

CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting: 9 January 2012
Report of: John Nicholson – Strategic Director Places and Organisational Capacity
Subject/Title: Business Generation Centres
Portfolio Holder: Cllr Jamie Macrae - Prosperity Portfolio Holder

1.0 Report Summary

- 1.1 At its meeting of 5th September 2011, Cabinet received the final report of the Task and Finish Group set up by the Corporate Overview and Scrutiny Committee to review Business Generation Centres with a view to helping to shape the Council's future policy.
- 1.2 In accordance with the overview and scrutiny procedure, Cabinet was asked to receive the recommendations and to come back to a later meeting with a formal response to the recommendations contained in the report.
- 1.3 This report sets out the response to the recommendations contained in the final report of the Corporate Overview and Scrutiny Committee's Task and Finish Group.
- 1.4 The Cabinet response to the recommendations contained in the report is set in the context of the ongoing sub-regional joint review of Business Generation Centres being undertaken in partnership with Warrington and Cheshire West and Chester Councils.
- 1.5 A full list of the recommendations contained in the Task and Finish Group's report is provided in Appendix 1.

2.0 Decision Requested

- 2.1 That Cabinet agree the following in response to the recommendations contained in the final report of the Corporate Overview and Scrutiny Committee's Task and Finish Group:
 - 2.1.1 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.
 - 2.1.2 That the existing facilities located at Sandbach and Crewe be retained as Business Generation Centres pending the outcome of the wider sub-regional review and the agreement of a future delivery model.

- 2.1.3 That the future delivery model will ensure the provision of an environment to encourage growth, accelerate progress and remove obstacles to include consistent standards in the provision of facilities and tenancy management services.
 - 2.1.4 That the Business Generation Centre at Thomas Street, Congleton be closed down and the building declared surplus to requirements.
 - 2.1.5 That, the Council assists in the identification of options to secure, where possible, the continuity of businesses displaced by the closure of the Thomas Street facility.
 - 2.1.6 That any expenditure on the remaining facilities identified as a consequence of the wider sub-regional review will be considered as part of the Council's normal business planning processes.
 - 2.1.7 The current shortage of available incubation facilities in the north of the Borough will be a consideration of the wider review.
 - 2.1.8 That the current practice of providing facilities rent free to tenants in lieu of providing reception services will be brought to an end as soon as alternative arrangements can be put in place.
- 2.2 That Cabinet give an in-principle agreement to an arrangement of commissioning to an external provider either on a partnering basis with another authority or just as Cheshire East Council following further dialogue at a sub-regional level and with neighbouring authorities.

3.0 Reasons for Recommendations

- 3.1 The Council's Economic Development Strategy requires the development of stronger sub-regional collaborative approaches in order to address the emerging economic challenges faced by the borough.
- 3.2 There will be increasing competition for investment in jobs from the rest of the region and our neighbours, making it essential that Cheshire East Council makes the most of a highly skilled workforce and growth in knowledge-based industries.
- 3.3 Manufacturing employment has declined sharply over the last decade. The dependency on large employers is a weakness and illustrates the need to diversify and encourage entrepreneurialism in order to promote a dynamic community of small businesses and start-ups, including many in new technologies and services, building on the skills and wealth of the local population.
- 3.4 The availability of a range of workspace for start-up and micro businesses that meets their needs in terms of location, cost, quality and flexibility.

4.0 Wards Affected

4.1 All

5.0 Local Ward Members

5.1 All

6.0 Policy Implications including

6.1 Carbon Reduction

As occupiers are responsible for their own utility costs, transfer or disposal of the Thomas Street facility will be carbon neutral in terms of the Carbon Management Plan.

6.2 Health

Not directly applicable.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

7.1 The disposal of Congleton Business Centre will reduce overall backlog maintenance liability within our property portfolio.

7.2 Any future potential capital receipt will be pooled centrally in accordance with current practice.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 Section 2 of the Local Government Act 2000 empowers the Council to do anything which it considers is likely to achieve the aim of promoting or improving the economic well-being of its area. In exercising this power it must have regard to the limitations on the power contained in Section 3 and to its Sustainable Community Strategy which it has a duty to prepare under Section 4.

8.2 Section 123 of the Local Government Act 1972 empowers the Council to dispose of land held in any manner it wishes, subject to a duty not to dispose of land other than by way of a short tenancy, or with the consent of the Secretary of State, for a consideration less than the best that can reasonably be obtained.

8.3 S123 also specifies steps to advertise land disposals, which must be fully complied with.

- 8.4 It should be noted that any procurement requirements in relation to disposals will also need to be fully complied with.

9.0 Risk Management

- 9.1 Business incubation supports the delivery of the Council's Economic Development Strategy. The provision of affordable accommodation combined with intensive dedicated on site business support for businesses from the earliest stage of their development is essential for the creation of jobs and the encouragement of continuous economic growth.

10.0 Background and Options

- 10.1 At the suggestion of the then 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.
- 10.2 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.
- 10.3 The Task and Finish Group sought firstly to identify if, as a Local Authority, we 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.
- 10.4 In summary, the purpose of the review was 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.

- 10.5 There is currently a sub-regional joint review of Business Generation Centres being undertaken in partnership with Warrington and Cheshire West and Chester Councils. This review aims to help local enterprise partners in their consideration of the provision of 'Business Generation Centres' (BGCs) looking at existing provision across the sub-region. The review seeks to examine the benefits of a sub-regional offer, endorsed by the Local Enterprise Partnership, supported by the three local authorities and driven by a business community model.
- 10.6 The outcome of the sub-regional review will potentially determine the Council's future policy in respect of its Business Generation Centres and, consequently, its practical response to the recommendations contained in the report of the Corporate Overview and Scrutiny's Task and Finish Group.

11.0 Access to Information

- 11.1 A copy of the Task and Finish Group's recommendations is provided in Appendix 1. The background papers, including the full report of the Task and Finish Group, can be inspected by contacting the report writer:

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Appendix 1: Recommendations Overview and Scrutiny Committee:
Business Generation Centres (December 2010 – March 2011)

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. Alternatively, the site could be considered as a potential site for an affordable housing scheme.
5. That in conjunction with the Chamber of Commerce, the Council explores 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.