

On the move....



Business relocation:

Key steps & considerations

Step by step guide to business relocation

## **Introduction**

Making a business move can be invigorating, challenging, rewarding and presents an opportunity for a step change in the way the business operates. Whether you are looking to expand or consolidate from the initial idea through to the day of completion it is a complex process and for some a daunting task. The principles seem easy but the devil is in the detail and evolving your own project plan based upon this guidance will help “smooth” the process. Each organisation will want to deploy their own strategies so these notes are by way of guidance and consequently are not comprehensive in every detail as you may have particular issues in relation to your business or operating sector and they do not set down the only way for the process to be undertaken. It is not therefore essential to follow the steps numerically as some areas overlap but as you will come to discover there is a natural flow to the process of relocation.

Boston Fieldgate is here to support you in our areas of expertise on this journey.

### **Step 1 – the germ of an idea**

It may be a Eureka moment, something that is forced upon you or part of a well defined business strategy. Expansion or consolidation is driven by the needs of an organisation, the sector within which it operates and externally the economy of the market place it serves. As with most decisions they are based upon an original idea that has evolved. For the professional services sector property is probably the largest costs outside of their staff and the same is probably true in manufacturing after raw materials and plant. Because it is a significant element in the overheads and a potential asset or liability it is important to have a well thought through plan and ambition.

Key to the decision making is to consider the matter in an impartial way to review all the criteria and influences and this will inform better decision making in the longer term.

The first move is to identify a “Move Champion” – this person will need to be able to lead the project, be able to get the support of colleagues for prompt decision making and have the mandate to commit the business. As a consequence of these criteria the Move Champion tends to be the owner or senior partner or one of their trusted key directors. The individual needs to have the skills to lead a project team and the ability to absorb input from external experts and advisors. A relocation or acquisition of additional premises can become all consuming so the individual needs to be able to delegate some of their “day to day” activities. It is vital that the business in terms of its income generation and management of costs is not forgotten at this critical time.

The ensuing steps will guide you through the issues that need to be considered and actioned as appropriate. Each organisation will have their own thoughts and ideas so this guide is a checklist for the main milestones and decision making that needs to be made.

## **Step 2 – getting the team in place**

The Move Champion needs to build a project team – internal and external. Colleagues from within the organisation that have particular skills or issues – IT / Finance / HR for example should be represented.

Externally the key members should be:

- Accountant – they will be able to input in areas such as how new premises are acquired in terms of a legal entity, what the organisation can afford, capital allowances, and finance for any new plant, office furniture etc. They will also be able to guide on the ownership vehicles if you want to buy a building and the relative tax implications.
- Solicitor – they will be able to advise on issues with regard to your existing property or the new premises once identified and protect your position from a legal perspective.
- Property advisor – probably a constant active member throughout as he will help you assess any exit costs from existing premises, work with you to define your requirement brief and assess how much space you may need, search for premises to match that brief, work with you to compare options and identify a short-list and then preferred option, negotiate terms, and monitor the legal process to a conclusion. Alongside that he can help you look at the fit out options, space planning and introduce you to specialists in those fields as well as how to release any surplus property that will arise as a consequence of the move.

The input from team members will ebb and flow during the process but they all need to be actively engaged at the outset.

## **Step 3 – Audit**

To make the best decisions it is important to understand just what it is you have at the outset as this will form the datum point going forward. This will involve an in depth understanding of the business – operationally and aspirationally, what the key drivers are currently and assessing the issues and opportunities a move will generate.

Some of the aspects that need to be understood include:

- HR – where are staff based for work, where do they live, do they hot desk or work remotely, what your contract of employment says on location of their employment. Are there any staff that are critically important to the business as a consequence of particular skill sets, are you under or over staffed currently.
- Property – do you own or lease your current premises, what does your lease say, when will it expire, what are the repair and dilapidations liabilities, is there a break clause, are you using all the space you have and if so could it be more efficient in a better building. Your property advisor will be able to review the lease documentation and with input from your solicitor can give you a clear review of the current situation.
- Finance – what are your current operational costs, are these affordable or could you do much more business in a new location. What costs might you face on leaving the

your current property, is there a trend in terms of business turnover and profitability, can you reduce costs by having less or better property, new equipment or more efficient business processes.

- Operationally – is existing plant and equipment near the end of its economic life or would re-equipping add real value through efficiencies.
- Market place – what is your sector seeing in terms of the economy, what are your competitors doing that is better.

The process will be to identify exactly how the organisation currently performs with its existing facilities / infrastructure and assets.

#### **Step 4 – what do we think we need?**

The Audit draws a line in the sand - a starting point. Your business will need to have a plan as to where it wants to be in say 5 and 10 years time. This will identify what needs to be done to achieve that ambition. Life will always surprise and you need to work on the old adage “whatever you do will be wrong” but doing nothing will achieve very little. Developing a robust but flexible plan will give the best chance of achieving that vision. The problem with property is that is fairly inflexible, in current market conditions it is not a “liquid asset” than can easily be assigned or sold so optimising the new property within a set of parameters will future proof the business as much as you can.

Some of the key questions to be answered include:

1. Are you expanding or consolidating?
2. Will staff number increase or decrease and over what time frames and by how much?
3. Will the profile of skills you need change over time? – increasing use of technology for example may mean you will need less people to do more
4. What type of property do you want? – image, style, specification
5. Where would be the best location? – this is for staff, suppliers and customers
6. Do your customers have particular needs in terms of access to your property either through JV projects, liaison, deliveries or supplies
7. What type of facility do you think your staff, customers and suppliers might want to see you occupy? – opulent, good quality, practical, functional or cheap! Being seen to be successful is good but over the top is or can be very negative as can working from outdated premises. It is all about achieving a balance.
8. How much space do you think you need for current requirements and any future expansion? If contraction is likely over what time frames and by how much?
9. What do you need in terms of facilities – staff canteen, meeting rooms, reception, storage, showers, parking, yard areas etc? What level of IT infrastructure would you have – raised floors, need for air conditioned areas, waste recycling.

This stage is about thought showering – getting all ideas logged so that a broad vision can be mapped out.

### **Step 5 – working with stakeholders**

With your initial vision you then need to share this with all your key stakeholders to get their feedback. There is inevitably a balance here between openness and commercial confidentiality. Getting feedback from key clients on how they see the business and what would attract them to do more business with you, from staff as to how they get to work, will a move be better for them and if so, is there a consensus. Do they want a staff cafe; would they bicycle to work rather than drive or use public transport?

For any organisation that has employees you want to retain key staff, be able to recruit the best staff and reduce staff churn. Stability and an enthused workforce can add significantly to the bottom line. The cost of recruiting new staff through high churn rates far outweighs the additional costs of occupying better facilities and make life much easier for all within an organisation.

As part of the process you should also engage through your property advisor with your existing landlord. Keeping them in the loop is more often than not a positive action. They may have alternate property, they may have been planning to redevelop your property but as you had a lease assumed you may not want to move. Honesty but within the bounds of commerciality and confidentiality is often the best way forward.

Throughout this process you should work with all your project team members and external advisors to benefit from their experience. They should look to constructively challenge your ideas and proposals. This provides sense checking based upon their extensive market knowledge.

### **Step 6 – defining the need**

The previous stage will have refined the initial vision and together with your advisors you will now be able to refine the vision to a workable brief based upon stakeholder feedback, how much you need and where and whether you want to buy or rent.

### **Step 7 – establishing the project budget**

Knowing what you have from your audit and what you want you then need to determine whether this is affordable.

In establishing a budget some of the key areas of cost you should review include:

- What are the exit costs to leave your existing premises? – dilapidations, reinstatement etc
- What might the double overhead costs be if you relocate before exiting from your existing premises? – rent, business rates, insurance, security, service charge, utilities etc
- What will the occupational costs be for a new property? – rent / mortgage, deposits, business rates, insurance, service charges, utilities, security etc
- What will be the costs of physical relocation?

- What will be the costs to “fit-out” the new premises
- What is the cost of any new plant and equipment? And has the old equipment any scrap / second hand value or dismantling costs?
- What will be the implications on business during the move? – loss of productivity?
- What will be the cost of IT / internet / services / telecoms relocation?
- What will be the cost of new stationery & PR to announce the move to stakeholders?

### **Step 8 – are there any opportunities for tax breaks?**

Your accountant or specialist Capital Allowances experts will be able to identify and tax breaks or reliefs that may be available by preplanning certain expenditure and the specification of some building works and services

### **Step 9 – property search**

Based upon an agreed brief your property advisor will undertake a search to identify possible options for initial review and comparative analysis. From this initial exercise a number of possibilities will be identified. It is important not to draw the brief too rigidly because by considering options that on the face of it may not be ideal other ideas or opportunities come to light. This phase is about keeping an open mind

### **Step 9 – feasibility studies to identify a short-list of options**

Having reviewed the initial options it is time to get in to closer analysis of those and weed out those that will not be workable. Some viewings -certainly externally at this stage can be very useful in informing this process.

### **Step 10 – inspections**

Having identified perhaps up to 5 contenders the real work begins. Each one then should to be visited to see just what they might offer and if there is the potential to be the preferred option. The process of comparative analysis needs to consider all the “pros & cons” against a number of criteria.

### **Step 11 – specifying the fit out brief**

Alongside inspecting the top 5 it is useful to begin the input from space planners and fit out contractors to begin the process of assessing the likely fit out costs for each of these. Their input will also help identify the most suitable option from a physical point of “fitting in” the staff and facilities.

This stage will be about looking at how you occupy the building and create the ambience and style you want but within the budgets allocated. The contractor will work with you to look at all the elements and specification options. It is important to work with a contractor who you trust, has the proven experience to deliver along with all the skills and expertise to comply with all the Health & Safety / CDM regulations and other statutory requirements.

### **Step 12 – making a property choice**

Armed with feedback and information from the two previous stages you can then make your decision on your preferred option.

Your property advisor can then begin the negotiation process to get the best deal for you that can be mutually agreed. Heads of Terms will then be drafted to cover off all the key aspects of the transaction for your approval. Your property advisor can also prepare a recommendations report for your Board or Management Committee to sign off the agreement.

### **Step 13 – getting solicitors instructed**

With Board approval in place your property advisor can then liaise with your solicitors so they can begin the due diligence and legal process.

### **Step 14 – monitoring to completion**

Your property advisor will then monitor the legal process until completion and with your solicitor can update and guide you through the process.

### **Step 15 – appointing fit out contractors**

Once you have “signed” you can then appoint contractors and place orders for the myriad of matters that need to be actioned.

Working to a fixed budget with them, providing prompt feedback and instructions on any queries, understanding their payment terms and monitoring their progress will simplify the process.

### **Step 16 – planning the move**

Once you have a timetable in terms of occupation dates you can then plan all the aspects of the move – a logistics exercise to bring all elements together at the same time.

Some of the actions will be time sensitive – telecoms for example so you need to plan logically and well ahead.

### **Step 17 – making the move**

This should be an exciting day, one to remember and indeed celebrate. Having a strong project team will help all those involved in the move work together. Pre- planning will ease the process so everyone knows what they are doing, where and when. Make your contingency plans in case of a problem, preferable have the IT systems up and working before the day. Everyone hates surprises but you cannot plan all areas of chance out of the programme but you can limit their impact.

**Step 18 – communication**

Tell everyone what you have just done, use the move as a way to showcase the organisation and get all you team to be proud of their new premises.

**Step 19 – the start of a new chapter**

The work now really starts as you need to use the move as the next stepping stone for the organisation. Your professional team will be on hand to advise on any issues that crop up after the move and going forward.

For support, advice and guidance please give us a call:

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