

EAST HERTS COUNCIL

PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY COMMITTEE - 4 JULY 2017

PORTFOLIO HOLDER FOR ECONOMIC DEVELOPMENT

CHARRINGTONS HOUSE BUSINESS INCUBATOR

WARD(S) AFFECTED: BISHOPS STORTFORD CENTRAL

Purpose/Summary of Report

- To present proposals around setting up a business incubation facility at Charringtons House in Bishop's Stortford.

RECOMMENDATIONS FOR PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY:

That

(A)	Members consider the proposals in terms of relevance and feasibility;
(B)	consider what measures should be adopted as part of the pilot to evaluate whether it has been successful in 12 months' time (see 1.8); and
(C)	agree that an evaluation report is brought back to Scrutiny in 12 months' time to establish whether the pilot has been successful and whether it should be expanded

1.0 Background

- 1.1 The council is starting to adopt a more pro-active approach to business engagement than has hitherto been the case. This is partially in recognition of planned changes to the retention of business rates which will directly link council funding to economic growth in the future. It also in recognition that East Herts needs to have suitable jobs and employment opportunities for its residents alongside anticipated housing growth. Examples of the change in approach have been the employment of a Business Engagement

Manager and the implementation of a grant scheme to support businesses locating or expanding in the district.

- 1.2 There are over 7500 businesses registered in the district operating in a range of sectors and over 90% of these are small to medium sized enterprises (ie. 0-9 employees). There are relatively few large businesses (ie. Over 250 employees) meaning that SMEs are the major wealth creators in East Herts and this is where the council wishes to target its support. With that in mind we have a contract with WENTA to support individuals who are thinking of setting up their own businesses through the provision of on-line and face to face advice. WENTA also run business incubator space from Ware Regional College which a fledgling business can use rent free for a fixed period of time. The survival rate (ie. Still trading after 12 months) of businesses using the incubation space is substantially higher than normal survival rates.
- 1.3 Although the incubator space at Ware is effective (12 clients used the space over the 16/17 period) there is a gap in provision around Bishop's Stortford. This gap becomes more evident when we consider that major investment is going into business parks (including incubation space) on the fringes of the district in Stevenage (Stevenage Business and Technology Centre), Broxbourne (Basepoint Centre) and Stansted Airport. There is a risk that entrepreneurial individuals from East Herts will make use of these facilities in the absence of local provision. The levels of economic growth anticipated in the coming years around the London Stansted Cambridge Corridor, along with LEP research into opportunities around Bishop's Stortford suggest there is demand for incubation space in the town. It is with this in mind that the Communications, Strategy and Policy Service (responsible for Economic Development) have been looking for opportunities to test demand through a 12 month pilot.
- 1.4 Charringtons House is owned by the district council and currently is not 100% occupied. The future use of the building will be determined as part of the Old River Lane project however in the meantime it remains as commercial space and is likely to do so until at least 2023 when the longest running tenancy agreement expires. Vacant space is being advertised through commercial letting agents however is proving difficult to let. There is a particular area on the ground floor which could easily be converted into business incubation space. This would require some minor investment in new furniture and additional facilities such as

broadband provision to make it fit for purpose. The cost of this kit out would be less than £10,000.

- 1.5 WENTA also see Bishop's Stortford as a potential opportunity for provision of more business start-up services and have agreed to run the facility on our behalf from within the existing Service Level Agreement (i.e. at no extra cost). This will be alongside the council's Business Engagement Manager who will also help market the facility. The Bishop's Stortford Chamber of Commerce have also expressed an interest in having a presence.
- 1.6 The costs charged to the previous tenants for occupying the space in 2015/16 were as follows:

	Amount (£)
Commercial Rent	42,000
Service Charge	12,760
Business Rates	18,886
TOTAL	73,646

- 1.7 The costs of business rates and service charges will need to be covered by the council in order to run this pilot. However this is not the case for commercial rent which is additional income for the council. If a tenant were occupying the space this would represent a loss of income however whilst the space remains vacant there is no direct loss.
- 1.8 Overall then, at relatively low cost we can implement a business incubation facility in Charringtons House. It will be run for 12 month's initially to see what levels of demand exist and test whether the council should invest in this sort of facility on an on-going basis. Member views are sought on the measures of success for this pilot which could include:
 - Numbers of individuals/ registered businesses using incubation space for 3/ 6/ 12 months
 - Numbers of individuals/ registered businesses attending advice and networking events and/ or accessing formal support
 - Survival rates of businesses who have used the incubator after 12 months
 - Proportion of individuals/ registered businesses who, after using the incubator, move to premises at a commercial rate

1.9 **Essential Reference Paper B** contains more details on the proposals.

2.0 Implications/Consultations

2.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers:

None

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