

ECONOMIC DEVELOPMENT COMMITTEE

8 SEPTEMBER 2021

NEWARK BEACON UPDATE

1.0 Purpose of Report

1.1 The purpose of this report is to update Members on the progress made at the Newark Beacon, including information on the marketing of the facility.

2.0 Background Information

2.1 On 1 October 2018, management of Newark Beacon was brought in-house and a five-year Business Plan (2018-2023) was subsequently approved by the Economic Development Committee (21 November 2018).

3.0 Update

3.1 Business Plan

The business plan for the Corporate Property Business Unit was refreshed in January 2021 to cover the period November 2020 to March 2023, therefore the performance Indicators for the Newark Beacon have also been updated in line with the Council's Community Plan.

At the end of Quarter 1, 21-22, the Newark Beacon is in a positive position for all but one of the performance indicators as detailed below:

Performance Indicator	Target	Quarter 1 2021/22 actual
Prospect enquiry conversions	25% of all enquiries converted into tenants / leases	36% of enquiries during Q1 are now tenants
Percentage of occupied units	No less than 80% occupancy	The centre is 86% occupied
Rental Income Vs Costs	At least 10% profit on income after expenditure	Currently tracking at 37% profit after expenditure on rental income
Cafe Income Vs Costs	At least 15% profit on income after expenditure	Currently tracking at 39% profit after expenditure for café income
Other Income, auxiliary	10% of total income to come from auxiliary income	7% of the total income from auxiliary income
Customers in arrears	No greater than 30% of occupants are in debt/arrears by more than 1 month	7% of occupants are in arrears
Customer Satisfaction survey results	70% or above satisfied in general	Survey to be issued in Quarter 2 and results captured in Quarter 3

The auxiliary income received was lower than predicted, predominantly down to no external conferencing being permitted in April and part of May due to Covid restrictions. Changes to current occupiers working patterns has resulted in fewer chargeable services being used including telephone use, postage and meeting rooms.

3.2 Staffing Changes

There have been various staffing changes over 2021, due to internal promotions or transfer within the Council. A member of staff left and temporary cover is secured on a secondment basis until March 2022. In June two remaining part time vacancies were filled.

3.3 Essential Works

Managing the Beacon over the last 3 years has enabled identification of a range of essential works required to maintain the facility to the high standard desired.

3.4 The aim is to provide a welcoming environment for tenants which will also appeal to new organisations which may be attracted by newer and innovative facilities.

3.5 Continued analysis of our competitors highlights that the Beacon currently lacks a private area for tenants to use as break out space for down time away from their offices. In addition to this, we have also identified that an improved shower facility, updated cycle storage and electric vehicle charging points would make the centre more appealing.

3.6 The following progress in respect of improvements to the Centre have been made since the update to Committee in March 2021:

- Over spill office to support Castle House has been moved from Office 29 to Office 14 to accommodate a tenant expansion at no capital cost.
- End Stairwell repaint – completed March 2021 at a cost of £2,048.
- New external storage purchased at a cost of £300

3.7 The current programme of works identified to further improve the facilities includes:

Scheme	Status	Cost (approx.)
Office conversion to create tenant breakout space, improved showers and changing facilities, with renovation to both upstairs kitchenettes	Funding approved – to programme	£52,000 (Capital Scheme)
Complete upgrade to LED lights throughout the building	Design created- Capital bid for 2022 to be written	Quotes to be gained
Biomass Boiler upgrade	Capital bid to be written for 2022	Awaiting quotes
Electric Vehicle Charging Points	Funding to be determined	Approx. £28,000 grants are available

COVID 19

3.8 A COVID risk assessment and Safe System of Work were completed in June 2020 and are still reviewed monthly.

3.9 The pandemic has had an adverse impact on the centre's financial performance during 2020/2021, which was reported in more detail following the committee meeting in June 2021.

3.10 In summary, occupancy dropped to its lowest level of 64% in July 2020, based on the number of offices rented, with five business vacating between March and July 2020.

Many of the decisions behind the change in occupancy levels were either directly or indirectly influenced by COVID, for example:

- Employees have been able to work from home so negating the need for office space
- Financial challenges in the supporting industries as shows/tours have been cancelled
- Need to reduce overheads to protect businesses as activity has decreased
- Businesses relocating, &
- Lack of funds

3.11 Since August 2020, the Centre has been successful in gradually securing new customers to replace those that have left and some existing clients have, over time, taken on additional or larger office space to accommodate social distancing:

- Six existing clients have taken on new/additional office space
- Six new business have become tenants

3.12 The Centre was at the forefront of supporting its tenants by revising rents and offering concessions to clients during the pandemic, so helping to preserve the local economy and jobs. All on-site customers were given a 25% reduction in rent for April-June 2020, while virtual customers were given a concession of 50%, plus rental incentives were offered to new customers to secure new tenancies; the result was reduced income of £23.6K.

3.13 Added to this, fewer clients on-site has reduced the costs that could be recovered through recharges via service charges; when offset by decreased expenditure the result was reduced net income of £3.5K.

3.14 At the same time as the Centre closed to the public, the café was also closed. In line with COVID restrictions, the café was reopened as a takeaway-only service in September 2020, fully adopting the centre's COVID safe systems of work. During the second lockdown in November, the café was able to continue to trade. At the beginning of January 2021, the third lockdown came into force and the café closed again due to the expected reduced footfall. When mitigated by the reduced expenditure on provisions this resulted in a net income loss of £35K for 2020-21.

3.15 The café was able to reopen in March 2021 for takeaway only with a new improved, re-costed menu. Since the easing of restrictions in July 2021, internal and external seating can now be utilised which has seen customers coming together again in the Café, as well as enhancing the overall centre atmosphere.

3.16 Conferencing/Room hire provides an important income stream for the Centre, however, all conferencing facilities were closed to external clients from March 2020. A small number of internal clients continued to use the conference facilities but the Centre was unable to provide refreshments for the meetings. The income deficit in 2020-21 was £25.7K.

3.17 Conferencing and external meetings resumed from 17th May 2021 on a reduced capacity. Safe working limits continue to be in place to encourage social distancing within the meeting rooms.

3.18 **Table: Newark Beacon: Income deficit against budget 2020-21**

Description	Budget	Actual	Variance
Salaries	157,683.13	160,697.60	3,014.47
Premises expenditure	189,634.00	167,538.43	(22,095.57)
Running expenses	74,375.77	37,994.37	(36,381.40)
Furlough income	0	(18,184.84)	(18,184.84)
Catering income	(34,584.00)	448.80	35,032.80
Conference hire charges	(27,400.00)	(1,630.52)	25,769.48
Virtual tenant income	(10,630.00)	(6,756.99)	3,873.01
Office rental income	(362,680.00)	(270,464.93)	92,215.07
Service charge income	(4,330.00)	(882.57)	3,447.43
	<u>(17,931.10)</u>	<u>68,759.35</u>	<u>86,690.45</u>

3.19 The centre management team have requested that all customers and visitors continue to wear face coverings in communal areas.

3.20 As mentioned above, Office 29 over spill office has been moved to Office 14 to accommodate an onsite customer expansion. The furnished office allows officers from Castle House to utilise the Newark Beacon as an alternative working location and has been used by several different business units.

3.21 **Marketing**

The Centre Management Team seek out every opportunity to market the Newark Beacon. This includes:

- Attending local networking events virtually throughout lockdown, and now in person to maintain a presence and awareness of the centre in the business community. Events include Newark Business Club, NYP, D2N2 and East Midlands Chamber.
- Social media has seen increased activity as posts are scheduled more frequently, often sharing NSDC corporate messages on Facebook, LinkedIn and Instagram thus raising the profile of the Centre. The use of local suppliers in the café means the team are now able to tag these local businesses in our social media posts. These suppliers then share our posts, which is a simple but effective tool to drive more traffic to our pages. The use of hashtags has been increased. All new tenants are welcomed to the centre through a 'getting to know them' post on our social media channels too.
- The Beacon website will be moved onto the T4 framework. In the meantime, improvements to the current website include a virtual 360 tour of the centre, completed by an onsite customer; an enquiry form as a call to action and; google analytics information forwarded monthly to the centre team.
- Current vacant offices are being advertised on Co-Star, Boxpod and Rightmove. The last partnering with local estate agent Buttercross Estates.
- A new brochure has been designed and printed so visitors to the centre receive a professional folder with the information pack enclosed.
- Other stationery includes branded pens, mugs and notepaper for use in the conferencing rooms, where delegates are encouraged to take away the pens and paper to further increase the Beacon's reach. These items also form part of new customers "welcome pack" upon move in.

- Flyers advertising the café have been distributed to local businesses advising we are open to external customers with information on how to pre order their food.
- The hot-desking facility has been moved downstairs within the café seating area to encourage business working lunches. An introductory offer has been advertised via social media and shared in the NBC page.
- A show office was created in Office 10C, which a new customer takes up occupancy from 1st September, with all the furniture. A new 'show office' will be created in Office 11B once redecorating has been completed. Furniture left by a previous customer means no cost for setting up.
- The Shared office now has a mural depicting Newark historical landmarks, painted by local artist Leah.
- Artwork by local artist, Danny, is now hung in communal areas to brighten the walls at no cost to ourselves.

4.0 Performance to Date

Occupancy

- 4.1 Occupancy in the 3 years since the Beacon management returned in-house has obviously fluctuated with natural progressions and the current COVID climate. In August 2021, occupancy stands at 86% (based on square footage) where 35 offices have tenants, eight offices are vacant and one is occupied by NSDC. Prior to the COVID lockdowns, in March 2020, 77% of all offices were occupied. The highest occupation was recorded in November 2019 at 88%. Current occupancy levels now exceed those in place when the Centre was first adopted by NSDC in late 2018 by 9%.
- 4.2 Occupancy has risen 15% since the March report, with 6 new tenants taking space, and one onsite customer expanding into two extra offices. One of the new businesses has already moved into a larger office to accommodate their expanding workforce. Two of the new tenants are brand new businesses and so far are performing better than both of their expectations. During Quarter 1, 36% of office enquiries converted into tenants.
- 4.3 The Newark Beacon has an extensive variety of occupiers, ranging from the UK leading industrial architects, to an award winning chocolatier who makes everything on site. We have a commercial and domestic window company and a consultancy practice specialising in providing sustainable building solutions. We have a couple of dynamic training companies and several recruitment agencies. Collaborations have seen the creative designers support other companies within the centre. We also have a local charity that serves the Newark & Sherwood community along with a national charity that supports veterans. Other companies include a specialist insurance company, a medial supplier, estate agent, a company that looks after industrial marine equipment and guitar builder.
- 4.4 **Rental Income 2021-2022**
 Rental income, both office rent and virtual, for quarter 1 is budgeted at £89,400. At M03, the Newark Beacon has generated £98,420, a positive variance of £9,020. This includes a new tenant paying for their full years' rent in advance. The centre management team have maintained tight control on expenditure during the first three months of the year to result in a 37% profit after expenditure. Only 7% of occupants were in arrears at the end of quarter 1. This is due to historical debt from a former tenant, which is currently with a bailiff to try and recover the outstanding monies owed. Presently, the centre has no outstanding debt apart from the above.

4.5 **Cafe Income 2021-2022**

The café provides an important income stream for the Centre, and was previously, before Covid, supported by both tenants and workers from businesses in the vicinity. Although the Café income budget for the first 3 months was £13,500, only £4,339 was generated in Q1. This is directly correlated to the centre being unable to host conferencing and meetings during the pandemic, and the accompanying catering that would support these.

4.6 However, by completely reviewing all suppliers, including sourcing more locally produced products, a cost saving has been made, which has resulted in a 39% profit after expenditure. The Café now serves 200 degrees coffee made in Nottingham; bread produced by Davison's Bakery in Newark and Pipers crisps from Lincolnshire. The drinks vending machines, which were costing a substantial amount on rent, have been replaced by a new, one off cost, drinks fridge. The new Café team are also making cakes and tray bakes saving further money, instead of buying premade. These have been warmly received by customers.

4.7 **Auxiliary Income 2021-2022**

Auxiliary Income was budgeted at £13,750 for Quarter 1. This comprises hot-desking, conferencing/room hire and service charges. At M03 auxiliary income generated £6,774, an adverse variance of £6,976.

4.8 As mentioned in section 3.4 above, the centre was unable to host external meetings and conferencing until the 17th May 2021, which inevitable resulted in a month and half of no conferencing income. Since this date, due to social distancing guidelines, the Beacon was not able to accommodate meetings over 14 delegates, which has reduced the amount of conference enquiries and the amount of meetings that be booked each day. Added to this, less customers' on-site reduced costs that could be recovered through recharges from service provisions.

4.9 **Customer Satisfaction**

Customer Satisfaction at the Beacon is measured using a formalised, questionnaire-based process. The last survey resulted in a 54% return rate, with 50% of respondents rating the Beacon as excellent, 28.5% as very good and 21.5% as good. Tenants were particularly happy with the staff, café and ground floor upgraded toilets.

4.10 The next survey is currently being devised to be issued by the end of Quarter 2, with the results reported to the committee in Quarter 3.

4.11 A Café survey was issued in November 2020 to onsite customers. Of the responses, 85% of customers used the café facility. Feedback indicated that customers thought that current pricing is fair, and particularly like that sandwiches are freshly-prepared rather than pre-packaged, ready prepared. Suggestions including healthy and vegan options were requested.

4.12 **Business Support**

Business Support has understandably tapered off during the pandemic as face-to-face meetings and conferencing have not been permitted. However, most of the planned support activities have been able to go ahead virtually. All of which have been advertised internally to our customers. New customers have received an introductory communication from the Economic Support Officers and any questions about business support have been directed their way via the centre management team.

5.0 Equalities Implications

5.1 Equalities impact assessments will be completed as appropriate for the activities and actions mentioned within this report.

6.0 Financial Implications (FIN21-22/999)

6.1 The Newark Beacon cost centre is currently forecasting an unfavourable variance of £0.034m for the 2021-22 financial year. Further details about this variance and the £0.052m capital scheme referred to in paragraph 3.7 can be found in the *Economic Development Revenue and Capital Forecast Outturn Report to 31 March 2022 as at 31 July 2021* report at agenda item 17 of this Committee's meeting.

7.0 Community Plan – Alignment to Objectives

7.1 In line with the Council's objective regarding the inclusive and sustainable economic growth, the Beacon management team feel the centre is ideally placed to help support new grass root start-up businesses, which are starting to emerge as the country begins to recover from the pandemic. The management team is actively engaging with the local business community to encourage new businesses into the centre. Hotdesking space has been created in the café with an introductory offer advertised to allow fledging businesses the chance to try out the Beacon as a potential working environment.

8.0 RECOMMENDATIONS that:

- (a) Members note the report and the achievements made to date; and**
- (b) further progress reports be presented to Committee biannually.**

Reason for Recommendations

To continue to inform Members on the delivery of the Beacon Business Plan

Background Papers

Nil

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