

December 2010 – March 2011

Overview and Scrutiny Review

# Business Generation Centres

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## **1.0 Foreword**

### **Councillor Paul Findlow – Chairman of the Task and Finish Group**

The appointment of this Task and Finish Group, principally drawn from members of the Corporate Scrutiny Committee, with the welcome addition of a member from Environment and Prosperity, has proved to be a worthwhile initiative and exercise, the results of which are now presented to a wider audience for further deliberation.

The project has been characterised by the taking of evidence from a range of appropriately selected and relevant witnesses, and, in particular, by a series of informative visits and meetings to other local authority areas. No sensible conclusions could have been reached without this thorough process.

I am grateful to all those who have offered freely of their advice, experience and expertise, and especially to Ross Paterson and Mark Nedderman for guiding us through the necessary procedures. I believe it has proved a worthwhile exercise, and reflects well the best practice of closely scrutinising an area of council activity and producing unequivocal recommendations.

I commend the very worthwhile contents of this report to those who come to read it. Let it not gather dust on the proverbial office shelf, but be considered positively and then acted on!

For the longer term well being of our borough, much depends on the success of small start up businesses as they grow and develop. The council's economic development role requires us to support and facilitate that objective. May the implementation of this report contribute to that success.

## **2.0 Acknowledgements**

- 2.1 The group members would like to thank all of the witnesses who gave evidence to the review. A full list of witnesses is given in the body of the report.
- 2.2 Members would like to thank the various officers who were interviewed by the group throughout the review, whose valuable contributions have helped shape the outcome of this report. The group would also like to thank all those who facilitated the group's site visits, with a special thanks to David Wright and Steve Hoyle from Regenerate Pennine Lancashire who gave the group a great insight into the work they are undertaking with business generation in the Blackburn area.

## **3.0 Executive Summary**

- 3.1 Cheshire East Council has a responsibility to ensure that it is receiving best value from all of its assets, and this is especially applicable in this period of financial constraint. The Council has to make choices on the allocation of resources and naturally, these are focussed on the preservation of front line services. In 2009, the Council inherited assets involving over 600 properties with a current value of £438 million. Whilst acknowledging that the management of this resource is a challenging task, the Council must not lose sight of opportunities to make best use of its assets. This may require the Council to consider disposing assets, not only to realise capital income, but also to reduce running costs.
- 3.2 Cheshire East has a strategic aim to support local businesses and promote economic growth. Businesses are finding the prevailing financial conditions extremely challenging, and the Council can play a role in offering stability to fledgling businesses.
- 3.3 In the context of the Council's Asset Management Strategy, Cheshire East is currently undertaking a fundamental review of its asset holdings, facilitated through an 'Asset Challenge Process' led by the Procurement, Assets and Shared Services Portfolio Holder. As part of that process, the Portfolio Holder asked Corporate Scrutiny Committee to undertake a review of the Business Generation Centres with a view to the Committee making recommendations to shape the Council's future policy. Corporate Scrutiny Committee set up a Task and Finish group to undertake a detailed review and the group embarked on a process to research best practice through a series of interviews, site visits, and desktop exercises.
- 3.4 The group agreed that Cheshire East's Business Generation Centres (BGCs) are both a valuable asset and an important vehicle for assisting local businesses to develop and flourish within the Borough. However, Members have concluded that the four inherited BGCs are not carrying out their intended function of business "generation" and changes to their method of operation need to be made. The group also acknowledged that the Council has a portfolio of industrial units throughout the Borough and is aware of the current depot rationalisation project. Although outside the scope of this review, we believe that a similar review of the Council's industrial units should also be undertaken in the near future, and will be making appropriate recommendations to the Corporate Scrutiny Committee to add an item into its work programme to carry out such a review.
- 3.5 The group therefore believes that although Cheshire East should continue to be involved with Business Generation Centres, this should be in the role of facilitator rather than a direct provider of them and should ensure that the BGCs are targeted at fledgling businesses only. The Council must move away from the landlord role it is currently fulfilling and provide conditions under which incubation businesses can flourish. The Council should seek to engage a partner or a combination of partners such as Chambers of Commerce, a private sector operator, and/or educational institutions, to ensure that continuing business and incubation support is provided to aid small start-up businesses in each BGC. This partnership approach coupled with high quality business support provided by private sector partners, will in our opinion, ensure that businesses will develop and grow within each BGC in a supported environment for a maximum of 2 years, until established whereupon they will be encouraged again with the support of our partners, to relocate elsewhere, allowing for new businesses to replace them. This will create the desired constant flow through and "churn" of new businesses.

The full list of recommendations is below:

## **4.0 Recommendations**

1. That in line with the Council's Economic Development Strategy, the principle of Business generation, for start up incubation businesses in Cheshire East be fully supported by the Council, in properly managed, dedicated premises, on 'easy in easy out' terms by way of licence agreements;
2. That the existing buildings owned by the Council and located at Wesley Avenue Sandbach, Scope House Crewe, and Brierley Street Crewe be retained as BGCs, and the Council undertake a soft market testing exercise to seek a partner to manage, promote and market the 3 centres on behalf of the Council. The market testing to be undertaken in tandem with an approach to MMU and Keele University to seek partnership opportunities to provide business advice ,and mentoring schemes for incubation businesses.
3. That in future, subject to financial availability, all BGCs have as a minimum the following support services,
  - a fully staffed reception,
  - telephone facilities in all units,
  - broadband,
  - communal business equipment;
4. That in view of the poor location, condition of the building, and significantly lower occupancy rates than the other 3 BGCs in the Borough, the BGC at Thomas Street Congleton, be closed down and the building be declared surplus to requirements and offered for sale on the open market or alternatively, the site be considered as a potential site for an affordable housing scheme;
5. That in conjunction with the Chamber of Commerce, the Council explore options to secure the continuity of businesses displaced by the closure of the Thomas street facility, by assisting them to locate alternative accommodation within Congleton.
6. That Capital receipts received from the sale of Thomas Street be earmarked towards a scheme to refurbish Scope House Crewe under the 'Asset backed vehicle' scheme.
7. That in the event that economic conditions improve sufficiently in the future to lead to an increase in demand for BGCs, consideration be given to facilitating a suitable building in Macclesfield for use as a BGC to address the current shortage of available incubation facilities in the north of the Borough;
8. That the current practice of providing facilities rent free to tenants in lieu of providing reception services, as occurs at Thomas Street Congleton and Scope House Crewe, be ceased with immediate effect.



## **5.0 Outline of Review**

### **5.1 Background**

- 5.2 At the suggestion of the Procurement, Assets and Shared Services Portfolio Holder the Corporate Overview and Scrutiny Committee set up a Task and Finish group to review the Council's Business Generation Centres as part of the Council's wider asset management programme. The Task and Finish group, which comprised 4 Members, recognised that there are inextricable links between the future of the BGC buildings and the Economic Development aims of the Council. As a result, the group invited the Environmental and Prosperity Scrutiny Committee to nominate a Member to join the group to ensure that the Economic Development interests of the Council were fully represented. The first meeting of the group took place in December 2010.
- 5.3 Cheshire East's Business Generation Centres at Scope House Crewe, Brierley Avenue Crewe and Thomas Street Congleton, were set up in the 1980's by the former Cheshire County Council. They were created to encourage business growth at a time when Cheshire was suffering from high unemployment rates and low business start-up rates. They were intended to fill the "void" in the market where private sector business had failed to materialise. Cheshire East inherited these three BGCs in April 2009. The fourth, Sandbach Enterprise Centre, was inherited in April 2010 from the former South East Cheshire Enterprise (SECE). The building had formerly been the headquarters of SECE. SECE was created from a partnership between Congleton Borough Council and the Congleton Chamber of Commerce to promote and facilitate economic activity in the wider Congleton area.
- 5.4 The Council does not have an explicit policy in place to support BGCs. The Council has not considered whether, as a matter of principle, it is in the best interests of the residents of Cheshire East for the Council to provide BGCs. Likewise, the Council has not considered whether the Council is making best use of the buildings that currently house BGCs, as assets.
- 5.5 The Task and Finish Group therefore sought firstly to identify if, as a Local Authority, it should be directly involved in providing BGCs, and secondly, to make recommendations on the future management of the buildings in which the BGCs are currently located. In order to address these issues, the Task and Finish Group gathered evidence from a variety of sources, including examples of best practice in the field, interviewing internal and external stakeholders, and visiting a variety of Business Generation facilities in both the public and private sectors.
- 5.6 In summary, the purpose of this review is to assess the viability of each Business Generation Centre from an asset management perspective, to establish whether the Centres are operating in accordance with their original purpose i.e. to provide short term space for small and 'embryonic' businesses, to be cognisant of the prevailing economic conditions in Cheshire East and to gain an appreciation of the provision of similar facilities elsewhere.



## 5.7 Membership

The members of the Task and Finish Group were:

### Corporate Scrutiny Committee

Councillor Paul Findlow (Chairman)  
Councillor Andrew Thwaite  
Councillor John Narraway

### Environment and Prosperity

Councillor Harold Davenport

## 5.8 Terms of Reference

- To identify whether Cheshire East Council should retain its interest in BGCs.
- To gain an understanding of the value of BGCs to the Council in relation to their income generation potential, in comparison to their Capital Value as a disposable asset.
- To assess any influences/constraints/claw-back that may be involved with each BGC
- Identify Occupancy levels in each of the BGCs
- Assess the current Market Conditions
- Assess future demand based on economic predictions
- Consider impact of outsourcing/transfer of assets on the wider Business Community
- To identify income generation on a site by site basis
- To develop a policy on BGCs

## 6.0 Methodology

### 6.1 Witnesses:

Members met with the following people during the review:

- Helen Meacher-Jones – Property and Business Officer
- Jez Goodman – Economic Development Manager
- Councillor Peter Mason – Procurement, Assets and Shared Services Portfolio Holder
- Steve Hoyle – Chief Executive of Regenerate Pennine Lancashire
- Tom Stokes – Chief Executive of Evans Easyspace
- Richard May – Owner of Sunrise House Business Centre
- Adrian Brewer – Beech Finance (Manager of Venture House)

- Councillor Jamie Macrae – Prosperity Portfolio Holder
- John Dunning – Chief Executive South Cheshire Chamber of Commerce
- Vete Jacey – Business Advisor for South Cheshire Chamber of Commerce
- David Watson – Chief Executive East Cheshire Chamber of Commerce
- Tony Walker – University of Manchester Incubation Company (UMIC) Incubation Manager
- Caroline Simpson – Head of Regeneration
- Arthur Pritchard – Head of Assets

## 6.2 Visits:

- Brierley Business Centre, Mirion Street, Crewe
- Scope House, Weston Road, Crewe
- Congleton Business Centre, Thomas Street, Congleton
- Sandbach Enterprise Centre, Wesley Avenue, Sandbach
- Blackburn Technology Management Centre, Challenge Way, Blackburn
- Blackburn Enterprise Centre, Furthergate, Blackburn
- Eanam Wharf Enterprise Centre, Blackburn
- Accrington Enterprise Haven, Peel Street, Accrington
- Entrepreneurship Bridge, Darwen Aldridge Community Academy, Darwen
- Houldsworth Mill Business and Arts Centre, Reddish, Stockport
- Sunrise House, Hulley Road, Macclesfield
- Venture House, Cross Street, Macclesfield
- Broadstone Mill, Reddish, Stockport

## 6.3 Timeline:

Date	Meeting / Site Visit
9/12/10	Task and Finish Group Meeting Appointment of Chairmen Introduction and Terms of Reference
18/1/11	Site Visit to Cheshire East's Business Generation Centres (BGC's)
9/2/11	Task and Finish Group Meeting Background Information Paper Discussed Agreed Site Visits/Officer Interviews
25/2/11	Task and Finish Group Meeting Officer Interviews
28/2/11	Site Visit - Regenerate Pennine Lancashire in Blackburn
1/3/11	Site Visit – Stockport - Evans Easyspace Business Centre Site Visit – Macclesfield – Sunrise House Site Visit – Macclesfield – Venture House
8/3/11	Task and Finish Group Meeting Officer Interview
11/3/11	Task and Finish Group Meeting Interview with East Cheshire and Macclesfield Chambers of Commerce
18/3/11	Site Visit – Stockport – University of Manchester Incubation Company (UMIC)
30/3/11	Officer Interview
4/3/11	Final Task and Finish Group Meeting

## **7.0 Review Findings**

### **7.1 Flexibility and first class facilities**

- 7.2 A Common message conveyed to us by small businesses was that in the current economic climate, with uncertainty in the market and difficulty securing loans from banks, businesses do not want to be tied down to long term contracts. New start-up businesses especially, require flexible short term, 'easy in easy' out contracts in order to give them space and time to become established. This model of flexible monthly contracts is the most successful and appealing to new start-up businesses, and is used extensively in the Business Centre industry.
- 7.3 We have also found that good BGCs have a flexible approach to the use of space within buildings and are creative in their management and use of space. For instance, if demand for meeting rooms is high, some business units may be used in the short term as boardrooms and offered for hire. Conversely if demand for meeting space is low, boardrooms can be used as business units temporarily to meet short term demand, and if the building has demountable walls, these can easily be turned in to larger units etc.
- 7.4 We have found that the age of a building should not be a barrier to success. We have seen successful BGCs in old and new buildings. Location however, is important. A good BGC should be at the hub of the local community with good transport links, and preferably in a prominent position within a town.
- 7.6 Poor access to Broadband is seen as a barrier to new technology industries, particularly in rural areas. The key is to tap into the new generation of broadband as there are major competitive advantages to being able to upload information speedily as well as download. Therefore improvements in rural broadband are very important to Cheshire East. This would support a position to allow more people to operate from smaller centres. This would also provide opportunities to provide an option of virtual business generation centres, which can also provide reception services with a desk at home
- 7.7 Because it is the nature of small start up business to keep running costs to a minimum, having good free parking facilities at Business Centres is high on the list of essentials. We noted that most staff do not travel more than 5-10 miles to these facilities. Only Scope House currently offers free parking on site, our other three centres can only offer on street parking and this has to be an ongoing concern for the Council.

## **8.0 Facilities Management**

- 8.1 Successful Business Centres require high levels of investment and good quality on-site management. The most successful models we have seen have dedicated on-site Management. The Centre managers have responsibility for day to day running of the centre, marketing, and have authority to be innovative and flexible to achieve maximum use of their Business space. In addition, the best facilities have full time reception staff that also assist with the day to day running of centres.

- 8.3 We have found that all of our BGCs would benefit from dedicated management and reception facilities. Although there are rudimentary reception facilities in two of our BGC's, namely Scope House Crewe and Thomas Street Congleton, they are provided by tenants of the respective buildings as an adjunct to their individual businesses. This appears to be linked to their convenient location at the front of the respective buildings. The result is that neither of these centres have a welcoming or professional feel to the buildings and there is no sense at all that they belong to Cheshire East. Indeed, we would suggest that the buildings have a run down and neglected appearance. Despite this first impression, the group was pleasantly surprised to discover that all of our BGCs were benefiting from relatively high occupancy rates. We acknowledge that the Council's other two centres at Wesley Avenue Sandbach and Brierley Avenue Crewe, do not have reception facilities either, but this did not appear to be to their detriment. However, the first impression gained at all of this Council's BGCs is in stark contrast to the branded, welcoming and purposeful atmosphere created in the best of the facilities seen by the group elsewhere.
- 8.4 We have discovered that there is no "one size fits all" approach. Every locality has different demands and market needs, Business Centre operators are of varying sizes, and the types of office space offered across the UK is not uniform. For these reasons it is important to identify what role Cheshire East will play and to what extent it wants to be directly involved with BGCs, taking into account the economic needs of the Borough. The group came to the conclusion that in the short and medium term, Cheshire East should focus its operation on three Centres, run in partnership with either Chambers of Commerce, a private sector operator, and/or educational institutions or a combination of those organisations. The option of outsourcing the function entirely was not considered to be in the Councils best interests, and did not therefore receive support from the group

## 9.0 Income

- 9.1 Although income figures were made available to the group, they were not subject to any vigorous scrutiny and they were taken on face value as being correct. It was noted that for the period April – December 2010, each BGC was making an operating surplus as follows:

<b>BGC</b>	<b>Operating Surplus £</b>
Wesley Avenue Sandbach	£27,702
Scope House Crewe	£73,347
Thomas Street Congleton	£8,182
Brierley Street Crewe	£89,550

## 10.0 Demand

- 10.1 The Prosperity Portfolio Holder and senior officers of the Council, contend that there is unmet demand for BGCs throughout the Borough, although demand is by no means uniform throughout Cheshire East. It is acknowledged that further work is required to establish the level of unmet demand in each of the Council's main population centres. Economic predictions for the region indicate that Cheshire East

as a whole will see high growth levels in the number of small businesses starting up in the next ten years.

- 10.2 Since April 2010, Cheshire East has received around 250 enquiries from businesses seeking advice and enquiring about various issues concerning their business. In that time around 50 of these enquiries have been directly related to BGCs. Although some of the enquiries have been from new start-up businesses and businesses that are downsizing, most enquiries are from businesses that have grown out of home-based offices and are looking for their first commercial office space.
- 10.3 In terms of current occupancy, both Scope House and Brierley Street in Crewe have consistently high rates above 80%. The picture elsewhere is less clear. Congleton and Sandbach both have lower occupancy levels which can be attributed in part to accessibility issues and poor parking facilities.
- 10.4 East Cheshire Chamber of Commerce and the South Cheshire Chamber of Commerce both contend that there is a continuing need for BGC's to be provided in Cheshire East, to develop business and to support entrepreneurship. The Chambers are both willing to have more of an active role in BGCs and are willing to develop partnership opportunities with the Council, to build upon the free business support which they currently offer to businesses located in the BGCs.

## 11.0 Economic Conditions

- 11.1 Based on Cheshire East's latest economic forecasting model for 2008 - 2010, (see the table below) it is estimated that there will be an increase in the number of small businesses with the smallest size band (1-4 employees) seeing the largest growth (4.6% rise between 2010 and 2020).
- 11.2 It is predicted that some sectors such as Chemicals and Motor Manufacturing (in which average business size is relatively large) are expected to see more net job losses in the future, whereas other sectors with a relatively large number of small businesses, such as ICT, are forecast to see net employment growth. The figures also suggest that the total number of businesses will grow overall by 4%, with the growth in the number of smaller businesses more than offsetting the falling number of large businesses.

Table 11.4

### Forecast of business numbers in Cheshire East, by employee size band

Number of businesses: absolute number

Year	Total	1-4 employees	5-10 employees	11-24 employees	25-49 employees
2008	18,035	13,400	2,310	1,235	600
2009	17,580	13,035	2,255	1,215	595
2010	17,345	12,840	2,230	1,205	590
2011	17,400	12,885	2,240	1,205	590
2012	17,425	12,915	2,240	1,205	590
2013	17,490	12,965	2,245	1,210	590
2014	17,555	13,020	2,250	1,215	590
2015	17,645	13,095	2,260	1,215	590

2016	17,720	13,160	2,265	1,220	595
2017	17,790	13,225	2,270	1,225	595
2018	17,890	13,300	2,285	1,230	595
2019	17,965	13,365	2,290	1,230	600
2020	18,040	13,430	2,295	1,235	600

**Number of businesses - index (2010 = 100)**

Year	Total	1-4 employees	5-10 employees	11-24 employees	25-49 employees
2008	104.0	104.4	103.6	102.9	101.3
2009	101.3	101.5	101.1	100.9	100.4
2010	100.0	100.0	100.0	100.0	100.0
2011	100.3	100.4	100.4	100.2	99.9
2012	100.5	100.6	100.3	100.2	99.5
2013	100.8	101.0	100.7	100.5	99.6
2014	101.2	101.4	101.0	100.8	99.6
2015	101.7	102.0	101.3	101.2	99.9
2016	102.2	102.5	101.6	101.5	100.2
2017	102.6	103.0	101.9	101.7	100.4
2018	103.1	103.6	102.4	102.1	100.8
2019	103.6	104.1	102.7	102.4	101.0
2020	104.0	104.6	103.0	102.7	101.2

Source: Policy & Research Team, Cheshire East Council, February 2011.

Underlying data sources:

[1] Annual Business Inquiry 2008 (Workplace Analysis), ONS, NOMIS. Crown Copyright.

[2] Baseline projections from the Cheshire & Warrington Econometric Model. Projections were obtained using Cambridge Econometrics/IER LEFM software and are consistent with Regional Economic Prospects, February 2010. Additional data preparation and aggregation by the Policy & Research Team, Cheshire East Council.

- 11.5 To sum up, both the economic predictions and the evidence gathered about the levels of demand reinforces the need for Cheshire East to have Business Generation Centres. Small businesses will be the key growth area throughout the Borough in future years and we are clear that the Council should be actively working to encourage and promote businesses throughout this period of predicted growth.

## 12.0 Cheshire County Council Review

- 12.1 The group researched the County Council review undertaken by that authority in 2007, which involved 3 of the BGCs that have been the subject of this review.

Although the County review was not acted upon, the group noted the conclusions which were:

- **Congleton**

Sell this BGC as an investment, it has little impact on business generation, is too small to be worth managing and will be retained as business space anyway in the future.

- **Brierley Business Centre**

Sell this BGC. It provides little 'business generation' and there are looming refurbishment costs above and beyond the worth of repair. Acquiring residential development value should provide CCC with substantial funds, either to upgrade remaining BGC's or contribute to new provision

- **Scope House**

Retain this BGC, use some of the proceeds realised from the sale of Thomas Street Congleton to refurbish it. This will enable small business accommodation to be retained in a regeneration area. If sold, there is a good chance that the very small unit sizes, which are so important to start ups could be lost to larger 'corporate occupiers.

- 12.2 We concurred with the conclusions of the County review in relation to Thomas Street Congleton and Scope House Crewe, but disagreed in respect of Brierley Street Crewe having seen evidence of the high occupancy rates at that centre. We therefore concluded that Brierley Street was still a viable Business Generation Centre.

## **13.0 Neighbouring Authorities**

### **13.1 Stockport Council**

- 13.2 The group undertook two visits to our neighbouring authority at Stockport MBC. The Council has three Business Centres located in buildings leased from a private owner
- 13.3 The Council has been running Business Centres for over 11 years. It believes that the promotion and creation of business is vital for the local economy and also that the Council should be involved in some capacity to facilitate this. They recognise however that the Council does not have the necessary expertise or specialised resources to run Business Centres internally, so now engage a private company (Evans Easyspace) to manage the Centres on their behalf for which they receive an annual fee and a percentage of the rent income.
- 13.4 Stockport Council has an arrangement with the Manchester University Incubation Company (UMIC) to provide a Business Incubation service for high tech advanced service businesses. For 1 ½ days per week, UMIC provide business support and expertise to businesses in the Centre, for which they receive a fee.
- 13.5 Business support is provided by Blue Orchid, a company which already has links with Cheshire East providing business support for our own Business Generation Centres.

- 13.6 Stockport Council have a close working relationship with their private sector provider, although it is acknowledged by the Council that it is a very 'hands off' relationship as the day-to day running and decision making is left with Evans Easyspace to manage the three Business Centres.

13.7 **Cheshire West and Chester Council**

The group was made aware that Cheshire West and Chester Council are also experiencing many similar problems to Cheshire East and are due to carry out a similar review of their own BGCs this year.



## 14.0 Conclusions

- 14.2 This review was initially instigated to make recommendations on the future of the Council's 4 BGCs as part of the Council's asset challenge process. The review naturally led to a philosophical discussion about whether the Council should as part of its core business, either provide buildings for Business Generation or be actively involved in the management of Business Generation Centres. The group has accepted that in line with the Council's Corporate objective 2 that business generation is fundamental to the Council's future aspirations to 'grow and develop a sustainable Cheshire East. Corporate objective 2 states:

*'We want to ensure that we provide the right environment for businesses to grow. We will provide business support, plan for the needs of future generations and provide employment and public services where people need them. We will work with our partners across the public sector to increase aspirations and realise the potential of all members of our community. We will provide transport solutions, support cultural projects and revitalise town centres. We will increase the number of visitors to Cheshire East through marketing our towns and major attractions'.*

- 14.3 Economic predictions suggest that Cheshire East will increasingly depend upon small and medium sized businesses (SMEs) to create jobs within the Borough.

- 14.4 On this basis, we believe that the Council should as a matter of principle, continue its involvement in Business Generation. However, as the Council's current arrangements are not fulfilling their original intention of providing business support for start up businesses, we must change the way in which they are managed. In the context of the current financial climate, we acknowledge that the Council is not in a position to invest significantly in the Council's BGCs in the foreseeable future. Nevertheless, we should not miss this opportunity to make best use of the facilities that we already have. We therefore believe that there is sufficient demand to retain the BGCs at Brierley Street Crewe, Scope House Crewe and Wesley Avenue Sandbach. We believe that the Council should retain ownership of the buildings in which, the BGCs are located but we should look to the private sector and/or partnership organisations to manage the BGCs on our behalf with a clear remit that they must be exclusively for start up businesses with flexible 'easy in easy out' terms to provide accommodation for the first two years of the life of new businesses. To this end we believe that the Council should undertake a soft market testing exercise to assess the availability of partners to fulfil this management and mentoring role on behalf of the Council.

- 14.5 We would summarise the findings on each of the buildings as follows:

- **Scope House** – Needs to be refurbished and brought up to a higher standard of appearance; however this BGC is in a prime location and should be retained. It is close to both Crewe Train Station and the industrial parks, and also has good parking facilities. This building has great potential to be a successful BGC and could be incorporated into the 'Crewe Vision' project.
- **Sandbach Enterprise Centre** –It is modern and provides high quality office space, however, we were surprised to discover that occupancy was so low,

and noticed that the internal condition of the building appeared to have deteriorated recently. We also have concerns regarding the fact that a substantial part of the rental income is derived directly from Cheshire East Council as the top floor is occupied by Cheshire East staff. We still believe however that the building has potential to be a successful BGC but must be marketed more aggressively and managed properly.

- **Brierley Street** - Has a 100% occupancy rate and the building is in good condition despite it being a former School from the Victorian period. If current occupancy rates were sustained, it would continue to be the Council's most successful BGC.
- **Thomas Street Congleton**- We believe that this BGC should be declared surplus to the Council's requirements and the building disposed of on the open market. This BGC has the worst occupancy rates of the 4 BGC's, is considered to be poorly located, with inadequate parking facilities and perhaps most significantly, is in urgent need of considerable investment. We have been informed that the Thomas Street BGC has a market value in the region of £150,000. The Council will of course have to consider offering alternative accommodation for the current tenants, but we believe that there is sufficient capacity in the private sector facilities available in the town of Congleton for this to happen with little disturbance to the businesses involved.

14.6 While we accept that the Council does not have the expertise or experience to run BGCs, we see no reason why the Council's ultimate aim to have highly successful BGCs operating within Cheshire East cannot be achieved through partnership arrangements.

14.7 We believe that the Council should continue exploring partnership opportunities with MMU and Keele University, particularly in relation to the high-tech, advanced service businesses sector, similar to the model at Stockport Council and UMIC.

14.9 We are confident that if this partnership model of business incubation is adopted by the Council, it will provide an excellent platform for success in the future and create conditions for a more dynamic and vibrant economy in Cheshire East.

14.10 In summary, we have found that all successful Business Centres have:

- Flexible easy in, easy out contracts
- Good management
- High quality office/industrial units
- Business support
- Effective cooperation with partners
- Full time reception staff

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## 16.0 Definitions

## APPENDIX 2

- 16.1 Due to the complexity of the Business Centre industry it is extremely difficult to define it with one broad definition as it takes many forms and operates under various models. There are clear distinctions between Business Centres and Incubation Centres, which all fall under the term “The Flexible Office Market” and therefore definitions of all of these have been provided.

### 16.2 **Business Centre**

In “The Complete Real Estate Encyclopaedia” Denise L. Evans and William Evans define a Business Centre as:

*“An office arrangement providing individual offices for local representatives of large companies, professionals, and small-business persons, with sharing of lobby space, conference rooms, support staff, telecommunications services, office equipment, and other amenities.”*

### 16.3 **The Flexible Office Market**

The Global Real Estate Advisor DTZ defines the Flexible Office Market as:

*“... providing business space on a short term and flexible basis to occupiers. It is actively managed with the presence of an on-site team. Flexibility, active management and service delivery lie at the heart of the sector, not the type of building occupied, its location, or indeed, the exact length and nature of tenure.”*

### 16.4 **Business Incubation Centre**

UKBI: The Professional Body for The Business Incubation Industry give this definition of Business Incubation:

*“Business incubation provide growth SMEs and start-ups with the ideal location to develop and grow their businesses, offering everything from virtual support, rent-a-desk through to state of the art laboratories and everything in between. They provide direct access to hands-on intensive business support, access to finance and expertise and to other entrepreneurs and suppliers to really help businesses and entrepreneurs to grow - faster.”*

To avoid confusion the name “Business Generation Centres” was originally given to Cheshire East’s Business Centres to place emphasis on the “generation” aspect of creating and promoting new start-up businesses. There are many varying names for Business Centres, such as Innovation Centres and Enterprise Centres etc, although they are all primarily “Business Centres”. This review will refer to Cheshire East’s Business Generation Centres (BGCs) as well as some other terms for the facilities.

### 16.5 **Easy In Easy Out**

#### **Easy-in**

- monthly licence agreement

- monthly rental payments
- Unit furnished to clients own requirements
- Telephone/broadband connections

**Easy-out**

When a business has expanded and is ready to move on, the licence agreement can be terminated by simply giving one month's written notice.

## APPENDIX 3

### 17.0 Site Visits

#### 17.1 Site Visit – Cheshire East’s Business Generation Centres

- 17.2 The Task and Finish Group visited Cheshire East’s four Business Generation Centres. The group also spoke with businesses located within the BGC’s to understand their perceptions of the service offered to them.

The Business Generation Centres visited are as follows:

- 17.3 **Brierley Business Centre** Located in a residential area in Crewe, the building was a former a secondary school. Externally the building is in an extremely good condition despite its age, and it enjoys a full occupancy rate of businesses. Internally, the building still has the appearance of Victorian school and would appear to have little flexibility. The centre is accessed via a narrow residential street. Parking facilities could be significantly improved by utilising the former school playground. We noted that there are other single storey outbuildings on site that are underused.
- 17.4 **Scope House** A 1960’s office block connected with a now demolished factory. The building has good parking facilities. The group felt the internal appearance of the building was poor; however the Centre enjoys a high occupancy rate of 91.6% and is primarily located near Crewe Train Station and business parks.
- 17.5 **Congleton Business Centre** offers a combination of office space and industrial units, however the building appears to be in a poor condition and occupancy rates are extremely low, with some units being left empty for a number of years. Its current occupancy rate is currently 58.3%.
- 17.6 **Sandbach Enterprise Centre** is a modern, well-maintained building that offers attractive office space, however the Centre has no on-site parking facilities. Occupancy levels are currently 56.2%.
- 17.7 Services offered in BGCs
- Easy in - Easy Out monthly licence fees
  - 24 hour access
  - Free Business Support with Blue Orchid and Business Link

#### 17.8 Findings from Site Visits

- 17.9 The group quickly identified that the BGCs were not fulfilling their intended original function of Business “Generation”.
- 17.10 Some of the Businesses that operate in the BGCs have been doing so for a number of years, with one business remaining in a centre for eleven years. The average length of tenure was longer than 2 years.
- 17.11 There appears to be no emphasis placed on developing businesses with a view to them moving on after a period of time; the original purpose of BGCs. This would in turn free up space to allow for new start- up businesses to locate within the Centres.

the Council is simply acting as a landlord by providing office and workspace for businesses to locate in and collecting rents.

- 17.12 The group found that there is also a distinct lack of promotion and marketing of the Business Generation Centres. There are no great efforts to promote them to the wider community apart from information being available on Cheshire East Council's website and links through the Chambers of Commerce. Members commented that better advertising could possibly lead to an increased uptake in the various units that have been lying empty for a number of years.
- 17.13 We have reservations about the current arrangement that in both Congleton Business Centre and in Scope House the businesses located in the reception units received them rent free as they provided part-time reception facilities. Members did not feel that this was an appropriate arrangement and that the business should pay a monthly rent similar to the other businesses.
- 17.14 The group discovered that Sandbach Enterprise Centre has a condition contained in the transfer agreement ensure that it remains a BGC for another 6 years,(until 2017) which the group took into account when considering their options for this review. This is a historical arrangement created when Congleton Borough Council and the Northwest Regional Development Agency purchased the building. If it were to be sold for either business use or non-business use before the six years, then the various bodies involved in its purchase would receive claw-back payments.
- 17.18 Although in many of the Centres, businesses are flourishing, with a good variety of businesses including small start up businesses we noted that there are a number of successful businesses that have been in the BGC's for extended periods and are content to remain in the Centres for the foreseeable future. Some businesses that operate in the BGCs include:
- Financial Companies
  - A Radio Station
  - Software Engineers
  - Caterers
  - Design Companies
  - A Sportswear Company
  - Construction Companies
  - Security Firms
  - Kitchen Company
  - Taxi Firms
- 17.19 Rent Levels
- 17.20 The prices in Cheshire East's BGCs appear to be roughly in line with the prices in the private sector. A typical 100 sq ft unit would cost £15 per sq ft annually, working out at £125 per month.
- 17.21 Cheshire East has a flexible approach to rent levels. For instance, if a business is experiencing cash flow problems, there is discretion to temporarily reduce rents in order to support a business for a short period of time if need be. We have been informed that such arrangements are seldom needed and most businesses are able meet their rental commitments.

## **17.22 Site Visit – Regenerate Pennine Lancashire**

- 17.23 Regenerate Pennine Lancashire is a private company designed to deliver economic and physical development across the whole of Pennine Lancashire on behalf of the area's local authorities: Blackburn with Darwen, Hyndburn, Ribble Valley, Burnley, Pendle and Rossendale; It is owned by those authorities and Lancashire County Council.
- 17.24 Regenerate operate a variety of different business centres, and are market leaders in creating innovative flexible workspace opportunities across the various authorities.
- 17.25 Regenerate Pennine Lancashire's aim was to create and develop new business in an extremely deprived area which did not have a history of entrepreneurship. Since their creation, the Business Centres have been extremely successful, and as part of the Local Enterprise Growth Initiative (LEGI) approximately 1500 new businesses and 4850 jobs have been created across the various authorities in the past 4 years.
- 17.26 Chief Executives of over 100 companies provide a mentorship scheme for business located in each of the Business Centres. They provide advice and expertise to fledgling businesses and assist them throughout their development at the Centres. Start up business support is also available at each of the centres to compliment the mentoring system.
- 17.27 The Business Centres are the hub of the community, involving local people and especially young people. Partnerships are in place with some of the local football clubs and they hold regular businesses events and have training days at the stadiums for young people who are interested in learning entrepreneurial skills. Blackburn Rovers Football Club has even created a Business Centre beneath one of the stands at Ewood Park, and this innovative idea has been extremely successful.
- 17.28 Regenerate "brand" their Business Centres to encourage different types of businesses to locate within them. These include specialised technology centres and general office workspace centres which cater for a variety of businesses. They have also been extremely innovative in creating office space in a variety of unorthodox environments, including creating offices in old market hall and creating an "enterprise bridge" with business "pods" within an Academy School.
- 17.29 Innovation and creativity is the key to having successful Business Centres. They have proven that flexible office space for start-up businesses can be provided in any environment, whether it is modern purpose built buildings, old buildings that have been redeveloped, or individual units located in existing buildings, businesses can thrive and develop successfully.
- 17.30 It was evident to the group that the success of these individual Business Centres was largely down to them being effectively managed by individual Centre Managers, who ensured that an efficient and high quality service was being provided to clients at each Centre. Having a manned reception created a more professional atmosphere and a welcoming environment for potential business considering locating within the Business Centre.
- 17.31 We believe that the Regenerate Pennine Lancashire model is a first class operation, catering for a wide variety of businesses. We were particularly impressed with the focus on the incubation and development of new businesses. The group acknowledges however, that this model has relied upon significant investment from the Councils involved and also government grant funding over a number of years.



Cheshire East is clearly not in the same position and does not have the resources to carry out an operation on this scale.

#### **17.32 Site Visit – Evans Easyspace – Stockport Council**

- 17.33 Evans Easyspace is a private sector company that provides flexible workspace to small and medium sized businesses. They operate Business Centres across the whole of the UK, with some of them being operated in partnership agreements on behalf of Local Authorities. They operate in a partnership capacity with Hereford Council, Shrewsbury Council, Fife Council and the City of Edinburgh Council to manage Business Centres, and they also manage a Business Centre on behalf of the Regional Development Agency One North East.
- 17.34 They offer easy- in easy -out monthly contracts to businesses and can provide any extra facilities that a business may require, i.e. telephone, broadband, business support etc. Evans Easyspace operates with a Landlord/Tenant model and is keen to retain its tenants for a long period, rather than to focus on the incubation and constant flow-through of new businesses which is much more of a financial risk.
- 17.35 The company manages all three of Stockport Council's Business Centres. They charge a fee for their services and also take a percentage of the rent roll. This model creates an incentive for the private sector operator to increase the number of tenants and therefore the overall income generated by the Business Centre.
- 17.36 Business support is provided in partnership with Business Link and The University of Manchester Incubation Company (UMIC).
- 17.37 This model landlord/tenant model does not support the "incubation" and development of new businesses to grow and eventually move on from these centres. It relies on high occupancy and the retention of businesses in order to be successful.
- 17.38 Evans Easyspace is however involved in a partnership agreement to facilitate business incubation at one of Stockport Council's Business Centres. They manage the Centre on the basis that it is to be used solely a "Business Incubation Centre" and work in partnership with The University of Manchester Incubation Company (UMIC) to provide this.

#### **UMIC**

- 17.39 UMIC provides an incubation service one and a half days per week. The incubation service includes a three year intensive business support package, links to industry experts and valuable contacts. All business support is provided to businesses from Blue Orchid.
- 17.40 The Incubation Centre is located on the third floor of an Old Cotton Mill that has been refurbished and redeveloped to an extremely high standard. The building itself and the office space offered was impressive, and it provides smaller units as well as much larger office space.
- 17.41 The key aim of UMIC is to attract, develop and grow businesses that are mainly advanced service companies. These can be high-tech businesses, design based companies, call centres etc. Businesses must fit the profile of an incubator company which has the potential to grow and develop to produce jobs within the local community. UMIC plays a pivotal role in selecting appropriate businesses to locate within the Centre.

- 17.42 Emphasis is placed on enabling businesses to grow and expand; however, ideally businesses will remain in the Centre and simply move to a larger unit rather than relocate elsewhere. Ensuring the retention of businesses is still a crucial component in meeting costs and achieving rent targets.

**17.43 Site Visit – Sunrise House and Venture House**

Members visited two private sector Business Centres in Macclesfield.

- 17.44 Although both of these privately owned Business Centres provide office space and industrial units to local businesses, with flexible easy-in, easy-out contracts and flexible attitude to rents depending to suit businesses needs, we considered that the standard of accommodation and support services differed vastly.

Sunrise House is a well managed attractive building with a long established history of supporting local businesses. Occupation levels are high and the building is in excellent condition.

Venture house on the other hand, is a former Cheshire County Council BGC that was disposed of some 10 years ago, and has relatively low occupancy rates and is in a very poor condition.

Both facilities do offer fully serviced offices with a broadband, telephones, furniture etc, or empty units for businesses to bring in their own items such as heavy machinery etc. The level of facilities provided in each unit are reflected in the monthly rental which can vary substantially.