



Meeting: ENVIRONMENT & ECONOMY SELECT COMMITTEE

Portfolio Area: Environment & Regeneration
Economy, Enterprise and Transport

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REPORT & RECOMMENDATIONS OF THE SCRUTINY REVIEW OF THE BUSINESS TECHNOLOGY CENTRE

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1 PURPOSE

- 1.1 To consider the recommendations of the Scrutiny review into the Business Technology Centre undertaken by the Environment & Economy Select Committee.

2 BACKGROUND & SCRUTINY ISSUE IDENTIFIED

- 2.1 During discussions at its meeting on 24 March 2015, the Environment & Economy Select Committee considered potential items for its Scrutiny Review and accordingly agreed the topic of the Maintenance of review of the Business Technology Centre as its subject for a scrutiny review.

2.2 Scope and Focus of the review

- 2.2.1 The Committee met and agreed a scope for the review which should look at the following areas:

- *BTC Future Operations - Is the BTC an incubator space or a managed work space?*
- *BTC Funds - Should the receipts generated by the BTC be reinvested into test trading grants for start-ups or recycled and used to develop a new enterprise facility*
- *BTC Future Talent - How can we improve our relationship with Hertfordshire University and North Herts College to grow a pipeline of start-up talent with roots in Stevenage? Is there scope for more vocational/apprenticeships to be supported?*
- *BTC Future Focus - Does the BTC need to have similar brand values/identity to that of Stevenage BioScience Catalyst or does it need to do something different?*

2.3 Process of the review

2.3.1 Membership of the Environment & Economy Select Committee who conducted the review were:

Councillors Michael Downing (Chair), Matthew Hurst (Vice Chair), Doug Bainbridge, Rob Broom, Lloyd Briscoe, Jim Brown, Jamie Fraser, John Mead, Andy McGuinness and Pam Stuart.

2.3.2 The Committee met on 11 occasions to undertake the review. On 8 June the Committee met to receive a presentation on the service and agree the draft scoping document and on 24 June the Committee formally agreed the Scoping Document. On 7 July the Committee undertook a site visit to the BTC and later it held a formal 6pm evening meeting at BTC to interview Wenta. On 7 September the Committee interviewed clients of the BTC and representatives of Wenta, North Herts College and the University of Hertfordshire. On 17 September the Committee interviewed Cllr Simon Speller regarding the original purpose of the BTC. On 29 September the Committee interviewed the Portfolio Holder for Economy, Enterprise and Transport and the Head of Regeneration. On 12 October the Committee carried out a site visit to a commercial workspace in Kennington and to the Brixton Impact Hub business incubation centre. On 14 October the Committee discussed its informal findings. On 24 November the Committee considered its draft report and recommendations and on 11 December 2015 the Chair, Vice-Chair and Cllr Brown met informally with the Leader of the Council. Finally the Committee will meet on 12 January 2016 to agree its final recommendations and report.

2.3.3 The Committee received written and oral evidence from the following people:

- Executive Portfolio Holder for Economy, Enterprise and Transport, Cllr Ralph Raynor
- SBC Interim Assistant Director Regeneration, Paul Pinkney
- SBC Interim Regeneration Manager, Gail Rowe
- Wenta – Peter Cabon (Regions Enterprise Agency Wenta Management Committee at BTC) and Specer Tagg (Wenta Management Committee at the BTC)
- BTC Clients – Paul Maguire (BTC Workspace) & Tom Carol (BTC Incubation)
- University of Hertfordshire Business Innovation, Peter Findlay
- North Herts College – Executive Director of Commercial Development at North Herts College, Lucy Hann
- Executive Portfolio Holder for Neighbourhoods and Co-operative Council, Cllr Simon Speller
- Leader of the Council, Cllr Sharon Taylor
- Kennington Workspace, Workspace Executive, Claudia Palomino
- Impact Hub Brixton , Impact Hub Director, Annette Dhama

3 REVIEW FINDINGS

3.1 Conclusions of the Environment & Economy Select Committee

3.1.1 Undertake market testing regarding targeted workspace in the town centre

3.1.2 In looking at the provision at the BTC the review's main focus was on looking forward to the future regarding future focus of operations, use of funding, and developing future talent. Regarding the wider context of the Council's important regeneration plans the review recognises that the Council's focus is on important high level strategic issues to make the Town Centre Regeneration happen, but the review also believes that the Council should be looking at small measure that could

affect the look and feel of the Town Centre Regeneration, such as changing the types of businesses based there.

3.1.3 If the Council could encourage a bio-science ancillary cluster in the Town Centre with meeting rooms, office space with low business rates (initially), with attractive rent, and other benefits, this could in time change the feel of the Town Centre. Built into a project like this there could be support offered to help people into self-employment etc for young /disadvantaged /long term unemployed, but this would only be achieved with the success of a wider venture making it economically viable.

3.1.4 A lot of preparatory work would be required by Regeneration/Economic Development Officers including market testing – direct approaches to businesses, online surveys, 1 to 1 surveys etc, risks and opportunities, what the impact could be on the town centre shops? How it might impact/work with the Indoor Market – look at revitalising market? This would be, in all likelihood, a significant piece of work which would require additional resources to deliver, but the review believes it is vital to make a step change in the economic development and viability of the Stevenage Town Centre and a vibrant business community.

3.2 **Findings from interviewing BTC Clients**

3.2.1 The review interviewed BTC Clients formally in a Committee meeting and informally on a site visit and all Clients expressed satisfaction with the current management of the Centre. The main positives were:

- Location and accessibility, good transport links from London
- Networking opportunities amongst other clients within the BTC complex
- Price - as well as the very attractive 3 month no fees introduction, then very competitive desk/room hire rates for a new business

3.2.2 The Clients suggested the following potential development/improvements:

- Extension to parking facilities – It would appear that the current car parking arrangements are operating at their optimum but this is having an impact on conferencing facilities at the BTC
- Creation of an internal marketplace. There is currently a good informal client to client trade between businesses based at the BTC but it was suggested that this could perhaps be assisted more by Wenta
- Advice on importing and exporting goods and services, again more expert advice in this area could help some clients

3.3 **Findings from research and interviewing Wenta**

3.3.1 Members are generally content with the way Wenta manages the incubation and work space for the Council. Regarding supporting start-up businesses from incubation, through to grow-on shared workspace and then into dedicated office space, Wenta have demonstrated they understand this journey and have a good record of supporting these businesses with a high business success rate and very high occupancy rates for both incubation and workspace, but helping to grow businesses remains a challenge. Wenta have a strong commercial acumen but at the same time demonstrate that they are aware of the social responsibility to support sustainable local businesses. However, although occupancy rates are healthy, which in turn sustains the ongoing viability of the Centre, the companies

based at the BTC are not those envisaged when the extension to the BTC was developed, i.e. predominately local SME's which would grow-on in the BTC.

3.3.2 The purpose of the BTC since the relaunch of the new building was to continue to provide incubation for start-up businesses but to be able to provide more grow-on space for businesses to graduate within the building to larger units, this has proved to be a challenge as Wenta have been unable to attract businesses to grow in the centre and have had to diversify by attracting larger established companies to take on the larger office units which it was hoped the growing start up would move into.

3.3.3 There is an obvious benefit to the Council derived from the income provided by Wenta's management of the BTC. However, this provides a dilemma for the Council, should the Council be content to receive this welcome income in times of continued financial constraints or should some of this income be reinvested into attracting more start-ups if this funding could be ring fenced to employ dedicated staff/service provider to work with a younger demographic of start-ups?

3.3.4 **Potential development/improvements for Wenta:**

- Closer consideration to the age profile of the businesses based at the BTC would be desirable. However, the commercial viability of the Centre is paramount but encourage more young entrepreneurs would be a worthwhile goal. Although there had been examples of very young people who had started their businesses at the BTC, this remains an area of challenge to encourage more young entrepreneurs as only 7% of the BTC's current cohort are in their twenties
- Regarding possible new venues and styles of incubation Wenta as the Existing Management Company are open to exploring new ventures with the Council but stated that any expansion of incubation space in a different venue would require income generation to make it economically viable
- On the question of seeking European funding to provide further test trade grant funding, Wenta advised that there was currently an ERDF bid in place that could pay for this, so he would not encourage income being redirected from the Council's income stream derived from the activities at the BTC to pay for this. The review understands that the ERDF bid process is ongoing and will continue to monitor this with the Interim Assistant Director Regeneration
- As part of any new Contract for the running of the BTC Wenta or any alternative future operator of the BTC should be directed to record incubation and workspace clients equalities and diversity data in order that a profile of business supported at the BTC can be recorded and monitored

3.4 **North Herts College and University of Hertfordshire – Future Talent**

3.4.1 NHC and the University of Hertfordshire are both keen to have closer links/working relationship with the BTC and employers based at the BTC re placements and apprenticeships. There is currently dialogue between NHC and Wenta/BTC, with events which have been jointly run in the past such as the official Re-launch of the Business and Technology Centre in 2009. The event was held in Enterprise Week to promote the innovation and enterprise skills of students from local schools and North Herts College, who co-ordinated the planning, organisation and launch of the event. Peter Cabon welcomed events like this but suggested that there is a lot of planning and work that goes into them so all parties need to be prepared to put time and effort in to make such events a success.

3.4.2 NHC, the University of Hertfordshire and Wenta all agreed that they would be prepared to work together on future mutually beneficial projects but there is currently no agreed plan for how this could be achieved. Members are of the view that it would be advantageous if a plan could be agreed to capture and nurture future talent, be they College leavers/University Graduates who could work in emerging businesses based at the BTC or whether they are ready to begin their own business start-ups. However, Member have also recognised that perhaps it is unrealistic to expect a joint plan to harness future talent, given that each organisation has its own business plans which they are pursuing.

3.5 **Historical background to BTC**

3.5.1 Cllr Speller's input provided the review with an historical context to the BTC and also to Stevenage's economic changes from the 1980's onwards. The creation of the BTC was to answer, in part, the town's over reliance on large industrial employers who moved out of Stevenage during the recession in the 1980's. SBC were one of the first District Council's to commission a business incubation unit and it has been considered a great success. One of the early aspirations for the BTC was for local people to build a business and employ other Stevenage residents. Although some businesses fell into this category many did not, with either employers or employees coming from the Hertfordshire region but not necessarily from Stevenage. However, Cllr Speller was of the view that bringing employment and wealth creation to the town was more important than where people lived.

3.5.2 Cllr Speller acknowledged that the proposed intention of the expansion of the BTC was to provide more grow on space for local businesses and had not so far achieved its intended purpose. However, the BTC was a flexible asset for the Council which can adapt to a changing market precisely because it is run by a third party management company such as Wenta.

3.5.3 Cllr Speller suggested that if the Council was interested in offering an alternative business incubation offer then it should consider cultural industries/enterprise or ancillary/support services such as professional services supporting the burgeoning life science industries in Stevenage. Cllr Speller suggested that any new ventures regarding economic stimulus to support young entrepreneurs with business incubation had to be first modest in its ambition and run independent from the Council if it is to be a success.

3.5.4 Cllr Speller recognised that for all their successes with running the BTC Wenta's corporate image was perhaps less likely to appeal to young creative types so a different approach may be required to encourage the growth of these businesses in Stevenage.

3.5.5 Cllr Speller suggested that there is currently a disconnect with Stevenage Schools regarding their involvement with the community and preparing young people for employment. This opinion is supported by the findings of the review as detailed at paragraph 3.4.2. More meaningful work experience opportunities needed to be created.

3.6 **Executive Portfolio Holder for Economy, Enterprise and Transport, Cllr Ralph Raynor & SBC Head of Regeneration, Paul Pinkney**

3.6.1 The Portfolio Holder for Economy, Enterprise and Transport and the Assistant Director Regeneration suggested that they were both happy with the current management of the BTC. The working relationship with Wenta is excellent and they

are fulfilling and exceeding their contract obligations. However, both Ralph and Paul agreed with the Committee in wanting to see more start-ups with ideally a greater number of businesses moving through incubation.

- 3.6.2 The Portfolio Holder for Economy, Enterprise and Transport suggested that the BTC was a victim of its own success with limited parking at the Centre stopping it being used more for conferencing.
- 3.6.3 Both the Portfolio Holder for Economy, Enterprise and Transport and the Assistant Director Regeneration agreed with Members suggestions that an alternative satellite business incubation, in an alternative location, with a different focus, could be worth pursuing. However, the Assistant Director Regeneration stated that there was currently no officer resource available to stimulate such a project, nor was there any readily available funding.
- 3.6.4 New business start-ups often cite start-up business capital as a barrier, with funding from traditional sources such as high street banks having become increasingly more difficult following the banking crisis from 2007/08. Alternative funding sources for start-ups include crowdfunding (investment via internet funding sites for a percentage return on the amount of money invested), and venture capital such as investment angels. Members asked if under the commercialisation agenda whether the Council could offer start-up investment capital loans to new businesses? The Assistant Director Regeneration suggested that this was not a role that Councils were traditionally involved in, given the high risk nature.

3.7 **Site Visit to Kennington Workspace and Impact Hub at Pop-Brixton**

- 3.7.1 As part of the review Members visited a market leading commercial workspace in Kennington and a social enterprise business hub run by a Community Interest Company.
- 3.7.2 At Workspace Members viewed an industry leader in shared workspace. Workspace Kennington is situated close to Kennington Oval Cricket Ground, accessible via public transport. The building was converted from former light industrial building (GM Cars and Taxi Livery Company) to offer a wide range of office space. Entrance level prices for individual workers is very competitive with clients paying as little as £30 a week for a secure letter box, wi-fi, desk, and comfortable break out areas to meet clients all in a secure building. Individual office space started at £800 a month plus extras circa £1000 for an office that would take 3 desks, this space is exempt from business rates. However, in the shared space there was a recently established company who were occupying a start-up office cheaper than the £800 cost. Prices scale up based on the size of office taken a space that can accommodate 8-10 desks is £2000 a month. Small meeting rooms for 6-8 people with large screen for presentations available at £20 an hour. Also available is on site were Gym membership for £26 a month and shared kitchens. Companies can move in and out easily with a sliding scale on notice periods starting at 1 month for smallest office space.
- 3.7.3 Businesses based at Kennington Workspace were very diverse ranging from Insurance / Financial /Legal /Creative –British Pathe / Design/ IT/ Telecoms/ Retail head office for White Stuff/ Princes Trust/ University / Light Industrial Units - Taxi Livery Banner Advertising sign writing/ TV Company etc. There is an active internal network of business to business trading with various events hosted to bring people/businesses together.

- 3.7.4 Scale of Business compared to BTC/Wenta – Clearly Workspace enjoy economies of scale for capital investment as a FTSE250 company which the BTC can't be expected to offer. Members were of the view that, as attractive as Workspace were, the current offer of the BTC was clearly attractive given its high occupancy rates, but perhaps a vibrant attractive space in the town centre could be achieved.
- 3.7.5 **Impact HUB at Brixton – A socially concious, community based business co-operative**
- 3.7.6 Impact HUB Brixton is part of a global network of 80 HUBs in 60 Countries. Members sign up to work in a collaborative atmosphere. Impact Hubs are designed to be a community interest company (CIC) which is a new type of company introduced in the UK in 2005 under the Companies (Audit, Investigations and Community Enterprise) Act 2004, designed for social enterprises that want to use their profits and assets for the public good.
- 3.7.7 The location of the Impact Hub at Brixton was first positioned in Lambeth Town Hall, prior to Council relocation, based on customer surveys that asked the authority to be more closely involved in supporting new businesses in the area. The Impact Hub has recently moved to PopBrixton. The Council commissioned Impact Hub to run the operation for them. The concept is that most of the business support is provided in a co-operative manner. Members sign up to a monthly membership fee at various levels from basic virtual package £15, Hub 30 £55 up to £250 for HUB Unlimited.
- 3.7.8 Business Incubation is provided by a third party company, Hatch – One Planet Ventures based in Lambeth, at discounted rates for Members.
- 3.7.9 Hosting Service - Impact Hub offer a hosting service. Members who sign up to 1 day hosting a week are given free Membership. Working in social capital appears central to both the appeal of the impact hub and to its success, Members share expertise in mutal exchanges.
- 3.7.10 Business Advice - Free business advice drop-in sessions are regularly held giving advice on banking/finance/insurance/web design etc.
- 3.7.11 Selection critieria – Businesses mostly self select but they must be open to the ethos of the hub and value the social impact element of the business at least equally as to the monetary value.
- 3.7.12 There are no formal links with education providers in the areas but work experience and work placements are organised on an ad hoc basis
- 3.7.13 Brixton Pound – a form of internal bartering that enables users to cash in for services
- 3.7.14 PopBrixton – A three year short term catalyst site on a former car park in Brixton, where Steel Container units have been converted to house small (licensend to sell Alcohol) eating establishments/kiosks that attracts a strong weekend and night time economy very close to Brixton Market. Mostly made up of food outlets with international cuisine and a young business workforce.

3.8 **Future Opportunities for Stevenage**

- 3.8.1 A social impact hub approach for Stevenage would link well with the Council's Co-operative Council ethos. It would certainly be worth exploring with Impact Hub how

such a venture could work in Stevenage around the neighbourhood centres or in a central retail/commercial area in the town centre in a short term project with SBC as landowner/landlord. However, a lot of preparatory work would be required to market test whether the conditions are right locally to support such a venture.

- 3.8.2 ERDF (European Development Fund) Funding – Members have suggested that funding sources should be explored for match funding opportunities.
- 3.8.3 Should SBC be looking to use its property and estates portfolio to host venues for workspace/start-up businesses around the following focusses?: (i) start-ups in the neighbourhood centres; (ii) in the retail centre where the council owns the building and (iii) in an area of the indoor market
- 3.8.4 Alternatively, or in addition to 3.8.3, the Council to look at specifically focusing on attracting support businesses/ancillary bioscience clusters which could be located in town centre.

3.9 **Equalities & Diversity**

- 3.9.1 As part of the review Members considered how the service impacted people with disabilities. Members concluded that Wenta have shown regard to Equalities and Diversity regarding new start-up businesses. The BTC building is DDA compliant but not particularly easy for people with mobility issues to access companies based above the ground floor, but Wenta have shown flexibility regarding relocating businesses within the BTC if a client company employs a person with mobility issues.
- 3.9.2 The Committee were of the view that reflecting the greater diversity in the population of Stevenage since the original BTC was first established is important. In the 1980's Stevenage working population was still a predominantly white working class semi-skilled engineering based population which has now changed to a broader ethnic background and skill base which needs to be reflected in the demographic of the BTC. Therefore the Committee would be making a recommendation at 4.6 regarding the future collecting of data of its clients.

3.10 **Conclusion**

- 3.10.1 Wenta are a safe/successful operator who run the BTC along commercial lines but are a not for profit organisation reinvesting the proceeds into the operation and providing a valuable income to the Council.
- 3.10.2 The purpose of the BTC since the relaunch of the new building was to continue to provide incubation for start-up businesses but to be able to provide more grow-on space for businesses to graduate within the building to larger units, this has proved to be a challenge as Wenta have been unable to attract businesses to grow in the centre and have had to diversify by attracting larger established companies to take on the larger office units which it was hoped the growing start up would move into.
- 3.10.3 As detailed in paragraph 3.3.3 there is an obvious benefit to the Council derived from the income provided by Wenta's management of the BTC. However, a balance needs to be struck between the Council receiving this welcome income, in times of continued financial constraints, against, for instance, ring-fencing some of this income to reinvest into attracting a younger demographic of start-ups.

- 3.10.4 Social Enterprise/Co-operatives – The review has highlighted a question for the authority. To what extent should the Council have a leading role as a community leader to foster Co-operatives in the town?
- 3.10.5 There is a need for a feasibility study to identify the business case for a new town centre based workspace targeted at Stevenage’s Bio-Science support service businesses, such as bio-science legal service, accountants, and creative industries such as web and graphic designers etc.
- 3.10.6 The location of ‘touch down’ work & meeting space could be located in the town centre near to the railway/bus transport hub as part of the Town Centre Regeneration.
- 3.10.7 If a successful extension of the BTC was established in a town centre location near the transport hub then a role out of small scale support to the Neighbourhood Centres could be considered.

4 RECOMMENDATIONS

- 4.1 That the Environment & Economy Select Committee considers the findings of the review, contained within this report and the recommendations below be presented to the Economy, Enterprise and Transport Portfolio Holder and the Strategic Director (Environment) and that a response be provided from these and any other named officers and partners within two months of the publishing of this report;
- 4.2 That Officers in Regeneration and Economic Development carry out a feasibility study to identify the business case for a new town centre based workspace perhaps targeted at Stevenage’s Bio-Science support service businesses. The feasibility study should look at what could be achieved in Stevenage regarding stimulating business incubation in the town centre and explore suitable locations, perhaps at the regenerated transport hub;
- 4.3 That Officers establish what external funding streams are available (European ERDF, LEP, HCC, SBC, Princes Trust, etc.) to support any new ventures such as business workspace/incubation in the town centre;
- 4.4 That Officers investigate Impact Hub and other similar social enterprise, Community Interest Companies, to find out what interest there could be to work together to establish a social enterprise workspace in Stevenage;
- 4.5 That Officers and Members engaged in promoting Economic Development, work with local education providers, including secondary schools, SET, North Herts College and the University of Hertfordshire, working closely with Wenta/BTC, to encourage more stimulation of entrepreneurial ventures for young people.
- 4.6 That Officers in preparing any contract extension or now contract for the management of the BTC ensure that adequate and meaningful collection of equalities and diversity data for incubation and workspace clients at the BTC be recorded in order that a profile of business supported at the BTC can be monitored.

5 IMPLICATIONS

5.1 Financial Implications

The review provides specific recommendations which would require additional funding to resource an in depth market testing etc as detailed in the report. Any additional funding would be subject to a future growth item bid, if the Council's Senior Management Team and Executive agree with the reviews' recommendations.

5.2 Legal Implications

There are no direct legal implications for this report.

5.3 Equalities Implications

The Equalities and Diversity implications have been directly addressed in the review and this report at paragraphs 3.9 and 3.10 and at recommendation 4.6.

BACKGROUND DOCUMENTS & APPENDICES

Minutes of the Committee meetings held on 8 & 24 June, 7 July, 7, 17 & 29 September, 12 & 14 October and 24 November are available for inspection.

Appendix A – Scrutiny Scoping Proforma.