

Economy & Growth Committee

Date of Meeting:	17 March 2022
Report Title:	Notice of Motion – Starter Units
Report of:	Peter Skates, Director - Growth & Enterprise
Report Reference No:	EG/23/2021-22
Ward(s) Affected:	All Wards

1. Purpose of Report

- 1.1. On 20 October 2021, a Notice of Motion was submitted to Council regarding the provision of a wide range of affordable rental units for small and micro business start-ups. The Motion was proposed by Cllr A Kolker and seconded by Cllr P Groves.
- 1.2. This Motion stated that ‘This Council, in order to support the Borough’s post-pandemic recovery, commits to providing a wide range of affordable rental units for small and micro business start-ups.’
- 1.3. The Motion aligns to the Corporate Plan’s Aim of ‘Creating a thriving and sustainable place’ and the associated key priorities of creating:
 - 1.3.1. A great place for people to live, work and visit; and
 - 1.3.2. Thriving urban and rural economies with opportunities for all.
- 1.4. This report provides further information on current and planned activity by the Council to understand the evidence base and to ensure appropriate provision of affordable space for start-up businesses.

2. Executive Summary

- 2.1. The Motion proposed by Councillor A Kolker and Seconded by Councillor P Groves on 20 October 2021 is ‘*This Council, in order to support the Borough’s post-pandemic recovery, commits to providing a wide range of affordable rental units for small and micro business start-ups.*’

- 2.2.** Section 3 of this report sets out the recommendations for the Committee consideration. These include using existing funding already secured through the Future High Streets Fund to develop a pilot Incubation Centre in Crewe and to undertake further demand analysis and research to develop the business case for further investment in business start-up space. This research and the subsequent business cases can then be used to promote the development of small, affordable units with private sector landowners and developers or to prepare funding applications to external grant funds.
- 2.3.** Section 6 of this report sets out matters relevant to the Notice of Motion for the Committee to consider. This includes the fact that providing rental units for start-up businesses requires substantial investment from either the public or private sector. To secure this investment a robust business case is required based on evidence of demand. The Economic Development Service is already undertaking some activity to gather the evidence base to develop the business case for investment and will use this research and evidence to prepare investment plans/ funding bids when opportunities arise via sources such as the Levelling Up Fund or UK Shared Prosperity Fund and also to promote investment opportunities to private sector investors.

3. Recommendations

- 3.1.** To undertake demand analysis and research to identify demand for start-up units, potential sites and to develop the business case for investment in additional start-up and innovation space.
- 3.2.** If the research shows there is sufficient demand, to develop the business case for public sector investment in new business start-up space and an incubation support offer and use this to develop up investment plans/funding bids to secure the necessary capital and revenue funding. This could be via sources such as the Levelling Up Fund or UK Shared Prosperity Fund.
- 3.3.** In addition, to use the business case work to develop a pilot for a 'Technology and Digital Incubation Centre' (TADIC) in Crewe, using funding already secured through the Future High Streets Fund.
- 3.4.** To work with private sector landowners, developers and investors to promote the development of new start-up space, co-working and innovation spaces in key towns.

4. Reasons for Recommendations

- 4.1.** In Accordance with the Council Procedural Rules, the Economy & Growth Committee is asked to consider the Notice of Motion referred to it by Council on 20 October 2021.
- 4.2.** The Motion aligns to the Corporate Plan's Aim of 'Creating a thriving and sustainable place' and the associated key priorities of creating: A great place for people to live, work and visit and; Thriving urban and rural economies with opportunities for all.

5. Other Options Considered

- 5.1.** The Committee does not approve the recommendations, i.e. resolves to do nothing. In this event there would be no further activity undertaken to explore the business case for investment in start-up space.
- 5.2.** The Committee resolves to fund the provision of starter units for small and micro businesses. However, this has been discounted as an investment decision cannot be made without a high level business case.

6. Background

- 6.1.** The Notice of Motion proposed by Councillor A Kolker and Seconded by Councillor P Groves on 20 October 2021 states:

This Council, in order to support the Borough's post-pandemic recovery, commits to providing a wide range of affordable rental units for small and micro business start-ups.

Background

Throughout Cheshire East, thousands of tiny businesses are operated from home.

In spare bedrooms, garages and garden sheds, small and micro businesses provide a living for our residents throughout the Borough – a phenomenon that has expanded during the pandemic.

Many of these businesses have ambitions to grow; to employ new staff and to provide a valuable contribution to the post-Covid economy. If these dreams are to be realised, it is essential that they have access to suitable accommodation.

Modern 'easy in / easy out' offices, workshops and meeting rooms, with fast broadband connections and adequate parking, as evidenced in other local authority areas such as Nottingham and Bristol, will create a community of innovation for the fledgling entrepreneur to flourish. If Cheshire East is to continue to prosper then we must explore, embrace and invest in this sector of the economy and provide good quality micro business accommodation.

7. Issues for consideration by the Committee

- 7.1.** To provide high quality accommodation for small and micro businesses would require significant investment, whether by the private sector or public sector. In order to secure this investment, it is essential to have an evidence base to build a robust business case. This evidence base will need to include an assessment of the demand for, and supply of, suitable accommodation, along with a commercial viability assessment of the likely rental yields compared to the costs of initial capital investment and ongoing operating costs.

- 7.2.** The Business & Growth Team within the Economic Development Service is already undertaking several activities to gather the evidence base that can be used to test and build the appropriate business case for investment in starter units for small and micro businesses. This activity includes:
- 7.3.** A commissioned study to assess the supply of commercial property and sites for development and assesses the demand for different types of commercial property, along with typical rental yields. The results of this work are intended to enable the Business & Growth Team to create tailored propositions to promote specific investment opportunities in the borough to private sector investors and developers. This study will provide evidence on the level of demand for small, affordable units and will also assess supply shortages in this category of property. This evidence can then be used to stimulate interest in the private sector as well as developing the business case for public sector investment.
- 7.4.** A pilot project to develop a £3.1m Technology & Digital Incubation Centre (TADIC) in Crewe as part of the Future High Street Fund submission in 2020. The aim of TADIC is to convert an under-utilised building in central Crewe into new tech and digital focused co-working/ incubation spaces, in an area surrounded by high quality public realm with a good mix of cultural and entertainment assets. It will be operated by a specialist workspace operator to manage the space and services provided to create a highly visible focal point for innovative SME growth (and support provision) in the town centre.
- 7.5.** Consultants were appointed to complete the Demand Assessment, Feasibility Study and Options Appraisal for TADIC. The demand assessment and feasibility study identified there is demonstrable demand for small, flexible workspace in the town centre and a lack of business space which incorporates a strong incubation and innovation support offer. The preferred option has now been identified and an initial engagement exercise has been completed with potential Managing Operators. The next stage will be to select the preferred option, procure the preferred operator and procure contractors to undertake the building and refurbishment work.
- 7.6.** The activities described above will contribute to the evidence base to develop up the business case for any further public sector investment in new business start-up space and an incubation support offer across the borough. The Business & Growth Team will be able to use this research and evidence to submit funding bids when opportunities arise via external funding sources such as the Levelling Up Fund or UK Shared Prosperity Fund.
- 7.7.** Subject to successful funding applications, the Business & Growth Team will then be able to programme manage the delivery of the provision of new business start-up and incubation support services in the borough.

8. Consultation and Engagement

- 8.1.** A meeting was held with Cllr Kolker on 11 November 2021 to discuss the subject of Starter units and a wider Business Support and Starter Units

Briefing Note was circulated to members of the Economy & Growth Committee prior to Christmas 2021.

9. Implications

9.1. Legal

9.1.1. The procurement of contractors to undertake building refurbishment work and procurement of a managed workspace operator as part of the TADIC project must be compliant with the Council's procurement policies and procedures. Legal support has been sought on the best procurement route and contracting arrangements.

9.2. Finance

9.2.1. There is a financial cost to undertaking the recommendations in this report.

9.2.2. The initial feasibility, options appraisal and design and build costs for the building refurbishment work relating to the TADIC project are being funded through the Future High Streets Fund. A business case is currently being developed to ascertain the long-term financial sustainability of the operating model and whether any additional revenue funding is required for it to be viable. The intention is for TADIC to be self-sustaining through rental income to cover the costs of operating the centre.

9.2.3. The study to develop a place-based inward investment strategy is being funded through grant income generated by the Business & Growth Team.

9.2.4. Further funds will need to be identified to undertake the demand analysis and research to develop the business case for investment in additional start-up and innovation space.

9.3. Policy

9.3.1. The Motion aligns to the Corporate Plan's Aim of 'Creating a thriving and sustainable place' and the associated key priorities of creating: A great place for people to live, work and visit and; Thriving urban and rural economies with opportunities for all.

9.4. Equality

9.4.1. There are no equality implications arising from this report.

9.5. Human Resources

9.5.1. The workload to deliver the recommendations in this report need to be managed within the current capacity constraints. We will look to lever in external grant to maximise capacity and provide additional resource.

9.6. Risk Management

9.6.1. By undertaking the evidence gathering to develop a robust business case, the risk to the Council is greatly reduced.

9.7. Rural Communities

9.7.1. There are no Rural Community implications arising from this report.

9.8. Children and Young People/Cared for Children

9.8.1. There are no Children and Young People implications arising from this report.

9.9. Public Health

9.9.1. There are no Public Health implications arising from this report.

9.10. Climate Change

9.10.1. Providing affordable business start-up space in key locations, with good public transport links or within walking and cycling distance of where people live, could reduce travel and commuting and could encourage active travel, thereby reducing CO2 emissions.

Access to Information	
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