

MAIDSTONE BOROUGH COUNCIL
RECORD OF DECISION OF THE CABINET

Decision Made: 17 December 2014

ENTERPRISE HUB

Issue for Decision

To consider the establishment of an enterprise hub on the first floor terrace of Maidstone House.

To consider re-affirming the Council's commitment to providing a longer term Enterprise Hub solution when the right building and/or land becomes available and that an established sum remains in the Capital Programme for this purpose.

Decision Made

That:

- (a) expenditure up to the sum as set out in the Exempt Report of the Director of Environment and Shared Services to establish an enterprise hub on the first floor terrace of Maidstone House be agreed;
- (b) delegated authority is given to the Director of Environment and Shared Services to negotiate changes to the council's lease of the Gateway with the landlord, Capital and Regional to enable the enterprise hub to be delivered;
- (c) delegated authority is given to the Director of Environment and Shared Services to recommend the appointment of a contractor to the Head of Finance and Resources, selected via tender, for the refurbishment works;
- (d) delegated authority is given to the Director of Environment and Shared Services to make changes to the design, project programme and budget to ensure the project is delivered on time and within budget;
- (e) an initial progress report is presented after nine months of operation and a full review undertaken after 18 months into the success and progress of the Enterprise Hub; and
- (f) the Economic Development Unit in conjunction with the Property & Procurement Manager continues to look for suitable land and/or buildings for longer term Enterprise Hub solutions and subject to the review in (e) above, report back with fully costed options as appropriate.

Reasons for Decision

The strategic need and demand for an Enterprise Hub has long been established, being first included in the 2008 Economic Development Strategy. This was reinforced strongly by research underpinning the emerging new Economic Development Strategy 2012-2031 and the new Local Plan: The Health of the Maidstone Economy points again to the impact of the recession having been particularly severe in Maidstone with business growth below the Kent and national averages. Business deaths have outnumbered business births between 2008 and 2011, with 2012 seeing a reversal of this trend.

It was not until 2013 that an opportunity to finance the hub project arose through Kent County Council's Flexible Workspaces Programme Fund which offered both loan and grant. A successful first-phase bid was made and as a result £700,000 match funding (against a total project cost of £1.4m) was allocated in the Capital Programme following a report to Cabinet on 18 December 2013 which was attached as Appendix A to the report of the Director of Environment and Shared Services. Before the final "approval to spend" bid could be submitted, KCC withdrew the grant element from the Programme.

As a result, Maidstone Council looked at both financing the grant shortfall and proceeding with the KCC bid and funding the project in full through the Public Works Loan Board. This process necessitated a review of the business plan by the new Commercial Projects Manager in line with the Council's tightened investment strategy. It was acknowledged there is a need for an Enterprise Hub, but the perceived level of risk was too significant due to high capital start up costs and potential ongoing revenue liability if it was not successful. It was agreed that the project should be underpinned by a freehold asset to mitigate risk. A bid was also made to the Heritage Lottery Fund – which would have funded the project in full - but this was unsuccessful as the building is not listed and English Heritage prioritised buildings with greater heritage value for the fund. It was therefore decided not to pursue the former Post Office site in King Street (leasehold) which had been the basis of both the KCC and Heritage Lottery bids.

In the above context a report was subsequently presented to the Council's Corporate Leadership Team in July 2014 with short, medium and long term options for establishing an Enterprise Hub and how they would achieve borough-wide Economic Development outcomes. The report evidenced and concluded that establishing an Enterprise Hub should remain the strategic goal, but there was no immediate prospect of achieving this because:

- (a) No Maidstone or KCC asset was suitable; and it would take at least two years to realise and/or could prove financially prohibitive to overcome development constraints, and

(b) No suitable freehold properties were available currently.

The report therefore recommended consideration be given to using the first floor Terrace of Maidstone House as a "holding" business support centre to establish a presence for Enterprise in Maidstone with the twin objectives of:

1. Addressing the immediate need to maintain and enhance support to pre-start and start-up businesses and, identify and target indigenous businesses with growth potential and those with skills needs critical to improving innovation and competitiveness, and
2. Providing a venue for events, seminars and workshops in Maidstone linked to the tightened and expanded Service Level Agreement with Kent Invicta Chamber of Commerce.

A subsequent report presented initial sub division options for the Terrace including revisiting plans for an Enterprise Hub in the whole Gateway itself which was attached as Appendix C to the report. Those options included £17,488 of new capital expenditure for short term office; staff and meeting room replacement facilities that would be displaced from the Terrace, but still using parts of the first floor of Maidstone House for this purpose.

It was decided that Option 2 (using just the terrace area) be looked at further and that the proposed scheme would need to be seen as part of the wider accommodation work currently being undertaken, but would be delivered before the break clause in the lease of the first floor of Maidstone House.

Given the above a further report was presented to the Corporate Leadership Team on 5 August, attached as Appendix C to the report which gave detailed costings for establishing a small enterprise hub on the terrace and which now forms the basis of the recommendations in this report.

Views of the Economic & Commercial Overview & Scrutiny Committee

At the request of the Economic & Commercial Overview & Scrutiny Committee a progress report was presented to members at their 29 September meeting. The committee recognised there is a strong demand for an Enterprise Hub, and that the council could not wait for two years for a suitable site to become available and that the following courses of action were seen as desirable:

- * To first establish a smaller hub, possibly located at Maidstone House or the Gateway, in order to prove the success of the project and attract more funding;
- * If it was not possible to find accommodation in current council assets, the possibility of a short term leasehold property should be considered.

The Committee also asked to see any final report with recommendations before a decision was made by Cabinet. As a result the draft of this report was debated by the committee on 25th November with members

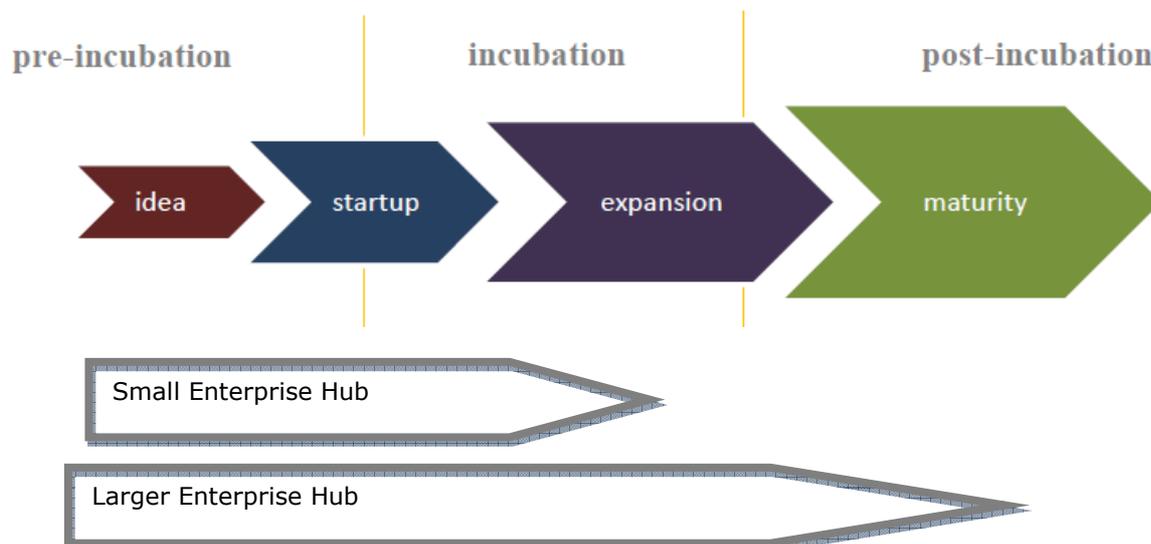
recommending that the Cabinet Member for Economic and Commercial development:

- Approves the proposal for an Enterprise Hub
- Brings an update report to the appropriate committee in six to twelve months after the Enterprise Hub has opened, and
- Pays particular attention to staffing needs due to the likelihood of high usage of the hub, and also in relation to the existing workloads of the department.

The rest of the report detailed establishing an enterprise hub on the first floor terrace - and how it fits with the overall Office Accommodation Project. This needs to be seen in the context of a continuing need for a longer term flagship project to emphasise and action the Council's commitment to stimulating indigenous growth and job creation by increasing start up and survival rates, safeguarding existing jobs and helping improve the skills, innovation and competitiveness of businesses across the Borough particularly in our rural areas.

The Maidstone Model

The recommendation to establish a small enterprise hub on the terrace needs to be seen in the context of how it will help improve the survival rates of new ventures, and an understanding of the life cycle of businesses and how they can be directly related to the types of interventions and support needed.



Most incubators/hubs are not single-purpose: providing support to start-ups (germination) as well as mature companies (tenancies). This mixed use model was proposed for the Post Office to give diversified revenue income streams and enable the Enterprise Hub to remain flexible: enabling companies to move from one stage of evolution to another while remaining a 'customer,' and provide for anchor tenancies. This also provides the flexibility to respond to the market and adapt to demand.

This flexibility is often not associated with classical types of incubation

(Canterbury Innovation Centre) but needs to be built in from the start to be able to act as a landlord to some tenants, and as germinator / incubator / accelerator to others.

This fluid approach is crucial to success along with an in depth understanding of the need (and gaps) in Maidstone in order to:

- Remove the critical barriers to business formation, growth and survival across the borough
- Stand the best chance of success financially (to remove/mitigate the continuing need for public subsidy), and
- Achieve the desired economic outputs and outcomes in line with both the evolving Maidstone Economic Development Strategy and the SE LEP Strategy.

This model also provides the catalyst for a joined-up approach to support depending on the life cycle of the business, and bring together delivery partners in one place – both physically and virtually. This would further ensure all partners share responsibility for staffing the hub particularly given the need for long opening hours. As attached at Appendix D to the report.

Supporting work and evidence

The proposal to establish the enterprise hub is not being made in isolation: there are several initiatives to support businesses which are also being progressed which include:

- Redesign of the *locateinmaidstone* website with a sectoral approach and enhanced emphasis on support for start-ups and indigenous business
- Implementation of the new Economic Development Business Relationship Management system
- Improvement of the access to, and content of Start-up on-line resources
- Completion of a detailed mapping of rural businesses and their needs and continuing working with partners to provide rural-based business support centres
- Implementation of an enhanced property search & matching module linked to both the new business Customer Relationship Management system and new website and capitalising on the income generating opportunities this affords
- Completion of a comprehensive audit of all support and training currently available to Maidstone businesses to be incorporated into the new website as a searchable module, and
- Complete the development of the skills support and training database that will be available to Maidstone residents including an enhancement to provide for business-to-business and business-to-

customer apprenticeship; work experience and skills matching module.

However, there still remains an immediate need for a venue and "shop front" for Enterprise in Maidstone. The Kent Invicta Chamber of Commerce is currently engaging with between 700-800 people each year under the Council's Service Level Agreement (SLA) to deliver start up and other support in Maidstone. The Enterprise Hub will be the delivery point for all support under this or any future SLA. This will both ensure a co-ordinated "one stop" approach and provide a captive audience for the membership, office networking and seminar facilities of the Hub.

As a direct result of the increasing numbers of people thinking of starting a business in Maidstone, Kent County Council provided additional grant funds to double Maidstone Council's spend on start up support during 2013/14 from the Regional Growth Fund.

Maidstone has also seen a 30% increase in people working from home over the past 10 years. This is a national trend, with Maidstone having one of the highest concentrations of home-based businesses in the country. Statistics from the 2011 Census states there are 9,000 people working from home in Maidstone, with more than half (5,000) being trading businesses. Government and national surveys state these businesses too often work in isolation and lack access to professional equipment; meeting facilities and invaluable peer-to-peer networking. The enterprise hub will address these issues and provide the framework for setting up local business points in rural areas. Given this, talks have been held with the Centre for Micro Businesses which has developed an expertise in reaching under the radar home-based micro and rural businesses.

In addition there is the latent demand to be generated by the Council's *Get in Touch, Get Advice Get Started* campaign launching in December. This campaign - giving *One number; One email and One website* for start up support - will target our most disadvantaged wards. Research suggests many of the country's most disadvantaged young people have innate entrepreneurial skills and abilities: self employment offers many a credible pathway out of the benefit trap.

An enterprise hub on the first floor Terrace would be a serious statement of the Council's intent and demonstrate that it is both "open for business" and has a true understanding of what is needed to support and grow businesses and how it can be delivered in the short term while a longer term solution can be assessed.

National workhub expert Tim Dwelly confirmed that this approach could work as a precursor to a larger Enterprise Hub if fitted out/ branded correctly and it does not look and feel like an office block. He recommends investment in proper branding, facilities and atmosphere, concentrating on the quality of furniture and lighting.

The Facility

The enterprise hub would be created by a complete refit of the first floor terrace as illustrated on the Architect's indicative layout and overview as set out in Appendix E to the report. Total development costs have been calculated by the Property & Procurement Manager and were detailed in the Exempt Report of the Director of Environment and Shared Service.

Initial talks have been held with the landlord, Capital & Regional who has indicated strong in principle support for the project.

Facility

Up to eight offices (available for start-up businesses on flexible in and out terms); Networking /breakout seating; up to 20 hot desks; a 50-seat seminar space and one small meeting room.

The facility would be branded at street level and given an identity more in keeping with what businesses are wanting and needing, and lay the foundations for an Enterprise Hub.

Access would be from the main King Street entrance via the escalator and stairs and then by dedicating one of the two lifts from ground to first floor Business Terrace only.

Opening Hours

7am to 7pm Monday to Friday minimum from day one including Saturday morning. There are no Lease restrictions on opening hours; however the King Street access doors are controlled by the Mall. Security arrangements and opening times would be by agreement with them. We would need to ensure the Gateway access doors were locked when the Gateway was closed.

Parking

Talks are currently being held with Parking Services on possible arrangements around the Town centre, particularly lower Sittingbourne Road. Subject to talks with Capital & Regional it may be possible they would sponsor" at least one parking space for use by an anchor tenant which helps run the Hub.

Timescales: Open July/August 2015

- November/December: Procure design team
- January/February: Detailed design and tender documents issued
- March/April: Procure contractor
- May/June: Construction

Alternatives considered and why rejected

Virtual delivery

Many start-ups are launched by aspiring entrepreneurs with no previous experience, and possibly little exposure to a mature business environment: the result is enterprises not being planned appropriately: markets not assessed; products not commercialised and marketing not

adequate or unimaginative. They work largely in isolation with few or no opportunities for peer-to-peer networking and collaboration to form natural clusters and opportunities for developing local supply chains. This is not addressed by virtual delivery alone.

Many established businesses also have a lack of business skills, with little awareness of what is available; the relevance to their business and the perceived high cost of engaging help.

While there is plethora of on line resources – both public and private – businesses are frustrated that the business support landscape is too fragmented and/or irrelevant to their needs. There is plenty to choose from – but what is right?

Following extensive research by the Department for Business Innovation & Skills into understanding the barriers to take up and use of business support, the move is towards "Gateways to Growth." In the SE LEP area this is being piloted by Southend-on-Sea through their City Deal. This is based on the Greater Manchester Growth Hub model (a £6m *virtual shop window* underpinned by £20m of physical infrastructure and other resources).

More recent research also confirms that the hands on approach is highly valued and achieves the best results in terms of measurable outcomes for business (and therefore the economy), and value for money for the taxpayer. Further, those on-line tools do not always work effectively and deliver value for money.

As reported earlier the Economic Development Unit is already working towards an integrated virtual shop window for business support, working with partners, and linked to the current development of the new Business CRM database and plans for a new website to replace locateinmaidstone as part of the mix.

Do nothing

This is not an option if the Council wants to tackle the myriad of barriers to business growth and survival in a strategic, coherent and effective way with the best chance of success. This would also be contrary to the SE LEP Strategic Plan.

Local support interventions must be designed to be responsive to local economic conditions and addressing areas where the demands of businesses are not being met are critical. It is therefore important that the service is demand-led in both design and delivery.

There are other providers in Maidstone of co-working and flexible accommodation, however none are best placed (even with additional financial resource) to design and deliver the strategic lead needed to achieve the priority outputs and desired borough-wide outcomes.

Maidstone Council has forged strong partnerships with key support organisations to provide onsite wrap around support to businesses. Collectively these organisations will help ensure additionality and remove duplication. This working partnership model will maximize impact, and

help introduce a major step change in business support across Maidstone. There is a gap in the market.

Alternative Location

An extensive property search was originally undertaken between February and April 2013 (Appendix A to the report refers). This has been reviewed on an ongoing basis most recently in July this year. What private sector premises and services do exist does not meet the stated need.

All available premises have failed and continue to fail at least one of the original desirable search criteria:

- Size (minimum of 8,000sq ft)
- Flexibility of terms and costs
- Flexibility of space
- Conversion and fit out costs
- Provision of wrap around support
- Availability of dedicated seminar and meeting rooms
- A presence and ability to be branded
- Within Town Centre, close to amenities and availability of parking

Talks have also been held with existing providers of flexible workspace including Basepoint. These organisations however are now beginning to re think their "office-based" approach and operating models. Existing smaller scale facilities – such as Union 23 in Maidstone – have also faced difficulties largely as a result of being too small in scale to provide a networking critical mass; fairly sector specific and with no onsite support or meeting facilities of sufficient scale to generate further income.

Detailed discussions and consideration were given to two approaches from the private and voluntary sectors. In each case the proposals would have provided "more of the same."

The "Maidstone Model" is in comparison to models where there is a greater focus on individual office spaces – which represents most of the available space in Maidstone Town Centre.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Policy and Communications by: 30 December 2014
