
START-UP OFFICE SPACE – MEMORIAL HALL, INNERLEITHEN

Report by Service Director Assets & Infrastructure

INNERLEITHEN COMMON GOOD FUND SUB-COMMITTEE

23 August 2018

1 PURPOSE AND SUMMARY

- 1.1 This report proposes that the vacant office space within the Memorial Hall in Innerleithen be made available to let to local start-up businesses.**
- 1.2 Members have noted a shortage of supply of business space in Innerleithen, and have identified the vacant office space within the Memorial Hall as a possible solution to satisfying latent demand.
- 1.3 The Memorial Hall is currently subject to a lease to Live Borders, and the proposal contained in this report would be contingent on agreement being reached on a partial surrender of that lease, which has been discussed in principle. The transfer would be of that part of the accommodation required for this project; the former contact centre and offices only, and not the hall itself.
- 1.4 It is envisaged that the space would be operated on a similar basis to the business incubator units currently being piloted by Scottish Borders Council at the Rosetta Road offices, where a pilot project has been underway for approximately 12 months. This project offers 78 sq m of office space in 3 self-contained rooms, on 'easy in/easy out' terms – I understand the first letting is being agreed at the time of writing.

2 RECOMMENDATIONS

- 2.1 I recommend that the Common Good Fund Sub-Committee:-**
 - (a) Notes the potential costs and revenue associated with the proposal to provide business start-up space at the Memorial Hall, Innerleithen and that no budget has been identified to meet these costs.**
 - (b) Makes an application to the Scottish Borders Council's economic development budget for a grant to take forward the necessary works.**

3 BACKGROUND

- 3.1 Members have previously identified the need for additional business space in Innerleithen due to the very low vacancy rate of business and retail premises on the High Street.
- 3.2 The vacant space in the villa, which formerly housed the Scottish Borders Council contact centre, has been identified as being suitable for refurbishment to be made suitable for business use.

4 BUSINESS START-UP SPACE

- 4.1 The former contact centre has now been vacant for several years, and the remainder of the building is largely unused; the exceptions being the chamber on the ground floor and a large first floor room currently let as an artists' studio.
- 4.2 There is a potential for a self-contained suite of offices on the ground floor in the space that was formerly occupied by the contact centre, and there are a further five self-contained offices on the first floor. Office 1 & 2 is currently let to a local artist, although I understand she has recently intimated that she would be open to a move to smaller accommodation within the building. The following schedule shows the respective floor areas of these offices, and their estimated rateable and rental values:

Accommodation	Area	Rateable Value	Rental Value
Ground floor			
Contact centre & office	400 sq ft	£2,239	£5,200
<i>Chamber</i>	<i>424 sq ft</i>	<i>£2,300</i>	<i>Hourly</i>
First floor			
Office 1 & 2	570 sq ft	£3,208	£7,400
Office 3 & 4	281 sq ft	£1,540	£3,650
Office 5	215 sq ft	£1,186	£2,800
Office 6	281 sq ft	£1,124	£3,650
Office 7	147 sq ft	£790	£1,900
Total (lettable space)	1,894 sq ft		£24,600

- 4.3 By using this building the Common Good Fund would provide start-up office space for local businesses. The service will provide a relatively straightforward way for businesses to move beyond the initial phase of home working, before moving into local, privately owned space. It is not intended to compete directly with, but rather complement the existing offer from, the private sector by providing a stepping stone for start-up businesses.
- 4.4 There are no planning approvals required because the proposal uses existing office space.

5 MAKING IT EASY TO USE

- 5.1 The aim in setting up these small offices is to make sure that it is easy for start-up businesses to access and use the space. It is proposed that the Common Good Fund will offer 'easy in/easy out' terms of occupation, and an all-inclusive rent will be charged to cover the costs of running the building: heat, light, rates, cleaning, furniture and maintenance. Estates and legal services will work together to produce a licence to occupy template to make the process as streamlined as possible. A rental level of £15 per sq ft per annum is being asked at the Rosetta Road offices, inclusive of a notional service charge element of £4.50 per sq ft, and a rent set slightly below this level would be appropriate for the proposed offices, say £13 per sq ft.
- 5.2 The premises will have WiFi connectivity available, and there are telephone sockets available in all offices, although the expectation is that small businesses are likely to rely on mobile phones rather than land lines. Desks and chairs will be provided free of charge by Scottish Borders Council from surplus stock – the current stock will allow for three rooms to be furnished, and it is envisaged that as offices are let over time, more desks and chairs will be available to furnish these, with a charge levied by the council for delivery of these.
- 5.3 The ground floor chamber would be made available for use as a meeting room.

6 IMPLICATIONS

6.1 Financial

The property is category C listed by Historic Environment Scotland and therefore the Common Good Fund will not be liable for business rates while any individual self-contained offices lie empty. The Rosetta Road offices are similarly self-contained units, also housed in a listed building, and these have attracted no business rates liability while vacant.

- 6.2 Based on quotes received, and using the costs of the works undertaken at Rosetta Road as a guide, the approximate costs for refurbishing the accommodation and making the necessary changes are set out below. It is stressed that these costs are a guide only, and subject to confirmation. Given the experience of the pilot project at Rosetta Road it might be that a phased programme of works is considered appropriate, so that some rooms remain unimproved until the level of demand has been established:

Item	Rate	Estimated cost
Painting 7 rooms	@ £500 per room	£3,500
Carpet tile 7 rooms (2,318 sq ft)	@ £3.25 per sq ft	£7,534
Entry system works 7 rooms	@ £600 per room	£4,200
Broadband connection		£1,200
Sub-total		£16,434
Contingency 15%		£2,465
TOTAL		£18,899

6.3 Risk and Mitigations

There is a risk to the reputations of Scottish Borders Council, LiveBorders and the Common Good Fund if it is perceived that assets in their ownership and/or management are not being fully utilised. This risk is mitigated by the proposal which will provide space for business start-ups, and demonstrate productive use of the building while providing an income stream. The risk of bad debt and other problems with tenants such as the property being returned in a bad state of repair at the end of the lease will be mitigated by the ability to end licence agreements relatively straightforwardly in the event of non-compliance with terms, and by charging rent monthly in advance rather than in arrears.

6.4 Equalities

An Equalities Impact Assessment for the project will be undertaken before it is finalised in order to ensure that there are no adverse impacts due to race, disability, gender, age, sexual orientation or religious/belief arising.

6.5 Acting Sustainably

The proposal is aimed at supporting business start-ups to develop and grow. This will contribute to local economic activity and growth and the long term sustainability of the local economy and community.

6.6 Carbon Management

It is not expected that this proposal will have a significant adverse effect on carbon emissions because it makes use of existing space that is already heated by the current occupiers. Occupation of the vacant space will increase electricity use through lighting and small power.

6.7 Rural Proofing

Rural Proofing is not required as the proposal does not relate to new or amended Council policy or strategy.

6.8 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to be made to the Scheme of Administration or Scheme of Delegation arising from this report.

7 CONSULTATION

- 7.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

Approved by

Martin Joyce

Service Director Assets & Infrastructure

Signature

Author(s)

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Background Papers: None

Previous Minute Reference: 12 December 2017

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