

Wiltshire Council

Cabinet

13 September 2011

Subject: Wiltshire Incubation Environment (WIE)

Cabinet Member: Councillor Fleur de Rhe-Philippe
Strategic Planning, Economic Development and Tourism

Key Decision: No

Executive Summary

The Wiltshire Incubation Environment (WIE) project is concerned with creating an integrated and supported incubation and enterprise environment across Wiltshire for start up and early stage businesses. The Project will deliver incubation space with common resources for the tenants to access facilities and services that they individually would not normally be able to access in the early stages of their growth, but which can be provided to them on a 'pay as you go' or inclusive basis. A key element of the project is the provision of expert support and coaching to maximise the opportunities available to the businesses and to assist in overcoming any barriers to start up and growth.

The Project will deliver the phased roll out of new business incubation centres in refurbished council buildings to complement existing workspace at the Council's Castledown Business Centre in Ludgershall and the privately owned Glove Factory Studios at Holt. This will be achieved through the conversion of existing vacant Council owned office space and the conversion of two existing industrial units at Castledown Business Centre to provide suites of individual desk/workspace units with business development and support programmes. The project will pilot the inclusion of business incubation space as part of future campuses around the county. The project will prioritise investment to those areas that are either dependent on military/MOD employment or have experienced significant job losses in recent years.

Proposals

That Cabinet:

1. approve the provision of up to £375,000 of capital funding to support the conversion of industrial space at Castledown Business Centre at Ludgershall, vacant Council owned office space at Manor House, Wootton Bassett and two other locations as yet to be confirmed and to recommend that Council approve this addition to the Capital Programme;
1. delegate authority to the Service Director, Economy & Enterprise in conjunction with the Programme Director, Transformation, ICT and Information Management to work up and implement a more detailed scheme and

2. delegate authority to the Service Director, Economy & Enterprise in consultation with the Cabinet member for Economy & Enterprise and the Director of Legal and Democratic Services to agree the terms of the contract with CLG when the offer of European Regional Development Fund is made for this project.

Reason for Proposals

WIE will help to meet the demand for flexible business space and business support services that will enable the start-up, survival and growth of new and existing micro businesses and thereby create and safeguard jobs. It is an important element of the Action for Wiltshire programme which is concerned with supporting economic recovery and contributes to meeting Corporate Plan targets relating to job creation and safeguarding. The project will align with the Government's Growth Agenda by providing the right environment within which local enterprise can be started and developed within a nurturing and supporting network. Given the disproportionate impact of the recession on certain Wiltshire towns, the project provides the opportunity to target those areas where the impact of the recession has been greatest.

Mark Boden
Corporate Director, Neighbourhood and Planning

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Purposes of Report

1. The purpose of this report is to:
 - (i) To set out the background to the WIE proposal and its relationship to Corporate Plan objectives
 - (ii) To seek members' approval to the provision of capital funding that will provide the capital proportion of the match funding required to draw down the European Union grant aid, enabling the creation of four new business incubation and enterprise spaces. This will be achieved through the conversion of three existing vacant Council owned offices and the conversion of existing industrial units at Castledown Business Centre to provide a single complex of individual desk/workspace units.

Background

2. Wiltshire's GVA has declined by around 5% as a result of the downturn in the economy. Within Wiltshire, the ongoing effects of the downturn have been felt almost exclusively in West Wiltshire. At the small area level, the most affected workplace economies in Wiltshire continue to be: Trowbridge, Salisbury, Westbury and rural North and West Wiltshire. Between December 2007 and December 2010 the claimant unemployed rose by 3,200 from 0.8% of the working age population to 1.9%. Unemployment volumes have risen most in Trowbridge, Chippenham and Salisbury...but absolute % changes are highest in those Wiltshire areas which are characterised by relatively low levels of indigenous workplace employment activity, high net out-commuting, and a location on the periphery of Wiltshire. Around 30% of all job losses have been skilled. More recently, there have been significant job losses announced in Trowbridge with Vodafone and Virgin Mobile due to close their operations in the near future.
3. Research commissioned by the council through the Wiltshire Strategic Economic Partnership (WSEP) (supported by anecdotal evidence from Business Link) identifies that since the recession there have been a growing number of individuals and new businesses looking for start up and incubation

space. In addition, the research identifies that Wiltshire professional workers are increasingly likely to establish their own businesses nearer to home to avoid commuting. It concluded that greater consideration should be given to the provision of enterprise centres in or near residential areas/town centres to provide a range of facilities for new businesses together with support for innovation. However, the Wiltshire Workspace Strategy (DTZ, 2009) identified a shortage of start up accommodation across the county.

4. On the basis of the research evidence, we have now built a better understanding of the current market and the potential to supply the demand now and in the medium term across Wiltshire. A summary of that understanding is outlined below.
 - (i) Within Wiltshire there is limited availability of space for incubation and early stage businesses. Those that do provide have little spare capacity to market, and others have space that is too large for incubation and early stage businesses.
 - (ii) No other establishment or provider within a 30 mile radius of Castledown Business Centre both offers business support and dedicated space from which to operate as an integrated package. Castledown Business Centre would appear to be unique in this regard, particularly with its links to business development support services and this service can be extended across Wiltshire, both to new Council owned facilities but also to other providers.
 - (iii) There is little appetite for private sector investment in appropriate incubation space and support services owing to the risks associated and poor returns. With the demise of the support services offered through Business Link the ability for the private sector to support new provision will be even more limited.
5. The Council's Transformation Programme provides an opportunity for the identified demand to be met through the conversion of vacant office spaces in suitable locations around the county. Using redundant council properties has a number of benefits for the Council and local community:
 - a. It retains employment and activity in a property that otherwise would be empty in the short to medium term.
 - b. It reduces the number of properties to be disposed of during difficult market conditions
 - c. It will support new employment activity in town centre locations.
 - d. Through grant funded refurbishment, the property will have a higher market value if disposed of in future.
6. Initially three vacant sites had been identified for this programme, but due to operational requirements, two sites have been withdrawn, leaving the Manor House in Wootton Bassett as the only identified site. Wootton Bassett was chosen owing to the loss of economic activity relation to the withdrawal of the RAF from Lyneham. The recent announcement regarding the re-use of Lyneham will still result in a medium term shortfall in income and employment in the area. The project will also support the conversion of two large units at the Castledown Business Centre to create a single complex providing up to

40 individual desk/workspace units to meet the high level of demand for such facilities at the Centre.

7. The need to identify replacement sites does not, at this stage, pose a problem for the project. The drawdown of EU match funding is predicated on achieving the projects outputs at an agreed intervention (match funding) rate. Providing that at the time of signing the contract we have identified and costed new locations, or re-structured the project within the agreed overall budget, we can proceed. Indeed, the requirement to identify new locations provides an opportunity to better align the project to reflect the known impact of the recession in market towns across Wiltshire.

Main Considerations for the Council

8. WIE will help to meet the demand for flexible business space and business support services that will enable the start-up, survival and growth of micro businesses. The project will also create and safeguard jobs. It is an element of the Action for Wiltshire programme that is concerned with supporting economic recovery and will contribute to meeting Corporate Plan targets around job creation and safeguarding.
9. Specifically, the project will help to meet the following objectives:
 - To enhance the micro/small business base of Wiltshire.
 - To diversify the local economy, reducing the dependence on the military and MOD employment.
 - To provide start up, incubation and business development support for the local business community.
 - To build capacity in readiness for greater skilled work-force in the area.
 - To create and grow new businesses in order to deliver sustainable economic growth.
 - To provide affordable flexible accommodation to pre-start, incubated and start up businesses and access to high quality facilities and support services for start-up businesses with growth potential.
 - To assist their growth and onward development over the first three years of their existence.
10. Project outputs will include:
 - (i) To support the incubation of 58 new businesses by 30th June 2014 through the provision of new incubation environments (this is a very conservative output aligned to the cost per job criteria required by ERDP).
 - (ii) To enable 300 businesses to improve their performance by 30th June 2014 through the provision of a coordinated business support and incubation service linking new centres with Castledown Business Centre and established work hub at the Glove Factory Studios, Holt.
 - (iii) To create 108 net additional jobs, generate £4.5 million additional GVA (net) and safeguard £3m (net) within the Wiltshire economy.
11. The project will align with the Government's new Growth Agenda by providing the right environment within which local enterprise can be started and developed within a nurturing and supporting network.

12. Bids for external funding have already been submitted to CLG for revenue funding under the ERDF Incubation Environments programme and with Plain Action Local Action Group for capital funding under the Rural Development Programme for England (RDPE). Therefore there is the prospect of a good level of financial leverage being achieved.
13. WIN is an opportunity to pilot an approach in preparation for the establishment of campuses across the county and explore whether local business incubation space should be provided as part of this programme

Environmental and Climate Change Considerations

14. The Project intends to address environmental sustainability on two levels. Firstly it will ensure that its internal activities and delivery minimise their impact on the environment. This will be achieved by developing and communicating an environmental policy to all Project staff, partners and beneficiaries involved in delivery. An environmental impact assessment will be carried out on planned activities prior to commencement and ways sought to minimise this impact. Every aspect of the Project will be examined, for example local delivery of event activity will be planned to minimise total delegate travel, recycled material will be used where practical, and care will be taken to minimise any sources of waste. A requirement to demonstrate due regard for the environment will also be a condition for any company or individual contracted to carry out work for the Project.
15. Secondly it will, through its support of individuals and businesses across a range of business sectors, have a positive impact. Many such individuals and businesses will be developing technologies and services whose net result will be a positive contribution to, and impact upon, the reduction of environmental effects and increases in sustainable business and community practices.

Equalities Impact of the Proposal

16. The following practices will be put in place:
 - (i) Recruitment of programme staff will reflect the Council's equal pay principles, equality profile of staff working on the project active promoted of jobs under-represented groups, a statement about being an equal opportunities employer, explicit statement that posts can be filled at part-time, and equality training will be implemented for all staff employed by the project
 - (ii) Equality will be embedded into the project procurement process by asking equality questions within any pre-qualification questionnaire (processes, policies, equality accreditation and principles of the proposed contractor), and in the tender brief (evidence of how the organisations can bring relevant equality experience to the project, how they plan to embed equality into what they plan to do etc)
 - (iii) We will promote equality within the businesses being supported by the Project, emphasising a need for equality policies, the importance of a good policy standards for supply chain purposes, and informing businesses about the equality business case

Risk Assessment

17. A number of risks have been identified and are presented in the following table together with actions and contingency.

Risk	Potential impact	Impact	Probability	Proposed action	Contingency
Failure to attract sufficient businesses in early years	Income may not be sufficient to cover centre management and running costs	H	L	Vigorous marketing strategy. Focus more on supporting the development of local businesses with potential to grow in the early years	Income in early years underwritten by EU funding Develop stronger links into sources of high growth start-up businesses such as HE/FE and sector clusters
Failure to achieve projected rent/service charge levels	Reduction in income levels and threat to financial sustainability	H	L	Projected income at bottom end of market values for the sites to ensure that income targets can be met	Income in early years underwritten by EU funding If significant difficulties arise, additional revenue funding will be found from the A4W budget
Shortage of coaches and trainers/business support resources	Performance against output targets	H	L	Early identification of gaps with appropriate recruitment instigated	Engagement with the business community to identify suitable coaches/sources of business support

Financial Implications

18. The total capital cost of the project is estimated at circa £610,000. It is anticipated that, if successful, the EU grant aid will fund approx £235,000 therefore a requirement for £375,000 will be needed from the Council. The capital funding is based on the following assumptions:

- (i) The conversion of a total of 1535 sq. m. of existing workspace across 3 locations at a total cost of £610,260

- (ii) A specification which includes:
 - 10 sq. m. of office space per person
 - Each person to be provided with a desk, seat, wired phone, power points and some filing capacity
 - Category 5 cabling
 - Insulated partitioning
 - Carpets
 - Heating and lighting
 - Communal facilities including a meeting room, reception, kitchen and toilets
 - (iii) The revenue cost of borrowing the Councils funding contribution of £375,000 will be met from the Economy & Enterprise revenue budget.
19. The requirement to legally commit to this programme arises at the time that CLG make a written offer (legal contract) of EU grant aid for this project. At this time, the exact location and cost of the office conversions will be known. If the EU grant aid bid is unsuccessful the requirement for Council funding will be withdrawn.
20. The remainder of the capital funding would be levered from CLG's ERDF Incubation Environments programme in the South West and Plain Action's RDPE. Over the next four years £400,000 of revenue investment funding has been identified within the Action for Wiltshire Programme Board to be matched through the ERDF Incubation Environments programme.

Legal Implications

21. It will be necessary for legal advice to be provided in the context of:-
- a. agreeing the terms of the contract with CLG when an offer of ERDF grant is received for this project.
 - b. ensuring that the final scheme meets all legal requirements.

Options Considered

- 22.
- (i). **Continue current Wiltshire Council and private operator delivery.** This option would maintain the activities at Castledown Business Centre but not build upon the activity established there and not to replicate this success across the county to provide greater and wider access. The primary focus would be local to Castledown, and its focus on military resettlement. This option would leave no organisation taking a sub-regional focus to develop incubation support for start up and growth businesses. With the demise of Business Link and SWRDA there would be no sub-regional capacity to support incubation and growth of the SME base in Wiltshire.

- (ii). **Reduced Scale Intervention.**
Reduced scale intervention with reduced funding balanced by a reduction in the number of centres and scale of beneficiaries without any saving in core costs – see below.
- (iii). **Preferred option** to create a fully integrated project with delivery of a scale that provides maximum use of resources and value for money. This preferred option creates a network of incubation centres, providing comprehensive engagement with business support providers, colleges, universities, sector groups and cluster, and the emerging iNets, and other ERDF projects, such as Coaching for High Growth and Starting a High Growth Business. The Project enables four council centres to be managed collaboratively and one programme of activities and services to identify, encourage and support potential growth businesses to be delivered across the council and private sector incubation spaces. This option provides the best balance of resource utilisation, and therefore value for money

Conclusions

- 23. The WIE project is an opportunity to support new business and job creation in communities that are either dependent on military employment or have been hardest hit by job losses. Capital funding is essential to delivering the conversion of vacant space to create the required business incubation spaces.

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The following unpublished documents have been relied on in the preparation of this report:

(WIE) Proposal & Business Plan 20 June 2011

Appendices: None