

Appendix 1

Summary of Expenditure Income Projections

Year 'minus one' (Pre Opening)	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	TOTAL
GRANT INCOME	£81,005	£833	£833	£833	£833	£0	£833	£6,833	£833	£833	£833	£833	£95,339
EXPENDITURE	£14,091	£8,291	£2,291	£2,541	£3,866	£3,866	£5,691	£7,441	£8,441	£14,791	£8,043	£15,991	£95,339

Year One (Opening Sep 08)						Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	TOTAL
INCOME						£19,648	£19,648	£19,648	£19,648	£19,648	£19,648	£19,648	£137,533
EXPENDITURE						£19,712	£19,712	£19,712	£19,712	£19,712	£19,712	£19,258	£137,533
SURPLUS												£0	

Year Two	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	TOTAL
INCOME	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£262,316
EXPENDITURE	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£22,989	£262,316
SURPLUS												£0	

Year Three	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	TOTAL
INCOME	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£296,255
EXPENDITURE	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£25,373	£296,255
SURPLUS												£0	

Year Four	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	TOTAL
INCOME	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£329,143
EXPENDITURE	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£29,479	£329,144
SURPLUS												£0	

Year Five	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	TOTAL
INCOME	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£333,198
EXPENDITURE	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£29,632	£333,198
SURPLUS												£0	

Example Expenditure Profile (Year 3)

	Cost P/A		Cost P/A		Cost P/A
Staffing costs		Building and Maintenance (cont.)		Office Running costs (cont.)	
		On going general repairs	3,000	General office expenses	4,200
Centre Manager	39,306	Cleaning contract - whole building	23,870	Telephone, printing, stationary	4,947
Assistant Centre Manager	21,197	Window cleaning	2,546	Professional (legal & accounts)	2,596
Receptionist	30,618	Security Servicing	1,061	Marketing	5,000
Caretaker	17,664	Fire servicing	1,591	Web site maintenance	6,365
Other staff costs (temp/recruitment etc)	3,819	IT servicing	2,575	Office sub total	23,108
Staffing sub total	112,604	Heating servicing	2,122	Allowances	
Building and Maintenance		Lift Servicing	2,122	Contingency for bad debt @ 2.5% of total income	7,406
Storey Ltd. Business Rates	17,345	Boiler servicing	2,060	Contingency I.e. reserves @ 10% of income	25,162
Water services	7,426	Grounds Maintenance	2,060	Sinking Fund for major repairs @ 4.5% of income	11,323
Heat Light & Power	30,900	Refuse collection	2,122	Allowances sub total	50,804
Insurance	15,914	Building Sub Total	116,652	Total all 'Expenditure'	296,255

Example Income Profile (Year 3)

	Annual Income	Monthly Income
Event Income	£64,747	£5,396
Service charges @ 80% occupancy	£101,862	£8,488
Rents @ 80% occupancy	£129,646	£10,804
Total all income	£296,255	£24,688

Assumptions made to support Storey five-year revenue budget

Year minus one

It is assumed that the Board will receive £95k to assist them with pre opening costs from various external sources including cash for marketing from the City Council.

The Board is presently drafting a comprehensive pre opening Action Plan, which includes plans to:

1. Hire a Capital Project Commissioning Manager who will act as a temporary "Centre Manager". This post will be contracted to a "consultant" at a cost of about £31.5k plus VAT. The consultant will work closely with LCC staff and the Design Team to ensure that all systems such as fire/security/ICT, the design of bespoke areas and the catering facility are fit for purpose. The consultant will be the main point of contact for potential tenants.
2. Design and deliver a marketing plan, to include the creation of a WEB site (an audience development plan, the development of a booking system, the Building Sites Initiative, Billboard, leaflets and later an advertising campaign). In addition, the plan will include a launch event.
3. Set up financial systems.
4. Staff recruitment. It is assumed that permanent manager will be recruited and in post by July 2008. The remaining staff will be in post shortly before opening.
5. Draft a Business Plan (a draft business plan must be submitted to ACE NW within 6 months of opening i.e. March 2009).
6. Draft applications for external funding.
7. Develop the business support services.

Assumptions that apply to all Years (one to five)

Services Charges

This version of the Business Plan charges a straight £6 per sq. ft. to each tenant as a service charge.

Rental income

1. Rent will vary between tenants. It is assumed that the existing Resident Art Organisations will pay a total of £12 per sq. ft. (rent and service charge). Therefore by charging £6 per sq. ft. service charge the rent to Folly, Storey Gallery and Litfest will be £6 per sq. ft.

2. Rents to other tenants are calculated likewise e.g. all existing vacant space (except the catering unit) will start at a rent of £8 per sq. ft. (£14 per sq. ft. in total).
3. The current Business Plan assumes an income from the catering unit of £16 per sq. ft. (a rent of £10 and service charge of £6).
4. The TIC will occupy rooms on the ground floor and space for storage (to be agreed) at a rent of £8 per sq ft and a service charge of £6 per sq ft. Also that the TIC rooms will be refurbished with NWRDA/LCC funds.
5. That Luneside Studios would continue the occupation of the Old Folly Annex and pay £10,000 per year.
6. It is assumed the occupancy level of "current" vacant space will be 60% early in year one. This will require that 15 workspaces are rented out early in the first year.
7. It is assumed that occupancy levels will increase at 10% per year to a maximum of 80% of "current" vacancies.

Other issues

1. At present it is assumed that VAT would not be charged to tenants.
2. That all tenants would pay their own business rates.
3. That the all Centre staffed (one Centre Manager, an Assistance Manager, two receptionists and one caretaker) are all paid 11% on costs. With the Centre Manager receiving a 3% pension.
4. That all non-staff expenditure on running costs, such as heat and light etc. would be very similar to existing costs and is therefore based upon existing centre costs and/or costs of similar serviced office accommodation.
5. Bad debt contingency is set at 2.5% of event income & 2.5% of rent from vacant space.
6. That inflation will be 3% pa and in the current Business Plan has been applied to expenditure only.

Specific notes on Year One (From September 08 to March 09 only)

It is assumed:

1. The centre will open late August/early September 2008 staffed with a centre manager, supported by 4 staff.
2. It is assumed that the TIC will contribute towards the staffing of the reception area (details to be agreed).

3. That the old lecture theatre, the room opposite the theatre, the little gallery, old folly and the whole of the fourth floor would not be refurbished until after year 5 and therefore would not generate a **regular** rental income.
4. That occupancy levels (mainly the third floor) will quickly reach 60%.
5. That the catering unit will generate an income from day one.
6. That revenue from “events” e.g. conferences, meetings, weddings etc. would be low until the restored centre was established.
7. That Storey Ltd. not being a registered charity would be liable for business rates.
8. That Storey Ltd. would need to create provision for a working reserve (it is good practice to run any business with at least 6 months reserves), a provision for bad debt and a sinking fund for longer-term major repairs/restoration work.

Year One - Assumptions per budget line

1. Salaries
 - Centre Manager starts on £32,500 plus 3% pension
 - Assistant Manager starts at £18,000
 - Receptionists *2 start on £13,000
 - Caretaker starts at £15,000
2. On costs are set at 11%
3. A provision for other staff costs is set at £300 per month to cover recruitment, training and temporary staff
4. It is assumed that all business support services to clients will be delivered by external agencies.
5. Storey will pay business rates at c. £16k per year – this figure was supplied by LCC Property services.
6. All building and maintenance costs were estimated using current running costs of Storey, experience of LCC staff running other business support centre e.g. City Lab.
7. Office running costs are those needed to support the Centre staff group.
8. Professional fees are low as it assumed Board members will contribute in kind revenue costs.

**SCHEDULE OF TERMS AND CONDITIONS
FOR LETTING AT STOREY INSTITUTE**

Landlord:	Lancaster City Council Town Hall Lancaster LA1 1PJ
Tenant:	Storey Creative Industries Centre
Premises:	Land and buildings known as the Storey Institute, Meeting House Lane, Lancaster and shown edged black on the attached plan.
Term:	From the date the City Council is granted hand over of the Premises from the contractor (a date to be determined) for a term of 25 years.
Rent:	One peppercorn if demanded.
Rates:	The Tenant will be responsible for business rates.
Insurance:	The Landlord will insure the building against fire and special perils, and shall recoup the premium from the Tenant
Existing Lettings:	This Lease is subject to several letting or occupational agreements which the Tenant must honour and take on the responsibility of the City Council where applicable. See Schedule 1.
Repair and Maintenance:	The premises are to be let on a full repairing lease This means that the Tenant is responsible for the premises and all additions thereto, including windows, window frames, glass, (including stained glass), door, door frames, locks fastenings, landlord's fixtures and fittings, (including monuments and statutes), all walls, roof, main timbers, sanitary and water apparatus, all drains, soil and other pipes, eaves, gutters, cables and wires, in good and tenantable repair, and to decorate and paint the interior and exterior of the premises to the reasonable satisfaction of the Head of Property Services
Assignment/Subletting:	There is an absolute bar against assigning this lease.

The Tenant is not to sublet the premises without the written consent of the City Council, except sublettings of parts of the building for a term of less than 5 years. Such consent not to be unreasonably withheld.

Sublettings can only be granted to small and medium-sized enterprises (SME's).

The definition of an SME that is applied by all funders of the scheme and has been agreed by the UK government and the European Commission is:

Companies classified as small and medium-sized enterprises (SME's) are officially defined by the EU as having fewer than 250 employees. In addition, they can have an annual turnover of up to 50 million euro, or a balance sheet total of no more than 43 million euros. This definition is important when figuring out which companies can benefit from EU programmes aimed at SME's, and from certain policies such as SME-specific competition rules. In reality, 99% of businesses in the European Union are small and medium-sized enterprises. It is noted that it is expected that the Storey CIC project will usually service "micro-businesses" i.e. with 10 or less employees.

Permitted Use:

The Premises is to be used for Creative Industries.

The UK Government Department of Culture, Media & Sport (DCMS) defines the Creative Industries as:

Those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.

The DCMS creative industries categories consists of production in the following sectors: Advertising, Broadcast network talent, Design, Journalism, Film, Fine Art, Game Development, Craft, Music, Performing Arts, Publishing, Software Development & Computer Services.

The use has also to comply with the restrictive covenant on the Council's ownership (in brief the building is to be used for science, art, technical and industrial education, along with art, science, literature & history. Religious and political meetings are prohibited).

Alterations: The Tenant is not to make any alterations or modifications to the accommodation without the written approval of the Landlord (such consent not to be unreasonably withheld).

Fees: The Tenant is to bear the City Council's legal costs of drawing up the lease.

Requirements of the Funders: The Tenant must comply with the requirements of the funders. These requirements are detailed in Schedule 2.

Monitoring: The Tenant must allow Lancaster City Council staff and the monitoring/audit staff of all funders free access to the building and Storey Creative Industries Centre's records and any and all times.

Other Terms: Other terms shall be in accordance with the City Council's standard form of contract.

SCHEDULE 1

Agreement relating to the Tasting Garden with Art Transpennine

Between Lancaster City Council and Art Transpennine Limited of 74, The Headrow, Leeds. LS1 3AA.

The Company commissioned artwork, which is located within the garden at the Storey Institute.

Term of 10 years from 23rd May, 1998.

Agreement with Lancaster University for cabling within the Building

To be attached

Agreement with Seeds Savers for use and care of the Tasting Garden

To be attached

SCHEDULE 2

Requirements set down by the Funders of the Scheme

A. European Regional Development Fund (ERDF)

In summary the following European Commission requirements apply:

STRUCTURAL FUND REGULATIONS

Council Regulations 1260/99 (General Regulations) and 1685/2000 (Eligibility) apply to this project. Other Regulations produced under relevant Articles in 1260/99 and notified by the Commission from time to time may also apply to this project.

EUROPEAN COMMUNITY STATE AID RULES

The European Commission has considerable powers to monitor, control and restrict the forms and levels of aid given by all Member States to their industries. The principles underlying State Aid are set out in Article 88(3) of the EEC Treaty. Detailed guidance on State Aid rules can be found in "European Community State Aids: Guidance for all Departments and Agencies" published by DTI in March 1999 and the various frameworks and guidelines issued by the Commission on the application of the rules. All State Aid (other than those covered by de minimis provisions – see below) must be notified to and approved by the Commission in advance of implementation, otherwise it is illegal.

COMMUNITY PUBLICITY REQUIREMENTS

Commemorative plaques

A permanent commemorative plaque shall replace the billboard, where the infrastructure project is accessible to the general public (e.g. congress centres, airports, stations, etc.). Such plaques must include the Community emblem, mention the EU's contribution and may mention the Fund concerned, (e.g. ERDF). In the case of physical investments in commercial business premises, commemorative plaques shall be installed for a period of a year.

MONITORING

Article 38 of EC Regulation 1260/1999 sets out the general provisions for financial control.

The City Council takes responsibility in the first instance for financial control of ERDF assistance. The measures taken shall include:

- (a) verifying that management and control arrangements for

individual projects have been set up and are being implemented in such a way as to ensure that Community funds are being used efficiently and correctly;

- (b) carrying out on-the-spot checks, including sample checks, on the operations financed by ERDF funds and on management control systems;
- (c) ensuring that all assistance is managed in accordance with all the applicable Community rules and the funds are used in accordance with the principle of sound financial management.

B. Arts Council

In relation to ownership and use, Art Council has stated that as a condition of their funding, the Tenant must advise that funding provider (and the city Council) if it wants to make any significant changes to the activities or use which differ from those detailed in the "Permitted Use" clause. The Arts Council may alter or withdraw the grant it has given if it considers the change in planned activity to be unreasonable. Therefore, the Tenant must not go ahead with any changed activity prior to receiving written consent to this change from the City Council and the Arts Council.

Should the Tenant:

- (a) significantly change the activity for which the Arts Council granted funding without prior written approval from the Arts Council and the City Council or
- (b) not use the Premises for the purpose the grant funding was awarded

then the City Council may be requested to pay back the grant to the Arts Council and the Arts Council will stop any further payments.

The Tenant must indemnify the City Council against this and ensure that this does not happen.

C. Single Regeneration Budget (SRB)

All or part of the grant is to be repaid to the SRB by the Landlord if:

1. There is a substantial change to the scheme which the Regional Development Agency (RDA) (funding body for SRB) has not approved, or any attempt is made to transfer or assign any rights, interests or obligations created under the funding agreement letter or substitute any person in respect of any such rights, interests or obligations, without the written agreement in advance of RDAs;
2. The Tenant or any other member of the Partnership fails to comply with the terms and conditions of the funding agreement letter.

3. A charge is taken on an asset financed wholly or partly from grant monies, without the written agreement in advance from the RDA;
4. SRB grant has not been used for the purpose for which it was given;
5. Any European Community obligation which restricts the payment of grant or limits the amount of grant payable under the State Aid rules is breached (in addition to State Aid rules);
6. Any other European Community obligation, which applies to the Partnership, to any project or to the Scheme, is not complied with;
7. A decision of the Commission of the European Communities requires repayment of all or part of the grant or a reduction in the amount of grant.

LANCASTER CITY COUNCIL
DRAFT SERVICE LEVEL AGREEMENT
BETWEEN

LANCASTER CITY COUNCIL – ECONOMIC DEVELOPMENT & TOURISM
DEPARTMENT (REGENERATION)

- and -

Storey Centre for Creative Industries (Storey Ltd)

PARTIES

This is an agreement between Lancaster City Council (hereinafter called "the Council") and Storey Centre for Creative Industries (hereinafter called "Storey Ltd.")

Lancaster City Council agrees funding for the provision of services by Storey Ltd., as set out in Parts 1-4 of this Agreement.

CONTENTS:

Part 1 - General conditions

Part 2 - Service objectives and specification

Part 3 - Financial and resourcing arrangements

Part 4 - Monitoring arrangements

Part 5 - Declaration

PART 1 - GENERAL CONDITIONS

1.1 OBJECT OF AGREEMENT

To operate the Storey Creative Industries Centre and provide services as set out in Parts 1-4 of this Agreement.

To recognise, represent and act as a voice for the Creative Industries sector within Lancaster & Morecambe District and local communities (see also Service Objectives and Specifications see Part 2).

The Council wishes to support the services of Storey Ltd. as by doing so, it will achieve a number of its corporate objectives (see also Service Objectives and Specifications see Part 2)

1.2 PERIOD OF THE AGREEMENT

The agreement will commence on 1st July 2007 and continue until March 31st 2012 a period of five years and nine months and could continue on an annual basis after that unless it is terminated under 1.15.

1.3 THE PARTIES' OBLIGATIONS

Storey Ltd. agrees to provide the services specified in Part 2 of this agreement (Service Objectives and Specifications).

The Council agrees to make the grant payments specified in Part 3 of this agreement (Financial and resourcing arrangements).

1.4 STATUS OF AGREEMENT

It is not the intention of either party that this Agreement shall be legally binding. However, the Council reserves the right to reclaim the funding provided if it is not used for the purposes set out in this Agreement.

1.5 STATUS OF SERVICE PROVIDER

In carrying out this agreement, Storey Ltd. is acting in its own right as a not for profit organisation.

1.6 MANAGEMENT

Responsibility for the management of Storey Ltd. is vested in its Board of Trustees, the membership and operation of which is laid down by a constitution of Storey Ltd.

1.7 PARTIES' REPRESENTATIVES

The Council and Storey Ltd. will each appoint a contact officer.

The role of the Council's contact officer is to:

- Be the initial point of contact within the Council for Storey Ltd.
- Inform Storey Ltd. of any issues which may have an effect on the implementation of the service provision in this agreement
- Provide information, advice and support to Storey Ltd. as reasonably required
- Set up quarterly monitoring meetings with Storey Ltd. contact officer to consider the information set out in Part 4 of this agreement
- Inform Storey Ltd. of any change in the Council's contact officer
- Monitor and audit outputs as specified in Part 2

The role of the Storey Ltd. contact officer is to provide the information required in Part 4 of this agreement and to inform the council's contact officer, in writing, if there is:

- a proposal by Storey Ltd. to change or reduce the services set out in Part 2 of this agreement;
- any amount to be taken into account under 3.2b (this must be notified by 1st February for the following financial year)
- a major change to the Storey Ltd. financial budget;
- a change to the Storey Ltd. constitution; or
- a change in the Storey Ltd. contact officer.
- To provide on request output information and any other information required by Council staff or auditors of external funding agencies

The parties' contact officers will be the () for the Council and () for Storey

Ltd. (Insert Job Title)

1.8 CONFIDENTIALITY

The Council accepts that some of the services Storey Ltd. offers are confidential and that all matters raised by individuals are kept confidential.

The Council expects that Storey Ltd. will not share the contents of this Service Level Agreement with anyone who is not either a member of the Board of Trustees and who is not an employee of Storey Ltd.

1.9 STAFFING

Storey Ltd. will be responsible for recruiting and training all staff and volunteers
Storey Ltd. will be responsible for managing all staff and volunteers

1.10 HEALTH AND SAFETY

The Storey Ltd. shall have regard to the requirements of the Health and Safety at Work Act, 1974 and any other Acts, Regulations, Directives or Orders etc about health and safety, including:

- Normal operating procedures(Copy needs to be supplied to the Council)
- Emergency operating procedures(Copy needs to be supplied to the Council)
- Activity Risk Assessments
- Child Protection Policy (Copy needs to be supplied to the Council)
- Staff qualifications (including all staff CRB checked at enhanced level)
- Suitable staff to client ratios on and off site
- Lone working – Risk assessments in place (including a response plan, who to contact)
- Safe operational methods (e.g. restricted access to kitchen etc)

1.11 INSURANCES

The Storey Ltd. will provide proof of adequate public liability insurance to cover such liabilities as may arise in the course of the services provided by Storey Ltd.

1.12 DISPUTE RESOLUTION

If either party considers the other to be in breach of their duties under this agreement or has a grievance about some aspect of the agreement's operation, the parties shall make every effort to resolve the issue through joint discussions.

Where this fails:

the party wishing to make the complaint should provide the other with written details, including proposals for resolving it;

a written response should be sent to the initiating party within 14 days;

if the response is not considered to resolve the issue, the initiating party may request in writing to the contact officer a meeting of the authorised signatories (or their successor);

where possible the meeting should be held within 14 days of the contact officer receiving the request;

If either party is dissatisfied with the outcome as notified to it in writing within seven days of the meeting, arbitration can be requested and this will take place with a mutually acceptable external party.

1.13 REVIEW

This agreement may require amendments in the light of experience of implementing its terms. Any amendments will need to be negotiated and agreed in writing by both parties.

The mechanism used for determining the grant set out in Part 3 cannot be the subject of an amendment under a).

An annual review of the level of services specified in Part 2 can be requested by either party, and a meeting held as soon as practicable after this.

Any amendment to the service specification under c) will need to be negotiated and agreed in writing by both parties, as would any amount to be taken into account under Part 3).

1.14 RENEWAL

This entire agreement shall be subject to a formal review beginning in January 2008 with the aim of establishing the conditions applying for the period commencing 1st April 2008.

1.15 TERMINATION

The agreement can be terminated by either party giving the other party six

months notice in writing

Notice can be served if delivered, posted or faxed to the contact officer

PART 2 - SERVICE OBJECTIVES AND SPECIFICATIONS

2.1 PRINCIPLES UNDER WHICH THE SERVICES ARE PROVIDED

By working in partnership with the Storey Ltd., the Council will move towards achieving a number of its corporate objectives.

- To stimulate private investment.
- To achieve substantial area-wide environmental improvements in key locations.
- To provide new and refurbished business accommodation suitable for high growth and ICT businesses.
- To stimulate the creation new jobs and safeguard existing jobs
- To ensure that 15% of the new jobs created within the EDZ are accessed by residents of Communities in Need
- To support sustainable communities
- *Cultural Services Objectives to be added*

To contribute to a level of funding to assist the revenue “set up” costs (pre opening period from July 2007 to September 2008) associated with operating and providing services at Storey Creative Industries Centre

2.2 SERVICES FUNDED UNDER THIS AGREEMENT

1. Storey Ltd. to be responsible for providing the management function at the Storey Creative Industries Centre
2. Storey Ltd. to deal with all issues relating to the running of the Storey Creative Industries Centre including keeping the building clean and tidy, dealing with bookings and other enquires, stock control and replacement of consumable items (at no further cost to the Council) etc.
3. Storey Ltd. to provide a staffing structure to operate and provide services at the Storey Creative Industries Centre
4. Storey Ltd. to provide a minimum of 1,000sqm of work and office space for Small to Medium Enterprises SMEs belonging to the Creative Industries sector (see below for definitions of an SME and the Creative Industries). It is recognised that the minimum of 1,000 sqm will only be achieved once the third floor has been opened and refurbished

5. Storey Ltd. to provide a minimum of 209 sqm of gallery space i.e. the existing main gallery on the first floor
6. With the remaining space Storey to provide (at its discretion) other services to support client businesses and the wider community within the limitations set by the covenant and restrictions imposed by the external funders
7. Storey Ltd. to provide, in partnership with other business support agencies, a business support and advice service for all SMEs belonging to the Creative Industries sector, giving priority to businesses based within the Lancaster & Morecambe District
8. Storey Ltd. must ensure that all business support, direct or indirect, does not breach EU State Aids regulations (see below for details)
9. Storey Ltd. to deliver agreed outputs detailed in the grant Offer Letters of the European Union EU, Arts Council of England ACE NW and North West Regional Development Agency NWRDA (see below for details)
10. Storey Ltd. to promote and provide (with a range of art & cultural partners) a varied programme of art based activities and events for the whole community: Within the limitations placed on the building by its covenant and whilst ensuring all barriers to access are removed (see below for definitions)
11. Storey Ltd. to provide accommodation (at a fair and agreed rent) for the Lancaster City Tourism Information Centre TIC, which will act as a sub-regional TIC Hub
12. Storey Ltd. to promote and encourage suitable local clubs, groups and organisations to use Storey Creative Industries Centre
13. Storey Ltd. to work in partnership with relevant City Council Services in promoting and providing joint initiatives e.g. business support and art and cultural initiatives
14. Storey Ltd. may provide other support services for all clients using the Centre such as access to catering facilities
15. Storey Ltd. may develop and provide a range of commercially based services in order to generate additional income: Within the limitations placed on the building by its covenant and those imposed by external funders
16. Storey Ltd. to actively seek external funding to expand the services provided at Storey Creative Industries Centre and to work towards making Storey Creative Industries Centre sustainable

17. Storey Ltd. to be keep detailed records for monitoring, evaluation and audit purposes. The records and the manner they are kept must be acceptable to the City Council and all external funding agencies for both the capital build and any future revenue activity e.g. the European Union, Arts Council of England NW, North West Regional Development Agency and lottery funding.
18. Storey Ltd. to be responsible for ensuring that State Aids rules are adhered to i.e. that a client SME does not receive more aid than allowed under EU law. Due to the nature of this project it is important that a record is made of all aid received by a client SME over the previous two years. In addition, that a record is kept of all support given to an SME, whether direct (cash) or indirect (an in-kind contribution/goods or services e.g. business advice) by Storey Ltd over the following third year. Please see below for details
19. Storey Ltd. should constantly press the case for improvements to the Storey Creative Industries Centre and services provided at the centre
20. Storey Ltd. should reinvest any surpluses back into the Centre for the benefit of all its stakeholders
21. Storey Ltd. should at all times allow a plaque(s) of an acceptable size to be placed in a prominent position (visible by users at the reception area) which acknowledges the contribution made to the Centre by all funding agencies. Each agencies should be represented equally in terms of size, position and visibility (see below for details)

2.3 DEFINITIONS OF TERMS USED ABOVE

Definition of a Small to Medium Enterprise SME

The definition of an SME that is applied by all funders of the scheme and has been agreed by the UK government and the European Commission is:

Companies classified as small and medium-sized enterprises (SME's) are officially defined by the EU as having fewer than 250 employees. In addition, they can have an annual turnover of up to 50 million euro, or a balance sheet total of no more than 43 million euros. This definition is important when figuring out which companies can benefit from EU programmes aimed at SME's, and from certain policies such as SME-specific competition rules.

Please note:

In reality, 99% of businesses in the European Union are small and medium-sized enterprises. It is noted that it is expected that the Storey CIC project will usually service "micro-businesses" i.e. with 10 or less employees.

Definition of the creative industries.

The UK Government Department of Culture, Media & Sport (DCMS) defines the Creative Industries as:

Those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.

The DCMS creative industries categories consists of production in the following sectors: Advertising, Broadcast network talent, Design, Journalism, Film, Fine Art, Game Development, Craft, Music, Performing Arts, Publishing, Software Development & Computer Services.

European State Aids Rules

The European Commission has considerable powers to monitor, control and restrict the forms and levels of aid given by all Member States to their industries. The principles underlying State Aid are set out in Article 88(3) of the EEC Treaty (basically State Aid law is anti competition law). Detailed guidance on State Aid rules can be found in the DTI "The State Aid Guide: Guidance for state aid practitioners" published by DTI in October 2006, a copy can be downloaded from the following WEB site:

HYPERLINK <http://www.dti.gov.uk/bbf/state-aid/>,
<http://www.dti.gov.uk/bbf/state-aid/>,

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A more recent document issued by the EU can be found at:

http://ec.europa.eu/comm/competition/state_aid/studies_reports/vademecum_on_rules_2007_en.pdf.

A summary of State Aids relating to SMEs:

State Aid at the level of the SME. There is no aid to the SMEs provided that it is shown that they are charged the market rate for the services provided (or where there is some divergence between actual and market rents this will be "de minimis").

At the level of the users (the SMEs benefiting from aid), the measure (aid support) would constitute state aid within the meaning of Article 87(1) EC Treaty, except in so far as the de-minimis ceiling of €200,000 per aid recipient l(per

SME) is not exceeded over a period of three years

This means an SME can receive aid to the value of €200,000 within a three year period. It is therefore important that all previous aid and aid granted is recorded and should not exceed this limit.

The EU has a list of what constitutes aid, a few common examples are:

- State grants
- Provision of goods or services – free or at reduced cost
- Consultancy advice – free or at reduced cost
- Free advertising/marketing support
- Rents free or at less than market cost

Outputs

For all business support, job related and increase in sales outputs and results etc. need to be achieved by March 2012.

The European Union ERDF outputs are:

Premises Provided (sq m)	3,008
New Jobs Created	74
Of which, from under represented groups	33
Jobs Safeguarded	46
Of which, from under represented groups	18
Increased Sales	2,050,000
Net Additional Jobs	39
Net Jobs safeguarded	29.5
Net additional Value added	1,400,000
Net Value added safeguarded	637,875

The Arts Council of England outputs are:

Please note that ACE NW does not detail outputs as other funders but lists general activity/actions and “deliverables”. Within the revised contract ACE NW states:

“The Storey will not be an arts centre. The centre will promote contemporary culture, visual arts and language ... It will be an incubator for creative industries providing enterprise support for both resident and non-resident enterprises. The building will provide workspace, exhibition and sale space for the creative

industries. The building will provide new conference/auditorium for up to 100 people

A post construction deliverable (6 months after reopening) will be an up to date 3 year business plan.

The North West Regional Development SRB outputs are:

Area of new/improved business floor space	2879 sq m
Number of buildings improved or brought back into use	2
New Business Start ups	15
Number of full-time equivalent permanent jobs created	4
Number of full-time equivalent permanent jobs safeguarded	29.5

The Covenant

The use has also to comply with the restrictive covenant on the Council's ownership (in brief the building is to be used for science, art, technical and industrial education, along with art, science, literature & history. Religious and political meetings are prohibited).

Barriers to Access

In order to ensure that no stakeholder group or individual citizen is excluded from the Centre, its events or the services it supplies, potential barriers to access should be overcome. The Centre has to become as "inclusive" as possible to as wide an audience as possible; taking care that the following areas (the list is not exclusive) are covered:

Organisational barriers e.g. image, opening hours
Physical barriers e.g. mobility issues, the elderly and the young
Sensory barriers e.g. visual and hearing issues
Intellectual barriers e.g. people with learning difficulties
Social and cultural barriers e.g. image and language
Financial barriers e.g. free or cheap access is available to people on low incomes.

Please note: Storey Ltd. should consider developing its own Access Policy and Plan

Acknowledging contributions from various agencies

For all funders a permanent commemorative plaque shall replace the billboard (erected outside the building during the construction phase) where the infrastructure project is accessible to the general public. Such plaques must

include the correct logo/emblem, mentioning if necessary the correct wording.

For example the EU emblem is the European Flag (using the colours pantone blue and yellow) with the wording "This Project was Part Financed by the European Union - European Regional Development Fund". Examples of the logs to be used are (acceptable official alternatives can be used):

2.4 MEANS OF ACCESSING THE SERVICE

Storey Ltd. should ensure that an adequate marketing campaign is maintained and where possible local and regional media is used to promote the centre and its services.

2.5 SERVICE DEVELOPMENT AND IMPROVEMENT

The "partners" (Lancaster City Council's Regeneration Services and the Storey Ltd.) will work together for the joint aim of enhanced service development and improvement.

2.6 USER FEEDBACK AND INVOLVEMENT

The Storey Ltd. will operate a procedure for representations and complaints about the service (copy needs to be supplied to the Council).

The Board of Trustees is to be constituted in such a way as to encourage representation from as wide a range of people.

PART 3 - FINANCIAL AND RESOURCING ARRANGEMENTS

Note: Initial start up costs will be provided in advance for the first year prior to opening only

For the financial year beginning April 2007, the Council has agreed that the grant to be paid to the Storey Ltd. shall be £(to be agreed) and used to fund:

- A Capital Project Commissioning Manager
- Staffing (to be employed shortly before the centre opening during the summer of 2008)
- Basic office equipment for centre staff
- Materials

- Marketing and promotion (including the building sites initiative)

- A limited programme of activities including the provision of an opening event

For the financial year beginning April 2007, Storey Ltd. must provide the Council with a pricing policy to include:-

- Details of an acceptable procurement procedure
- Commercial fees and charges and what this covers and to who that would apply to
- Discounted fees and charges and what this covers and to who that would apply
- Income targets
- Fund raising/Accessing external funding

Any grant(s) for potential future years will be determined and agreed by both partners as part of the review process and will need to be applied for separately from this SLA. It is expected that such grant applications will be for specific "projects" associated with measurable outputs and will not be used to cover the core costs of Storey Ltd.

Storey Ltd. agrees to submit, to the Council in each year of this Agreement, a copy of its audited accounts.

PART 4 - MONITORING & PERFORMANCE ARRANGEMENTS

Regeneration Service's will monitor and evaluate the implementation of the Service Level Agreement and how it performs against corporate objectives.

Each year a full Budget proposal shall be submitted to the appropriate Review Board in time for consideration as part of the Budget process.

Storey Ltd. will provide a copy of the Annual Report to the council and an invitation for the council's contact officer to its Annual General Meeting.

Storey Ltd. will provide information reasonably required by the council, subject to those requirements not being in breach of clients' confidentiality. Information will not be required more frequently than at quarterly intervals

These monitoring arrangements can be amended by agreement between the council and Storey Ltd. to reflect changes in service practice, for example data collection.

Regeneration Services expect that registers of attendance at events, appropriate records of business support, records of jobs created and safe guarded and increase in sales will be produced, using forms agreed by both parties

Storey Ltd. will allow access to all parts of the building and all records associated with outputs and external project financial information to monitoring and audit staff from the City Council and external funding bodies. Normally prior notice in writing will be given but Storey Ltd. should be aware that external funding programme audit staff can, if they wish, visit the centre without prior notice.

Regeneration Services expect that the contact officer for Storey Ltd. will attend regular meetings and if they can not attend then they will send a representative

Regeneration Services expect that if any services are stopped they will be informed immediately

Regeneration Services expect that all activities will be linked to meeting the aims the Council's Corporate Plan and Regeneration Services Business Plan

PART 5 - DECLARATION

On behalf of Lancaster City Council I confirm that I have read the agreement as set out above and the council will comply with the terms and conditions contained within

Signed.....

Date:.....

Name of authorised signatory for Lancaster City Council :.....

.

Position:.....

.

Address to which communications relating to this agreement should be sent:

Head of Regeneration Services,
Lancaster City Council,
Town Hall,
Morecambe
LA4 5AF

On behalf of the Storey Ltd. I confirm that I have read the agreement as set out

above and the Storey Ltd. will comply with the terms and conditions contained within

Signed

Date:.....

Name of authorised signatory the Storey Ltd.

.....
.....

Position:.....

.

Address of Storey Ltd.:

Storey Ltd.
Storey Insitute
Meeting House Lane
Lancaster
LA1 1YQ