

CHESHIRE EAST COUNCIL

REPORT TO: Corporate Scrutiny Committee

Date of Meeting: 20th July 2012

Report of:

Subject/Title: Business Generation Centres

Portfolio Holder: Cllr Jamie Macrae - Portfolio Holder for Prosperity & Economic Regeneration

1.0 Report Summary

1.1 At its meeting of 9th January 2012, Cabinet agreed the following in response to the recommendations contained in the final report of the Corporate Overview and Scrutiny Committee's Task and Finish Group set up to review the Council's Business Generation Centres as part of the wider asset management programme:

- 1.1.1 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.
- 1.1.2 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.
- 1.1.3 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.
- 1.1.4 That the Business Generation Centre at Thomas Street, Congleton be closed down and the building declared surplus to requirements.
- 1.1.5 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.
- 1.1.6 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.
- 1.1.7 The current shortage of available incubation facilities in the north of the Borough will be a consideration of the wider review.
- 1.1.8 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.

- 1.2 In addition, Cabinet gave 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.
- 1.3 This report provides the Corporate Scrutiny Committee with an update in respect of the progress made against the recommendations contained in the report of the Task & Finish Group and approved by Cabinet at its meeting on 9th January 2012.

2.0 Decision Requested

- 2.1 That Corporate Scrutiny Committee be asked to note the progress made in respect of the recommendations contained in the final report of the Corporate Overview and Scrutiny Committee's Task and Finish Group and subsequently approved by Cabinet at its meeting of 9th January 2012.

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 & Options

- 10.1 The Asset Management Service, with the support of the Economic Development, continues to support the principle of business generation for start up incubation businesses in Cheshire East through the provision of incubator space in the existing business generation centres. The monitoring of both performance and opportunities continues in an attempt to ensure that the right balance is struck between opportunity and cost to the Council.
- 10.2 The relocation of Building Control from the space they occupied at the Sandbach Enterprise Centre is an example of progress made in ensuring that available space is not used in such a way that compromises the opportunities for business generation in Cheshire East. However, such a commitment does bring with it an associated risk in terms of a potentially negative impact on the budget position for the individual premises.
- 10.3 Existing facilities located at Sandbach and Crewe continue to be retained as Business Generation Centres pending the outcome of the wider sub-regional review and the agreement of a future delivery model.
- 10.4 Economic Development are in discussions with both Manchester Metropolitan University and Keele University regarding future innovation centre provision, Although neither organisation is a specialist provider of business support, Economic Development has also developed a business support programme with other partners. Work is continuing to explore the possibility of delivering the business support programme to clients in the Business Generation Centres to also include the introduction of business support events within the buildings themselves.
- 10.5 Whilst it is agreed that any future delivery model should encourage growth, accelerate progress and remove obstacles, facilities and tenancy management services are only one part of the offer required in today's market place. Not all business want telephone lines as they use mobiles and landline costs have to be met either directly by the occupier or hidden in licence fees. The emergence of Superfast Broadband should continue to be an aspiration for the Council and individual buildings need to be targeted for inclusion in the process.
- 10.6 Whilst on-site management would be ideal, there is a significant cost associated with its provision. which occupiers in a genuine incubator may be reluctant to absorb. Alternatively, the Council could take the view that the provision of business support opportunities justified the costs associated with the provision of such facilities.
- 10.7 From an operational perspective, the removal of permanent reception facilities has had no noticeably detrimental effect on occupancy levels at the existing centres, although it is not possible to establish whether their absence has had a negative effect on potential tenants. Similarly, communal business equipment at Scope House and Congleton Business Centre is rarely used. There are, simply, easier alternatives available.

- 10.8 The Business Generation Centre at Thomas Street, Congleton has been declared surplus to requirements and added to the Council's Disposals Programme. The Disposals Team has undertaken a detailed review of the options which are due to be considered by the Portfolio Holder for Prosperity & Economic Development in the very near future. Options considered have included a possible sale as part of the Council's Strategic Housing programme and the inclusion of the adjoining Thomas Street Industrial site.
- 10.9 The Council has assisted those businesses directly affected by the decision to declare the premises surplus to requirements. The Council's Business Relocation Service has provided all those affected with the relevant support and information in respect of alternative accommodation. One tenant remains in the building subject to a short term occupancy agreement. The tenant is fully aware that the building is to be closed but is happy to remain until such time as he has to move. This, in turn, assists the Council in terms of an on-site presence and is eliminating security/holding costs whilst disposals and opportunity reviews are being undertaken.
- 10.10 It is agreed 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.
- 10.11 The current shortage of available incubation facilities in the north of the Borough will be a consideration of the wider review. The private sector seems to more capably fill the gap in incubation provision in Macclesfield. but the wider review will explore the potential for a Council led solution, although the majority of new facilities of this nature are provided on a joint venture basis with partners such as Universities and/or private developers.
- 10.12 The cost implications associated with the provision of reception and other facilities have been covered elsewhere in this report and will form part of the wider review. However, it is worth noting that the cost implications are unlikely to be sustained by genuine incubator businesses and, as things stand, there is no current in-house budget provision.
- 10.13 Previous experience has shown there to be a reliance on an 'Anchor tenant' for the provision of on-site support including reception facilities. To have [a full time member of staff in a relatively small building such as, for example, Sandbach could not be justified purely from an income perspective. Only when linked to a wider corporate objective of investment could a case be made for a permanent on-site presence.](#)
- 10.14 The identification of a joint venture partner may allow this matter to be addressed in accordance with the recommendation but only set against the backdrop that true business incubators don't generate a surplus and need investment.

Next Steps

- 10.15 That the Council drive the conclusion of the wider sub-regional review and explore the possibilities for an alternative delivery model which seeks to provide

conditions under which incubation businesses can flourish. Consideration of a future delivery model to include the possibility of engagement with a partner, or combination of partners,

- 10.16 That existing facilities located at Sandbach and Crewe continue to be retained as Business Generation Centres pending the outcome of the wider sub-regional review and the agreement of a future delivery model.
- 10.17 That the possibilities in respect of future innovation centre provision continue to be explored and that the potential benefits and interdependencies of both this and the Council's business support programme are explored as part of the wider review into the future provision of business and incubation support.
- 10.17 That the disposal of the Business Generation Centre at Thomas Street, Congleton to be progressed in accordance with the recommendations of the Disposals Team subject to the approval of the Portfolio Holder for Prosperity & Economic Development.

11.0 Access to Information

- 11.1 The background papers, including the full report of the Task and Finish Group, can be inspected by contacting the report writer:

Name: Arthur Pritchard
Designation: Assets Manager
Tel No: 01270 686144
Email: arthur.pritchard@cheshireeast.gov.uk

