

Case Study

Economic Growth Advisors Programme

Royal Borough of Kensington and Chelsea

Creative Enterprise Hub

Key themes covered by the case study

- ✓ Business engagement and retention

Summary

The Royal Borough of Kensington and Chelsea (RBKC) holds ambitious plans to create commercial space for creative and knowledge driven enterprises, which may form the centre piece to our partnership with internationally renowned cultural and knowledge institutions, located around the borough. The space being considered will be designed to provide a mix of commercial spaces, aimed at encouraging and facilitating co-working between smaller enterprises; and provide resources to prepare businesses for accelerated growth. In establishing the groundwork for this initiative the Borough's Economic Development Team needed to assess the need, viability and differing models for such a space and the knowledge of an LGA Economic Growth Adviser (EGA) was sought to aid our thinking.

Through interrogation of existing local, national and international research and literature, combined with analysis of local property market conditions, a commentary would be prepared to aid the development of a detailed business case for intervention.

The main output of the exercise would be a study that would summarise the pushes and pulls of the local commercial property market; précis known details of the local business economy; review the co-working market; before making the case for or against public intervention.

In the longer term the study would be used to develop the Royal Borough's plans to generate economic growth, such as:

- businesses created
- business growth
- sustainable jobs secured
- inward investment secured
- an enhanced perception of Kensington and Chelsea as a centre of creative business growth.

Rationale for project

The creative sectors are currently worth more than £36 billion a year to the UK economy and employ 1.5 million people. The sector has out-performed almost every other industrial sector in the economy and is London's third highest business sector, employing over half a million people and creating more than one in five new jobs. While it is east London that is widely recognised as a favoured location for creative businesses, RBKC's creative sector also has numerous strengths:

- The borough is home to range of industry leaders including from the music, advertising, architecture, publishing, fashion and design sectors.
- There is a rich SME sector with high growth potential, in part enticed here to take advantage of the networks and supply chains of industry leaders.
- The borough is home to world class knowledge centres, including the Victoria and Albert Museum, Science Museum, Imperial College, the Royal College of Art, and in 2015 the Design Museum will be relocating to the borough.

Our ambition is to realise the potential of these unique assets, to generate economic growth and enhance RBKC's reputation as a thriving centre for creative industries, large and small, and the

'place to be' to start up and develop a creative business. Combined with an unmatched concentration of a highly educated, successful and entrepreneurial population, there is an opportunity to contribute significantly to the national agenda for growth and at the same time see the creation of new local jobs and opportunities for residents.

In considering how best to exploit this wealth of assets the Council has garnered the support of key local partners including the museums at South Kensington (Science and Victoria & Albert); the Design Museum; and higher education in the form of Imperial College, the Chelsea College of Art and Design, and the Royal College of Art.

The partnership has agreed to support local business growth ambitions through four inter-related priority areas:

- space and resources
- clusters and networks
- investment and finance
- access and support.

Our partnership has agreed that it can provide a range of support services to the targeted businesses in the form of content for seminars, workshops and events; access to industry contacts and networks; and knowledge assets, such as collections and expertise. We are also seeking to identify and secure other resources in terms of assets and funding.

The LGA economic growth advisors programme

It is the first of the priority areas 'space and resources' where Kensington and Chelsea thought the help of the LGA Economic Growth Adviser Programme would add most value. They see that there is an opportunity to attach the assets possessed and offered by our local partners, to a physical Enterprise Hub that encompasses the characteristics of business spaces being sought by modern, growing and new creative enterprises.

Kensington and Chelsea are investigating whether a new (or enhanced existing) Enterprise Hub, providing a mix of membership/club space, anchor tenants, and additional (largely third party) support such as networking, advice, seminars, would be a worthwhile intervention for the Royal Borough.

We have taken our cues from what is coming forward elsewhere, particularly in east London, including Central Working, Google Campus, Innovation Warehouse, Club Workspace, where business spaces with clear characteristics are a burgeoning success. These spaces are typically:

- highly flexible, from single workstations hired by the hour, through to space anchored by tenants on terms which are more fixed
- encourage collaboration and co-working between enterprises, through spatial design and facilitation
- provide added value of support services from third parties
- are affordable, in the context of the space provided combined with significant additional value
- adhere to attractive but inexpensive design principles
- provide opportunities to network, with businesses within and from outside of the space.

Options and opportunities

A number of approaches to this idea, based on differing levels of complexity and resource allocation, are being considered:

- Higher impact and resource intensity – Bespoke and high grade business Hub. A high profile industry-fronted new space.
- Mid impact and resource intensity – One or more functional Hubs on a smaller scale that may take advantage of opportunities of space acquired through planning gain or favourable terms offered by meanwhile use.
- Lower impact and resource intensity – A virtual scheme, such as virtual platform, which provides the access, advice and networks to businesses.
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Several different opportunities for identifying appropriate properties and spaces are being discussed including:

- ‘Fag-end’ leases and meanwhile spaces: Working with local and specialist property agents to identify commercial space with leases coming to an end and where it might be viable to work with a ‘Hub’ type organisation to deliver a meanwhile use.
- The Council’s own property portfolio: The Council’s Property Services are working with the Economic Development team on this initiative to establish opportunities within the Council’s own property portfolio.
- Planning Gain: Ensuring we develop appropriate policies that allow the Council to retain an element of commercial space from commercial conversions, or an equivalent CIL charge.
- Enhancing existing spaces: Where they may be an opportunity in the borough look to enhance existing spaces.

Key actions / how your project was delivered

Phase one – Inception

Prior to commencing the assignment RKBC met with the Economic Growth Advisor to provide a full understanding of the background to the work, as well as confirming deliverables and timescales.

At an initial conception meeting we discussed:

- confirmation of the detailed deliverables, milestones and timescales to complete the project
- the methodology and approach
- sharing of contact details for key contacts
- providing copies of any relevant reports or documents that would usefully inform the study
- the reporting and management structure for the work
- project milestones and dates to meet to discuss progress.

Phase two – Study

Following agreement of the principles discussed at the project inception meeting research began, examining each element of the study.

Phase three – Mid-point review

At the midpoint of the project timeframe the council met with the Economic Growth Advisor to review progress and to address any sticking points found in the initial weeks of the study. This provided a crucial opportunity to source and provide further evidence for analysis and to unlock some of the barriers the consultants encountered trying to engage local partners.

Phase four – Refinement of drafts

Initial completed drafts of the study were shared with the council towards the end of March. These were refined and further refined over the course of two weeks, before a final draft was agreed upon.

Project delivery timetable

	Week Commencing											
	January				February				March			
	06	13	20	27	03	10	17	24	03	10	17	24
Background Research	■	■										
Assess current and future demand for space			■	■								
Co Working space assessment					■	■						
Case for public funds							■	■				
Draft report									■	■		
Circulated for review											■	
Amends and final report												■

Key findings and outputs

Final report

The full final report can be found as an appendix to this case study. The report’s Executive Summary is reproduced below as the most straight forward way of expressing the findings and outputs of the project:

Executive summary

The economic growth advisor was asked to consider whether a new (or enhanced existing) Enterprise Hub, providing a mix of membership/club space, anchor tenants, and additional (largely third party) support such as networking, advice, seminars, would be a worthwhile intervention for the Royal Borough.

The government has placed a strong emphasis on small businesses creating economic growth. They have made a commitment to make it easier for small businesses to grow. Small businesses create nearly half of all of the new jobs in the UK. The introduction of co-working

space addresses this by providing physical space and guidance for small businesses to develop and become more sustainable.

Co-working space offers the possibility to rent a desk for a flexible period of time, on a pay-as-you-use basis or packaged membership scheme, and benefit from the different facilities; it has been termed 'LinkedIn for the real world'.

The ethos behind co-working is to create a peer to peer community of pre start and early start businesses that can complement each other. There is a growing trend in co-working spaces with now well over 40 sites opening across London over the past three years and a further ten planned over the next 24 months. Most existing co-working space attempts to be sector specific and will be mainly biased towards technology and/or creative start-ups.

Whilst there are a significant number of co-working spaces across London the Royal Borough of Kensington and Chelsea is not well served by such space. The report has identified one existing hot-desking space in the Borough and one of the leading providers of co-working space in London will be opening a space at Westbourne Studios in the summer of 2014.

Businesses looking for premises within the Borough have found it challenging. This is particularly evident for businesses seeking space of less than 75m² with demand outstripping supply. The picture is even worse for businesses seeking space of less than 25m². There are limited opportunities for development of further space to support small businesses in the Borough. Co-working space though is an efficient and effective use of a relatively small commercial space leading to the ability to support more small businesses per sq ft. There are a number of managed workspaces within the Borough, eg Westbourne Studios, Canalot Studios and Baseline Studios. However there is very little truly flexible physical space which supports the way in which creative industries businesses prefer to work. Each Centre requires businesses to enter into relatively long term leases, up to 3 years in some cases. This is a significant commitment for a young, yet to be established business and one which could act as a barrier for their entry into the commercial property market.

Co-working space removes this commitment and price barrier by providing flexible and relatively low cost accommodation.

Several workspace managers within the Borough have identified an anecdotal need for low level introductory space serving early start and small businesses in the Borough. This low level is in the form of short, flexible contractual terms, small flexible space and entry level pricing. All of which would be addressed with the introduction of co-working space.

The Borough currently has relatively low levels of new business formation and its business stock consists, in the main, of established businesses over 15 years old. This places the Borough at risk of losing its vibrant small business economy. Without significant numbers of new business stock the small business economy within the Borough is therefore likely to decline.

The introduction of co-working space will serve to support pre start and early start businesses through the creation of communities of businesses, allowing individuals to share ideas and trade between themselves accelerating innovation and creativity – in turn reducing the small business failure rate and creating more sustainable businesses.

Co-working space is also known to appeal to and attract the younger demographic of business owners – those typically younger than 34 – 40. Co-working space could therefore be appealing

to a Borough who is seeking to support and attract younger business owners.

The Borough is in the beneficial position of having within it a number of public and private sector organisations with a world-wide reputation. From the public sector there is a strong presence of well-known museums and educational establishments such as the Royal College of Art, Imperial College and the Victoria and Albert Museum. From the private sector there are world leading fashion brands with significant bases in the Borough such as Tommy Hilfiger. There are also existing business clusters, work spaces and networks, such as the music industry concentration with all the major record labels including EMI, Sony, Chrysalis and Warner, as well as indie labels, such as Rough Trade and Wall of Sound in the north.

These world leading organisations provide a perfect opportunity for a possible partnership on economic development activities, potentially including co-working space, especially if the space is considered sector specific.

The findings of the RBKC Enterprise Survey 2012 showed that most of the businesses surveyed are located within the Borough to be close to their customers (33 per cent), because this is where the owner lives (25 per cent) or to be close to similar businesses (18 per cent). The introduction of co-working space could therefore assist businesses to be closer to their customers and closer to similar businesses, especially those who work in the Borough's creative clusters, delivering growth in these industries. If the Borough is to continue to act as a focal point for small businesses within the creative industries the introduction of a sector specific co-working space would be strongly recommended.

This could be achieved by actively supporting an existing co-working space provider to enter into the Borough or by developing a more formal partnership with one of the high profile public or private sector creative industries organisations in the Borough. This could replicate the Google Campus model in East London.

In conclusion there are a number of scenarios the Borough could face in the medium and long term. Whilst the small business economy in the Borough is vibrant, action needs to be taken to support new and proto businesses, particularly those started by young individuals, or this vibrancy may diminish.

The report finds that there are five possible scenarios:

1. Keep with the status quo and not introduce co-working space.
2. Assist an existing experienced space provider to introduce co-working space into the Borough.
3. Develop a formal partnership or seek sponsorship from some of the Boroughs key public or private sector organisations.
4. Develop and deliver a co-working space with existing Council resource.
5. A hybrid of scenarios 2 and 4.

Of these five scenarios the report details that scenario 2 is most likely to happen in the short term with the introduction of co-working space at Westbourne Studios. In the medium term the report recommends that the success of this space is monitored with the view that the Council could seek to develop an offering in partnership with a private or public sector partner in the Borough. Should this be a private sector partnership it is likely to be one of the first public / private sector co-working space partnership in the Country.

With any scenario there could be unintended consequences. Co-working space is likely to see

increased rates of business start-up activity. There is also the potential for the start-up business survival rate to increase. These businesses may choose to graduate out of co-working space further increasing demand in small office space (< 25m²). A longer term consideration therefore would be to consider the demand at this intermediate level, traditionally supplied by managed workspace operators and workspace at levels beyond this (>75m²).

This report concludes by providing a model of 'best fit' for the Borough. This model would have the following features:

- 'Creative Design' sector specific which encompasses many aspects of creative and design oriented processes used in other creative and non-creative sectors (graphic design in the music industry for example) and including the supply chains of those sectors.
- At least 2,000 sq ft. At levels above this more flexible space could be made available, space suitable for different 'design' needs such as workbenches rather than desks. At the lower end of the spectrum (circa 2,000 sq.ft.) we would envisage the space to be a large open plan facility, perhaps merely just one floor or an open atrium of an existing building. Larger facilities could include individual units for larger teams and more established businesses and more sector specific facilities, such as blank studios for multi-purpose design use, for example a temporary photography space, or a space whereby point of sale designers could test design layouts.
- A space with quirky features. These range from the requirement for spaces to be well lit with a large amount of natural light to buildings with unique architectural and/or interior design features. Co-working spaces are also typically furnished in an ad-hoc fashion with lots of mismatched furniture.
- The space would be run and managed by experienced co-working professionals able to create a complete community within the co-working space.

The main objective of such a space would be to become a focal point for a network of early stage business interaction generating an energy and vibrancy in the Borough. This network would extend beyond the reach of the co-workers within the space and would seek to include both virtual and physical interaction between small businesses in and beyond the Borough. In essence the co-working space would be a network for local businesses which is supported by a commercial property offer matching with their needs.

Other positive aspects and benefits of a facilitated/managed network:

- Access to investors/investment.
- Access to wider creative and commercial influences.
- Acts as its own critical mass encouraging investors, service providers and other sources of assistance.

Economic benefits

The aim of the project was to provide an evidence based study which would summarise the pushes and pulls of the local commercial property market; précis known details of the local business economy; review the co-working market; before making the case for or against public intervention. This has been achieved.

The study is now being used to develop the Royal Borough's strategy to address the demands and requirements of growing businesses in Kensington and Chelsea, in particular regard to space and resources; but also, investment and finance; clusters and networks; and access to support.

The aim is that the strategy will provide a direction to achieving economic gains in the form of new businesses created; business growth; sustainable jobs secured; inward investment; and enhancing the perception of Kensington and Chelsea as a centre of creative business growth. These are long term ambitions have been helped markedly at this early incept stage, by the support provided by the Economic Growth Advisors Programme. However economic indicators identifying progress against the aims will not become evident until the report's recommendations are put into action.

Annex

- 1. ANGLE Technology - report for the Royal Borough of Kensington and Chelsea - Co-Working Enterprise "Hub"**