

By: Mark Dance, Cabinet Member for Regeneration and Economic Development
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To: Economic Development Cabinet Committee – 21 September 2012

Subject: Incubators / Start Ups Workspace Programme

Classification: Unrestricted

Summary:

This report explains the background and proposals for a £3m incubator workspace programme to support the development and growth of business start ups and micro business in Kent. The report sets out the context to the programme, what the approach might be and the proposed next steps.

Members are asked to note the contents of the report and to agree the proposed approach and next steps.

The project proposals referred to in this report together have the potential to create, support and sustain at least 900-1,000 jobs.

1. Introduction

- 1.1** Small entrepreneurial businesses play a vital role in the health of the Kent economy. They provide jobs, help to diversify the local economy and contribute towards wealth creation. The UK Business Survey, undertaken in 2011¹, reaffirms the dependence on micro businesses with recent figures showing that 76% of all Kent firms have less than 5 employees. However, the same survey also shows that as a county we are underperforming in terms of new business sustainability because between 2008 and 2011 the number of new firms surviving in Kent after three years declined faster than the national average. The challenge therefore is to sustain and grow start ups and micro businesses to help ensure that they continue to make a vital contribution to the performance of Kent's economy.
- 1.2** There is a lot of recent research evidence which shows that new small businesses with growth potential have a much greater chance of surviving after five years when they are given the opportunity both to locate in relatively cheap premises offered on "easy-in easy-out" terms, and where business support services are also available to nurture them through the first 2 or 3 years of existence.
- 1.3** There is also local evidence to back this up through current projects

¹ KCC Research and Evaluation Statistical Bulletin: UK Business Survey 2011 – Information on Businesses in Kent (February 2011)

based in Canterbury, Westwood, Folkestone and the Medway Towns, where low-cost space for new and micro businesses has been popular and successful. All of the schemes were enabled by the public sector working with other partners, mainly through a mix of capital funding, the provision of land and/or buildings and the availability of support services through a local provider.

2. Proposed approach

- 2.1** So far we have been approached informally by officers in several district councils, by established workspace providers (such as Basepoint) and by other local organisations (including Business Support Kent and the Kent Invicta Chamber of Commerce) about whether KCC would consider supporting financially the provision of incubator workspace and/or premises for new and micro businesses. Potential projects that currently we are aware of are described briefly in the appendix to this report and have been put forward in response to demand expressed by local businesses.
- 2.2** There is a range of proposals, ranging from small revenue funded projects in refurbished, older premises to major capital investment in new-build schemes. The proposals are just expressions of interest at this stage, and we would require much more information if any of these were to proceed further with financial support from KCC, but together they could have the potential to create at least 900-1,000 jobs.
- 2.3** Furthermore, there may also be other opportunities for supporting workspace projects that we are not yet aware of. However, from the discussion we have had so far with district council colleagues, there is an appetite in some parts of the county for supporting start ups and micro businesses in their early stages of development by providing workspaces on easier occupancy terms than would usually be available through more conventional private sector provision. We will also look for opportunities to utilise empty properties owned by KCC and the district councils, and we will explore the potential use of vacant premises owned by the private sector.
- 2.4** The aim of our programme would be to support the provision of incubator and start up workspace in key locations where district councils, partner organisations and the business community are able to demonstrate that there is clear evidence of need that is not being met by private sector providers. We would also require prospective bidders to meet specified criteria, that could for example include the following:
- Workspace provision would be restricted to new and micro businesses only.
 - There would need to be flexible occupancy terms for businesses, such as “easy in-easy out”, monthly licences.
 - Evidence that there are available business support services and advice from accredited providers.
 - Entry selection criteria that would include a requirement that businesses, when successfully established, move on to other, larger premises (usually after 3-5 years).

- Seeking receipts, where appropriate.

2.5 It is proposed that a competitive bidding process will be operated over two discrete stages, and that all prospective bids to the funding will be considered by the Regeneration Fund Sub Group chaired by Mark Dance. The first stage would involve inviting district councils and other organisations (such as Business Support Kent) to submit an Expression of Interest which includes a project outline, evidence of need and information about costs and expected impact. Shortlisted bids that meet the criteria would progress to a Full Bid stage that would require prospective bidders to submit detailed business plans. As part of this process we will look for income opportunities where appropriate, for example where KCC could take a share of rental income.

3. Next steps

3.1 In August this year, we submitted an application to the South East LEP's Growing Places Fund for financial support (of £1.5m) towards the workspace programme which, if successful, would increase the availability of funding for Kent based projects to £4.5m. We are pleased to report that the application has been placed on the priority approvals list, subject to satisfactory completion of due diligence requirements by the end of October.

3.2 The proposed next steps and timetable for the Incubators / Start Ups Workspace are, therefore:

- During September we will put together programme details, including criteria and bidding guidance;
- Also during September, we will explore opportunities to utilise vacant KCC premises and the potential use of empty private sector premises, working with district councils;
- In October we will invite district councils and other local organisations (such as BSK and Basepoint) to submit prospective first stage bids by the end of November;
- First stage bids will be assessed for submission to Regeneration Fund Sub Group in January, and shortlisted projects will be invited to submit full bids by the end of January for consideration by the Sub Group in February 2013.
- Completion of Growing Places Fund information

4. Recommendation

4.1 Members are asked to note the contents of the report and to agree the proposed approach and next steps.

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Background Documents: Report to Regeneration Board dated 24 July 2012 (Item No 3, Kent Incubation Centres Challenge Fund)

Appendix to Item D4: Potential workspace projects

Location	Description of proposal	Partners	Job creation potential	Indicative costs	Potential KCC contribution	Scope for income generation
Various in the county (details to be worked up)	"My Desk" workspace proposal – up to 15 potential locations using empty properties – with business support provided	Business Support Kent	c. 155 start ups over 5 year period	£75K	£75K	No, but could pay back KCC investment
Unit 12, Mountfield Road, Romney Marsh	Incubator centre plus business support (refurb of existing buildings)	Shepway DC, Kent Channel Chamber, RR2K	c. 25	£65K (capital) £155K (revenue for 2 years only)	£220K	Yes, after 2 years
International House, Ashford	Incubator centre plus business support	Ashford BC, HCA, Kent Invicta Chamber	c. 35	c. £50K	Up to £25K	No
Eureka Park, Ashford	Mix of new build units for manufacturing and office start ups and micros	Basepoint	c. 300	£3.9m	£750K	Yes, after 4 years
Marlowe innovation Centre, Westwood	Expansion of existing centre to 50 units for new and micro businesses	Friends of Marlowe and Folkestone Academies	c.70	£1m	£500K	No
Tunbridge Wells (town centre)	Incubator workspace for new and micro businesses in creative sector	Tunbridge Wells BC	N/A	N/A	N/A	N/A
Eclipse Park, Maidstone	Workspace for new and micro businesses plus business support	Maidstone BC, private sector	N/A	N/A	N/A	N/A
Northfleet	1390sq m managed workspace and business support for start ups in port related activities	HCA, Gravesham BC, Enterprise First	150	£2.14m	N/A	Potentially yes