

MAIDSTONE BOROUGH COUNCIL
RECORD OF DECISION OF THE CABINET

Decision Made: 18 December 2013

MAIDSTONE ENTERPRISE HUB

Issue for Decision

To consider whether to establish an Enterprise Hub in Maidstone town centre.

Decision Made

- a) That the Enterprise Hub project be progressed;
- b) That the former Crown Post Office at 1 King Street be confirmed as the preferred location for the Enterprise Hub, as recommended by the Enterprise Hub Project Board;
- c) That the project be part funded to the sum of £700,000 by the Capital Programme;
- d) That a bid be submitted to KCC's Workspace Kent Challenge Fund to support the Enterprise Hub project;
- e) That delegated authority be given to the Head of Legal Services, in consultation with the Cabinet Member for Economic and Commercial Development, to agree lease terms with the Landlord of 1 King Street;
- f) That delegated authority be given to the Director of Regeneration and Communities to develop and agree the final design, specification and operational management plan for the Hub in consultation with the Cabinet Member for Economic and Commercial Development;
- g) That delegated authority be given to the Head of Legal Services to enter into a contract for the leasehold acquisition of 1 King Street (on terms to be agreed by the Director of Regeneration and Communities) subject to the bid to KCC being successful, and the Operational Management Plan being approved; and
- h) That, following a tender process, authority be given to the Head of Legal Services to enter into the necessary contracts for the refurbishment of 1 King Street, subject to g) above being completed.

Reasons for Decision

The impact of the recession has been particularly severe in Maidstone leading to a decline in the numbers of jobs and firms at rates worse than national and regional averages. As such there is a need for a project to emphasise and action Maidstone's commitment to support business growth, retain and support residents into employment and enhance skills. The provision of the Enterprise Hub would serve this purpose and fulfil this commitment.

The Borough continues to have one of the lowest business start rates in Kent with more business deaths than births. The UK Business Survey shows this is in stark contrast to a noticeable post 2008 recession decrease (-4.5%) in the overall ratio between births and deaths across Kent.

Reversing these trends is a strategic priority for Maidstone which has put in place a number of inter-dependant actions designed to support growth that is both sustainable and inclusive; create the conditions which enable businesses to start up, expand and survive and, attract new businesses into the area.

Establishing a customer-led affordable start-up workspace is an economic priority for Maidstone to address identified specific and generic barriers to business formation and survival across the Borough. These include:

- A lack of premises available on flexible enough terms;
- Too many micro businesses working in isolation with few natural clusters or opportunities for developing local supply chains;
- A lack of business skills, with little awareness of what is available, and the perceived high cost of engaging help; and,
- Pockets of persistent deprivation in and around the town centre, including High Street Ward in which the proposed Hub will be located.

Addressing these entrenched problems calls for a radical, holistic approach to stimulate enterprise and delivering business support, and creating and maintaining the structure and resources to enable partners to engage actively with the business and wider community.

The Maidstone Hub will achieve this by establishing a dynamic affordable workspace providing an inspiring and highly supportive environment to grow and sustain new start-ups and existing micro businesses across the Borough.

TAKING THE VISION FORWARD

Initial hub model research coupled with a property search (detailed below) was needed to inform the Council's first stage bid to Kent County Council for in principle funding. This was submitted in May with "Approval to Plan" granted in June. It is a capital-only fund for Incubator/Work Hub funding to provide flexible spaces for new and micro businesses and wrap around business support.

Business services that respond to the needs of the tenants must be an integral part of the accommodation offer in order to achieve added value and warrant public investment. The fund invites proposals from district partners for projects that deliver the needs of their locality.

MODEL RESEARCH

The Economic Development Unit undertook extensive research between February and April 2013 into local authority sponsored projects around the UK including site visits to Westminster Hub and later to the Greenwich Digital Enterprise Centre. This confirmed a number of common factors that dictate the success of such workspaces (and by definition the inability of the private sector alone to meet need).

This approach requires in excess of 10,000 sq ft to be sustainable as flexibility and affordability are paramount.

The Unit also looked at incubator and affordable workspace provision and delivery models across the UK; in Kent and within Maidstone, including serviced offices and business centres.

European and UK best practice has also been reviewed which showed that the most successful models for increasing business survival are those with highly flexible 'easy-in/easy-out' terms combined with high quality wrap-around support for the first two-three years and are enabled by the public sector working in partnership with the private sector and local support providers.

PROPERTY RESEARCH

An extensive property search was conducted. Consideration was given to the Council's own portfolio including Maidstone House; King Street multi-storey car park site; The Gateway and Chillington House. The latter was further investigated when looking at KCC property including the adjacent former library building in St Faith's Street.

All available freehold and leasehold serviced office space and empty office and commercial property in the town centre was also looked at including several buildings in Albion Place which offered 10,000sq.ft. or more. However the accommodation was over several floors and within existing inflexible fixed office layouts. The location is also on the periphery of the town centre away from the main centres of activity, services and attraction.

A number of small business centres/managed workspaces were also identified including Kent House, Link House and Barham Court. While these vary in size and flexibility of terms none are dedicated to start up/micro businesses and the accommodation is mainly within fixed office space. These locations could however be candidates for creating a pipeline of quality move on premises for businesses leaving the Hub after three to five years.

All available premises failed at least one of the critical search criteria: size, flexibility of terms and cost; flexibility of space; provision of wrap

around support; availability of dedicated meeting and seminar rooms; a presence and ability to be branded; close to amenities and available parking. Two possible locations remained for further consideration: The Gateway and the former Crown Post Office at 1 King Street.

NEXT STEPS

A Project Board and Project Team were set up in May 2013. Its terms of reference were: "To review the viability of establishing an Enterprise Hub in the Town Centre and provide confidence that the Council should commit capital and revenue expenditure to pursue the project." The Project Board progressed a number of work streams:

- Continuing negotiations with the landlords of the former Post Office to ascertain financial, operating, timing and development implications of any agreed terms in order to inform the desirability and/or efficacy of entering into a lease on 1 King Street;
- Considering the suitability and viability of The Gateway and identify funding sources;
- Ascertaining the likely demand and take up for an Enterprise Hub including tariff thresholds and tolerances;
- Reviewing financial forecasting based on building layouts to establish the long term viability of an Enterprise Hub (set out in the Exempt Appendix to the report of the Director of Regeneration and Communities);
- Reviewing schedules of works and capital costings including mechanical and electrical installations and other works to confirm or otherwise project capital costs in either location; and,
- Determining the most effective and beneficial management structure for the ongoing operation of the Enterprise Hub and delivery of business support.

Several visits were made to Maidstone between February and October by various companies and organisations exploring their possible involvement in the Enterprise Hub as set out in Appendix 2 to the report of the Director of Regeneration and Communities.

VIABILITY AND DEMAND STUDY

In September the Council appointed UK Workhub expert, Tim Dwelly, to carry out a viability and demand study to test the potential for an Enterprise Hub in Maidstone Town Centre. The brief included:

- Evidence of demand;
- A critical assessment of existing space available to start-up, micro and small businesses and whether the two identified properties would compete or meet unmet demand and be financially viable;
- An evaluation of The Gateway and former Crown Post Office buildings and the type of workspace they would best support; and,
- Evidence of the size and configuration of space required to meet the identified demand.

Tim Dwelly's final report, set out in Appendix 3 to the report of the Director of Regeneration and Communities, was released on 21st October 2013. Headline summary findings are shown below.

- Survey and focus groups both showed strong demand for a workhub facility in Maidstone and more than 90% of businesses surveyed online said they would pay to use a workhub.
- Analysis of the potential workhub catchment area shows 10.4% of the workforce is self-employed and home-based: a total of 9,339 businesses.
- Homeworking has grown 34% in Maidstone in ten years.
- Of the two options put forward, the former Crown Post Office was overwhelmingly preferred to The Gateway by local businesses and Tim Dwelly's view as stated in the report was: "The Gateway should be discounted as a location for a workhub." The main reasons being:
 - Lack of appeal to the target market;
 - Unusable space (28% of The Gateway cannot be put to practical use); and,
 - The location/design (large corporate building in shopping centre).
- The former Post Office in contrast "offers significant opportunity to create a unique, affordable and appealing location for a workhub."

The Maidstone Hub would be a hybrid model combining hot desk workspaces and informal and formal networking areas alongside anchor office tenants and a seminar and meeting room suite to maximise potential income streams and minimise the risks associated with workspace only facilities.

By providing desk space, with businesses paying a membership fee rather than letting or leasing fixed spaces, Hubs achieve higher space utilisation (businesses benefitting per sq ft). This is further enhanced as not all users spend 100% of their time at their workspace.

The proposed Membership Model will offer a range of highly flexible entry tariffs on a rolling monthly basis. The various types of membership proposed will enable members to move gradually from the more affordable tariffs to the more expensive tariffs as their business grows and for ad hoc project work.

The Hub would also have a suite of meeting rooms and events spaces: vitally important for businesses to offer impressive hosting facilities for clients, which could lead to them winning more sales and investments. This also offers the potential for maximizing revenue by competing in the events market and helps minimise risk.

PARTNERS

Maidstone has forged strong partnerships with a number of key support organisations to provide onsite wrap around support to businesses in the Hub. Together these organisations will help ensure additionality and remove duplication.

This partnership model will also maximize impact, ensure the Hub is a flagship facility within Maidstone and Kent, introduce a major step change

in business support and proactively break down barriers to enterprise and growth ensuring all fledgling, new and existing micro businesses have the knowledge and skills to start, grow and survive.

| Organisation | Involvement with Hub |
|---|--|
| Kent Invicta Chamber of Commerce | Delivery partner Anchor tenant |
| Federation of Small Businesses | Kent & Medway Regional HQ Mid Kent Branch sponsorship of reception desk National FSB meeting place |
| Mid Kent College | Possible Hub facility management; IT support and work experience placements providing services to Hub members |
| The Kent Foundation for Young Entrepreneurs | Delivery partner and placement of young businesses in the Hub |
| BSK CIC | Delivery partner with on site presence |
| CXK Connexions | Possible anchor tenant |
| CAP Enterprise (Kent) CIC | Delivery partner for social enterprises and possible future tenant |
| Enterprise Foundation | Delivery partner targeting underrepresented groups |

Co-locating support organisations alongside key anchor tenants and a broad membership will also ensure financial risks are minimized, income is maximised and private sector investment is leveraged.

Total project costs to refurbish the former Post Office are between £1.3m and £1.5m according to the initial findings of Harrisons who were commissioned to carry out feasibility, cost and condition surveys.

A successful "Approval to Plan" bid was made to KCC in May for £700,000. Headline terms as known currently are: £200,000 grant and a £500,000 interest-free loan with the majority (at least 80%) to be repaid by the end of the 2018/19 financial year.

This covers capital expenditure only. Maidstone Borough Council is expected to make a cash contribution as well as in-kind support including a revenue subsidy to cover the period between building development work and operational break even.

The next dates for submission of the "Approval to Spend" bid to KCC are: 17th January for decision 7th February and, 13th March for decision 3rd April.

OTHER CONSIDERATIONS AND BENEFITS

The primary brief has been to assess the viability of setting up an Enterprise Hub in terms of:

- Cost of delivery (purchase, conversion and management) against
- Potential return on any investment from the revenue generated.

However the wider benefits of workhubs are well documented, both in the role they play in stimulating local enterprise and, if targeted correctly, to community regeneration activities.

The former Crown Post Office offers the further economic development benefit of bringing a much loved local landmark building back into productive use after standing empty and deteriorating for eight years. It would also generate additional footfall and assist in regenerating the area which lies within the High Street Ward (one of the most deprived in Maidstone) and stands at the junction of three Conservation Areas.

EXIT STRATEGY

The Economic Development Team has been working with architects to look at possible future uses in order to mitigate any future financial risk to the Council: with a mixed use commercial/residential conversion identified as the most feasible.

The first floor is capable of conversion into between two and three units depending on specification. This part of the building already has a separate entrance from King Street. Building Control has confirmed that in principle this would be acceptable with a preference at this early stage for two units of a higher specification.

This approach is supported by The National Planning Policy Framework both in terms of the objectives supporting the vitality of Town Centres and residential development.

The remainder of the ground floor (former post office counter area) is capable of conversion into a small retail unit with the ground floor mezzanine level and rear covered car parking capable of conversion into small office units with on-site parking and/or small workshops.

Drawings of future possible uses were available at the meeting.

One of the major barriers to development of the former Post Office in the past – which has contributed to it being empty for more than eight years – has been the amount of work needed and compliance with BT's development brief. This barrier will have been removed from any future use.

Alternatives Considered and Why Rejected

Do nothing. This is not considered appropriate as Maidstone Council wants to tackle the myriad of barriers to business growth and survival in a coherent and effective way with the best chance of success.

Alternative Location. An extensive property search has been undertaken including consideration of the Council's own portfolio and that of Kent County Council along with all available freehold and leasehold serviced office space and empty office and commercial property in the town centre.

Several buildings in Albion Place were also considered as they offered 10,000 sq ft or more. However the accommodation is over a number of floors and within existing inflexible fixed office layouts. The location is also on the periphery of the town centre away from the main areas of activity and attraction.

All available premises failed at least one of the search criteria based on Maidstone's needs and KCC's bidding criteria: Size (minimum of 10,000 sq ft); flexibility of terms and costs; flexibility of space; provision of wrap around support; availability of dedicated seminar and meeting rooms; a presence and ability to be branded; close to amenities and availability of parking; within the town centre; bringing an existing building back into use. What private sector premises and services that exist do not meet the stated need.

Talks have also been held with existing providers of flexible workspace including Basepoint. These organisations are now beginning to re think their "office-based" approach and operating models. Existing smaller scale facilities – such as Fruitworks in Canterbury – 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.

Private sector approaches. Detailed discussions and consideration were given to three approaches from the private and voluntary sectors. In each case the proposals would not have met KCC's bidding criteria (set out in Appendix 4 to the report of the Director of Regeneration and Communities). Instead they would have provided "more of the same." Two of the proposals could also have resulted in possible unfair subsidies towards business expansion in breach of State Aid Rules. Both proposals also had a focus on individual serviced office space and were peripheral to the proposers own expansion needs. Both also verged on a sector bias to align with the proposer's business.

The Maidstone Hub Membership Model enables a higher than average density of entrepreneurs and businesses to benefit from the space. This 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.

The third proposal was also for fixed office space, with tenants' rents subsidised on a sliding scale by charitable funding. This was dependent on

50% plus of fixed tenants being drawn from sectors which met funders' charitable aims. The scale of the proposal was relatively small in its ambition with no upfront funding available and none available for at least 12 months. Elements of this proposal however are being considered in terms of a delivery vehicle to aid outreach to disadvantaged groups as the project progresses.

New build. This option was rejected on the grounds of high cost and not meeting KCC's Essential and Desirable Bidding Criteria.

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: 2 January 2014. |
|--|