

## **Overview**

This project is to establish a dynamic, affordable flexible business workspace providing an inspiring and highly supportive environment to grow and sustain new start-ups and existing micro businesses across Maidstone.

Once established the Enterprise Hub could benefit upwards of 1000 entrepreneurs a year through a combination of affordable workspace, flexible time-based and virtual memberships, peer to peer business support, and high quality, bespoke mentoring, events, seminars and workshops. This approach has proven highly successful elsewhere in the UK and Europe leading to five year survival rates of 80%+ compared to typical rates of 35-40%.<sup>1</sup>

Start-ups and young businesses are a driving force for job creation and increases in productivity: in this way the Hub will also have the potential to create job opportunities for residents and work experience for students.

It will be a hybrid model combining best practice and innovation from both flexible rented space and gym-style workspaces and workhubs to establish a leading-edge Enterprise Hub more suited to the aspirational and identified needs of the borough.

Benefits of the Hub Membership Model include maximum density of businesses benefiting and potential income streams:

- Hub facilities are not sector specific and achieve higher space utilisation (businesses benefiting per sq ft) by providing desk space, with businesses paying a membership fee rather than letting or leasing fixed spaces. As not all users spend 100% of their working time at their work space, this enables the Hub to achieve higher utilisation rates and maximise income
- They offer a range of highly flexible entry tariffs with space for expansion as businesses grow.

The Maidstone Hub will also provide a suite of meeting rooms, seminar, events and networking 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 maximising revenue by competing in the events market adding to the Town Centre offer.

## **The Overarching Need**

The impact of the recession has been particularly severe in Maidstone leading to a decline in the numbers of jobs and firms worse than national and regional averages.

The Borough continues to have one of the highest rates of business failure in Kent with more business deaths than births. The UK Business Survey<sup>2</sup> shows that this is in stark contrast to a noticeable post recession decrease (-4.5%) in the overall ratio between births and deaths across Kent.

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<sup>1</sup> European Commission Enterprise Directorate: "Benchmarking of Business Incubators February 2002 updated 2012

<sup>2</sup> KCC Research & Evaluation Statistical Bulletin January 2013: Business Demography 2011

There has been a 3% increase in active businesses – less than Kent (4.6%), the South East (4.6%) and England (6.2%) – but this represents an actual fall over the last decade.<sup>3</sup> Maidstone is also highly exposed to wider job losses through the government's continuing austerity measures as it has the second highest dependency on public sector jobs in the South East: 19,700 representing 27.9% of the workforce.<sup>4</sup>

Maidstone is forecast to lose a further 2000 jobs by 2015 through a combination of direct (1490) and indirect (510) public sector job losses. This is on top of an overall -4.4% drop in the number of private sector jobs between 2008 and 2010 (Kent 2%).

ONS Business Demography also shows one, two and three year survival rates continue to fall in Maidstone: between 2008 and 2010 the number of new businesses surviving three years dropped to 62.4% from 66.7% between 2006 and 2008. These statistics also show that with 28.4% (1740) of businesses less than three years old, and with a declining survival rate, the situation could worsen dramatically unless action is taken.

## **Strategic Need**

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

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

- The high cost and inflexible terms of premises in Maidstone: there is no shortage of 'generic' start-up' or move-on space, but there is a lack of premises available on flexible enough terms and costs are comparatively high - particularly for those without start-up capital such as first time entrepreneurs, recent graduates and residents starting in business from low income backgrounds
- Too many micro businesses working in isolation with few natural clusters or opportunities for developing local supply chains: 76% of businesses have fewer than five employees
- A lack of business skills: with little awareness of what is available, and the perceived high cost of engaging help  
Feedback from businesses, through the Chamber and council customer surveys highlights businesses' frustration that the business support landscape is too fragmented and/or irrelevant to their needs
- § Pockets of persistent deprivation in and around the town centre including High Street Ward in which the proposed Hub will be located. Six of the 92 Lower Super Output Areas (LSOAs)<sup>5</sup> in the borough are in the 20% most deprived in England. A further four are in the bottom 30%.

This flagship hub will lead on:

- Identifying and supporting entrepreneurs, fledgling and micro businesses within the Enterprise Hub and helping them move on after three/five years to larger premises within Maidstone

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<sup>3</sup> ONS (2011) Business Demography

<sup>4</sup> KCC Research & Intelligence: Public Sector Dependency and an assessment of public sector jobs in Kent. January 2011

<sup>5</sup> ONS (2010) The English Indices of Deprivation 2010

- Instilling and encouraging an enterprise agenda across the borough
- Providing work experience for, and supporting ambitious students to become entrepreneurs and helping them grow their businesses
- Providing networking and collaboration opportunities for home-based businesses and those thinking of starting a business or becoming self employed
- Partnering with all key business support providers ensuring a joined up approach and removing duplication in a landscape where business support at all levels is seen as fragmented by the business community

Small entrepreneurial companies play a vital role in the health of the UK economy, providing jobs; helping diversify the economy and contributing to wealth creation. But they are especially vulnerable in their early/start-up years.

### **What is a hub?**

A building providing facilities designed to suit modern micro businesses including those that are home-based. Unlike managed workspaces, innovation centres and business centres, hubs offer a very flexible use of space – including occasional use (membership). They can act as a beehive for isolated home-based businesses encouraging networking, collaboration and skills sharing.

### **How do Hubs differ from managed workspace?**

Incubators, innovation centres and business/science parks generally have three things in common: they support a traditional approach to business growth; are usually (but by no means always) sector specific, and more often than not target businesses which will rent space full time, often on a standard 9-5 basis.

Hubs have an emphasis on users/members not tenants. They do need core income from tenants as well as users/members to remain sustainable. However, research for the Government shows tenants actively value sharing the building with other users/members.

- The ability to collaborate is an essential appeal of hubs both to casual and tenanted users.
- The diversity of businesses using a hub is another strength that can help sustainability in both good and bad financial times by allowing users to scale up or down in terms of their membership and use/space needed.

### **Do hubs work?**

European and UK research evidence shows hub projects with highly flexible, “easy-in/easy-out” terms, and high quality, wrap-around support for the first two-three years, can increase survival rates dramatically.

**The most successful models have been enabled by the public sector working in partnership with the private sector and local support providers.** Common critical success factors include:

- **Volume** of companies is important, creating natural networking and collaboration  
Entrepreneurs **learn more from each other**, and other businesses, than consultants
- **Combining start-ups with more mature companies** in the same building further encourages collaboration
- **Mixed use (diversified)** models keep programmes sustainable and independent.
- **Entry criteria** can ensure high success rates
- Investors/entrepreneurs seeking to make new equity investments can be **leveraged as mentors**

- A manager who has **entrepreneurial experience** and can 'relate' and act as champion for the centre and business.

The brief was to assess the viability of setting up a hub in terms of:

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

This means the assessment does not include the wider business benefits that can accrue from the hub, such as assistance and support for pre starts, increased collaboration and networking, and economies of scale from joint purchasing.

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

If investment in a hub is to be taken forward; the measurement of its "success" should also be assessed in much broader terms focusing on the less immediately tangible economic benefits together with the financial returns on any investment. These include the number of:

- Pre start businesses assisted
- New businesses taking on employees
- Micro businesses increasing their profitability.

These important wider benefits should be given due weight in assessing the success of a hub, though it is recognised that the imperative is demonstrating the financial case for investment.

There are a number of drivers for managed workspace that apply across the UK, but which are more evident in Maidstone. These include:

- The growth in home based businesses and freelance workers, with their need to interact, network and collaborate
- Micros wanting space to grow on and expand their operations
- People, businesses and organisations seeking greater flexibility in their working lives in terms of tenancy, use of space and cost
- The increasing importance of business interaction and collaboration, specifically for micros and SMEs
- The strong desire to reduce or remove the impacts, particularly on time, cost and carbon, of commuting to work
- Public sector spending cuts, driving smarter investment in, and rationalisation of assets (reducing liability) and co-locating private, public and VCS and
- The increasing recognition of buildings themselves providing a service, with businesses paying only for the time used.