

COACH HOUSE CAT CABINET REPORT – NOV 2023

APPENDIX A2

Social Value of the Redevelopment of the Coach House as the Centre for Black Enterprise and Culture

Submission by BSWN to BCC CAT Group and Evaluation by BCC Economic Development for Bristol City Council CAT Group – July 2023

A) Submission by BSWN

The Coach House Refurbishment – Social Value Calculations

Social Value Measures.

BSWN have undertaken three different social value calculations in relation to the Centre for Black Enterprise and Culture. These are a TOMS calculation that is benchmarked against the work we have delivered over the last 2 financial years (the 2022-23 year is provided for illustration), a Productivity Gross Value Added (GVA) calculation, and a Jobs Created GVA calculation.

TOMS Calculation

In the 2022-23 year, across our Business Support, Enterprise Development, VCSE Sector Development, Cultural Inclusion, and Research programmes, BSWN supported 374 different Black and Racially Minoritized organisations and engaged 900 people. This figure of 374 organisations is comprised of 165 enterprises, 71 social enterprises/CICs, and 136 charities/CIOs. During the year, BSWN collaborated and established partnership work with 30 different organisations ranging from Bristol Old Vic and the University of the West of England through the Society of Merchant Venturers, BBRC and VOSCUR to Lloyds, Allianz Insurance, and Price Waterhouse Coopers.

In delivering our programmes, we have provided 1334 hours of expert business advice, supported 68 new Black and Racially Minoritized businesses to become incorporated, created 79 new jobs, provided 75 weeks of work experience placements to Black and Racially Minoritized people, and delivered 294 hours of staff well-being support programmes. We have also spent £180,000 in the local supply chain 93% of which has been spent with local MSMEs and the VCSE sector.

BSWN have undertaken a TOMS Calculation of our work using Bristol City Council's Social Value Toolkit. This calculation indicates that on the basis of our existing track record, the Centre for Black Enterprise and Culture will generate a social value of £2,719,523 per annum, or approx. £27 million of social value over 10 years.

Productivity GVA

Since the end of the Second World War, productivity in the UK has fallen from 3.6% to 0.2%. For some time, it has been accepted that this is partly due to the UK's 'long tail' of low productivity firms. Within the UK's long tail, 90% of the firms in the bottom 10% of the labour productivity distribution are micro-firms employing less than 10 people (BEIS, 2019). The shape of the GVA distribution of these less productive firms shows a concentration of firms within the £5,000 to £20,000 output per worker range (ONS, 2017)

Research into the causes of low productivity shows that ‘within firm’ issues, especially leadership and management deficiencies, the innovation problem, workforce skills issues, and access to investment are significant causal considerations. Importantly and relatedly, SMEs often have low investment in skills and training, face difficulties in accessing finance for growth and innovation, and have lower levels of export trade (NIESR, 2022).

The refurbishment of the Coach House into the Centre for Black Enterprise and Culture will work to address productivity problems for Black and Racially Minoritized led micro-SMEs in the following ways –

- The development of leadership and management skills through coaching, mentoring, and in-house training.
- The provision of specific productivity training sessions including its strategic and operational importance, how to measure and monitor, and planning for increasing GVA output.
- The provision of ‘open innovation’ opportunities through networking activities, collaboration events, and Idea Lab sessions at the Centre and online through a digital Collaboration Space. Uniquely, the Centre will bring together entrepreneurs, social entrepreneurs, and cultural producers in the same space with a view to collaborating on the cross-pollination of concepts, ideas, and solutions.
- Leveraging our partnerships with the University of Bristol, the University of the West of England, and Bath Spa University to develop access points to a skilled workforce of STEM graduates.
- Developing and leveraging relationships with key partners in the investment sector to create accessible pathways to investment for Black and Racially Minoritized organisations.

Whilst a baseline of productivity for Black and Racially Minoritized micro-SMEs does not currently exist, in calculating productivity GVA, BSWN has used the median position of the broader micro-SME sectors productivity range of £5,000 to £20,000 i.e., £12,500 per annum.

Within the organisations BSWN will work with per year through the Centre for Black Enterprise and Culture, approximately 150 business will receive support specifically to increase their productivity. Working from the rationale that those at the low end of the productivity range have the greatest scope for increases, increasing their productivity by 0.5% annually will produce £21.1 million GVA over 10 years.

A further Productivity GVA calculation for new businesses incorporated, based on the same median position of £12,500 indicates that, using the new business incorporated in 2022-23 as a benchmark, the Centre for Black Enterprise and Culture will generate an additional £850,000 of new productivity each year.

Jobs Created GVA

BSWN have used a Jobs Created GVA calculation model developed for BSWN by ARUP in 2019. This model uses the Bristol City Council workplace GVA per head 2017 (£31,812) and Deadweight loss (0.2), Leakage (0.135), Displacement (0.195), and Multiplier (1.5) Additionality Assumptions drawn from the HCA Additionality Guides 2014 – 2017 to calculate the Jobs Created GVA of the Centre for Black Enterprise and Culture.

Working on the same 150 businesses in the previous model, this model projects a Direct GVA impact of £470,229 and an Indirect GVA impact of £235,115 per annum. In addition, ARUP have calculated the wider economic impacts of the Centre as £1,050,000 per annum based on 15% of the wider

economic impact of the Engine Shed, as calculated by the Zeta Economics Engine Shed Economic Assessment.

These calculations indicate a Jobs Created GVA of £705,344 per annum or £7,053,440 over 10 years. Plus an additional £1,050,000 per annum or £10,500,000 wider economic impacts over 10 years. This gives a comparison figure of £17,553,440 social impact over 10 years.

In all these social value scenarios, BSWN is providing significant social value to the city, which needs to be reflected in the sale price of the Freehold and/or the duration of a long lease.

Conclusion

BSWN have undertaken robust business planning and financial modelling on the Coach House in relation to its current operations, the phased refurbishment process, and the operations of the post-refurbishment Centre for Black Enterprise and Culture. This work demonstrates the ongoing financial viability of the building under BSWN's management, the significant upgrading and expansion of the building from its condition when BSWN took occupancy, the impact of the service provision against Bristol City Council's objectives, and the significant social value that BSWN provides and will continue to provide for Bristol and its communities through the building.

B) Evaluation by BCC Economic Development

1. Social Value – as measured by Bristol City Council TOMS Tool-kit ('menu' of local economic, social and environmental measures)

Discussion Points with Matt King (Procurement Governance Manager and Social Value Lead):

- while SV should be a consideration taken into account, BCC has no formally adopted framework for assessing SV as part of CAT decisions.
- the TOMS measures were designed around procurement of suppliers and the relative value of bidders' offers in relation to the 20% weighting given to SV within the scoring of tenders
- bidders should calculate the value of TOMS measures in relation to the duration of the contract for goods or services, typically 1-5 years. It is not intended to be applied to leases or freehold transactions, which would come with long term service agreements or covenants.
- But TOMS would be a useful, established policy mechanism by which BSWN can specify and quantify the added social value the refurbishment of the Coach House as the Centre for Black Enterprise & Culture will enable or provide, but it cannot be applied as a direct £ for £ proxy value – ie. £1 market value discounted for each £1 SV offered over an open timescale.
- In concluding the existing AfL (35 years) BCC has already taken into account SV with reference to TOMS detailed by BSWN in its 2020 Business Plan. If a 125 year lease is offered, the peppercorn rental will be extended to the new lease term, and a further estimation of the social and/or economic value generated in monetary equivalent terms should be made.
- Matt King commented – 're the TOMs measures: the way I tend to explain it is that they should be viewed as a framework to quantify and compare the relative benefits of different sorts of Social Value.... so it's a means of comparing the relative importance of different parts of a social value offer... e.g. how much better or worse is an offer of 1 week of local employment in comparison with 8 weeks of volunteering time...In some ways thinking about the units as "Social Value Points" rather than a proxy financial value in £ would be less misleading'.
ie. it's not intended to be a framework for a exact monetisation of social value, but for comparison of offers.

Conclusions

- BCC requested from BSWN the workings for the TOMS social value calculation, and asked for this to be revised using the 2021 TOMS tool-kit in use with suppliers by BCC Procurement.
- **However, the TOMS sum is not a direct monetary equivalent and should not be translated into a £ value for comparison with the open market value of the freehold or long lease.**
- The CAT Group agreed that, while the TOMS method does reflect and quantify the **additional social value generated from the capital refurbishment project** (eg. use of local supply chains, training and recruitment of local residents, environmental / well-being measures etc), it is not a sufficient measure on its own, and it is **important to consider the local economic value generated from the long term use of the building as a Centre for Black Enterprise & Culture** - ie. provision of services and economic benefits for a major disadvantaged and under-represented group in the city's enterprise and cultural life.
- If the CAT Group favours a long leasehold, then it is assumed the SV contribution will be reflected in the current peppercorn rent terms rolling forward over the extended period.

Update – 14/7/23 – after submission by BSWN to BCC of TOMS calculation on 2021 template

- **The total value of TOMS measures submitted related to the Coach House refurbishment project sums to £3,304,000.**
- **However, this is a proxy value and should not be applied to discount the lease valuation**

2. Social Value – expressed in terms of Local Economic Output / Growth

- In addition to the TOMS calculation, estimates were made for the social value based on the growth contribution to the local economy of businesses and social enterprises accommodated in workspace and/or supported by programmes at the Coach House – in the form of annual increases in the net GVA (Gross Value Added) of approx. 150 businesses per year – using either productivity (output/turnover) and/or job creation as the key measure.
- while use of productivity and/or job creation measures to forecast increased GVA is a valid approach by BSWN, and the assumptions not unreasonable (e.g. median value of micro SME productivity per year etc), there are a range of considerations, if these are to be offset against the freehold market value that the Council might otherwise obtain:
 - the impact of these annual GVA increases enhancing the prosperity and job creation within a large cohort of Black-led businesses (a relatively under-represented group in the city's enterprise owners) over a long term period, and economic benefit to the black and other residents who work in those businesses and local communities served by them.
 - 150 businesses per year is a forecast reflecting BSWN's mission to build a wider regional role and impact, and so it will include a proportion of businesses led by non City of Bristol residents and/or are not actually based within the City of Bristol. However, currently, the interim lease agreement only requires that the majority of Coach House clients supported should be City of Bristol residents.
 - as BSWN's commentary acknowledges, calculations of added value (GVA) need to be net of deadweight (ie. would it have been created anyway over time without this project?), displacement of other similar activities and leakage of impacts outside of the local economy. Capital funders of the project assessing the economic impact will require this, and so should BCC.

- the University of Bristol's Engine Shed impact study (referred to as a benchmark for the Coach House as it is a business incubation centre) is now rather dated and arguably not so relevant, as the Coach House is not going to focus support on start ups to the exclusion of established trading businesses – but more probably will take a 50/50 focus.

Conclusions

- there are some methodological questions arising from BSWN's estimates of the longer term GVA generated from i) the enterprise productivity or ii) job creation at the new Centre for Black Enterprise and Culture. But the approach taken is a valid one and follows standard HCA and other models for assessment of economic impacts.
- undoubtedly a substantial amount of social value will be generated in relation to the economic growth of Black businesses/social enterprises currently under-represented or under-developed in the Bristol economy. This should be recognised and offset against any open market valuation of the freehold or long lease value.

Updated Sept 2023 - following submission of further information by BSWN

- **the variables and methods used for GVA calculation have been revised to reflect City of Bristol based enterprises only. BSWN estimates from analysis of clients on their current programmes that, before refurbishment, as a result of enterprise support provided at the Coach House, 133 enterprises with a City of Bristol postcode will, on average, raise their productivity by 0.5% per annum, generating a total 'productivity' GVA increase of £1.650 million per annum.**
- **alternatively, and *taking a more cautious approach using the job-creation based method*, BSWN estimates that, on average, at least 15 direct jobs (after factoring in deadweight, leakage and displacement) are being created per annum across all the enterprises supported before any refurbishment takes place. If 7.5 indirect jobs in the local economy (via suppliers and employee spend locally etc) are also added (using a multiplier of 1.5), and the most current (2020) City of Bristol workplace GVA per employee (£35,602) applied, a 'job creation' GVA of £801,045 per annum is generated (workings: 22.5 jobs x £35,602 GVA per job). When this is adjusted for the proportionate jobs created in City of Bristol only (20 jobs), the total reduces to £712,040 GVA per annum (minimum - based on current levels of support before refurbishment).**
- **after the refurbishment and creation of 12,000 sq ft floorspace, which will double the present enterprise support capacity and include facilities for cultural activities, the GVA per annum generated is set to rise significantly. Using the job-creation based approach, and assuming at least an additional 10 jobs will be created per annum in City of Bristol enterprises, it can be estimated to rise to £1,068,060 GVA per annum (workings: 30 jobs x £35,602 GVA per job).**
- **whichever method of GVA calculation is used (productivity or job creation based), it can be concluded that the cumulative GVA generated for and recycled in the local economy over the long lease period by new and growing enterprises supported at Coach House, is potentially very substantial indeed.**

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 Economic Development
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