

Roe Valley Enterprises	11th December 2018
To: The Leisure and Development Committee For Decision	

Linkage to Council Strategy (2015-19)	
Strategic Theme	Accelerating our Economy and Contributing to Prosperity
Outcome	Maximise business opportunities and encourage businesses to grow and prosper
Lead Officer	Head of Prosperity and Place
Cost: (If applicable)	N/A

The purpose of this report is to seek approval from Members to act as Sponsor for the acquisition of former DARD buildings in Limavady by Roe Valley Enterprises.

Background

Roe Valley Enterprises is one of two enterprise agencies in the Borough. The company is a not-for-profit organisation with charitable status, which works for the benefit of the local community by supporting small business and community enterprise and playing an active part in business development at local, regional and national levels.

It is currently fully let, with a waiting list of 14 new and expanding SMEs on its books. The Enterprise Agency has been looking for a town centre presence for some time.

Former DARD Buildings – Killane Road, Limavady

4-6 Killane Road was formerly a quality assurance office and local presence for the Department of Agriculture, Environment and Rural Affairs. It has been declared surplus to requirement and is currently being disposed, under “the Disposal of Surplus Public Sector Land” mechanism.

The 0.2 acre property can be seen at **Annex A**.

Request for Support

Roe Valley Enterprises has expressed an interest in the property. If successful, the Enterprise Agency intends to create an entrepreneurial hub by providing high quality office accommodation, with hot-desk space for new start-ups.

As part of the expression of interest process, Roe Valley Enterprises requires a sponsor body, and has requested that Council fulfils this role. This condition is set by the current CAU Disposal Guidance. No funding is requested from Council.

Council’s Short Business Case for Capital Expenditure has been completed, at **Annex B**, with the following aims and objectives:

Aims

- To provide the conditions to contribute to an increase in the average median wage in the Borough, bringing it more in line with the regional average.

- To support economic regeneration and social inclusion through encouraging business innovation and incubation.
- To increase business start-ups and survival rates.
- To increase the proportion of knowledge economy businesses in the Borough's SME sector.

Objectives

- To transfer the DAERA site to RVE by April 2019.
- To develop the site as a hub for business innovation by June 2019.
- To provide incubation space for six businesses per annum.
- To support the creation of an additional 10 jobs per annum.

Recommendation

With the completion of the short business case, it is recommended that Council lends its support as public sector sponsor to Roe Valley Enterprises. An update on this support will be brought back to Council as soon as an outcome is known.

ANNEX A



ANNEX B

The pro forma is based on the 10-step general appraisal guidance from the [Northern Ireland Guide to Expenditure Appraisal and Evaluation \(NIGEAE\)](#). For more detailed guidance on the economic appraisal of investments, please refer directly to that document.

File Ref:

Project Title: Roe Valley Enterprises: Limavady Town Incubation Hub

Prepared by: Martin Devlin

1. Strategic Context

(Step 1 - Briefly describe the background to the requirement)

The **Northern Ireland Programme for Government** Framework 2016 – 2021 contains 12 strategic outcomes supported by 48 indicators and covering a wide spectrum of areas, including creating an environment in which opportunity can flourish in economic, social and cultural terms to develop the region's appeal attractiveness as both a tourist destination and a place for business.

A key feature of the new Programme is collaborative working between organisations and groups, whether in the public, voluntary, or private sectors and it is a Programme in which concepts such as the proposed Limavady Innovation Hub can play an active part in contributing to stated outcomes and indicators, including:

Outcomes:

We are an innovative, creative society, where people can fulfil their potential

We have created a place where people want to live and work, to visit and invest

We connect people and opportunities through our infrastructure

The Incubation Hub will be an environment for entrepreneurs to gather, network, connect and collaborate and can inspire new cross disciplinary collaborations, community engagements and modes of working.

Formerly Department of Enterprise, Trade and investment (now DfE) Draft Innovation Strategy for Northern Ireland 2013 – 2025

The draft strategy identifies the key actions necessary to support Northern Ireland businesses to become more innovative, and recognises innovation is not just research and development, but also skills, design and collaboration. Collaboration, partnership and leadership is required from the Executive, business, academia and the third sector. The draft Strategy identifies actions under four themes:

- Knowledge Generation
- Knowledge Exchange
- Knowledge Exploitation
- Cultural Change

Its vision is:

“Northern Ireland, by 2025, will be recognised as an innovation hub and will be one of the UK’s leading high-growth, knowledge based regions which embraces creativity and innovation at all levels of society”

DfE is also developing the Smart Specialisation approach to funding projects which concentrates on funding regionally strong sectors in order to provide growth and innovation in any given region, which has already been adopted by the EU commission. The sectors of high economic importance for NI are Agri-food; Advanced Engineering (Transport); Advanced Materials; Information & Communication Technologies (ICT); Life and Health Sciences

As an Innovation Hub, the Roe Valley Enterprises proposal will also forge new partnerships and develop existing ones allowing for collaboration between for example small businesses, Council and local colleges, the hub having the capacity to link the private, public and third sectors.

The Innovation Hub can contribute to the strategy themes by creating an environment from which new business start-ups and scale ups will be given the opportunities to develop and grow their businesses. In addition, links with colleges will be created and talented people can be recruited through programmes such as the Department for Economy’s the Let’s do Business initiative.

Invest NI Business Strategy 2017-2021

Invest NI’s ambition over the lifespan of this strategy is to contribute to the outcomes of the draft Programme for Government by:

- Supporting and encouraging 30,000 – 40,000 additional jobs
- Increasing business expenditure on research and development by £160-£200 million
- Supporting our customers to increase their total sales by £3.2-£4.2 billion

To do this, Invest NI will focus on:

- Embedding innovation and entrepreneurship to support more businesses with high growth potential start-up and scale up
- Helping more businesses successfully sell outside Northern Ireland

- Attracting more quality inward investors
- Selling Northern Ireland globally in a much wider context

The redevelopment of the DAERA site by Roe Valley Enterprises as an innovation hub aligns itself to this strategy. It will increase business starts, generate new/additional jobs, increase innovation and export potential.

The **Accelerating Entrepreneurship Strategy** is Invest NI's response to a commitment made in the Programme for Government to address the low level of entrepreneurial activity. The strategy's context is the need to develop a renewed culture of enterprise in Northern Ireland which encourages people to think positively about being engaged in business activity and addresses the risk averse attitude that is prevalent. It aims to build on existing achievement in this area by enhancing the quality and quantity of new business ventures.

Causeway Coast and Glens Community Plan

"The purpose of community planning is to develop a long term vision and plan for the Causeway Coast and Glens area and all its citizens based on thorough analysis of needs, priorities and opportunities in order to address them¹". The Community Planning model establishes a clear focus on partnership and collaboration, working with local communities being a primary goal.

Acting as an integrated framework for development and delivery the Community Plan is a key strategic document for the Borough and works towards a series of long term strategic outcomes including:

- A Thriving Economy

The development of the DAERA site by Roe Valley Enterprises acknowledges the need for improved local employment opportunities, accessible skills training and learning, regeneration, modern infrastructure and the potential for innovation, including the use of the Borough's unique natural assets. The proposal seeks to contribute to economic development by identifying opportunities for growth and sustainability, including social enterprise.

Local Development Plan

Local Development Plans form the basis of land use planning and decisions on planning applications within the Borough. They set out what the Council area will look like and how land should be used and developed. The Borough's Local Development Plan 2030 sees Limavady as a Main Hub as follows:

LDP Social Objective:

To promote the continued growth of Coleraine and Limavady as Main Hubs and Ballymoney and Ballycastle as Local Hubs, consistent with their roles as defined in the RDS. The incubation hub will help sustain and build Limavady as one of the main hubs in the Borough.

NIHE Housing Investment Plan (update 2018)

This document notes that the projected housing need in Limavady is 13 units across the 2017 – 2022 period. Given the size restriction on the DAERA site, it is unlikely that the site would be considered suitable for housing provision.

2. Assessment of Need

(Step 2 - Describe (i) problems with existing facility and/or (ii) any new requirements – provide objective evidence)

At present the former DAERA building is unused, despite representing a key strategic site in the town.

Roe Valley Enterprises, as the local enterprise agency (LEA) organisation for the area is currently fully let, with a waiting list of 14 SMEs (start up and expanding). This need for additional accommodation to meet evidenced need cannot be met at the existing Aghanloo site as it is fully utilised and there is no further land available for development on the site.

The proposal offers an opportunity to contribute to economic regeneration in the Borough, acting as a catalyst for business innovation and growth. The need for an intervention such as this is evidenced by the following:

Average median wage in the Borough is £18,400 (2017) compared to the NI average of £21,300

Economic Inactivity Rate for the Borough is 34.1% compared to a NI Average of 26%; DLA Claimants demonstrate a continuous Upward Trend since 2000. The highest rate of claimant unemployment rate (16 - 64 years) in the Borough in 2016 was recorded in the former Limavady LGD ward of Greystone (11.7%), compared to a Borough average of 3.5%.

Causeway Coast & Glens records a lower concentration of employment in the manufacturing sector while performing higher in areas such as accommodation and agriculture. Causeway Coast & Glen's population is expected to grow to around 147,500 by 2027. However, the proportion of the population that is working age is expected to fall from 63% in 2017, to 59% in 2027, resulting in a higher dependency rate.

Labour market forecasts predict: 1,600 additional jobs forecast by 2027, increasing employment to 51,700. It notes that Employment as of 2017 is still below 2008 levels, with a return not likely to occur until post 2027 while self-employment is expected to increase from 7,800 in 2017 to 8,500 in 2027 (source NISRA/Univ. of Ulster Economic Policy Centre).

While 1,600 net new jobs are forecast for Causeway Coast & Glens from 2017-2027 in a baseline scenario², these are largely in the accommodation and public sectors as well as professional and scientific, administration, construction and retail with manufacturing showing minimal growth and

² Baseline scenario = the most likely economic outcomes for Causeway Coast & Glens. Based on plausible 'Brexit' assumptions, while lowered rate of Corporation Tax is not included due to uncertainty over price and mechanism.

agriculture projecting the greatest decline (in excess of 200 job losses). This reinforces the need to promote the facilities and conditions to encourage business innovation, including exploring opportunities for diversification.

GVA is expected to increase slightly to £2.4bn by 2026. The average growth rate is just 1.4% over the decade, well below the NI average of 1.5% over the same period and further underpinning the need to support growth and innovation. In addition, the Borough has experienced fewer new businesses than the NI average. This has been an ongoing trend since 2010, despite being host to more businesses per capita than the NI average.

3. Objectives & Constraints

(Step 3 - List (i) business objectives and (ii) constraints in achieving them)

Aims

To provide the conditions to contribute to an increase in the average median wage in the Borough, bringing it more in line with the regional average

To support economic regeneration and social inclusion through encouraging business innovation and incubation

To increase business start-ups and survival rates

To increase the proportion of knowledge economy businesses in the Borough's SME sector

Objectives

To transfer the DAERA site to RVE by April 2019

To develop the site as a hub for business innovation by June 2019

To provide incubation space for six businesses per annum

To support the creation of an additional 10 jobs per annum

Constraints

RVE has identified the following constraints:

Failure to secure the site/associated funding package

Failure to attract and support businesses

Size of identified DAERA site

Section 4: Identify and Shortlist the Options

- Consider alternative ways to meet the objectives e.g. variations in scale, quality, technique, location, timing etc.
- Start with an initial 'long list' of options and sift them to provide a shortlist. Record all the options considered and the reasons for rejecting those not shortlisted.
- The shortlist of options should include a baseline Status Quo or 'Do Minimum' option and a suitable number of alternatives 'Do Something' options (usually at least two).

Option Number	Description	Short listed / Rejected (S) or (R)	Reason for Rejection
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	<p>Status Quo – Do Nothing</p> <p>This option would result in RVE’s Board agreeing that it would not progress an investment option on the DAERA office leading to an intervention to deliver on the stated project aims, namely provision of an incubation hub.</p>	S	This option is selected as a baseline position for measurement of short-listed options.
2	<p>Expand on the current RVE site</p> <p>RVE has operated on its current site on the Aghanloo Road in Limavady to provide an additional 5,000 sq Ft of incubation space. It currently provides incubation units from the Aghanloo Rd site. . This space is fully LET. Option Two would result in the Board examining the potential to develop a further phase of incubation space on its current site.</p>	R	This Option is rejected as the current Aghanloo site does not provide opportunity for expansion; in addition such an option would be financially prohibitive.
3	<p>Purchase DAERA Office and carry out cosmetic works and offer to potential tenants</p> <p>RVE would purchase the former DAERA office building and, following a basic refreshing of the existing building, focusing on cleaning and some cosmetic improvement, offer the building to potential tenants in its current physical state.</p>	R	Rejected on the basis that the existing DAERA facility requires modernisation beyond a simple cosmetic/cleaning servicing. Refurbishment is required in order to provide quality and tailored incubation accommodation.
4	<p>Purchase and complete a cosmetic and compliance refurbishment</p> <p>The DAERA office building will be purchased by RVE who will carry out a cosmetic and compliance refurbishment of the building before offering to tenants. While the building will be compliant the building would not be updated. Provision of 4,200 sq. ft of incubation space.</p>	S	This option is selected for short-listing as it offers potential for provision of business incubation space.

5	<p>Purchase and complete a full refurbishment</p> <p>On purchase of the DAERA office by RVE, a full internal refurbishment will be carried out. This Option will update the facility to create a fit for purpose space which is fully compliant and tailored to the needs of potential tenants / business owners. Provision of 4200 sq. ft of incubation space</p>	S	<p>This option is selected for short-listing as it offers potential for provision of business incubation space.</p>
6	<p>Purchase and cosmetic/compliance of DAERA building (i.e. Option 4) plus extension</p> <p>In addition to purchasing and fully refurbishing the existing DAERA facility, this option would see RVE add an extension to the building to provide additional space.</p>	R	<p>The site is very constrained, thus ruling this out as an option due to space limitations for an extension.</p>

5. Monetary Costs & Benefits

(Steps 5 & 8(a) - See Spreadsheets at Appendix a for breakdown of costs & benefits)

Option Number	Total Capital Expenditure £	Total Annual Recurring Expenditure £	Total Annual Benefit £	NPV £
1	-	-	-	-
2	n/a	-	-	-
3	5,000 plus £100,000 purchase	-	-	
4	20,000 plus £100,000 purchase	10,000	43,260	174610
5	200,000 plus £100,000 purchase	10,000	43,260	354610
6	750,000 plus £100,000 purchase	-	-	-

The following assumptions are made in respect of the options:

- Units will be let at £10.30 per sq ft
- The DAERA site will not require a full-time management team. An annual allowance of £10,000 is made to cover management and insurance
- Options 4,5 and 6 will require borrowing to purchase and refurbish/extend

6. Non-Monetary Costs & Benefits

(Step 7 - Translate objectives into benefits, measurements steps & allocate scores)

This table sets out the non monetary assessment of the shortlisted options.

Cost or Benefit Detail	Measurement Steps	Option 1		Option 4		Option 5	
		Cost	Benefit	Cost	Benefit	Cost	Benefit
Promotion of enterprise culture in the Borough	Expressions of Interest received in relation to the incubation space		0		8		8
Support business innovation and growth	The extent to which the Option contributes to increased business growth		0		8		8
Facilitate social inclusion	The degree to which social inclusion is supported by providing a forum for interaction and info exchange.		0		7		7
Total Option Scores:			0		23		23

7. Assessment of Risks & Uncertainties

(Step 8(b) - List risks & counter measures, indicate individual & overall risk level. Consider the application of Optimism Bias adjustments)

Risk Detail	Risk Probability (1, Low – 2, Medium – 3, High)				Countermeasure
	Option 1	Option 4	Option 5		
Not acquiring the site	n/a	Medium	Medium		In the event that the site is not obtained, the project will not proceed as planned and RVE will continue its search for additional accommodation.
Project running over budget/timescale	n/a	Medium	High		A dedicated project sub-group will be established to take the project forward, reporting on a regular basis to the RVE Board.
Failure to attract sufficient businesses to the site	n/a	Low	High		RVE has commenced the process of identifying potential tenants through its existing waiting list.
Overall Risk Level	n/a	Medium	High		

8. Option summary & Recommendations

(Step 10 – Assess the balance of advantage between the options & provide conclusions/recommendations)

Summary Table

	Option 1	Option 4	Option 5	NA
Total Capital Cost (£)		120,000	300,000	
Total Recurrent Cost (£)	0	10,000	10,000	
Total Project Cost (£)	0	174610	354610	
Non-Monetary Benefits Ranking	3	=1	=1	
Risk Assessment (1, Low – 2, Medium – 3, High)	Low	Medium	High	

There is a strong strategic rationale for intervention which is supported by both the socio-economic profile of the Borough and the direct evidence of need identified by RVE. The fact that RVE has a waiting list of 14 potential tenants also contributes to a strong profile of need.

Preferred Option – Option 4:-

Purchase and complete a cosmetic and compliance refurbishment on the former DAERA office in Limavady.

This Option is selected as the Preferred Options based on the following rationale:

There is a strong policy context, both regionally and at Borough, level to support the investment and its associated aims and objectives. While Option 5 also meets both this criteria and scores equally in relation to non-monetary benefits, the significant increase in capital costs produce a higher risk assessment. There would be concerns in relation to the challenge presented to RVE in securing the £200,000 capital costs required to deliver Option 5. The capital funding model would require higher level financing, thus exposing it to any trading sensitivities i.e. reduction in revenues generated from rental income, an increase in operating costs or both.

Option 1 has been discounted as it offers no non-monetary benefit and no potential to contribute to the policy environment or the proposal's stated aims of supporting business innovation and provide the conditions to contribute to an increase in the average median wage.

Option 4 is considered a more manageable option from both a financial and management perspective. For a relatively small capital investment, the project offers significant opportunity to contribute to both the policy goals and stated aims and objectives while proving a very efficient project management model which offers value for money.

9. Monitoring & Post Implementation Review

(Step 9(b) - Include proposed timetable & describe proposed MoR actions)

Action	Timeframe	Monitoring Actions
Site acquisition	April 2019	Appointment of capital sub-committee to manage the process.
Procurement	May 2019	Procurement policy adhered to through ongoing liaison with funders' representatives and all actions documented.
Capital refurbishment works	June 2019	Regular site meetings attended by capital sub-committee and contractor.
Site handover	June 2019	RVE will assume responsibility for the refurbished facility.
Post-Implementation	Ongoing	RVE will report on project implementation at its regular Board meetings, providing an update on occupancy and tenant profiles. Tenant will be supported through business start up and growth programmes delivered by RVE. These will be monitored on an ongoing basis and participants consulted in their needs to ensure bespoke programme delivery.

10. Management & Evaluation Considerations

(Step 9(a) List any relevant management considerations initiated by project)

RVE will be responsible for project management, bringing a wealth of experience in the key areas of:

Facilities and tenant management

Business growth and development

Design and delivery of business innovation and support programmes

A dedicated project sub-committee will be established, reporting to the Board on a regular basis on the capital refurbishment phase. The promoters currently have a waiting list of 14 potential tenants who can be based at the refurbished DARD office. A bespoke evaluation framework will be established for tenants and participants in order to measure the degree to which business innovation and growth has been supported through the refurbished facility and accompanying business support and development programmes.

The evaluation framework will measure progress against the stated project aims and objectives.

Appendix A – Option Costs

Please complete for each option (copy the spreadsheet as many times as necessary – “Right click, Worksheet Object, Open” to open in Excel)

Option 1 (Status Quo)							
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Totals
Capital Costs	0						0
							0
							0
(a) Total Capital Costs	0	0	0	0	0	0	0
Revenue Costs	0	0	0	0	0	0	0
							0
							0
							0
(b) Total Revenue Costs	0	0	0	0	0	0	0
(c) Total Cost (= (a)+(b))	0	0	0	0	0	0	0
(d) Discount Factor (@3.5%pa)	1	0.9662	0.9335	0.9019	0.8174	0.842	
(e) NPC (=(c)x(d))	0	0	0	0	0	0	0

Option 4

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Totals
Capital Costs	120000						120000
							0
							0
(a) Total Capital Costs	120000	0	0	0	0	0	120000
Revenue	10000	10000	10000	10000	10000	10000	60000
Costs							0
							0
							0
							0
(b) Total Revenue Costs	10000	10000	10000	10000	10000	10000	60000
(c) Total Cost (= (a)+(b))	130000	10000	10000	10000	10000	10000	180000
(d) Discount Factor (@3.5%pa)	1	0.9662	0.9335	0.9019	0.8174	0.842	
(e) NPC (= (c)x(d))	130000	9662	9335	9019	8174	8420	174610

							0
							0
(b) Total Revenue Costs	10000	10000	10000	10000	10000	10000	60000
(c) Total Cost (= (a)+(b))	310000	10000	10000	10000	10000	10000	360000
(d) Discount Factor (@3.5%pa)	1	0.9662	0.9335	0.9019	0.8174	0.842	
(e) NPC (= (c)x(d))	310000	9662	9335	9019	8174	8420	354610