrastructure for young businesses, which are less likely to have the capacity to arrange all such services independently.

In terms of 'per occupant' rates, based on the predicted occupancy per office, the lowest rate per occupant per calendar month is calculated at £149 per calendar month, with the average at £220pcm (£10.48/day based on a 5-day working week). This is comparable to offices such as those in Riduna Park, near Woodbridge, as well as Lowestoft, Leiston and Ipswich, with the key difference that shorter leases would be available at the Enterprise Hub. For the quality of office space and the location in Southwold, this represents good value, and is in line with (or lower than) co-working charges around the country.

Looking at unit charges, an office for 2 people at the Enterprise Hub would cost between £4,085 and £5,083 pa (rental and service charge, net of VAT). By comparison, a 2-person serviced office in Leiston Enterprise Centre in mid-2018 cost £5,520 (net of VAT). However, Leiston's densities are greater, at ~5.2sqm per occupant. At this density, both the 2-person offices in Southwold Enterprise Hub could accommodate 3 people – which would bring the per occupant cost down to £133 pcm (£6.33/day).

³⁷ Basepoint Ipswich, on Ransomes Europark, to the south east of the town

³⁸ Managed by NWeS, Leiston Enterprise Centre is on the Eastlands Industrial Estate

³⁹ Suffolk Chamber of Commerce, Norfolk Chamber of Commerce, FSB - Federation of Small Businesses

Tenants (including virtual) can hire the meeting room at a discounted rate. Use of all other facilities and services – bins, cleaning etc - is included in the monthly rental and service charge.

The existing shop rental is increased to £7.95 per square foot. This is still significantly lower than the Council's other retail premises on Station Road, and it is recommended that a further rent review is undertaken for the store before it moves into the new premises, potentially migrating its rental closer to that charged for the Council's other properties in the adjacent Hurren Terrace.⁴⁰

The above comparisons support the argument that the rental rates used in the financial models are reasonable and achievable.

However, once the Enterprise Hub is operational, should occupancy be lower than projected, it would be possible to offer incentives such as rent-free periods, reduced rents etc, without having a significant impact on the overall business performance.

Rental rates would be lower in Station Yard than the High Street, but there is no contravention of State Aid rules (as is key for any public funded project) because it is in a different, non-High Street location, and therefore there is no subsidy that unfairly affects competition locally.

Should public funding be rejected, Council would have the flexibility to establish any number of incentive schemes, such as a large reduction for Southwold-based start-ups or social enterprises, or those offering apprenticeships for local young people. Even with funding, there will be flexibility to offer incentives at some level, perhaps for a short duration, or differential pricing.

The Council would also be in a position, regardless of funding sources, to implement higher pricing for businesses relocating within Southwold. This would mitigate against there simply being a shift of current businesses to Station Yard where they would benefit from superior premises at lower costs (including lower business rates where applicable) without necessarily creating additional employment opportunities for residents.

Key Beneficiaries

As well as small businesses benefiting from the provision of new office space in the town, there are several other key beneficiaries:

The local workforce, including those in Reydon and the rural hinterland. Low-value seasonal work predominates in Southwold, with 40% of jobs in the town directly in tourism-related or retail businesses⁴¹. Meanwhile, 45% of workers resident in Southwold leave the town for work⁴². More businesses in the town, providing year-round higher-value employment will help attract and retain workers for the town, provide opportunity for those moving into affordable homes in the town, improve social mobility and strengthen the local economy.

The residents of Southwold and its community. Addressing the dwindling population is critical to ensuring the continuation of the community. Older people in particular need local services; without a critical mass of residents, services disappear and without services, fewer people wish or are able to live

⁴⁰ It is recognised that there is sensitivity around the general store, and its ongoing occupancy; however, should the existing tenants choose not to continue, then the opportunity to implement a comparable – but fair – rental rate, in line with other nearby tenancy rates, must be taken.

⁴¹ ONS Business Register & Employment Survey (2017)

⁴² Southwold Neighbourhood Plan (2018)

there. The predominance of second and holiday homes also has a negative impact on community, creating unexpected pockets of isolation in a bustling town. Local people living and/or working in the town contribute much more than just financially, by helping to run community activities.

SouthGen Community Hub and the investment from the community in it. This will be protected, in that the businesses that flourish and grow beyond the Community Hub can be retained in the town, rather than lost to other locations because of unavailability of larger premises. As they move on, their space within the Community Hub will become available for the next generation of entrepreneurs.

The local environment. Station Yard is the major brownfield site in this part of the AONB, and is in need of improvement, and, potentially, decontamination. The landscaping of the site will create a small but nonetheless valuable ecological enhancement compared with the current use.

Local tenants/occupants of properties nearby. Local people will benefit from a new community space, particularly those who have no outdoor space currently.

Local businesses in proximity to Station Yard. Shops in the immediate vicinity will be regularly used by workers at the Enterprise Hub (and their customers/visitors), all year round. This will deliver valuable incremental income for businesses that are somewhat disadvantaged by being dislocated from the main High Street, with its higher footfall. Two key beneficiaries in this category are the current general store, and the hotel across the road.

Businesses in the town. Additional year-round workers bring additional income across the town, and those who are also new residents will spend significantly more in town. Repeatedly, studies have shown that *local* businesses employing *local* people contribute 7x more to the local economy than those businesses run remotely or as part of chains. Local businesses providing B2B services, such as accountants, lawyers etc will benefit from the additional businesses based in Station Yard, as will local service providers including catering, cleaning and maintenance, who will be preferred suppliers to the management workspace provider.

6. Options Considered

Several alternatives to the above proposal have been assessed against the Council's priorities for outcomes from the investment (whether or not funding is secured) and taking into account the extent to which the Council decides it wishes to invest in the project. Comparison charts follow at the end of this section, examining the payback periods, cumulative financial position by year 30, and the jobs created. For comparisons of the capital costs and the impact of funding see Section 7.

It is important to note that 'Do Nothing' is not an option. The current condition of the buildings is such that continued occupation is unadvisable, as there is the potential for unacceptable risk to occupants. The closest option to 'Do Nothing' therefore, would be to close all the buildings – bar the convenience store – board them up and secure the site to prevent access.

The full list of options considered are:

- a) **The 'CCF' proposal** – a full development of Station Yard with designs as per planning permission, but used exclusively for enterprise, with relocation of the existing convenience store.
- b) **A business/retail mix** – a full development of Station Yard as above, but with mixed use for business and retail.

- c) **The original proposal** – a full development of Station Yard with mixed use for residential, business, retail and a café/takeaway outlet (as per current planning permission), and relocation of existing convenience store.
- d) **A half scheme** – building 1 only, for retail and office use, including relocation of the existing convenience store, with landscaping at the rear.
- e) **A smaller scheme plus workshops** – a smaller building 1 at the front, for retail and office use, with the existing convenience store’s building retained; three workshops built at the rear.
- f) **Rebuilding the existing garages** – replacement of the existing garages with 3 workshops, and the current shop retained.

a. Full development of Station Yard, enterprise use (CCF)

The application submitted to the Coastal Communities Fund in early 2019 – for which approval was secured in September 2019 - was for just under £1m. This is £809k for capital development of Station Yard as ‘Southwold Enterprise Hub’ for enterprise use, as well as £186k funding for a Southwold Development Team to look after business support, marketing of Southwold as a place to do business, supporting and coordinating existing businesses and strategically managing the tourism offer, including proposing events with the aim of spreading the tourist footfall into and beyond the ‘shoulder’ months.

The scheme’s overall design is unchanged from that which gained planning permission in early 2019, ie two purpose-built buildings, incorporating new premises for the existing general store, with landscaping of the internal courtyard. However, all units (15 in total) would be used to support enterprise in the town.

The initial bid for funding was not successful, but Southwold was, unusually, placed on a reserve list, should funding be freed up from one of the other projects that had initially secured a grant⁴³. In September 2019, Southwold Town Council were informed their bid had been successful.

This scheme would create more jobs than any of the others and give the highest annual return (and therefore pay back the investment sooner). It would also provide the maximum grow-on space for businesses moving on from SouthGen Community Hub. However, despite the potential £1m windfall, there is a concern within Council that this might become a rather lifeless place particularly at weekends, without any retail mixed into it, and that public perception in the local community could be somewhat lukewarm about its entirely-enterprise purpose (until such time as jobs for local people begin to flow through).

Payback has been calculated, indicatively, to occur during year 13, if a further property is sold and there is therefore no loan to service. Note that this is based on a capital repayment of £1.991m, ie the capital cost less the £809k inward investment from CCF. Between capital payback and year 30, a cumulative profit of just over £5m should accrue.⁴⁴ Capital cost per job for this scheme is approximately £27k.

⁴³ The ‘reserve list’ probably arose because there is a Brexit-related deadline for expenditure of the funding, which is EU sourced. Any project that fails to secure match funding in a relatively short timeframe would be forced to drop out.

⁴⁴ “Indicative payback” is used to provide a basis for comparison across the different schemes, which have varying capital costs and payback. It is based on a number of assumptions and estimates modelled throughout the period to end year 12, then a flat 2% growth thereafter. These are purely projections, and changes could occur that alter the chosen scheme to some extent; Council must be aware of this when making any decision – these are predictions, not guarantees. However, to provide some form of like-for-like comparison, it is an acceptable model.

Note that any costs of funding have been excluded from this calculation, as no decision has been taken on whether to sell a further property or take out a PWLB loan.

Funding options are discussed further in Section 7.

b. Full development of Station Yard, for retail and business use

This scheme's overall design is identical to that for which planning permission exists, except that the units on the ground floor of Building 1 (fronting Blyth Road and Station Road) would be for retail use, to address Council's concerns over the potential lack of day-to-day vitality of an all-enterprise scheme. Such a development would deliver the second highest level of employment and return on investment, but importantly, would meet Council's desire for a greater vibrancy for the gateway to the town. It also is more likely to sit well with local people.

An equivalent number of new businesses are likely to arise from the introduction of retail, compared to the CCF enterprise use. Fewer jobs would be created (most small, non-chain retail outlets employ very few staff, tending to be owner-run with part-time support)⁴⁵ and those that are created would be lower value roles, in keeping with those in the High Street. This would therefore fall short of CCF requirements and would mean that this would **only be an option** if councillors took the unusual step of declining the £1m inward investment from CCF and self-financed instead.

From the council's investment risk perspective, introduction of retail increases fractionally the likelihood of empty premises and thus a lower return. In the UK, 10% of all businesses are in the retail sector⁴⁶, compared to 37% in the target market sectors for office space at Station Yard⁴⁷. This means that there is likely to be lower demand for retail spaces combined with a higher supply of suitable premises in the town – there are more empty shops (September 2019) than has been seen for many years. However, the 'Southwold factor' may play a part in this, and generate demand for less expensive units, albeit distant from the main High Street, so this risk element alone would not be reason to reject this option.

Competition with the High Street would be inevitable, and there is some risk to the shops on Station Road immediately adjacent to the site, dependent on the specific retail use of the new units. However, it is arguable that a greater draw to this part of town will arise by having more shops and a greater variety on offer, which could benefit nearby businesses. Relocation from the High Street is a clear risk, as rental and business rates would be significantly lower for retail use in Station Yard, and the Council will need to adopt policies to actively manage this.

The indicative payback – if funded without loans - is estimated to occur in year 17, with a cumulative profit accruing from then up to year 30, of about £3.6m. The capital cost per job for this scheme is approximately £45k.

⁴⁵ 60% of UK retail businesses have no employees, and a further 34% have 1-10 employees. Source: House of Commons Briefing paper 'Retail Sector in the UK', no. 06186, 29 October 2018

⁴⁶ House of Commons Briefing Paper 'Business Statistics', no. 06152, 12 December 2018

⁴⁷ Target business sectors include professional/scientific, ICT, administration & support, financial & insurance services

c. Full development, retail, business, residential & café (as in original planning permission)

Prior to the work on this business case, the designs for Station Yard were focused on maximising flexibility, incorporating residential, business and retail, this last including A3/A5 food use (café/takeaway). Planning permission is granted on this basis, currently.

However, as a result of the options appraisal process, which identified higher value job creation as a key deliverable, and work undertaken as part of the research for this case, it is clear that this will deliver fewer benefits than the recommended proposal.

Two elements, the residential use, and the presence of a café, are sub-optimal. The upstairs flats will provide accommodation (presumably at market rates) for, at most, two families, without private outdoor space; clearly no higher value jobs are created as a result. Both affordable and market housing is being delivered within the town currently, so there is no pressing urgency for additional supply.

The café is poorly sited, hidden inside the courtyard. It is unlikely that those present in other units within Station Yard would alone sustain such a business, and it would be in direct competition with the nearby hotel and the general store, as well as other businesses in the wider town. From an investment perspective, it is a poor use, and few if any higher value jobs would arise; worse, it replicates businesses nearby and endangers their profitability by spreading income more thinly.

The capital investment for this option is identical to the first two, but the annual return would be about 60% of an all-business use, or 68% of a business/retail mix. In terms of jobs, it would deliver **half** that of an all-business use.

Grow-on space for SouthGen Community Hub would be significantly reduced as the smallest office space that would be available is 40m², accommodating 6 people, potentially larger and thus more expensive than most growing micro-businesses would require initially. A reconfiguration of the office spaces in building 1 could be considered, to offset this risk.

The net income from this scheme indicates payback by year 19, with a cumulative profit of around £2.7m being generated between payback and year 30. The capital cost per job is £75k.

However, because of the failure to deliver against the strategic aims of economic diversification and protection of SouthGen investment, this option is not recommended.

d. A half scheme, building 1 only, business & retail use

Should there be less money available to invest (either due to a decision to decline the CCF grant, or a decision by the Council to reduce its investment level), an option exists to develop only Building 1, which fronts both Station Road and Blyth Road.

A single building onsite would most likely be required to occupy the front of the site, for planning reasons (continuation of the buildings' lines on both frontages)⁴⁸. Building 1 would therefore include a replacement for the existing general store, three shops on the ground floor and two offices above.

⁴⁸ This is the view of Ingleton Wood, which would have to be tested with East Suffolk Planning, but as precedents abound elsewhere it is considered highly unlikely a building at the back, with landscaping or parking at the front, would be acceptable, especially in this key location in the town.

Since all offices would be on the first floor, it would be prudent to amend existing designs to include a lift for access. This is not considered necessary in alternative schemes where there are a range of premises available on the ground floor with full access. Alternatively, Council could decide to implement an all-business use on this site, to avoid the additional costs.

The area to the rear of the building would be landscaped (or, subject to planning permission, laid out with a small number of parking spaces). There are some complexities around landscaping the rear: it is likely that the additional area to the rear, where building 2 would otherwise have stood and where parking might go, will require soft landscaping and other interventions to deal with surface water management and drainage.

It should be noted that there would be insufficient access to subsequently build behind, without a major increase in the capital cost and construction complexity of the subsequent build; this therefore must not be considered as a first phase of a larger project.

The capital cost of this option is estimated to be about 60% of the full scheme⁴⁹. This is because the cost of demolition, site clearance, services connection/replacement, drainage etc are identical regardless of what is built onsite; professional fees are lower but not halved and there is the additional cost of introducing lift access.

The annual return would be about 38% of that of the recommended scheme. This means that payback of the investment would be slower, despite the lower capital investment.

This scheme could not be run as a managed workspace, because, with just three new retail and two business tenants there isn't the critical mass – or the income - to support it. The management cost, and workload, would therefore fall to the Council. Similarly, there is no business support factored into the scheme, for businesses within the scheme or in the wider town. Without a managed workspace provider, this could not be delivered, and there is insufficient income to cover its costs if established separately.

Fewer new businesses would be introduced, and similarly, the number of people employed would be less than half that of the recommended scheme. As a result, the benefits for the community, and for local businesses etc, would be significantly reduced.

The lower capital cost, however, means that the Council has to invest less, leaving financial capacity to develop different projects elsewhere in town.

The indicative payback for this scheme is year 22 of operation, and between then and year 30 a profit of about £958k would be generated. The capital cost per job would be around £69k, ie lower than the mixed scheme, but almost double the 'CCF enterprise' option.

e. Half scheme, building 1 plus workshops at rear; existing shop retained

Subject to planning consent, the existing shop could be retained, in its current form, without any enhancements. The replacement of the shop, whilst providing improved facilities and appearance, is proving contentious for some in the community.

⁴⁹ Based on guidance from Richard Uttings Associates

The shop occupies the front ground floor of Building 1 in the full scheme designs. If the shop were retained, the office space above it would therefore be lost. To achieve adequate separation between the old and new buildings, Building 1 would need to be about 15% smaller, reducing lettable space.

In this scenario, the ground floor would become three retail units, two on Blyth Road and one in the courtyard, assuming there is still a desire for retail in this location, given the small size of the development. The upstairs space would accommodate a single, large office space.

However, there is a high risk that Planning would **not approve a two-storey new build with the single storey existing shop** in front of it. Note that it is not possible to build above the existing store as it is not structurally able to support a first floor, and in any case, planning are highly unlikely to approve such designs. For the purposes of comparison, it is assumed a two storey Building 1 is acceptable, but Council must note the considerable risk that this would not be permitted.

To the rear, three workshop units could be built, providing, for example, a garage and two units for artisans, or indeed a cycle business. The current garage owner requires a much smaller space than that they currently occupy. However, there remains an issue of where cars awaiting servicing would be stored, unless the landscaped courtyard area is lost. This is unlikely to be acceptable to Planning, especially as surface water management would become a significant issue.

The cost of this solution is about 60% of the cost of full schemes (because of the reduction in Building 1, and the simpler workshops to the rear) and slightly less than the previous option (because Building 1 is smaller).

No business support would be provided through this scheme, as it would not be sufficient to attract a managed workspace provider to run it; instead, all overheads and management time and costs would fall to the council. However, much of this would be recoverable through a service charge, which would be at two levels (a higher rate for Building 1's occupants, and a much lower rate for workshops, reflecting their direct billing for utilities, telecoms and the lack of cleaning/security systems etc).

The annual return is considerably lower, because of the single smaller office upstairs, compared to previous options, and of course, the replacement of building 2 with workshops which deliver rental income of about 20% of the enterprise rate.

The net income generated should pay back the investment during year 27 and return around £240k in cumulative profit by year 30. Because of the lower numbers employed (an estimated 19 jobs), the capital cost per job is calculated at £89k. Note that this option cannot be funded via a loan as it has insufficient annual income to service the debt.

f. Rebuild existing garages & workshops – the 'do nothing' option

The final alternative considered is to replace the existing garages/workshops and retain the existing shop. This is the closest to 'do nothing' that would meet the anticipated planning constraints – there is no option to retain the existing garages and workshops because of their extremely poor condition and the cost of repairing them would be uneconomic because of the presence of asbestos throughout.

To replace both buildings, despite being workshops rather than two storey habitable structures, would still be expensive – between £900-£1000 per sqm⁵⁰ – because of the constraints of the location and

⁵⁰ Estimate from Richard Uttings Associates.

setting. Demolition, site clearance and provision of new services is almost comparable to the costs in the full proposal and there is also the need to deal with surface water and drainage⁵¹. However, because all existing businesses could continue (if they were inclined to do so) the enabling costs of this option would be slightly reduced.

The cost of this alternative is estimated at about 25% of the full schemes, with a total of 8 people expected to be employed here. Of these, five may be higher value, but only two are expected to be new jobs.

Income would be higher than currently, because there would be three workshops rather than one large one as at present. However, the income level remains very low – as is the nature of rental for workshops - and the scheme looks unlikely to payback the investment within the first 30 years.

Comparison of options

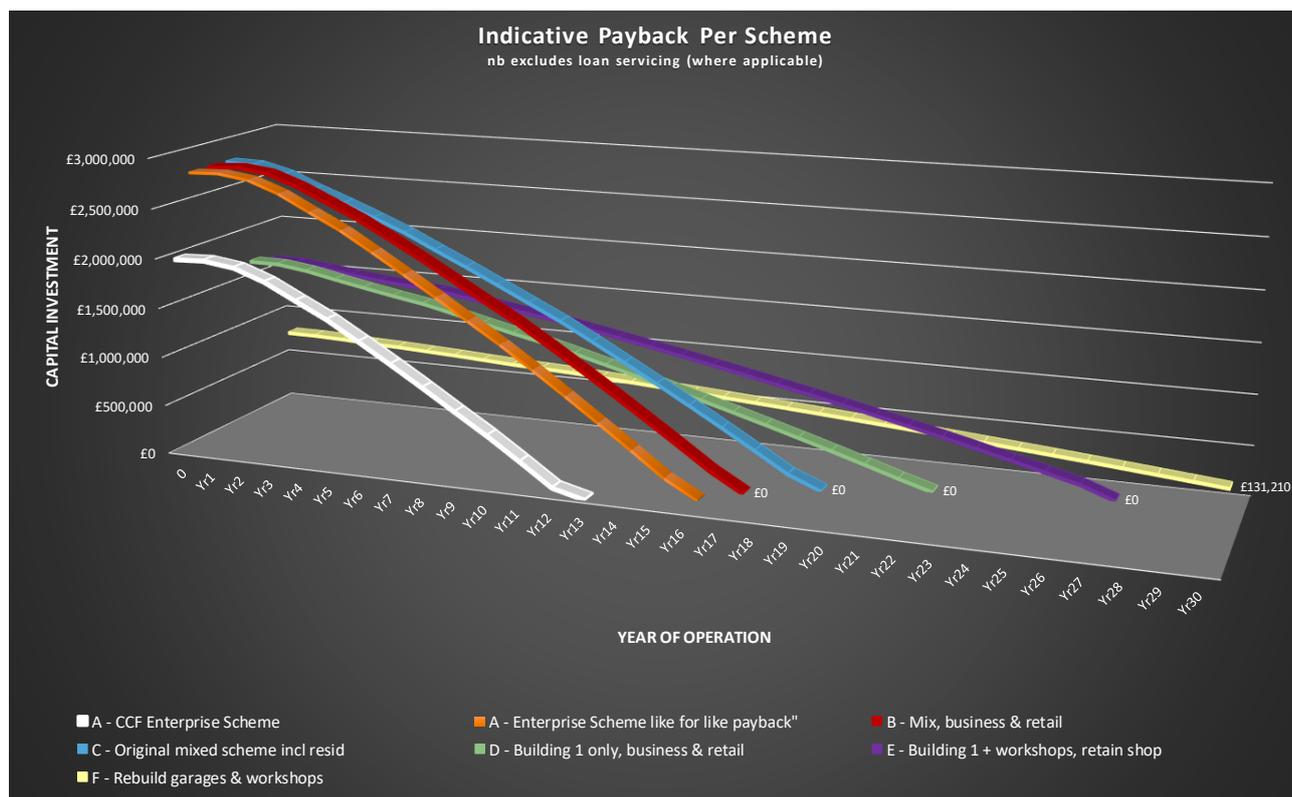
The payback period for options is calculated using the annual net position and deducting this from the initial capital investment. Note that the capital investment to be paid back in the CCF funded scheme is less (by £809k) as the CCF grant is not repayable. In the charts that follow, the CCF funded scheme is shown both at the lower capital level to be recouped, and also with the full capital costs – this latter is included so that the relative performance of the schemes can be compared on a like-for-like basis.

The annual net position is based on rental income (per square foot, incremented annually, and with assumptions regarding occupancy rates) plus other income (shop rental, virtual tenancy fees, service charges and car parking rental, where applicable). Costs to be deducted include, where applicable, managed workspace charges, business support fees, marketing, utilities including broadband etc, maintenance, security, insurance and business rates on communal areas and on any vacant properties. For all new build schemes, every five years an additional £10k maintenance cost is included to cover any more significant work required, or to allocate to reserves if not needed.

To assess the financial impact of each option, operating income over a 30-year period has been modelled, maintaining as level a playing field as possible (using comparable occupancy rates etc). This long period is because options requiring loan funding would need take out 30-year loans to minimise the impact on operational finances.

Funding mechanisms would have a major impact on each scheme, so for a preliminary assessment, payback has been assessed without funding, and, for the CCF Enterprise Scheme, including the CCF grant (which does not have to be paid back). However, every scheme has also been modelled with a range of funding options, including property sale(s) and loans. These are available separately. Details of the Enterprise scheme, and the business/retail mixed scheme are included later.

⁵¹ As an existing site, no action can be enforced on managing surface water, runoff from buildings etc. However, if planning is sought it is inevitable that Anglian Water will insist on adequate solutions being put in place, and on specific materials being used for ground finishes that help mitigate against flooding.



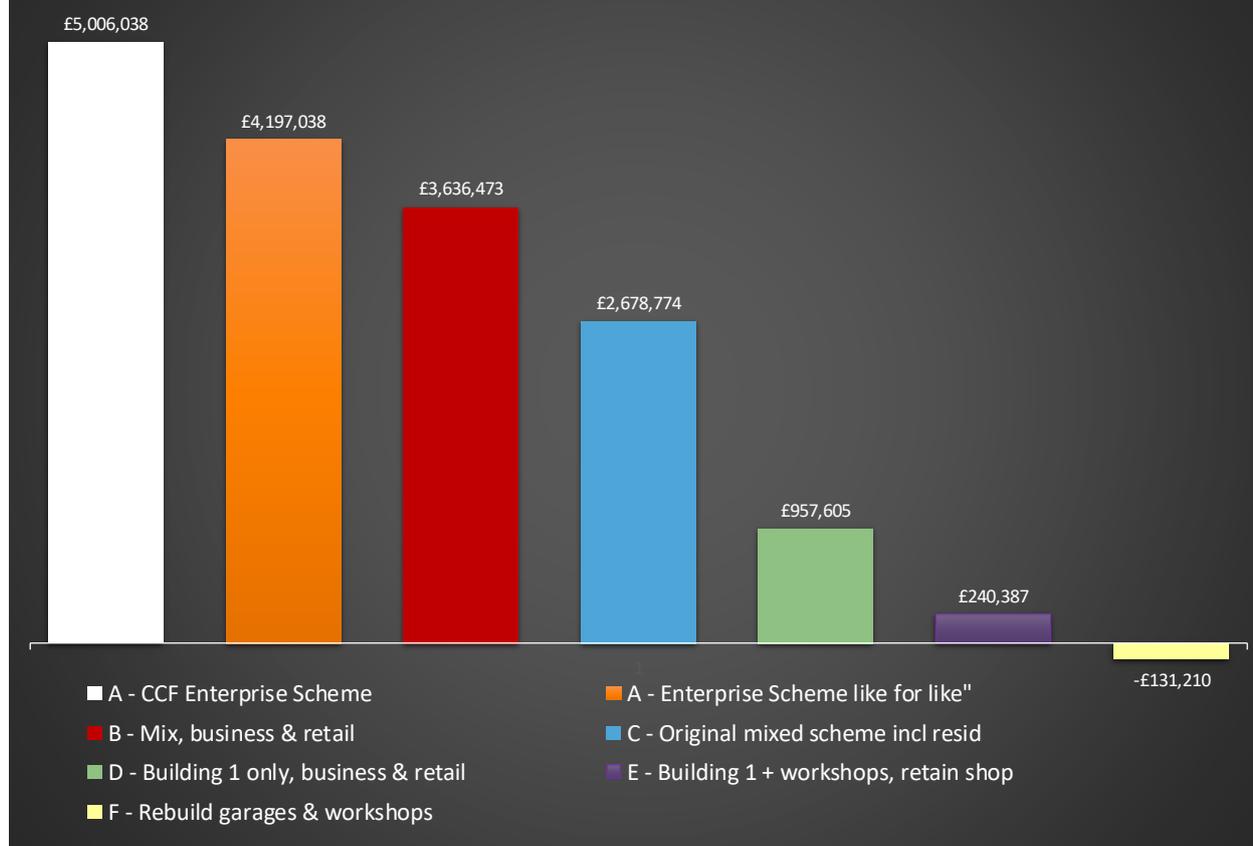
As can be seen from the chart above, all schemes should achieve payback within the first 27 years (net of funding costs, where applicable) except for the rebuilding of the garages and workshops, where the relatively high capital costs are not covered by the low income from the small number of businesses supported. The Enterprise scheme with CCF funding (white, above) has by far the shortest payback, as it does not include the CCF grant. However, as can be seen on the like-for-like comparison (orange), the operational performance of the enterprise scheme should be superior to all the others.

It is important to note that the 'half schemes' where Building 1 only is developed, with/without workshops to the rear, still take significantly longer to payback than the full schemes, despite the larger schemes' much higher original investment, and because of low receipts, none can be funded via a loan. It is evident, therefore, that the larger schemes represent a better return and a better use of Council's capital assets. .

The cumulative position (investment gain) for each option is simply calculated by taking the net income post-payback. As the chart below shows, all schemes will deliver some income by year 30, except the garage rebuilding option. However, both the Enterprise and the business/retail mix schemes have the potential to accumulate major profits, which can be used to support other initiatives in the town, to reduce the precept burden on residents, or to maintain the remaining property portfolios. Again, the CCF- funded scheme (white) offers by far the best return as it does not require payback of £809k of the capital cost.

Indicative Cumulative Position (investment gain) Year 30

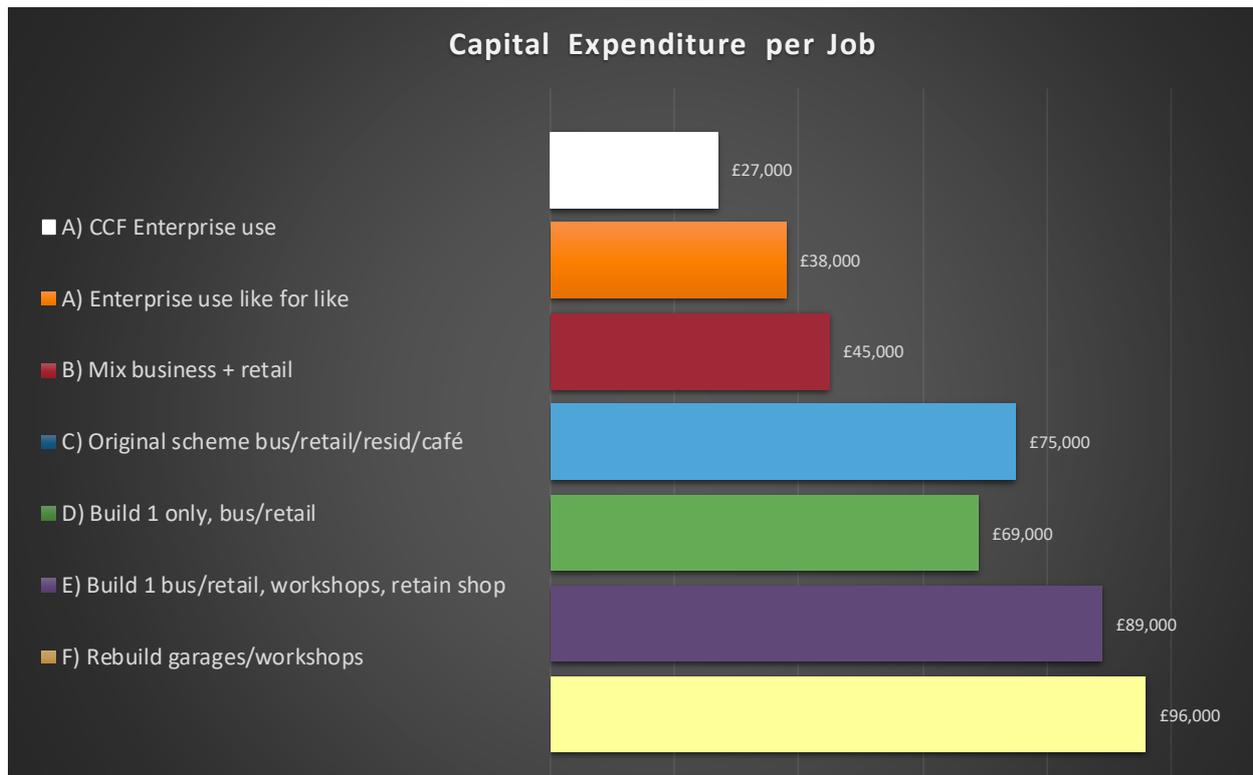
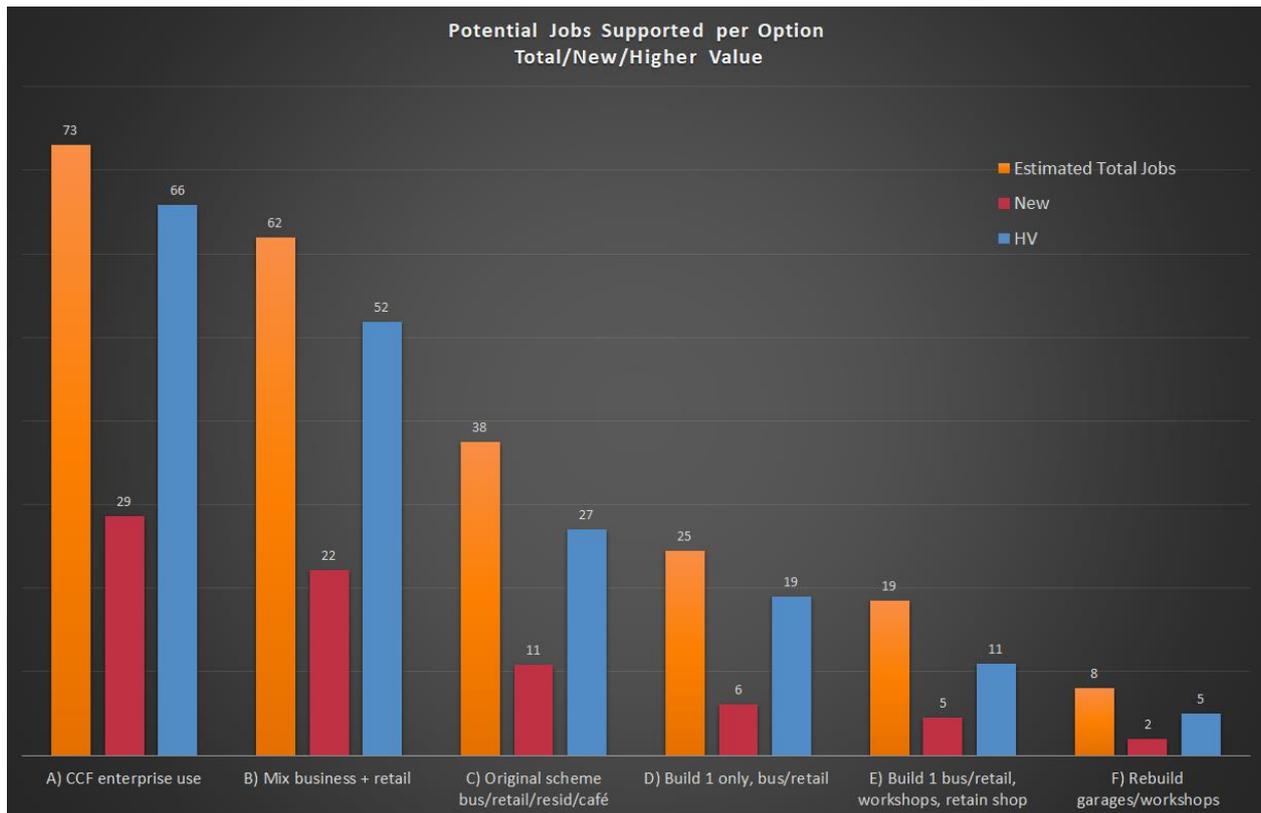
nb excludes loan servicing (where applicable)



The key deliverable for any proposed investment for Station Yard is to diversify the economy, bringing employment to the town, preferably higher value jobs, unrelated to the tourism economy – or at least unaffected by the seasonality of this industry. The first chart overleaf shows the total jobs per scheme and estimates of higher value job and new job rates.

Only the Enterprise and the business/retail mix schemes deliver high numbers of jobs, although there is a significant drop in the number of higher value jobs created in the mixed scheme, as a result of the introduction of retail. The half-build options deliver fewer than half the number of jobs of the full schemes – because Building 1 in the half-schemes is retail-dominated, and in scheme E is a much smaller building overall, because of the retention of the existing shop.

The second chart overleaf shows capital investment per job, based on the capital costs divided by the estimated total jobs per scheme.



Recommendation

There are two options that demonstrably deliver against the Council's strategic objectives: the Enterprise option, for which CCF funding is secured and the mixed business/retail option, which Council would need to fund in its entirety. Of the two, the enterprise option delivers the highest return and the most jobs, and its financial burden on the town is significantly lower.

It is clear that none of the smaller schemes – and particularly not the garage replacement scheme – meet the key deliverable of economic diversification to a degree that makes the capital investment justifiable. Those schemes that retain the existing shop will be politically attractive, but they are at best a poorer return on investment than the existing property portfolio and cannot be funded via a loan, and at worst, they could lose money for the town.

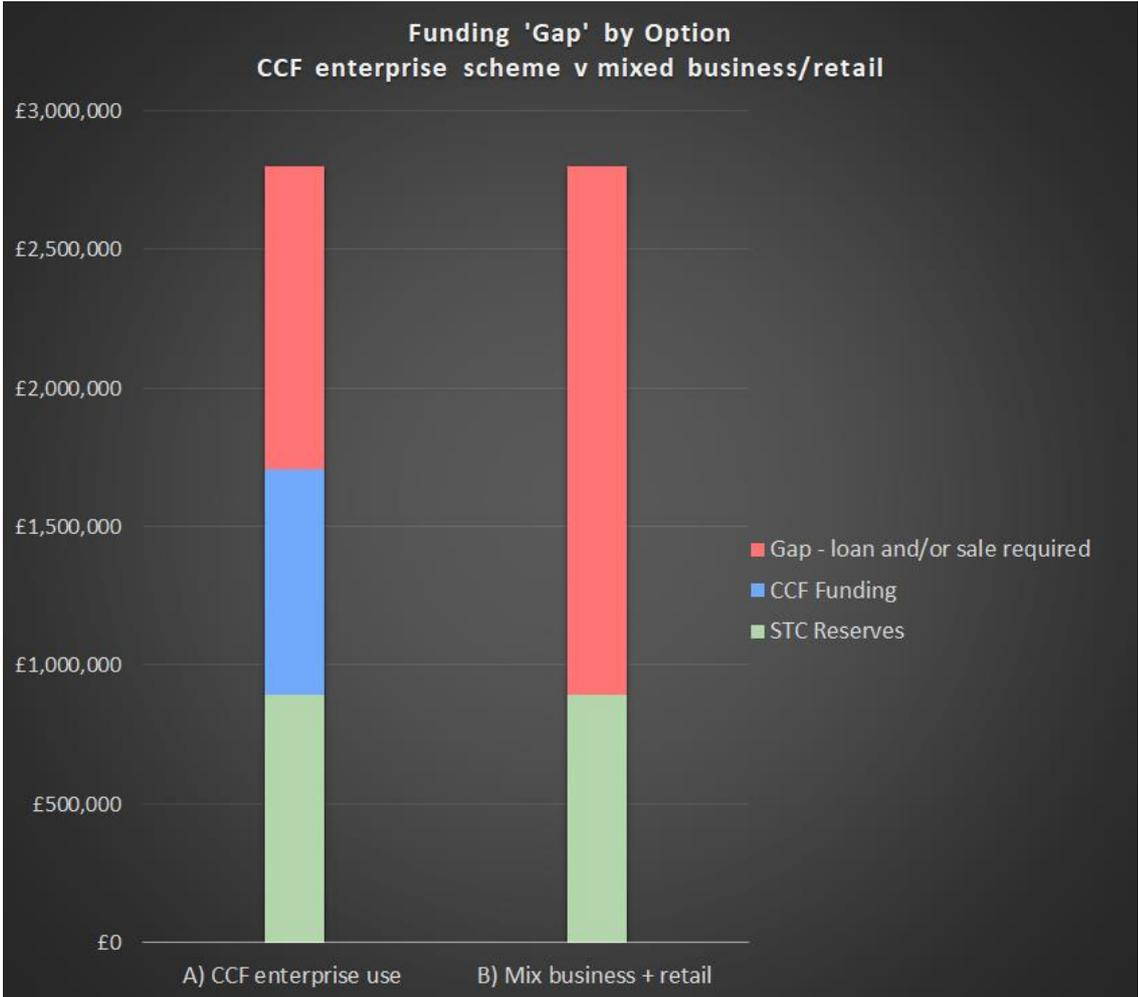
It is for these reasons, allied with the return on investment and the alignment with the Council’s strategic aims, that the Enterprise scheme is recommended.

However, if Council were inclined to pursue the mixed scheme, it would need to take into account the funding implications of this option. Therefore, the following section considers costs and funding for both these major schemes.

7. Capital Project Costs and Funding

The capital project (for either of the options – CCF enterprise or mixed business/retail) is calculated as £2,466,429, including enabling costs and contingency/inflation, plus professional fees of £333,429. This gives a total capital spend of **£2,799,858** over a 3-year period⁵².

The impact of CCF funding cannot be over-emphasised. The chart below shows the ‘gap’ in red to be closed, with the CCF funding, and for the second mixed scheme, if it were declined.



⁵² Costs from Richard Uttings Associates Cost Plan, based on Ingleton Wood’s RIBA 4 designs, Jan 19

CCF Enterprise Scheme Funding

Funding from the Coastal Communities Fund provides £809,000 towards the total capital cost. Southwold Town Council has £895,000 in reserves earmarked for the development, leaving a balance of £1,095,898. Only this balance needs to be recovered from the operational income of the Hub.

A Public Works Loan Board loan for this amount could be taken out (over a 30-year period to minimise the impact on operating financials). This would generate loan repayments of £65.4k annually, which the Council would have to service from its operational income or reserves until year three of the Enterprise Hub's operations, when annual surpluses should more than cover the cost, at which time the burden would not fall on residents of Southwold long-term.

The total cost of such a PWLB loan, at 4.35% interest rate and taken over 30 years, would be £1,961,785, ie just under £866k of interest would be payable. The projected surpluses generated by the enterprise scheme give an indicative payback of the outstanding loan balance achievable around year 23 of operation; however, depending on prevailing economic conditions at the time, a future Council might conclude that a loan at 4.35% interest is a cheap source of funding and continue it to the end.

The alternative to a loan would be to sell a further property from the Council's portfolio. The return that this capital element would generate would be equivalent to 37% of the Enterprise Hub's operating surplus annually, ie just under £60k in year 4 of operation, which is significantly higher than the rental generated by any of the Council's current properties. The maintenance and management overhead would also be reduced. However, it should be noted that the capital asset would be tied into Southwold Enterprise Hub and therefore the potential to liquidate that asset in future would be significantly reduced.

It is a given, however, that Southwold Town Council, if it were minded to accept the £995k grant from CCF, would have every intention of making the Enterprise Hub a success. If changes in the local economy meant that business demand was low, and Council could evidence it had done everything it reasonably could to attract tenants, it would be possible to look at other uses, such as retail, workshops etc, as previously noted. *In extremis*, a sale of some or all of the Enterprise Hub could take place. It is likely that CCF or its successor, whose consent would be necessary if this occurred during the first 20 years after capital project completion, would require a repayment of some of the grant, or a share of any capital gain.

Given that the CCF investment does **not** require repayment provided the asset is retained, the net cumulative position in year 30, with a £1.096m loan continued for the full 30 years, is £2.754m, ie a return on investment of 138%. By comparison, the projection for year 30 without any further loan is a net cumulative balance of £5.006m, ie a return on investment of 250%.

Mixed Business/Retail Scheme Funding

As it does not align with CCF priorities, funding for the mixed scheme would have to come from the Council's own reserves, or from other funders (as yet unidentified⁵³). As noted, the capital costs are the same, so the Council would have the option to sell properties and/or take out a loan, to cover the gap between existing reserves for the project and the estimated capital cost, ie £1,904,858.

⁵³ There are no clear candidates to provide major capital funding. Some smaller amounts, around the £200k mark, might be secured, but it would take a considerable time to raise £1m+

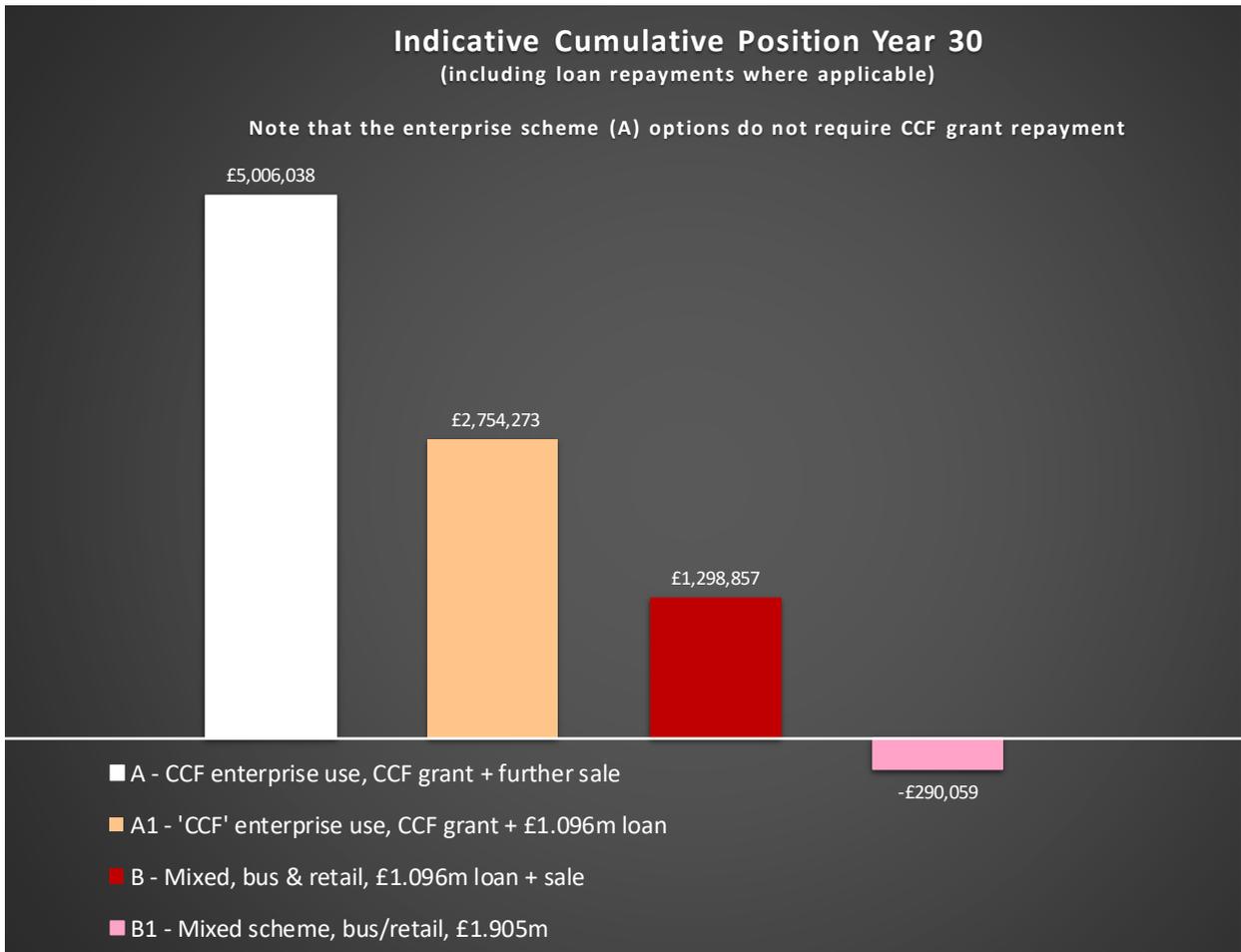
A loan for £1.096m, plus a further property sale would generate repayments of £65.4k per annum, serviceable from operational income of the Enterprise Hub from year 3 onwards. The net cumulative balance at year 30 is estimated at £1.299m, ie an ROI of 4.6%. The option to payback the loan early would arise from year 23.

If a loan were taken out for the full amount (£1.905m), this would generate repayments of £112k annually, which would be serviceable from annual income from year 4 onwards. Early repayment of the loan would **not** be an option; there is a projected net cumulative loss at year 30 of -£290k, ie an ROI of -10%.

Recommendation

Given the Council’s extensive property portfolio, and the potential return on investment achievable by the sale of property and reinvesting in the Station Yard project, it is recommended that this route is taken. Given that CCF funding has been secured, covering the remaining smaller gap with a property sale clearly represents the best use of Council assets, achieves more than double the ROI of the loan-supported option, and, importantly, avoids placing a loan burden on future councils and taxpayers.

The chart below illustrates the impact servicing a loan would have on the net gain at year 30, particularly for the Enterprise scheme if CCF funded.



	CCF grant + property sale	CCF grant + £1.096m loan	Mix scheme, property sale + £1.096m loan	Mix scheme, £1.905m loan, no sale
Annual loan repayments	-	£65.4k	£65.4k	£112k
Total interest on loan	-	£866k	£866k	£1.465m
Projected investment gain Year 30	£4.197m	£1.945m	£1.299m	(£290k)
ROI (like for like basis)	149.89%	69.47%	46.39%	-10.36%
Projected investment gain Year 30 (excluding CCF grant from capital payback)	£5.006m	£2.754m	n/a	n/a
ROI (excluding CCF grant from capital payback)	251.45%	138.35%	n/a	n/a

The table above summarises the financial impact of each of the funding routes for the two schemes. Note that if Council was minded to decline CCF funding, the two columns shaded on the right would be applicable, whichever of the two schemes was chosen. To provide a level comparison of operational performance, the paybacks are shown including the CCF grant being recovered over time. In reality, **the £809k grant is not repayable, and the final two rows in bold reflect the true position.**

8. Financial Appraisal

The total capital cost of the project is calculated as **£2,799,858** net of VAT⁵⁴, which will be reclaimed on the project. The cost plan has been developed by Richard Utting Associates, a leading Cost Consultancy in Norwich, and based on the detailed RIBA Stage 4 specifications from Ingleton Wood LLP. The cost plan and RIBA 4 designs are available as separate attachments to this business plan.

Operational Financials

The operating budgets for the two options (CCF grant-funded enterprise scheme; Mixed business/retail scheme) are shown at Appendix D. All costs are exclusive of VAT, which will be charged on tenancies, although as noted previously, fees for smaller offices may be adjusted to offset the impact of non-reclaimable VAT for smaller businesses.

In the CCF grant funded option, the Enterprise Hub (office units, with business support and virtual tenancy), will make an operating loss of just over £10k in year 1. Note this excludes loan repayments. The loss is mostly due to the level of business rates payable on vacant properties. As tenancy rates ramp up, this amount will decrease. However, there will always be a liability for business rates on communal areas, which can be recovered through the service charge.

The Hub is projected to begin making a profit in its second year, provided tenancies come on board at the predicted rate. The number of businesses occupying the centre has been estimated very

⁵⁴ Preliminary VAT advice from Elysian Associates Jan 19

conservatively in the first few years, but it is expected that the demand will outstrip these projections by some margin.

Overheads related to the running of the Hub would be recovered through a service charge to tenants – this would include broadband, heat, light, power, broadband/phone, security, cleaning and maintenance. Costs that should not be recharged include marketing and business rates on vacant properties, as these do not form part of the service package for tenants.

Sensitivity Analysis

Two specific areas have been modelled, looking at the principal risks to the operational finances – demand and rental rates.

Although considerable research and analysis has been undertaken, as there is effectively no existing commercial rental market for properties of this kind in Southwold already on which to base projections, there remains uncertainty about the level of demand for units. Advice from experts has been reassuring, and there will be a substantial investment of time and money in marketing effort, but nonetheless it is possible that take-up is slower than anticipated. Modelling shows that should take up by end year 2 be at 40% (ie 6 units occupied out of the 15 available), the business would just break even in that year.

If demand continued to be depressed, reaching 10 units out of 15 occupied by the last quarter of year 4, and maintaining that lower level from then onwards, capital payback (excluding CCF grant, which is not repayable) would be achieved by year 19 of operation, with an investment gain by year 30 of £2.082m (ROI of 104.6%).

Figures for each of the above can be seen at Appendix E.

In terms of rental rates, research reveals a wide variety of rates per square foot in the local market (from Cromer and Holt in the north, to Ipswich and Woodbridge to the south)⁵⁵. Comparisons are difficult, as there are many differentiating elements among the various properties, ranging from long lease periods, the condition of the building, especially accessibility, and the terms of the lease, such as full repair/insuring. Appendix F samples the current availability. Rental rates for the Enterprise Hub have been calculated at £22/sq ft, but if this were not achieved, there is capacity for up to a 40% reduction in the rate (to just over £13.20/sq ft) for the enterprise centre to break even operationally in year 2, assuming 9 out of 15 units were occupied by the last quarter of that year. The capital investment would be recovered by year 28, and an investment gain of £247k, ie an ROI of about 12.46%.

In practice, it is most likely that both scenarios could arise to *some* extent, ie a somewhat lower demand and a somewhat lower rental rate. However, it is highly unlikely that the worst-worst position would arise, as the Council would take action, and is able to offer much greater flexibility, such as one-year or shorter leases, which would help bolster the rental rate and potentially stimulate demand. Similarly, should there be a long-term lower occupancy rate than projected, other uses could be considered, such as retail, or workshops, in order to maximise the use of the buildings.

⁵⁵ Note that the rental rate of £22/sq ft is the mid-rate as recommended by NWes (low rate of £16.20 and a high rate of £34.00 were also modelled).

9. Risk Analysis

Risk assessment in this section is focused on two areas: the capital project risk and operational risk. Risks will be managed by the project manager and reported regularly to the working group.

Risk	Prob.	Impact	Existing Controls/Action required/Who
Capital project risks			
Tenders come back higher than budget	L	M	<ul style="list-style-type: none"> - A value engineering exercise will be undertaken with the lowest tender looking at ways to source cheaper alternative materials, sub-contractors etc. This will cause a delay to the start of the project.
Capital costs overrun the budget	L	M	<ul style="list-style-type: none"> - Costs developed by QS, reviewed by architect and by experienced capital project manager - 7.5% contingency on capital budget, plus specific contingencies for high cost individual risks (eg contamination) - QS will have tight control of costs, and report monthly, so early warnings will be given. This will enable decisions to be taken on changing scope or reducing spend on certain items.
Construction project takes longer than planned	M	M	<ul style="list-style-type: none"> - Experienced project manager, design team and QS on board to identify issues early and resolve them - Consider using one building prior to completion of the other (has downsides)
Site issues, eg archaeology, contaminated land, asbestos	L	M/H	<ul style="list-style-type: none"> - Provision in capital budget to cover each of these individual risks, many of which are already known to some extent and have been factored in - Major impact would be a delay to the project, with archaeology having the highest time impact but lowest risk given the known history of the site and finds recorded locally
VAT becomes liable on some/all of the project	L	H	<ul style="list-style-type: none"> - Further advice will be sought to confirm the initial advice that zero VAT will be payable - In the <u>highly unlikely</u> event that VAT is incurred, the Council will have to fund the gap
Consultation/ engagement – key stakeholders/ community not supportive	L	M	<ul style="list-style-type: none"> - Town Council working group established and will continue if funding secured - Communication plan to be developed further - Consultation events in plan - Open days organised

Risk	Prob.	Impact	Existing Controls/Action required/Who
Operational project risks			
Business climate changes and demand for office space falls away, resulting in vacant units. Most likely due to major recession.	L	H	<ul style="list-style-type: none"> - All research to date indicates a strong demand for office space, with the Southwold brand helping to support this - The Station Yard development has been designed for maximum flexibility and can be adapted so suit changed needs (eg co-working, retail etc) - There is flexibility in the operating costs model to reduce rental rates to increase attractiveness to market - All units could be repurposed as retail or creative spaces, although this could reduce the number of new jobs created but may see more individual businesses supported - See Financial Analysis section for details of impacts and breakevens.
Operating income is lower than anticipated	M	M	<ul style="list-style-type: none"> - Most likely to occur from slow uptake of units due to changed market circumstances or simply longer notice periods for existing premises for established businesses. See Financial Analysis section for details of impacts and breakevens. - Increase marketing effort and consider special offers/free trials etc
Operating costs are higher than projected	L	M	<ul style="list-style-type: none"> - Most likely linked to slower take-up (with Council having to cover the business rates on vacant properties). - Southwold Town Council to approach business rates authority for discretionary rate relief to help reduce outgoings, whilst bearing the costs for longer
Hub is occupied by existing businesses relocating to better premises, but with very low job creation.	M	H	<ul style="list-style-type: none"> - Managed workspace policy will be to give priority to new businesses or existing businesses intending to expand significantly, thus creating new jobs

10. Project Delivery

Timetable

Without a start date for the project, it is impossible to give a completion date. The CCF grant, if accepted, would have to be spent by end March 2021. This simply means that CCF money would be utilised before match funding – as CCF would be drawn down in tranches, rather than against invoices in arrears, this would be readily achievable and would give additional lead time before capital from a loan or property sale was required.

The indicative timings, developed with input from Ingleton Wood (architects) and Richard Uttings Associates (QS) on the build schedule, total around 96 elapsed weeks. This means that with a start date of, say, 1 December 2019, completion of the capital project would not be achieved before early October 2021.

These timings are based on best estimates for a build that is yet unspecified in detail, and assume that no major unexpected delays arise, eg the discovery of below-ground archaeology or extensive value-engineering.

The timescales are as follows. Where a major activity is shown with anything other than a +0 lead/lag, this indicates the time overlap with, or gap from, the previous activity.

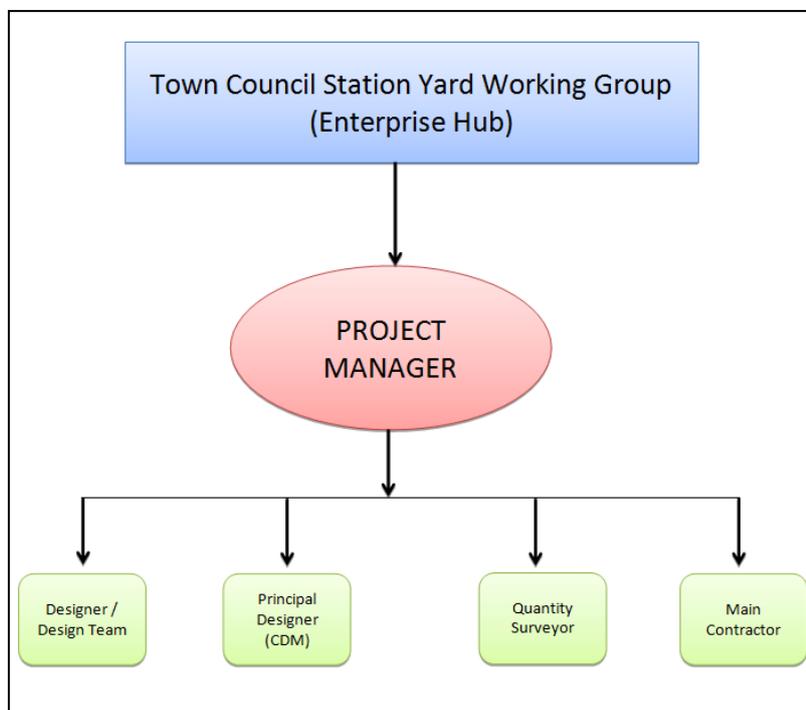
Activities	Timescales	Lead/Lag on previous activity
Develop packages for & procure team (including project manager, design team, QS) for Station Yard capital build - include ad on Contract	8 weeks	
Team mobilisation for Station Yard	2 weeks	+0
Prepare design fit for construction of Station Yard; develop Bill of Quantities & tender documentation	12 weeks	+0
Finalise Bill & tender documentation	2 weeks	+0
Pre tender enquiries for Station Yard	2 weeks	-2w
Issue Station Yard project to tender	1 day	+0
Tender period	6 weeks	+0
Tender Interview for Station Yard	1 week	+0
Tender appointment / contractor award for Station Yard	2 weeks	+3d
Construction mobilisation at Station Yard	1 week	+0
Construction & fit out of Station Yard	62 weeks	+0
Procure managed workspace provider	8 weeks	-20w
Develop marketing plan for Southwold Enterprise Hub	20 weeks	-16w
Total elapsed weeks	~ 96 weeks	
EG Start 1/12/19..... Finish 3/10/2021		

11. Project Resources

A project team will need to be established to deliver the capital project and supervise the implementation for the first year or so of operations. The team will be led by Southwold Town Council (Town Clerk), but, in recognition of the other demands of their role, an experienced freelance project manager will be hired to oversee the project, managing progress, driving forward the overall proposal,

representing the client's requirements for the construction project, resolving issues, managing risks, reporting progress to all stakeholders, and ensuring that expenditure is correctly recorded and grant reclaims processed in a timely fashion.

All project finances will be managed by the Town Clerk who is the RFO for the Town Council.



Councillors have formed a steering group overseeing the project; it will meet monthly.

An architect will lead the design team, which will include a structural engineer, M&E engineers, CDM and others as required. The main construction contract, which should be let on a traditional basis, would be managed by a Quantity Surveyor as contract administrator. The QS will report to the client project manager, rather than to the design team leader.

All contracts for freelance staff will be procured according to the Council's regulations, which at the lowest level will require competitive quotes, and at the highest, competitive tenders. The council will implement its policies and procedures associated with the project such as health and safety.

12. Marketing

Marketing of the Enterprise Hub's offices is scheduled to begin in year 2 of the capital project, in readiness for opening. The aim is to have several businesses in the pipeline prior to offices becoming ready. The marketing activity has several elements:

- Development of a new website for Southwold
- Development of a package of rental options, including short leases and flexible payment mechanisms, to promote demand especially among newer/smaller businesses
- Advertising in key locations regionally
- A social media campaign around #Southwold
- Marketing by the chosen managed workspace provider to their existing client base (particularly for those looking to open a Southwold branch or relocate to the town)
- Informal networking and business sessions in the town that begin to develop the pipeline of new and young businesses ready to move in
- Promotion of virtual tenancies as a first step towards a physical tenancy – some will never do so, but some will move.
- Initial budget for lead-in to occupation, and annual budget thereafter, funded from income

- If CCF grant funding is accepted, then the Southwold Development Team will undertake marketing activity for the Hub and support its occupants.

13. Monitoring & Evaluation

The project should embed evaluation from its inception through a robust monitoring approach. A logic model, which was developed for the CCF application, clearly identifies the contextual conditions in Southwold, and maps the difference the project would make, how outputs have been identified and how these deliver the outcomes. This is available as a separate document.

The following indicators were developed as part of the CCF grant application but remain relevant to the project, as deliverables that should be achievable. Baseline measurements should be captured as a specific task in the first three months of the capital project, to allow repeated reflection and measurement against those baselines in subsequent years.

An evaluation report, containing measures against targets and an independent assessment of the successes and failures to date, should be produced at the end of the capital project, and should be repeated bi-annually thereafter. This would also include some elements of market research to establish attitudes and opinions of occupants and residents.

Indicator	Measure	<i>By When (financial year) based on a 1Q19 start⁵⁶</i>	Monitoring Approach
Direct FTEs created	39	2Q19 – 2 FTE 3Q19 – 1FTE 4Q22 – 28 FTE 2Q24 - 8 FTE Total = 39 by 2Q24	<ul style="list-style-type: none"> • Town Council put in place quarterly review of occupation rates and new jobs created (apprentice created 3Q19 will take on this role)
Indirect FTEs	5	4Q22 – 2.5 FTE 2Q24 – 2.5 FTE Total = 5 by 2Q24	<ul style="list-style-type: none"> • Quarterly survey of new businesses in the Hub re use of local suppliers and services • Annual check of workspace provider’s supplier list
Safeguarded number of FTEs	50* (*40 at Hub and 10 in the town/ supply chain)	4Q20- 26 FTE 4Q22 – 6 FTE (supply chain) 2Q24 – 14FTE 2Q24 – 4 FTE (supply chain)	<ul style="list-style-type: none"> • Annual check of NOMIS (ONS) data – used as baseline data
Construction jobs FTE	18	4Q20 – 18FTE	<ul style="list-style-type: none"> • Review & confirmation with main contractor
Private businesses supported - direct	80 (business support package)	4Q20 – 50 4Q22 – 30 Total = 80 by 4Q22	<ul style="list-style-type: none"> • Register of businesses participating in support events & networking • Register of businesses receiving advice and guidance • Businesses signing up to the new Southwold business group

⁵⁶ NOTE that the dates by which these would be achievable are no longer applicable as they were developed with the original CCF timescales in mind, but are retained to show the potential ramp-up of benefits.

Indicator	Measure	<i>By When (financial year) based on a 1Q19 start⁵⁶</i>	Monitoring Approach
New businesses started	5	4Q20-15	<ul style="list-style-type: none"> Occupancy data from Hub and survey tenant businesses
Apprenticeship started	3	2Q19-1 2Q21-1 2Q23-1	<ul style="list-style-type: none"> Apprentice started
Brownfield land developed	0.12ha	4Q20-0.12ha	<ul style="list-style-type: none"> Completion of build on Station Yard site (Hub opens)
New floorspace	587m ²	4Q20-587m ²	<ul style="list-style-type: none"> Completion of build on Station Yard site (Hub opens)
Physical projects supported	1	4Q20-1	<ul style="list-style-type: none"> Completion of build on Station Yard site (Hub opens)
Individuals Supported	160	4Q20-100 4Q22-60 160 total	<ul style="list-style-type: none"> Count of individual small business owners and staff participating in support services
Organisations supported – private businesses	80 (business support package)	4Q20-50 4Q22-30 Total = 80 by 4Q22	<ul style="list-style-type: none"> Register of businesses participating in support events & networking Register of businesses receiving advice and guidance Businesses signing up to the new Southwold business group
Public sector funding	£1.916m	4Q20 - £1.916m spent	<ul style="list-style-type: none"> Southwold Town Council's expenditure records for the project

A. Reference Documents, Consultees/Advisors & Acknowledgements

The following documents and research have been key to the development of this plan. Footnotes in the main text provide details where specific evidence has been referenced. Copies are available on request.

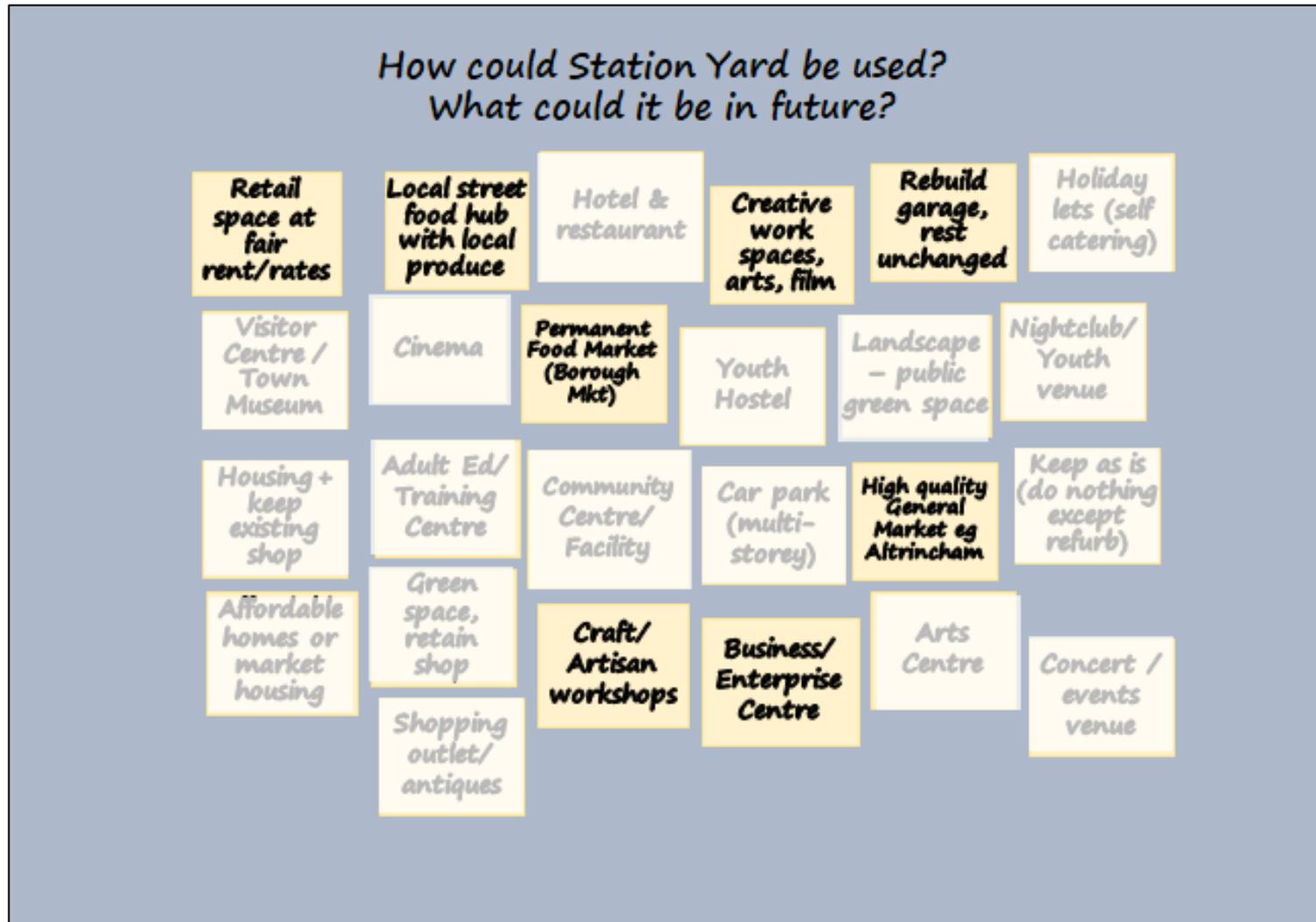
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Advisors
Chapman Surveyors
Devon Chamber of Commerce
Devon County Council
Durrants Estate Agents and Surveyors
East Suffolk Council Economic Development Team
East Suffolk Council Planning Department
Elysian Associates Ltd
FSB – Federation of Small Businesses
Ingleton Wood LLP
Norfolk Chamber of Commerce
NWes
Regus
Richard Uttings Associates Ltd
Suffolk Chamber of Commerce

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Marie Webster-Fitch, East Suffolk Council Economic Development Team

B. Options Appraisal Details

The options appraisal process identified a longlist of 25 alternative uses for Station Yard (some are combinations of two options, as their attributes are so similar). These were then assessed against the key 'test' criteria, and those that passed (unshaded below), were then scored individually by participants.



The Options Appraisal scoring sheet, with weightings as agreed by participants, is shown below. The clear leader was a business/enterprise centre, with retail spaces in second place. Rebuilding the garages scored least, but remains the minimum option for consideration, a 'do nothing' equivalent.

Options	Assessment Criteria	Economic diversification: broadens local economy, creates higher value jobs, addresses seasonality/creates new patterns of tourism		Business growth: creates opportunities for businesses and jobs, generates/supports business growth		Income threshold: is greater than currently achieved for the site		Strengthen community: attracts and retains young people, helps to address decline in resident population		Meets an identified need: does not replicate something already provided		Enhances the built environment: maintains local character, delivers an existing/attractive gateway to the town		Sustainability/flexibility: sustainable financially and organisationally, can respond to future economic changes and/or shifting community needs		"Fundability": likely to be attractive to funders		Total	Rank
		10	9	7	7	7	8	9	6										
		Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high	Score 0-10 where 10 is high		
Retail spaces at fair rents/lower rates- multiple units for local independent shops		6.4	64	6.2	56	7	49	5.8	41	6.4	45	7.4	59	6.6	59	4.8	29	401.6	2
Local food hub with local produce- classes in food prep etc, showcasing produce, give producers an outlet		4.2	42	5.2	47	4.8	34	5	35	5	35	4.6	37	3.8	34	3	18	281.4	7
Permanent food market 'Borough Market' - permanent & temp market spaces, selling street food, local produce etc, differs to food hub mostly in construction terms, is built in market space		4	40	5.6	50	4.8	34	4.8	34	5.8	41	6.2	50	4.8	43	4	24	315	5
Permanent high-quality general market 'Albioncham Market' - wide range of artisan goods plus street food eating area, variation on food market above		6.2	62	6.4	58	5.8	41	5	35	5.8	41	7	56	5.8	52	4.8	29	372.8	3
Business/enterprise centre - multiple units of varying sizes for rental as managed workspace, communal welfare/meeting facilities also for open hire		9.2	92	9.2	83	8.4	59	7.8	55	8.6	60	9	72	9	81	8.8	53	554.2	1
Craft/artisan workshops - multiple units & communal space offering work/sell space for crafters/artisans		4.6	46	5.6	50	4.4	31	4.4	31	5.4	38	5	40	4.6	41	4	24	301.2	6
Creative work space for arts/film/graphic design- variation on enterprise centre, marketing focus towards creative sector.		5.8	58	5.8	52	4.4	31	5.2	36	4.8	34	5	40	5	45	4.6	28	323.6	4
Rebuild garage, rest unchanged - closest to 'do nothing' option undertaking essential work to address garage buildings deficiencies		2.6	26	2	18	2.2	15	2.6	18	2.6	18	2	16	2	18	1	6	135.8	8

C. Occupancy Rates and Costs/Office

This is the occupancy model for the **Southwold Enterprise Hub**. The model was developed to understand how different businesses would occupy the available spaces in different schemes, and to calculate the likely number of occupants, new businesses and new jobs created.

A) CCF - Southwold Enterprise Hub, full scheme								
Projected Occupancy Rates, New Jobs								
Building/ Flr	Unit	Total area m ²	Office space m ²	Occupancy	New Jobs	Higher Value	Tenant type	Location
1G	1	46.34	33.97	4.0	1.2	4	lower density	building 1 ground floor, Blyth Road frontage
1G	2	60.86	41.46	6.0	0.6	5	standard density	building 1 ground floor, Blyth Road frontage
1G	3	39.00	30.42	5.0	2.5	4	standard density	building 1 ground floor, "the Chapel"
2G	4	48.75	40.00	4.0	1.2	3	lower density	building 2, ground floor
2G	5	51.68	43.68	6.0	1.8	5	standard density	building 2, ground floor, courtyard frontage
2G	6	41.88	36.00	5.0	3.8	5	standard density	building 2, ground floor, courtyard frontage
2G	7	41.88	36.00	5.0	2.5	5	standard density	building 2, ground floor, courtyard frontage
1F	8	116.30	107.63	12.0	1.2	10	lower density	building 1, first floor
1F	9	70.45	61.24	9.0	2.7	8	standard density	building 1, first floor
2F	10	18.29	18.29	3.0	1.5	3	standard density	building 2, first floor, flat 1, bed 1
2F	11	13.99	13.99	1.0	1.0	1	lower density	building 2, first floor, flat 1, bed 2
2F	12	32.65	32.65	5.0	1.5	4	standard density	building 2, first floor, flat 1, living
2F	13	28.24	28.24	4.0	1.2	3	standard density	building 2, first floor, flat 2, living area
2F	14	17.09	17.09	2.0	2.0	2	lower density	building 2, first floor, flat 2, bedroom
2F	15	16.35	16.35	2.0	1.0	2	standard density	building 2, first floor, flat 2, lobby/study area (reconfigured)
		643.75	557.01	73	26	64		
			Businesses	15				
			<i>of which start-up</i>	5				

This is the occupancy model for the **Southwold Enterprise Hub** showing the cost per office and per occupant. Note that this is dependent on the space/density preferences of each business. Note also that a flat rate per office is used, whereas in practice there may be differential pricing for smaller units to mitigate against VAT costs for non-VAT registered businesses.

Building/ Flr	Unit	Total area m ²	Office space m ²	Occupancy	Annual Rent	Annual S/C	Total	Monthly	Cost per occupant/ PCM	Cost per occupant/ per day
1G	1	46.34	33.97	4.0	£10,970	£2,649	£13,619	£1,135	£284	£13
1G	2	60.86	41.46	6.0	£14,407	£3,480	£17,886	£1,491	£248	£11
1G	3	39.00	30.42	5.0	£9,232	£2,230	£11,462	£955	£191	£9
2G	4	48.75	40.00	4.0	£11,540	£2,787	£14,327	£1,194	£298	£14
2G	5	51.68	43.68	6.0	£12,234	£2,955	£15,188	£1,266	£211	£10
2G	6	41.88	36.00	5.0	£9,914	£2,394	£12,308	£1,026	£205	£9
2G	7	41.88	36.00	5.0	£9,914	£2,394	£12,308	£1,026	£205	£9
1F	8	116.30	107.63	12.0	£27,531	£6,649	£34,180	£2,848	£237	£11
1F	9	70.45	61.24	9.0	£16,677	£4,028	£20,705	£1,725	£192	£9
2F	10	18.29	18.29	3.0	£4,330	£1,046	£5,375	£448	£149	£7
2F	11	13.99	13.99	1.0	£3,312	£800	£4,112	£343	£343	£16
2F	12	32.65	32.65	5.0	£7,729	£1,867	£9,596	£800	£160	£7
2F	13	28.24	28.24	4.0	£6,685	£1,615	£8,300	£692	£173	£8
2F	14	17.09	17.09	2.0	£4,046	£977	£5,023	£419	£209	£10
2F	15	16.35	16.35	2.0	£3,870	£935	£4,805	£400	£200	£9
		643.75	557.01	73						
				Average	£10,159	£2,454	£12,613	£1,051	£220	£10

This is the occupancy model for the **Mixed Use (business/retail) Scheme**. The model was developed to understand how different businesses would occupy the available spaces in different schemes, and to calculate the likely number of occupants, new businesses and new jobs created.

B) full scheme, business and retail mix				Projected Occupancy Rates, New Jobs					
<i>Scheme has retail along frontage of Blyth Road, and in courtyard unit part of Building 1 (the 'chapel'). Remainder office space.</i>									
Building	Unit	Total area m ²	Office space m ²	Likely Use	Occupancy	New Jobs	Higher Value	Tenant type	Location
1G	1	46.34	33.97	shop (move on)	1.5	0.5	1.0	retail	building 1 ground floor, Blyth Road frontage
1G	2	60.86	41.46	shop (move on)	2.0	1.0	0.0	retail	building 1 ground floor, Blyth Road frontage
1G	3	39.00	30.42	shop (move on)	1.0	0.5	0.0	retail	building 1 ground floor, courtyard frontage
2G	4	48.75	40.00	move on	4.0	1.2	3	lower density	building 2, ground floor
2G	5	51.68	43.68	move on	6.0	1.8	5	standard density	building 2, ground floor, courtyard frontage
2G	6	41.88	36.00	start up	5.0	2.5	5	standard density	building 2, ground floor, courtyard frontage
2G	7	41.88	36.00	start up	5.0	2.5	5	standard density	building 2, ground floor, courtyard frontage
1F	8	116.30	107.63	established	12.0	1.2	10	lower density	building 1, first floor
1F	9	70.45	61.24	move on	9.0	2.7	8	standard density	building 1, first floor
2F	10	18.29	18.29	start up	3.0	1.5	3	standard density	building 2, first floor, flat 1, bed 1
2F	11	13.99	13.99	start up	1.0	1.0	1	lower density	building 2, first floor, flat 1, bed 2
2F	12	32.65	32.65	move on	5.0	1.5	4	standard density	building 2, first floor, flat 1, living
2F	13	28.24	28.24	move on	4.0	1.2	3	standard density	building 2, first floor, flat 2, living area
2F	14	17.09	17.09	start up	2.0	2.0	2	lower density	building 2, first floor, flat 2, bedroom
2F	15	16.35	16.35	move on	2.0	1.0	2	standard density	building 2, first floor, flat 2, lobby/study area (reconfigured)
		643.75	557.01		62.5	22.1	51.8		
		126.61		Businesses	15				
				of which start up	5				

D. Operating Costs

Operating Costs for the **Southwold Enterprise Hub** (Managed Workspace) to year 12. Note all costs, income, occupancy rates etc are calculated by quarter, but only shown annually here. After year 12, costs & income are simply inflated by 2%pa, to year 30. This is the same for all schemes.

A) CCF Enterprise Scheme - Operating Costs first 12 years												
<i>all figures net of VAT where applicable</i>												
Managed Workspace costs & income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Occupancy												
Occupancy - Commercial	35.00%	56.67%	80.00%	93.33%	93.33%	93.33%	93.33%	93.33%	93.33%	93.33%	93.33%	93.33%
Occupancy - Existing Shop	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Income												
Existing shop rental	5,700	5,871	6,047	6,229	6,416	6,608	6,806	7,010	7,221	7,437	7,661	7,890
Office rental & services fees	67,702	112,785	163,834	196,673	202,367	208,226	214,256	220,462	226,848	233,420	240,184	247,144
Rental (Offices/Shops)	53,338	88,947	129,340	155,423	160,086	164,889	169,835	174,930	180,178	185,584	191,151	196,886
Service Charge	14,364	23,837	34,494	41,249	42,281	43,338	44,421	45,531	46,670	47,837	49,032	50,258
Virtual Tenancy	4,950	10,455	15,759	19,384	19,869	20,365	20,874	21,396	21,931	22,480	23,042	23,618
Parking income	2,400	4,920	6,304	6,461	6,623	6,788	6,958	7,132	7,310	7,493	7,681	7,873
Meeting Room Income	3,904	6,002	8,203	10,510	12,928	15,460	18,146	20,977	24,054	27,387	31,074	35,122
Operating income	84,656	140,033	200,148	239,257	248,202	257,448	264,741	271,097	279,959	287,895	296,057	304,453
Operating Costs												
General running costs incl services	(28,950)	(33,324)	(38,157)	(37,620)	(48,561)	(39,525)	(40,513)	(41,525)	(42,564)	(53,622)	(44,706)	(45,818)
Utilities	(9,750)	(13,644)	(17,985)	(16,944)	(17,367)	(17,802)	(18,247)	(18,703)	(19,170)	(19,650)	(20,141)	(20,644)
Telecoms & Connectivity	(1,350)	(1,384)	(1,418)	(1,454)	(1,490)	(1,527)	(1,566)	(1,605)	(1,645)	(1,686)	(1,728)	(1,771)
Property cleaning & Waste	(5,250)	(5,381)	(5,516)	(5,654)	(5,795)	(5,940)	(6,088)	(6,241)	(6,397)	(6,557)	(6,720)	(6,888)
Security Costs	(3,000)	(3,075)	(3,152)	(3,231)	(3,311)	(3,394)	(3,479)	(3,566)	(3,655)	(3,747)	(3,840)	(3,936)
Property insurance	(3,000)	(3,075)	(3,152)	(3,231)	(3,311)	(3,394)	(3,479)	(3,566)	(3,655)	(3,747)	(3,840)	(3,936)
Miscellaneous Expenses	(2,000)	(2,050)	(2,101)	(2,154)	(2,208)	(2,263)	(2,319)	(2,377)	(2,437)	(2,498)	(2,560)	(2,624)
Maintenance	(4,600)	(4,715)	(4,833)	(4,954)	(5,078)	(5,204)	(5,335)	(5,468)	(5,605)	(5,745)	(5,888)	(6,035)
Marketing	(7,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(2,999)	(2,998)
Contribution to MF car park (10% of income)	(570)	(587)	(605)	(623)	(642)	(661)	(681)	(701)	(722)	(744)	(766)	(789)
Management & business support	(24,090)	(24,692)	(25,310)	(25,942)	(26,591)	(27,259)	(27,946)	(28,653)	(29,381)	(30,130)	(30,899)	(31,689)
Business Support Provision (hub & town, 5 yrs)	(12,000)	(12,300)	(12,608)	(12,923)	(13,246)							
Staff (apprentice) 50%	(4,090)	(4,192)	(4,297)	(4,405)	(4,515)	(4,628)	(4,743)	(4,862)	(4,983)	(5,108)	(5,236)	(5,367)
Block Management	(8,000)	(8,200)	(8,405)	(8,615)	(8,831)	(9,051)	(9,278)	(9,509)	(9,747)	(9,991)	(10,241)	(10,497)
Business rates (on unoccupied/communal areas)	(34,196)	(33,557)	(18,686)	(11,208)	(11,208)	(11,208)	(11,208)	(11,208)	(12,227)	(12,227)	(12,227)	(12,227)
Operating costs	(94,806)	(95,160)	(85,757)	(78,393)	(90,001)	(68,072)	(69,422)	(70,806)	(73,243)	(84,697)	(76,186)	(77,713)
Annual Gross Profit Managed Workspace	(10,150)	44,873	114,390	160,864	158,201	189,376	195,319	200,292	206,716	203,198	219,871	226,739
Cashflow excluding any loan repayments etc	(10,150)	34,723	149,113	309,977	468,178	657,554	852,873	1,053,165	1,259,881	1,463,078	1,682,949	1,909,689

Operating Costs for the **Mixed Use (business & retail) Scheme** to year 12. Note all costs, income, occupancy rates etc are calculated by quarter, but only shown annually here. All figures net of VAT where applicable. After year 12, costs & income are simply inflated by 2%pa, to year 30. This is the same for all schemes.

B) mixed use business/retail, full scheme, no business rates relief													
<i>This is identical to the 'CCF' scheme except amended to include retail in ground floor areas with open frontage, business elsewhere</i>													
Managed Workspace costs & income	Year 1 (2021/22)	Year 2 (2022/23)	Year 3 (2023/24)	Year 4 (2024/25)	Year 5 (2025/26)	Year 6 (2026/27)	Year 7 (2027/28)	Year 8 (2028/29)	Year 9 (2029/30)	Year 10 (2030/2031)	Year 11 (2031/32)	Year 12 (2032/33)	
Occupancy													
Occupancy - Commercial	35.00%	56.67%	80.00%	93.33%	93.33%	93.33%	93.33%	93.33%	93.33%	93.33%	93.33%	93.33%	93.33%
Occupancy - Existing Shop	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Occupancy - New Shops	33.33%	75.00%	100.00%	83.34%	100.00%	83.34%	91.67%	100.00%	83.34%	83.34%	100.00%	100.00%	100.00%
Virtual Tenancy													
Operating Income													
Existing shop rental	5,700	5,871	6,047	6,229	6,416	6,608	6,806	7,010	7,221	7,437	7,661	7,890	
Unit rental & services fees	61,481	106,468	153,480	177,412	186,040	187,793	195,072	202,621	204,520	210,422	220,688	227,064	
Rental (New Shops - three units at ground floor)	6,239	14,461	19,859	17,046	21,069	18,085	20,490	23,023	19,761	20,354	25,157	25,912	
Rental (12 business units)	40,878	68,169	99,126	119,117	122,690	126,371	130,162	134,067	138,089	142,231	146,498	150,893	
Service Charge (all SY units except general store)	14,364	23,837	34,494	41,249	42,281	43,338	44,421	45,531	46,670	47,837	49,032	50,258	
Virtual Tenancy	4,950	10,455	15,759	19,384	19,869	20,365	20,874	21,396	21,931	22,480	23,042	23,618	
Parking income	2,400	4,920	6,304	6,461	6,623	6,788	6,958	7,132	7,310	7,493	7,681	7,873	
Meeting Room Income	3,904	6,002	8,203	10,510	12,928	15,460	18,046	20,684	23,374	26,118	28,917	31,771	
Operating income	78,436	133,717	189,793	219,997	231,874	237,014	245,557	253,256	257,631	264,897	276,562	284,372	
Operating Costs													
General running costs incl services	(28,950)	(32,924)	(36,880)	(37,802)	(48,747)	(39,716)	(40,708)	(41,726)	(42,769)	(53,839)	(44,934)	(46,058)	
Utilities	(9,750)	(13,244)	(16,708)	(17,126)	(17,554)	(17,993)	(18,442)	(18,903)	(19,376)	(19,860)	(20,357)	(20,866)	
Telecoms & Connectivity	(1,350)	(1,384)	(1,418)	(1,454)	(1,490)	(1,527)	(1,566)	(1,605)	(1,645)	(1,686)	(1,728)	(1,771)	
Property cleaning & Waste	(5,250)	(5,381)	(5,516)	(5,654)	(5,795)	(5,940)	(6,088)	(6,241)	(6,397)	(6,557)	(6,720)	(6,888)	
Security Costs	(3,000)	(3,075)	(3,152)	(3,231)	(3,311)	(3,394)	(3,479)	(3,566)	(3,655)	(3,747)	(3,840)	(3,936)	
Property insurance	(3,000)	(3,075)	(3,152)	(3,231)	(3,311)	(3,394)	(3,479)	(3,566)	(3,655)	(3,747)	(3,840)	(3,936)	
Miscellaneous Expenses	(2,000)	(2,050)	(2,101)	(2,154)	(2,208)	(2,263)	(2,319)	(2,377)	(2,437)	(2,498)	(2,560)	(2,624)	
Maintenance	(4,600)	(4,715)	(4,833)	(4,954)	(5,078)	(5,204)	(5,335)	(5,468)	(5,605)	(5,745)	(5,888)	(6,035)	
Marketing	(7,000)	(3,000)	(750)	(750)	(750)	(750)	(750)	(3,000)	(750)	(750)	(750)	(750)	
Contribution to MF car park (10% of income)	(240)	(492)	(630)	(646)	(662)	(679)	(696)	(713)	(731)	(749)	(768)	(787)	
Management & business support	(24,090)	(24,692)	(25,310)	(25,942)	(26,591)	(27,259)	(27,946)	(28,653)	(29,381)	(30,130)	(30,899)	(31,689)	
Business Support Provision (hub & town) first 5 yrs	(12,000)	(12,300)	(12,608)	(12,923)	(13,246)								
Staff (apprentice) 50%	(4,090)	(4,192)	(4,297)	(4,405)	(4,515)	(4,628)	(4,743)	(4,862)	(4,983)	(5,108)	(5,236)	(5,367)	
Block Management	(8,000)	(8,200)	(8,405)	(8,615)	(8,831)	(9,051)	(9,278)	(9,509)	(9,747)	(9,991)	(10,241)	(10,497)	
Business rates	(36,488)	(31,808)	(15,791)	(12,239)	(10,146)	(13,463)	(11,805)	(10,146)	(13,463)	(11,687)	(11,069)	(11,069)	
Operating costs	(96,768)	(92,916)	(79,361)	(77,379)	(86,896)	(68,286)	(67,980)	(69,957)	(72,444)	(85,123)	(72,997)	(74,527)	
Annual Gross Profit Managed Workspace	(18,333)	40,801	110,432	142,618	144,978	168,728	177,578	183,299	185,187	179,773	203,564	209,846	
Cashflow before loan repayments etc	(18,333)	22,468	132,900	275,518	420,496	589,224	766,802	950,101	1,135,288	1,315,062	1,518,626	1,728,472	

Sensitivity Analysis – Enterprise scheme

The year on year financials for three scenarios – a) Enterprise Scheme as proposed in this plan, b) with slower take-up and maximum 66% occupancy, and c) with rental income at 40% lower (£13.20 sq ft) are below.

	A			A			A		
	A) CCF Enterprise Scheme excluding CCF grant	CCF annual net income	CCF scheme %age paid back	A) CCF Enterprise Scheme excluding CCF grant	CCF annual net income, slow take up, 10 units max (66.67% occupancy)	CCF scheme %age paid back	A) CCF Enterprise Scheme excluding CCF grant	CCF annual net income, rental rate 40% lower than projected	CCF scheme %age paid back
0	£1,990,858			£1,990,858			£1,990,858		
Yr1	£2,000,678	-£9,820	-0.5%	£2,000,678	-£9,820	-0.5%	£2,022,013	-£31,155	-1.6%
Yr2	£1,955,710	£44,968	1.8%	£2,000,611	£67	-0.5%	£2,015,957	£6,056	-1.3%
Yr3	£1,841,345	£114,365	7.5%	£1,964,597	£36,014	1.3%	£1,980,502	£35,455	0.5%
Yr4	£1,680,504	£160,841	15.6%	£1,894,429	£70,168	4.8%	£1,938,947	£41,555	2.6%
Yr5	£1,522,324	£158,180	23.5%	£1,812,742	£81,687	8.9%	£1,902,992	£35,956	4.4%
Yr6	£1,332,967	£189,358	33.0%	£1,701,554	£111,188	14.5%	£1,838,907	£64,084	7.6%
Yr7	£1,137,663	£195,304	42.9%	£1,586,160	£115,394	20.3%	£1,772,031	£66,877	11.0%
Yr8	£937,383	£200,280	52.9%	£1,467,564	£118,596	26.3%	£1,703,407	£68,624	14.4%
Yr9	£730,676	£206,707	63.3%	£1,346,065	£121,499	32.4%	£1,633,379	£70,028	18.0%
Yr10	£527,484	£203,192	73.5%	£1,229,958	£116,107	38.2%	£1,570,288	£63,091	21.1%
Yr11	£307,615	£219,869	84.5%	£1,099,107	£130,851	44.8%	£1,494,044	£76,245	25.0%
Yr12	£80,874	£226,741	95.9%	£963,373	£135,735	51.6%	£1,417,799	£76,245	28.8%
Yr13	£0	£231,276	100.0%	£824,923	£138,449	58.6%	£1,340,029	£77,770	32.7%
Yr14		£235,902		£683,705	£141,218	65.7%	£1,260,704	£79,325	36.7%
Yr15		£240,620		£539,662	£144,043	72.9%	£1,179,792	£80,912	40.7%
Yr16		£245,432		£392,738	£146,924	80.3%	£1,097,263	£82,530	44.9%
Yr17		£250,341		£242,876	£149,862	87.8%	£1,013,082	£84,180	49.1%
Yr18		£256,599		£89,268	£153,609	95.5%	£927,218	£85,864	53.4%
Yr19		£263,014		£0	£157,449	100.0%	£839,637	£87,581	100.0%
Yr20		£269,590			£161,385		£750,304	£89,333	
Yr21		£276,329			£165,420		£659,185	£91,120	
Yr22		£283,238			£169,555		£566,243	£92,942	
Yr23		£290,318			£173,794		£471,442	£94,801	
Yr24		£297,576			£178,139		£374,745	£96,697	
Yr25		£305,016			£182,592		£276,114	£98,631	
Yr26		£312,641			£187,157		£175,511	£100,603	
Yr27		£320,457			£191,836		£72,896	£102,615	
Yr28		£328,469			£196,632		£0	£104,668	
Yr29		£336,680			£201,548			£106,761	
Yr30		£343,414			£205,579			£108,896	
	Investment gain Yr 30	£5,006,038		Investment gain Yr 30	£2,081,819		Investment gain Yr 30	£247,430	
	Total investment return	£6,996,896		Total investment return	£4,072,677		Total investment return	£2,238,288	
	Initial investment	£1,990,858		Initial investment	£1,990,858		Initial investment	£1,990,858	
	ROI	251.45%		ROI	104.57%		ROI	12.43%	

E. Current Commercial Premises Availability

This table samples the currently available offices (September 2019). Those in grey have been let, but provide valuable insight into the different offers on the market.

Location	Description	Area	sq ft/pa	Service level
Southwold	Ground floor listed building behind the high street, A1/A2 B1 use; multiple rooms, 2 car spaces;	668sq ft (62sqm)	£26.95	Unserviced, terms not specified; rent reduced Aug 19 from £34.44)
Southwold	High Street A1/A2 use only, two rooms, ground & first floor, storage 2 nd floor, loo/kitchen 1 st floor, stairs only	1017 sq ft (94.5sqm)	£34.41	Unserviced, terms not specified, RV £18.9k
Leiston	2 – 3 person office	194 sq ft (18sqm)	£23.19	Serviced (security, heating, lighting) 3-year lease with short notice, free parking onsite
Lowestoft	London Rd, offices over 2 floors, shop frontage	3498 sq ft (325sqm)	£4.72	Unserviced, 10 year lease from 1/1/20
Lowestoft	London Rd, offices 1 st floor, listed building.	585sq ft (54 sqm)	£14.99	Serviced offices, DDA compliant, 5 year lease. Added Sep 19.
Lowestoft	Oulton Broad, Mobbs Way Industrial estate, ground floor, loo & tea point, open plan, 1 office	1700 sq ft (157sqm)	£10.60	Unserviced, 7 year lease, last available unit (of 4) in building. Added to market Jul 19
Halesworth	1 st floor listed building, single room.	331 sq ft (30sqm)	£12.70	Fully serviced; low spec. Let June 19
Beccles	1 st floor listed building, 3 rooms, kitchen bathroom, no lift/not accessible	897 sq ft (83.4sqm)	£8.26	Unserviced, full repairing & insuring lease (50% of maintain structure & exterior of building charged to tenant)
Beccles	1 st and 2 nd floor (not accessible) in listed building off street;	1,149sq ft (107sqm)	£6.96	Unserviced, full repairing lease; landlord insures but tenant pays premium
Framlingham*	Brand new building (Hopkins Homes) ground & 1 st floor, B1 use, 3 parking spaces;	906 sq ft (86 sqm)	£17.25	Unserviced; landlord insures & recharges; let May 19
Aldeburgh	Offices ground/basement (steps, not accessible), near High Street; kitchen and WC included	520 sq ft (48 sqm)	£19.22	Unserviced, full repairing & insuring lease, service charge for maintenance of building. On market Jun 19.
Saxmundham	High street former shop; listed building; good condition; 1 parking space at rear	335sq ft (31sqm)	£20.90	Unserviced; full repairing lease; landlord insures & recharges Let April 19
Saxmundham	Office(s) of varying sizes in listed building on High Street that backs onto Waitrose's yard; don't appear to be accessible; B1 use	From 250sq ft (23sqm)	From £10.00	Serviced; no details. Low grade appearance.. Only 1 available Sep 19.
Wickham Market	Refurb office/shop, period building in new small business complex off High Street; A1/2 B1 uses; open plan	647sq ft	£14.73	Unserviced; no details.
Wickham Market	Refurb office/lockup, period building in new business complex off High Street; A1/B1 use; ground & 1 st floor	404 sq ft (37sqm)	£14.85	Unserviced; no details
Woodbridge	Melton, Riduna Park – a 6-acre purpose-built business park in landscaped grounds. V high spec, modern facilities, green/eco	1250sq ft	£13.60	Unserviced, unspecified service charge to cover maintenance of grounds, street lighting, security,

	credentials; onsite café, meeting rooms; a/c offices with CAT 6 cabling etc, as shells.			signage, maintenance of roads etc. Very high spec. 6 units of 37 currently on market (varying sizes, this is the smallest Sep 19). RV £27,250
Woodbridge	Office in period building close to town centre; ground & 1 st floor, 6 offices + WC, kitchen etc; 3 parking spaces	1316 sq ft (122sqm)	£11.36	Unserviced; no details
Woodbridge	Deben Mill business centre, modern purpose built; a/c open plan suite + 2 offices, WC etc; 2 parking spaces,	747 sq ft (69.5sqm)	£15.73	Unserviced, full repairing & insuring lease
Holt (Norfolk)*	Offices on 1 st floor above Barclays, 3 sep offices of slightly different sizes;	129 sq ft (12sqm)	£11.63	Unserviced, full repairing (shared service charge covering all maintenance, repairs, insurance etc)
Cromer (Norfolk)	Bullen Business Hub, close town centre, shared welfare, meeting rm to rent/hr; parking	453 sq ft (42 sqm)	£14.02	Includes utilities, but not phone; no info re other servicing/cleaning etc.

F. Proposed Designs

The following pages show Ingleton Wood's designs for Station Yard, with some layouts of the two buildings.

Below is a 'bird's eye' view from the north east, showing the two buildings with the central courtyard.



Some 3D views of how the buildings will look. Note that designs of the Blyth Road & Station Road frontages were key to planning consent.



Building 1, local store on corner & business units above and alongside



View from Blyth Road



Through the arch from Hurren Terrace into the courtyard



Looking from SW corner back to Building 1

Building 1 plans, showing the existing local convenience store in its new home, plus 3 business units. This is a typical layout of a building, with each larger unit having its own welfare facilities. All have their own front door, security etc.



Ground floor of Building 2, with the meeting room for use of Enterprise Hub tenants and businesses/residents in the town. Next door is a kitchen for lunch/coffee to be stored (it is expected that local caterers will supply any food requirements. Beyond that, welfare facilities including accessible toilet and showers.

