

	<p>Assets, Regeneration and Growth Committee</p> <p>17 March 2016</p>
<p style="text-align: center;">Title</p>	<p style="text-align: center;">Business Hub Development</p>
<p style="text-align: center;">Report of</p>	<p>Commissioning Director – Growth and Development</p>
<p style="text-align: center;">Wards</p>	<p>All</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Urgent</p>	<p>No</p>
<p style="text-align: center;">Key</p>	<p>No</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix One: Strategic Outline Case</p>
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<h2>Summary</h2>
<p>On 30 November 2015 the Committee considered the annual report and forward plan for Entrepreneurial Barnet, which aims to join up the local public sector to make Barnet the best place in London to be a small business. The report noted that work on the development of a Business Hub would commence in early 2016.</p> <p>Accordingly, this report presents an outline case for such a business hub, which would be independent of the council and operate as a part of the local business community as a social enterprise, and sets out the outcomes it will achieve, operating model, funding arrangements, and timescales for development. This outline case is dependent upon the success of a recent bid for external funding, which was submitted on 19 February 2016.</p> <p>If agreed, and subject to securing external funding to resource it, work will commence on the development of a Full Business Case that will return to the Committee in late 2016.</p>

Recommendations

Assets, Regeneration and Growth Committee are requested to:

- 1. Note the Outline Case for an independent and financially sustainable business hub set out in Appendix One.**
- 2. Confirm the funding arrangements for the development of Business Hub activity, particularly the role of external funding to resource it.**
- 3. Agree to commence the development of a Full Business Case for the business hub, should external funding be secured.**

1. WHY THIS REPORT IS NEEDED

- 1.1 This report sets out a Strategic Outline Case (SOC) for the establishment of a “Barnet Business Social Enterprise” that will lead aspects of business support and economic development activity in the borough, and will focus in particular on small and micro enterprises and those businesses who are most likely to grow and create employment and new economic activity in Barnet.
- 1.2 If the Committee agrees the recommendations set out above then work will commence on the development of a Full Business Case (FBC) containing more detail and information on the governance, finances and operating model of the proposed hub (subject to funding being secured).

2. BACKGROUND

- 2.1 The Entrepreneurial Barnet approach was agreed by the Committee on 15 December 2014 setting out the objective for the borough to become the best place in London to be a small business. Subsequently at its meeting on 30 November 2015 the Committee considered the 2015 annual progress report and forward plan for 2016, which was agreed and included within it the development of a business hub that would support local entrepreneurs to succeed and grow.
- 2.2 The majority of businesses within the borough (93.2%) are micro businesses with fewer than nine employees (ONS, Inter Departmental Business Register, 2015). Entrepreneurial activity in Barnet is particularly high compared with other areas, with the highest level of registered businesses of any outer London borough. Despite this, the survival rate of businesses is one of the lowest in the capital; the one-year business survival rate is the lowest in Outer London at 91.6% (ONS Business Demography, 2014).
- 2.3 Existing provision of business support activity in the borough has been identified through a mapping process. The current offering is relatively disparate, and largely concentrated in the east of the borough. Rather than duplicate existing provision, the business hub would work to support and augment these existing services, and would itself be identified as an integral part of the business community rather than as a council service.

- 2.4 Additionally, the devolution of business rates growth to local areas from 2020 (at the latest) will result in business rates constituting a significant proportion of the council's budget, with the council likely to retain any subsequent growth locally. It will therefore be important that the council has a credible, targeted and evidence-based approach to business support and growth.
- 2.5 Given these points, the council is proposing to establish a social enterprise "Barnet Business Hub", coordinating and augmenting the existing disparate business support services in the borough. The outcome will be the provision of a comprehensive offer to local SMEs which includes professional mentoring, master classes, networking opportunities and facilitating access to space for working and meeting.
- 2.6 The Business Hub will be an independent organisation that is identified as being a part of the local business community, and will take an evidence-based approach to targeting its activity at businesses and entrepreneurs that data tells us are statistically most likely to grow. Services will be targeted at Barnet start-ups and businesses in sectors with high failure rates, with the aim of increasing the borough's business survival rate and business satisfaction, and creating new employment opportunities.
- 2.7 On this basis, a bid to the European Regional Development Fund (ERDF) was submitted in February 2016. If successful, this fund would provide £500,000 of funding, to be match-funded with an additional £500,000 from the Infrastructure Reserve. This would provide a total £1m for use towards the development of a business hub.

3. STRATEGIC CONTEXT

- 1.1 The Entrepreneurial Barnet approach seeks to provide the business growth objectives for the borough and was agreed by the Assets, Regeneration and Growth Committee on 15 December 2014. A key theme of the approach is facilitating business growth by ensuring that businesses are able to access the support they need to succeed and grow.

3. STRATEGIC OUTLINE CASE

- 1.2 The objective of the Barnet Business Hub is to create a sustainable and independent business support network that carefully targets its activity to increase the relatively low survival rate of Barnet businesses. The business hub brings together various existing business support services across the borough, increasing awareness and access to provision, addressing market failures where needed, providing evidence based targeted mentoring and B2B support to businesses with growth potential, and creating a digital networking and support platform. Over three years the business hub will seek to establish a self-sustaining social enterprise model as its legacy.

- 1.3 The Strategic Outline Case enclosed in Appendix One outlines the objectives and proposed deliverables of the Barnet Business Hub, along with the proposed approach for project management of the Hub.

4. REASONS FOR RECOMMENDATIONS

- 1.4 Geographically, Barnet does not have a central urban or natural area where a single business hub could be located. Mapping of existing business support provision in Barnet shows that although there is some provision of business support in the borough, there is evidence of an undersupply in key areas for businesses e.g. around business mentoring or in the geographical west of the borough.
- 1.5 Bringing together the business support provisions across the borough would increase access to existing support services without creating a new physical central hub or competing with existing market provision. **The business hub will work with new businesses and current providers of business support services to address the high business failure and death rate and facilitate survival and growth of new start-ups.**
- 1.6 The establishment of a sustainable and independent business hub social enterprise would better support business need within the borough than more traditional business support offerings which are dependent upon ongoing funding from government organisations.

5. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 1.7 In developing the Strategic Outline Case feedback received from local businesses was taken into account. In January 2014, Barnet Council commissioned work to explore opportunities for a new Social Enterprise in the borough. This work included an analysis of gaps in the market for business support provision and recommended the creation of a Business Hub Social Enterprise.
- 1.8 Officers have undertaken research on existing business hub models, business mentoring models and other co-working models. These include: the London Small Business Centre, Harrow in Business, Westminster Enterprise Centre, Barking Enterprise Centre, Enterprise Enfield, Portobello Business Centre, HBV Enterprise, Birmingham City Council's Business Development Centre, among others.

- 5.1 Based on this research and review, an in-house model of business support is not being recommended due to their need for financial support on an ongoing basis and to keep bureaucracy and red tape to a minimum. In the Barnet context, a centralised point for all business support is not recommended as geographic needs do not support this model, whilst the eventual financial independence of the business hub as a social enterprise will be priority in order to ensure that it is sustainable and identified as being an integral part of the Barnet Business community.

6. POST DECISION IMPLEMENTATION

- 6.1 Should the recommendations in this paper be approved, and subject to the initial outline bid for ERDF funding being successful, work will commence on a more detailed ERDF funding bid along with the production of a Full Business Case (FBC) for the business hub social enterprise, which will return to the Committee at a future date. The broad timescales are set out below and are subject to securing external funding:

Milestone	Start Date	Completion Date
Web site development /site up and running	Month 3 (March 2017)	Month 09 (ongoing)
Commencement of Pilot mentoring scheme	Month 9 (September 2017)	Month 12 (December 2017)
Establish mentoring scheme	Month 14 (February 2018)	Month 20 (August 2018)
Set up of independent and financially sustainable social enterprise	Month 18 (June 2018)	Month 36 (December 2019)

7. IMPLICATIONS OF DECISION

7.1 Corporate Priorities and Performance

- 7.1.1 The establishment of a Barnet Business Hub furthers the priority to implement the business growth objectives in the borough to make Barnet the best place in London to be a small business. A network which brings together existing support provisions and intervenes in areas where there is a lack of provision addresses one of the fundamental building blocks to increasing Barnet's performance as a supporter of small businesses and to improving the business survival and growth rates within the borough.

7.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 7.2.1 The European Region Development Fund (ERDF) was submitted 19 February

2016. If successful this funding opportunity will provide £500,000 of funding from the ERDF, with a further £500,000 in match funding contributed by the Council from the Infrastructure Reserve.

7.2.2 Assuming that the bid is successful, all appropriate procurement and financial management processes would be adhered to.

7.2.3 If funding is not successfully secured, the business case for the business hub would need to be reassessed and reduced in scope.

7.3 **Social Value**

7.3.1 The business hub will work with those businesses and entrepreneurs from all backgrounds who are considering creating a business and provide support and advice to do so. Key outputs from this initiative are in relation to the number of new businesses started and how these businesses have been supported.

7.3.2 The mapping of current business support provision in Barnet has identified areas that lack provision and the “network” approach to business support that is proposed in the Strategic Outline Case offers a way to improve the business support in these areas.

7.4 **Legal and Constitutional References**

Council Constitution, Responsibility for Functions, Annex A- details the terms of reference of the Assets, Regeneration and Growth Committee-which includes ‘Engagement with the business community and measures to support local business’ and ‘To approve any non-statutory plan or strategy within the remit of the Committee that is not reserved for Full Council or Policy and Resources.’ In addition, Annex A –The Assets Regeneration and Growth Committee has responsibility for “Asset Management. – all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council. Where there are land and property implications for the council, the authorisation thresholds and asset disposals must be authorised by the Assets Regeneration and Growth Committee. ARG Committee also has a responsibility to authorise procurement activity within the remit of the Committee and any acceptance of variations or extensions if within budget in accordance with the responsibilities and thresholds set out on the Contract Procedure Rules.

7.5 **Risk Management**

7.5.1 Risks for this proposal have been outlined in Appendix A – Strategic Outline Case, section 7. Key risks identified were:

7.5.2 *If the project is not taken forward*, the ongoing performance of businesses within Barnet will likely not change significantly from their current low levels of survival. The London Borough of Barnet currently has the third highest business “death” rate in London (ONS Business Demography, 2014). If business survival and growth rates are not improved, there will be consequences following the devolution of business rates, which links the

performance of businesses in the borough to the income that the Council receives. As such, the business hub assists in mitigating this risk.

7.5.3 *The outcome of the bid for ERDF funding* to support the delivery of business hub activity is one of the key risks to the current project proposal. This funding would unlock an income stream of £1m over three years. If unsuccessful, the project must be fundamentally re-evaluated in terms of scope and timescales, and Re Ltd will work with officers to revise the proposal in order to identify a feasible scope and timescale for the project and bring this revised proposal forward to the. All possible mitigations have currently been taken and the outline bid has been submitted for this project.

7.6 **Equalities and Diversity**

7.6.1 As part of the development of the Entrepreneurial Barnet approach, a full EIA was undertaken which informed the decision to develop the business hub. As the development of the Full Business Case progresses, a full EIA for the business hub will be undertaken.

7.7 **Consultation and Engagement**

7.7.1 This report recommends that, if funding is secured, that further development of the Barnet business support hub is continued. Members and businesses will be consulted on proposals as the Full Business Case is progressed. The project team is committed to encouraging a partnership approach towards business support in order to enhance the success of the business hub, which in itself will be a part of the local business community.

8. **BACKGROUND PAPERS**

8.1 The development of a model and business case for the Barnet Business Hub was agreed by Assets, Regeneration and Growth Committee on 30 November 2015 as part of the Entrepreneurial Barnet Forward Plan for 2016.

8.2 Entrepreneurial Barnet approach

<https://www.barnet.gov.uk/dam/jcr:e326f566-5394-4a68-921c-5fee57541c9a/Entrepreneurial%20Barnet%202015-2020.pdf>