

Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	9 May 2012	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2401
TITLE:	The Guild Co-Working Hub	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1: Equality Impact Assessment		

1 THE ISSUE

- 1.1 'Software, Digital Entertainment and Electronic Publishing' is now the largest employment sub-sector in Bath within our Creative Industries, employing approximately 1,400 people which equates to almost a third of all creative jobs in B&NES.
- 1.2 The Economic Strategy aims to increase employment in ICT and creative industries by 20% by 2026.
- 1.3 To support employment growth in the creative industries the Council is developing a co-working hub in Bath to provide the growing community of freelancers, particularly app designers, coders, copywriters and web developers with shared working space, meeting rooms, training facilities and event space.
- 1.4 The Cabinet needs to approve Capital expenditure for the Guild Co-Working Hub, to be located in the Guildhall, to open for initial occupation in late 2012.

2 RECOMMENDATION

The Cabinet agrees that:

- 2.1 Up to £500,000 capital provisionally allocated in the 2012/13 budget is approved for the Council to redevelop an area in the Guildhall to become a Co-Working Hub
- 2.2 The final layout of the Co-Working Hub will be agreed by Council officers in conjunction with the Cabinet members for Sustainable Development and Community Resources
- 2.3 A lease be granted by the council to a Community Interest Company (CiC) to deliver the Co-Working Hub. The specific details of the governance arrangements will need to be agreed by the Council's Section 151 officer in consultation with the Cabinet member for Sustainable Development and Community Resources.

3 FINANCIAL IMPLICATIONS

- 3.1 A provisional capital allocation of £500,000 was made in the Council's budget in 2012/13 for a Creative Hub.
- 3.2 Final costs for creating The Guild Co-Working Hub are being developed. We expect them to be in the region of £300,000. Experienced Hub designers Burrton Jones and Brewer have been commissioned to establish designs.
- 3.3 Every step will be taken to minimise the cost to the Council. The Council will need to reassure itself that the project represents good value for money. All physical assets relating to the re-development of the Guildhall will remain in the ownership of B&NES
- 3.4 The costs of running the Hub (to be met by the CiC) are expected to be £13,000 - £16,000 per month. This includes rent to the Council as well as rates, gas, electricity, sewerage, insurance, telecoms, marketing etc
- 3.5 These running costs will be recovered by the CiC from sponsorship, membership and events. In one week testing demand 100 people have signed up to become members. This exceeds the conservative target for membership in the business plan for the Hub
- 3.6 A Service Level Agreement, with detailed targets will be put in place to manage any sponsorship provided by B&NES to the CiC. Sponsorship will not exceed £20,000 and there are no other revenue liabilities on the Council.
- 3.7 A CiC will be established to lock in any assets or profits accrued by the Co-Working Hub. These would be redistributed for a community benefit by the Directors of the CiC.
- 3.8 Regular reviews of progress will be undertaken by the CiC and the Council to monitor progress.

4 CORPORATE OBJECTIVES

Building a stronger economy

- 4.1 The project focuses on delivering the Council's objective of building a stronger economy. First by supporting a broad range of job and employment opportunities that recognise the different needs of rural, town and city communities and secondly by supporting growth in knowledge and creative industries, which can provide particularly high financial value jobs to the local economy. These ambitions support the delivery of the Council's Economic Strategy, which is seeking to increase employment in these sectors by 20% by 2026. This is key to balance job losses in the public sector and help stem out commuting of highly skilled residents to neighbouring areas.
- 4.2 The Guild Co-Working Hub directly addresses these aims by supporting the creation and retention of knowledge based jobs in Bath. Specifically by:
 - Creating an affordable place for individuals working in these sectors to locate. Currently B&NES has a higher than national average concentration of professionals and managers working from home, particularly in the City of Bath (across B&NES there are currently 3700 people in such a position)

- Further supporting innovation and new product development by encouraging the co-location and interaction of people working in these sectors with business and financial services. According to NESTA the co-location of creative industries with business and financial services is what marks Bath as a 'creative hotspot'
- Providing wrap around services, including business support, to enable business ideas to become a reality
- Linking early stage companies into mentors and potential investors to support growth

4.3 This project forms part of the Council's overall strategy to provide appropriate accommodation for businesses at all stages of their life

5 THE REPORT

What is the Guild Co-Working Hub?

5.1 The Council is making available approximately 3500 sqft of the Guildhall to create a pilot Co-Working Hub.

5.2 This will provide space for individuals working in tech and related activities (often individuals working from home offices or coffee shops with good wireless broadband access) to locate, access business support and network.

5.3 The facility will be operated on a gym style membership, with a range of options available, providing varying access to the facility, events and meeting rooms. The space will include a reception area, co-working space, meeting rooms and a training lab as well as a room for more permanent occupiers.

5.4 The business plan for the facility is based on 95 service users and an occupancy on any one day of up to 70 people. This is a conservative estimate of take up, confirmed by 100 people signing up to be members in one week of demand registration.

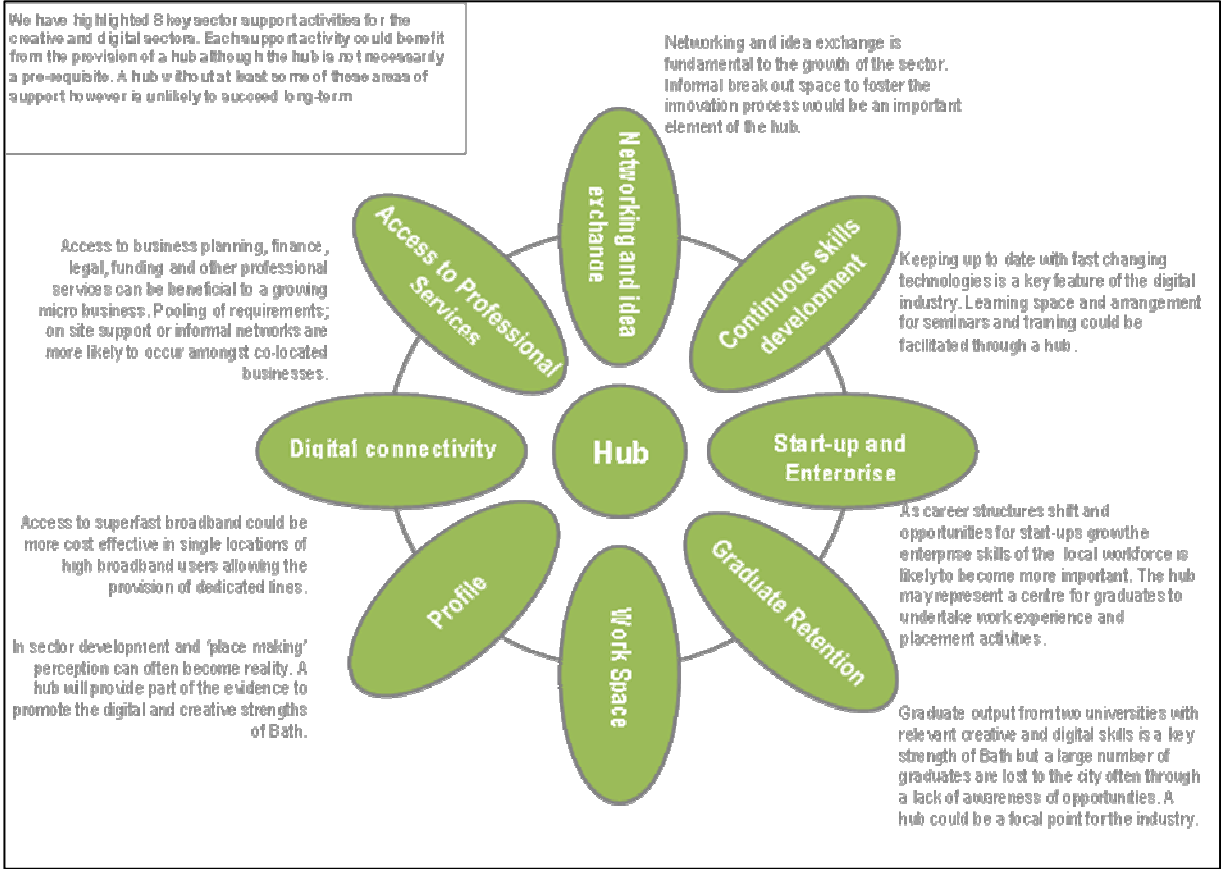
5.5 The facility will cater for the following:

- Associate memberships – these will be very low cost and give limited access, plus access to the community online, events, discounted meeting rooms, etc
- Founder members – people who buy yearly memberships
- University support – A local University is exploring the idea of sponsoring a desk so that their students can come in and experience the hub, make connections etc.
- General public – will be having 'Jelly' days to allow anyone to come and work for a day free of charge
- Local events – Free or subsidised events for local non profit groups
- Volunteering groups, and other networks to encourage activities like giving people who are starting out (perhaps long term unemployed) a desk/some hours for a time as they set up a new business and get mentoring from existing members.

What is a Co-working Space?

5.6 It is important to recognise that the role of property for the creative and digital sector is more than merely the supply of workspace. This is a sentiment recorded widely in academic literature and policy documentation. Rather, the availability of premises is valued by the industry in terms of its ability to act as a location for a wide variety of activities that support business growth; namely formal networking, knowledge transfer, skills development, technology demonstration and social interaction. Providing a credible space for creative and digital industries to work is necessary but not in itself sufficient. It must also be able to deliver a myriad of activities that are central to the growth of the sector.

5.7 The following diagram illustrates the model being proposed:



Governance

5.8 A Community Interest Company will be established to deliver the Co-Working Hub and hold a lease with the Council for the facility. Initial work has been done to develop a detailed business plan for the CiC. This is based on experience from other hubs, likely demand based on initial consultation and surveys with end users and the expected costs of running the facility.

5.9 The draft Heads of Terms for the lease is currently being developed

5.10 The CiC will exist for the sole purpose of *'providing a coworking hub for new, small and growing creative and tech businesses as well as entrepreneurial students in Bath and the surrounding area, with a range of memberships to suit as many people as possible'*

- 5.11 The CiC will have a Board of Directors made up of members agreed at the commencement of the project and will include an Elected Member. These will be unpaid and will be invited local business people with an interest in the coworking project.
- 5.12 A CiC regulator oversees the way that money is distributed from the company to make sure it is reasonable for a social enterprise
- 5.13 In addition CiC's are the subject of an asset lock, meaning that their assets and profits must be used for the community interest

Background

- 5.14 The creative and digital sector in Bath is a significant industry for the local economy. This is affirmed in a Location Quotient (LQ) analysis which highlights that B&NES demonstrates higher employment in many sub-sectors of the creative sector, compared to both Bristol and the South West.
- 5.15 Within the wider Creative sector, the digital sub-sector, as captured through the 'Software, Digital Entertainment and Electronic Publishing' DCMS category, has emerged as the largest employer, and has experienced sizeable growth in the last three years. It also characterised by a higher LQ than that of Bristol and the South West.
- 5.16 Analysis also shows that the Creative Sector is characterised by high levels of self-employment and micro-businesses of 1 – 4 employees. This is particularly true of 'Music & the Visual and Performing Arts', 'Video, Film and Photography' and 'Software, Digital Entertainment and Digital Publishing'.
- 5.17 This analysis is confirmed in figures showing that B&NES has an estimated 3700 professionals and managers working from home, with higher concentrations than nationally. The highest concentrations are to be found in the City of Bath.
- 5.18 Evidence also suggests that demand is outstripping supply in terms of appropriate workspace in Bath. With this, it is apparent that many creative and digital businesses are having to continue operations within sub-optimal workspace which is likely to constrain their growth in the long-term. It is this 'pent-up' demand for a dedicated property offer which has triggered the development of a number of creative hubs, both in the UK and abroad.
- 5.19 Consultation and wider literature stresses the importance of workspace for the creative and digital sector and how the lack of affordable and flexible space in B&NES in particular could potentially hold back the growth of the sector. Furthermore, it is acknowledged that the particular demand-side and supply-side factors that characterise the property market in Bath with regard to the creative and digital industries means that it is very unlikely that the situation will improve without some form of local intervention. This is compounded by the threat of ever increasing provision of space in Bristol which is often regarded as being in direct competition with the offer from Bath.
- 5.20 Specifically, a combination of limited turnover in the office market alongside an oversupply of workspace in Georgian town houses means there is a limited offer of the type of space creative and digital firms would typically occupy. This is then compounded by the fact despite the healthy demand within the sector, the size

and formative status of most firms means it cannot bring the necessary covenant or risk profile to stimulate developer activity to bring forward sites offering suitable workspace with flexible terms and reasonable rents.

5.21 It is these circumstances which mean the provision of workspace is likely to generate the greatest impact both short-term and long-term and as such should be regarded as the most valuable form of intervention to support the creative sector. In the short-term, it can be regarded as helping meet the immediate needs of creative and digital businesses which relieves pressure in instances such as where freelance staff are forced to work within client offices or where sole traders are working from home despite requiring a formal residence to support growth.

Milestones

5.22 The project will proceed on a phased basis. The space will be vacated from the middle of May 2012.

5.23 The following are the key milestones for delivering The Guild Co-Working Hub:

- 9 May: Cabinet approves the project
- June: Initial occupation
- September: Planning and listed building approval
- October: Building works start
- Late 2012/early 2013: Final occupation

6 RISK MANAGEMENT

6.1 The report author and Lead Cabinet member have fully reviewed the risk assessment related to the issue and recommendations, in compliance with the Council's decision making risk management guidance.

6.2 The key risks will be mitigated by establishing a Community Interest Company to govern the Co-Working Hub. A CiC:

- Is governed by a CiC regulator who oversees the way money is distributed to make sure it is reasonable for a social enterprise
- Is subject to an asset lock, meaning all assets and profits must be used for the community interest

7 EQUALITIES

7.1 An Equality Impact Assessment has been completed (see appendix 1). The main potential adverse impact is that the Co-Working Hub is only attractive to a narrow, middle class clientele. This will be mitigated by creating a working culture and environment that is accessible to all parts of the community and by actively marketing the space to all.

8 RATIONALE

- 8.1 The objective of public sector support for land and property projects is to respond to market failures concerning the commercial feasibility of development. Intervention occurs where there is a socio economic imperative to overcome these obstacles.
- 8.2 A Creative and Digital Hub Study was commissioned by B&NES to examine the best way to support the Creative sector. This is in final draft.
- 8.3 This examined the full range of options for supporting this key sector, including financial support, skills development, research and development, general business support, networks, digital connectivity and property
- 8.4 While each form of support clearly has merits and would return some value to the sector the report concludes that an integrated property solution would provide the best immediate return on public sector investment. In coming to this conclusion the study shows that the availability of suitable and affordable workspace in the City is limited, as evidenced by the high concentrations of professionals working from home in the City of Bath and that existing employers have difficulties finding space for freelancers they employ on a contractual basis.
- 8.5 The study concludes that the structure of the sector with multiple small businesses, limits the confidence of the property development industry to provide suitable business space. This is an important market failure which can be addressed. An intervention in the provision of workspace can be the vehicle to driving many of the other important interventions.
- 8.6 Having established this, the study considered a range of potential sites. This assessed all potential sites in Bath and recommended the Guildhall as the best option to test the concept

9 OTHER OPTIONS CONSIDERED

- 9.1 Two particular options were considered.
- 9.2 First to do nothing. As the main report highlights however there is a real need to support this sector and providing a Hub for activities is seen as one of the most valuable means of achieving this. By not intervening there will be fewer individuals in Bath able to find accommodation for early stage businesses, fewer opportunities for networking and innovation and less opportunity for mentors and investors to meet with early stage companies
- 9.3 Secondly to find an alternative office space. As set out in paragraph 8.6 above all property options were reviewed and the Guildhall was considered the best option to test the concept of a Co-Working Hub

10 CONSULTATION

- 10.1 *Cabinet members; Overview & Scrutiny Panel; Staff; Other B&NES Services; Service Users; Community Interest Groups; Section 151 Finance Officer; Chief Executive; Monitoring Officer*
- 10.2 Significant consultation has been carried out in the development of this project. These include: 1) Creative Bath survey 2) Workshop for interested parties on 23rd

June 2011 3) Bath Spark membership 4) Universities 5) Developers, including experienced hub operators for advice 6) Existing Tech hub operators in London (including Shoreditch) 7) local tech freelancers 8) Local telecoms companies on broadband access 9) Space and movement specialists 10) Local SMEs 11) Creative and Digital Hub Study (Mickledore still in draft) 12) existing workspace providers 13) www.coworkingbath.co.uk

11 ISSUES TO CONSIDER IN REACHING THE DECISION

11.1 Social Inclusion; Customer Focus; Sustainability; Human Resources; Property; Young People; Human Rights; Corporate; Health & Safety; Impact on Staff; Other Legal Considerations

12 ADVICE SOUGHT

12.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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Sponsoring Cabinet Member	<i>Councillor Cherry Beath</i>
Background papers	Economic Strategy, 2010 - 2026 Smart Economic Growth for B&NES (including Economic Regeneration Delivery Plans): Cabinet meeting 3 November 2010 Smart Economic Growth for B&NES: Final Report, May 2011
Please contact the report author if you need to access this report in an alternative format	