



# **Thames Valley Berkshire Supporting Workspace September 2016**

## **FINAL REPORT**

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## 1. Introduction

Renaishi was asked by the Thames Valley Berkshire LEP to consider the varying hub and workspace typologies which exist and the factors for success for each, to consider the degree to which there is provision of each typology across the LEP area and to get views from providers and other stakeholders on the barriers and an understanding of why models are not coming forward in Thames Valley locations. Finally, we were asked to make recommendations to the LEP on future support to the sector and interventions which could act as a catalyst.

The rest of this report provides our findings.

## 2. Workspace Typologies

In this section we have provided a summary of typologies which typically form sub groups of the more generic workspace headline. In reality, these are not necessarily demarcated separate offers but reflect a gradation with uses and characteristics merging into each other. Equally, many providers combine more than one typology in their provision even in relatively small schemes. However, it is helpful to include some definitions to better understand the role and potential for workspace across the Thames Valley.

We have divided our definitions into the following areas:

- Co- location spaces
- Incubator and accelerator spaces
- Artist studios
- Managed workspace
- Light industrial Workspace

### Co-location Space

Co-location spaces are a relatively recent phenomenon which have seen significant growth, particularly in Central London in recent years. Few have developed in outer London. Co-location spaces are generally aimed at micro businesses. Spaces are not separated, desks are set out in an open plan environment with, very often, each desk representing a separate business location.

Beyond that basic model, provision can vary significantly. Some co-locations space are more formal in nature with individuals having access to a workstation in semi-permanent fashion. Others are more informal and offer access to wifi and a 'sit anywhere' approach. These latter schemes are often membership based. Businesses, very usually individuals, buy a membership and are entitled to use the space so many hours per month. Work station approaches tend to exclusively rent the desk to an individual or business.



The principle of co-location is to encourage interaction between businesses. As such, successful models tend to have add-ons – this might include break out spaces, kitchen facilities, a coffee shop or, for larger schemes, even a café, bar or gym.

There are likely to be networking or social events. To be truly co-working, there needs to be some degree of connectivity or interaction between users. Providers may offer a centre manager, part of whose role is to create an appropriate social ambience. Such schemes have been particularly successful with creative industries, digital technology and media sectors. Providers will want ‘funky’ space if possible – whether a refurbishment or new build.

Membership schemes are becoming increasingly popular in Central London. There is good reason for this. Providers can effectively sell desks 3-4 times over in the same way that gyms oversell memberships knowing they won’t be used as much as members initially intend. However, outside high profile areas this creates a risk – to be a viable membership scheme needs demand of potentially 200 members against the need to ‘sell’ 50 desks via more traditional provision.

#### **Incubator and Accelerator Spaces**

The more traditional approach to offering start up space is via incubator and accelerator provision. In such schemes, spaces tend to be more defined and personal than is true with co-location spaces. The add ons which come with incubator schemes are more based around business support than networking opportunities. They might include training and business support, advice or mentoring. In many schemes, rents will be reduced – on occasions this is linked to the provider taking an equity in the business in return for the reduced rent. As such, they are usually focused on young businesses and may include an incentive for businesses to move on as they mature and grow – by escalating rents to market rent or even above for example.

Accelerator spaces have an additional angle in that they seek to work specifically with businesses who have the potential for growth. In these cases a provider is more likely to take equity in the business and provide tailored business support. In such schemes, there may be a competitive element to occupation with businesses selected from a shortlist. This gives a cache to the entrepreneur in terms of being a ‘preferred’ business.

Incubator, Acceleration and Co-Location spaces are often linked under the acronym, IAC. For all such provision there are key elements which, whilst not necessarily an absolute must have for success, certainly improve the marketability and viability of schemes. Examples include:

- Good and practical design which provides attractive space and takes into account user needs – bicycle racks and showers being an obvious example. Generous ceiling heights may also improve the attractiveness.



- Flexible access arrangements – ideally but not always necessarily 24/7 access to the building.
- Being part of a wider ‘ecosystem’ – provision of meeting rooms, local facilities.
- A good coffee shop either on site or nearby.
- Critical mass to support the additional services provided. It is difficult for a co-location provider to offer a resource to encourage socialising and networking if the space is too small to raise the income to justify such a decision.

Provision of IAC’s has also tended to prefer locations with excellent public transport locations – but, of course, this is equally true of a number of competing land uses. Similarly, most schemes seem to thrive in town centre locations where there is a wider local offer. However, there are exceptions to that rule.

### Artist Studios

Provision of artist studio space typically operates in a very different way to the IAC market. Artist studios have typically been drivers of regeneration or, arguably, gentrification. Typically, artist studio provision takes place in cheap, less desirable areas – often in edgy, urban environments.

There is a longstanding history of artist studios being a victim of their own success. Their introduction into an area can lead to the area itself gaining a ‘place to be’ reputation, which in itself attracts higher value uses into the area. Over time, unless providers have been able to obtain a freehold, they are likely to be moved on. Such provision becomes nomadic as a result and the general increase across the board in land values in recent years has made it difficult for the sector to find new footholds.

The fundamental characteristic of most artist studios is their affordability – the view being that location comes second and price comes first.

Whilst seen as driver to regeneration, it is not clear to what degree artist studios contribute to SME growth. Whilst having a passionate and dedicated base, it can be argued that relatively few such users go on to become larger businesses compared to other sectors of the market.

### Managed Workspace

Historically, workspace provision has been less nuanced than described above. Spaces have very often been in multi storey buildings with some central services – meeting rooms, admin support and so on. There are not necessarily any added services or interactivity within spaces. Such provision can be high end, office style



schemes such as those typically provided by Regus. Others can have a more industrial feel, with cheaper space – Workspace Ltd perhaps being the biggest provider of such schemes. In some areas, this provision is a significant proportion of the overall business offer. In London for example, Workspace have in excess of 4 million sq ft of managed workspace in a wide range of schemes – from a few thousand sq ft to their flagship Kennington Park scheme at the Oval which is around 300,000 sq ft and has many of the IAC characteristics set out above as well as move on space.

Such schemes do not necessarily require a town centre focus, the connectivity of businesses, or the wider ‘ecosystem’ although larger schemes such as Kennington Park may build that in.

Terms tend to be easy in easy out arrangements.

### **Light Industrial Workspace**

Finally, the role of light industrial SME space should not be overlooked. These are more obviously industrial units – for example, they may have roller shutter doors, loading bays and higher ceilings. They are likely to be lower density users, 1-2 storeys.

Light industrial business parks have traditionally been very prevalent across London and the South East. However, they have come under significant pressure, particularly in areas where employment uses are not protected through local planning policies, for change of use to residential. There are a number of such schemes in the Thames Valley area.

There are examples where light industrial providers have made a success combining incubator schemes with light industrial spaces including add on services. The Enterprise Quarter at Slough industrial estate being a notable example.

The rest of this report is constrained to reviewing the demand and supply of IAC spaces.



### 3. Audit of Current Supply

We have undertaken an audit of current provision of IAC spaces in the Thames Valley Berkshire region. A map and table detailing the spaces and the services offered at each space can be found in Appendix II. This review has come from desk top analysis and information shared with us by other providers. It is not intended to be comprehensive but to give a flavour of provision.

#### Grow @ Green Park, Reading

The centre at Green Park is a 7,500 sq ft innovation hub within a suburban office park location. It is a mixed offer of fixed desks, hot desks, meeting spaces, and communal breakout areas.

#### University of Reading – Science Park and Knowledge Transfer Centre, Reading

The University of Reading Science Park is the latest iteration of a business incubation project that has grown from an initial 5,000 sq ft small business incubator into a 50,000 sq ft enterprise hub as part of a wider 500,000 sq ft Science Park. The Enterprise Hub has experienced high demand from SMEs and currently has no vacancies.

This multi-building centre, when completed, will support high-growth technology start-ups.

The Knowledge Transfer Centre, a component of the University of Reading offer, has been established to act as a ‘front door’ for companies of various sizes and stages of growth looking to locate in the Thames Valley Berkshire region. Our discussions suggest that companies are attracted to the University of Reading campus because of the communal feel and opportunities for collaboration and partnership.

#### Greenham Business Park – Liberty House, Newbury

Greenham Business Park is a 150 acre collection of buildings housed in a former US Air Force base. Managed by a trust, the park has gone through a series of infrastructure and building improvement over the last 20 years. Liberty House, located on the Greenham Business Park campus, offers serviced offices and individual rooms of 160-400 sq ft and higher on flexible 30-day lease terms. Growth for these spaces has been demand-led and is currently full.

Interviews with stakeholders suggested that Liberty House has disproportionately high overhead costs due to SME turnover in the centre. However, incubating and hosting SMEs is viewed as part of their charitable offer and encourages business growth within the Greenham Park ecosystem.



### **Slough Aspire/The Bakery, Slough**

Located on Slough Trading Estate, the Aspire centre operates primarily as an employment and training centre for people in the area. It operates a small (approximately 1,000 sq. ft.) co-working space however this has seen relatively low demand and there is a perception from stakeholders that the market for this type of space in Slough is narrow.

The Bakery is an added value project which facilitates partnerships between SMEs and the large corporate base of the region by leveraging the talent and creativity of microbusinesses/SMEs with the ad-hoc needs (eg a new marketing campaign) of large corporations.

The wider Enterprise Quarter at Slough Industrial Estate has formed out of a partnership with SEGRO (owners of the Slough Trading Estate) and Slough Borough Council. This is a more traditional light industrial offer and sees strong demand.

### **QV Offices, Reading**

QV Offices is a 3,500 sq ft space providing a mixture of traditional serviced offices with flexible terms and a minor provision of hot desking. It is located in a heritage building in Reading town centre and within walking distance of the rail station.

All traditional offices have been filled and interviews suggested that demand is high for this type of office space. Previous experience with hot desks has been negative as the original offer has been reduced due to low demand.

### **Oxford Innovation – Bracknell Enterprise Hub and Lily Hill House, Bracknell**

These two centres are operated by Oxford Innovation as enterprise hubs providing shared workspace for small start-up organisations, predominantly in the science and tech sector. They have a number of characteristics that appeal to small, growing businesses, such as the opportunity for business advice, coaching, and support, networking opportunities, shared administrative services and flexibility. Key amenities include flexible office space, meeting rooms, and proximity to town centres and mainline rail transport.

Bracknell Enterprise Hub is 20,000 sq ft over 4 floors with a mix of break-out space, meeting rooms, and permanent offices spaces with a small 1000 sq ft space set aside for membership-based hot-desking. Office spaces range from 180 to 1500 sq ft.

Lily Hill House is a traditional serviced and managed office space with spaces available from 250-2400 sq ft on short and medium-term leases. Additional amenities include access to for-hire meeting rooms.





### **Serviced and managed office space**

These spaces offer traditional serviced offices across the region and vary little in their offer or support for SMEs. Interviews with some of these spaces indicate that demand has been historically high however they are largely dominated by small accounting, legal, and professional services companies. They typically offer similar lease terms and levels of business advice despite differences in location (town centre vs suburban). Design of often traditional office design however some new spaces incorporate trendy, industrial design. These centres offer some flexible office space but rarely offer opportunities for hot-desking. Flexible leases often require a 1/3+ month commitment and do not offer short weekly or daily terms.

#### Regus – Dukesbridge House, Reading

Traditional serviced offices in central Reading with close proximity to the rail station. Spaces are available on flexible daily, weekly, and monthly terms with access to meeting rooms and communal lounges. Variable pricing options include access to other Regus centres across the United Kingdom.

#### Regus – Davidson House, Reading

Traditional serviced offices located in Reading's new centrally-located Forbury Square development. The space is close to the main Reading high street and railway station. Spaces are available on flexible daily, weekly, and monthly terms with access to meeting rooms and communal lounges. Variable pricing options include access to other Regus centres across the United Kingdom.

#### Regus – Thames Valley Park, Reading

Traditional serviced offices located within a large business park on the east side of Reading. Close to junction 10 of the M4 motorway, the park is easily accessible by road with a free shuttle bus service to the Reading's town centre and rail station. Spaces are available on flexible daily, weekly, and monthly terms with access to meeting rooms and communal lounges. Variable pricing options include access to other Regus centres across the United Kingdom.

#### Regus – Atlantic House, Reading

This multi-story business centre offers traditional serviced offices and is situated in a suburban location close to the Madejski Stadium near the M4 motorway. Spaces are available on flexible daily, weekly, and monthly terms with access to meeting rooms and communal lounges. Variable pricing options include access to other Regus centres across the United Kingdom.

#### Regus – Green Park, Reading

Traditional serviced offices located within the Green Park business park in suburban Reading. Spaces are available on flexible daily, weekly, and monthly terms with access to meeting rooms and communal lounges. Variable pricing options include access to other Regus centres across the United Kingdom.

#### Regus – Arlington Business Park (two locations), Reading

Regus has two locations in the Arlington Business Park area including 1210 Parkview and Abbey House. Both centres are suburban locations located close to



the M4 motorway with on-site car parking available. Spaces are available on flexible daily, weekly, and monthly terms with access to meeting rooms and communal lounges. Variable pricing options include access to other Regus centres across the United Kingdom.

MSO Workspace - Churchill House Business Centre, Slough

Churchill House is part of the MSO Workspace network of managed and serviced offices. It is situated near Slough town centre with quick access to the M4 motorway. The centre offers a range of fully managed flexible serviced office space with conventional lease agreements and separate meeting space for hire. The centre is accessible 24-hours a day however access outside of traditional office hours requires notice to staff.

Regus – Slough Trading Estate, Slough

This centre is a new multi-story office building located on the Slough Trading Estate with access to major road links to London. Spaces are available on flexible daily, weekly, and monthly terms with access to meeting rooms and communal lounges. Variable pricing options include access to other Regus centres across the United Kingdom. A café is available for office tenants.

Regus – Stoke Road, Slough

This Regus centre is in a multi-story office building in Slough town centre next to the rail station. Spaces are available on flexible daily, weekly, and monthly terms with access to meeting rooms however communal lounges are not available at this site. Variable pricing options include access to other Regus centres across the United Kingdom.

Netqubate Business Centre, Newbury

This centre is located in Newbury town centre with close access to the Newbury Rail Station and road links to the M4/A34. The centre's offer is predominantly serviced offices however there is part-time access to hot-desking facilities. Hot desks are available on daily or weekly rates and include access to phones, mail, and WiFi however meeting spaces are an additional cost.

Festival House, Newbury

Festival House a new business centre is located in Newbury town centre and within walking distance of Newbury Rail Station. The centre offers traditional serviced offices with 24-hour access, car parking, and shared kitchen facilities inclusive in pricing. Additional costs include meeting room hire, printing, and telephone service.

Space Business Centre, Wokingham

Space Business Centre is located south west of Wokingham town centre in an area populated by business parks and large retail. The centre offers SMEs private, serviced offices with private front-door access however there is no offer of separate meeting spaces. The suburban-located building is one floor with opportunities for a mezzanine in each space and includes design elements such as exposed industrial fixtures and large windows. The centre offers users parking and 24/7 security facilities.



Mantle Business Centres, Wokingham

Mantle Business Centre operates two facilities in Wokingham – Innovation House and Indigo House – which are located in close proximity to Wokingham Rail Station. The offices are let on traditional terms and are marketed toward new and small businesses. Both centres offer serviced offices, on-site parking, and a flexible package of business coaching for an additional cost.

Albany House Business Centre, Wokingham

Albany House Business Centre offers serviced offices in a town centre location with close proximity to Wokingham Rail Station. The centre features free access to one boardroom-style meeting space, 24-hour access and parking. All contracts require deposit fees and minimum notice periods of 2 months before termination of lease.

Abbey House, Bracknell

Abbey House is a multi-story office building located close to Bracknell town centre and within proximity to Bracknell Rail Station. Offices spaces range from 200 to 1000 sq ft. The space has meeting and conference facilities available for separate hire. Additional inclusive services include 24-hour access, parking, shower facilities, shared kitchen facilities, and administrative support such as phone and mail sorting. Some hot desking spaces are available but this is based on availability of surplus or unused office supply and is not a priority for the centre. Contracts require traditional notice and termination periods of 1-2 months.

329 Bracknell, Bracknell

This space is a new 2-story managed and service office space centre located in a suburban office park off the M3 motorway. Offices are 24-hour accessible and spaces range from 850 to 1500 sq ft. The centre stresses its 100Mb superfast fibre optic internet connectivity and strong WiFi support. Additional amenities include car parking, bicycle storage, and shower facilities inclusive with for-hire meeting spaces

Regus – Venture House, Bracknell

This Regus space is located in a business park in close proximity to Bracknell town centre. Spaces are available on flexible daily, weekly, and monthly terms with access to meeting rooms and communal lounges. Additional amenities include access to meeting rooms and business lounges inclusive of office rental terms. Variable pricing options include access to other Regus centres across the United Kingdom.

Regus – Atrium Court, Bracknell

Atrium Court is a multi-story business centre located in east Bracknell on the main ring round surrounding the town centre. Spaces are available on flexible daily, weekly, and monthly terms with access to meeting rooms and communal lounges. Co-working provision is not yet available at this space however there are plans to offer this. Additional amenities include access to meeting rooms and business lounges inclusive of office rental terms. Variable pricing options include access to other Regus centres across the United Kingdom.



## 4. Views of Workspace Stakeholders

In this section we highlight the key views of a range of stakeholders including workspace providers, academic institutions, local authority economic development officers, entrepreneurs, and private developers from across the region on the demand for IAC activity. We have conducted 18 telephone interviews that were identified through references from Thames Valley Berkshire LEP and our internal research. A full list of consultees is provided in Appendix I. The following summarises the key issues which arose:

### What Makes a Strong IAC Offer?

Our discussions highlighted that there are a number of elements which make up a strong IAC offer and which set IAC provision apart from more general managed workspace – in particular, this included high specification design, availability of breakout spaces and common areas, amenities such as good coffee, networking opportunities, high-speed broadband access, bicycle storage and showers, support and business guidance such as mentoring, a town centre location, and a close proximity to rail stations. Critical mass is also important – one successful scheme can breed others, creating an IAC cluster such as has been achieved in Shoreditch in East London.

This is not to say that all of these elements have to be in place to realise a successful scheme – rather that each strengthens the overall offer if it can be incorporated.

### Is there such an Offer In the Thames Valley?

There was general agreement that no one space within the Thames Valley represented an ideal IAC space, which combines all of these factors. However, there is some provision which incorporates at least some factors separating from mainstream office provision. For example:

- Grow@Green features creative and attractive flexible design with hot-desks and common areas. Grow also offers a strong schedule of networking opportunities for small businesses. A number of commentators highlighted its networking opportunities.
- The Bakery at Slough Aspire offers an innovative model of facilitating opportunities for partnerships between local SMEs and some of the region's largest corporates, such as BMW and Microsoft.
- The University of Reading's Knowledge Transfer Centre and TVB Business Growth Hub offer valuable start-up support and guidance for SMEs and microbusinesses.
- Greenham Business Park, whilst predominantly a small-industrial focus, has excellent broadband speeds and connectivity rates that are popular amongst tenants.
- Oxford Innovation operates two IAC spaces in Bracknell, Bracknell Enterprise and Innovation Hub and Lilly Hill House.



It is not perceived that there is any clustering of IAC activity in the region – with a number of schemes being provided away from town centres that would make clustering unlikely.

### **Is there a more traditional offer In the Thames Valley?**

Traditional serviced offices and managed office space, in particular provided by Regus, can be found scattered throughout the region. These spaces do not offer the type of collaborative working style, open desk plans, and flexible daily or weekly terms that are desired from microbusinesses and which characterise strong IAC provision.

### **University presence helps create micro business demand**

Universities across the Thames Valley region have a track record of developing and expanding their IAC offer. This is evident in the University of Reading's ongoing expansion of the Incubation Centre into the larger Science Park.

Similarly, further afield from the Thames Valley, The University of Basingstoke and its alignment with the SETsquared Partnership universities (University of Bath, Bristol University, University of Exeter, University of Southampton and the University of Surrey) suggests that there is a strong desire to connect local entrepreneurs with experts and academics in the hi-tech field and with support services that help start-ups.

Private sector partners have also seen the benefits of partnering up with academic provision to create demand. One example is SEGRO's partnership with Brunel University at Slough Industrial Estate.

There seems to be an emerging picture that University presence can go hand in hand with creating interest in IACs from micro businesses.

Our discussions also highlighted that, where provision is from the University sector, the demand for space is more likely to be aligned with the tech sector. Elsewhere, whilst provision often included tech businesses, this was one part of a more generic offer. Discussions with providers noted that incubators focusing on high-growth technology companies reported high demand for their spaces.

### **Views on Demand**

The low level of supply of IAC space across the region meant that few commentators were willing to strongly assert that there is a high level of untapped demand in the region with consultees highlighting that there are challenges in gathering accurate data on demand as current providers lack sufficient knowledge on the existence of SMEs in the region and their office needs.

There is a general feeling across providers that there is frustrated demand for start-up space, with most commentators feeling that this has been a neglected



sector in the region. However, there was more confidence of certainty of demand from micro businesses in terms of permanent desk spaces. However, whilst a number of consultees felt that there was strong demand, there was an emerging view that such demand could not compete in terms of rental values with other uses, making it difficult for providers to meet it without subsidy.

The membership model – whereby members utilise spaces on an occasional rather than full time basis – caused a greater diversion of views. Whilst it was acknowledged that this was a model which had seen very significant growth in Central London, it was considered an ‘unknown’ in this region. This view is reflected in current supply. The majority of supply is for permanent desk spaces and does not include a membership offer. Where supply does exist for memberships it is generally a small part of the overall offer and there are mixed views on its success. No-one we spoke to felt there was sufficient demand for large scale schemes dedicated to membership style provision.

More specifically than these general views, it is difficult to categorise thinking as, on a number of issues, there was a divergent view. For example, some interviewees expressed the view that SMEs do not want a flexible desk, such as a hot-desk, until they’re on firmer financial ground as they will be more inclined to remain at home. Some felt that without the critical mass which would maximise peer to peer networking the benefits of paying for membership was diminished. Other commentators thought that the lack of supply meant there was little awareness of hot-desking and co-working options and this created an environment where SMEs are not fully informed of the potential options available to them. These stakeholders suggested that demand for hot-desking could be higher if their awareness of IACs was improved.

An important point was that a number of interviewees felt that viewing the Thames Valley as a single entity in terms of demand was misleading. For example, a number of providers could see opportunity in locations closest to London where provision might flourish from those looking for lower cost locations than an overheating Central London offer, particularly if there were good rail links into the capital. It was felt it would be more difficult to realise viable provision in town centres further afield. However, there was a feeling that Reading could be an exception to this because of the scale of the town centre and the future investment in Crossrail.

### **‘Add on Services’**

Most providers across the region offer a variation of support add-ons for members to use including coaching, mentoring, business advice, guidance, formal training, and business-pitching contests. No unified view emerged in terms of what type of additional services are either popular or maximise the success of a scheme. Conversely, providers had mixed views on the popularity of ‘add-on’ activity – as some had experienced great success with offers and reported high attendance, others had low take-up of the service and questioned whether they would continue to offer support to their customers.



Where views were broadly uniform was in the assertion that business support of any kind should be approached in a manner that encourages collaboration. Stakeholders agreed that support works best when it can connect businesses with one another.

### **Move on Space**

Commentators suggested that any review of IAC provision should also think about the issue of move on space. The concern about what happens when companies move from the incubation period to acceleration and growth was raised by a number of consultees. Discussions with providers highlighted that it is unclear at the moment where micro-businesses and SMEs can go when they experience growth and scepticism that the region can accommodate them as it currently stands. Stakeholders noted that businesses looking to grow would be more likely to relocate to other parts of the South East.

### **Financial Viability**

The majority of the providers we spoke to felt that, where there was demand for IAC space, there still needed to be some form of initial or ongoing subsidy to make schemes viable – to insure against an initial period of low margins and vacancies and to realise a return on capital outlays. It was felt that all of the sustainable models in the Thames Valley had been supported by one of a University, Local Authority, and private landowner or through S106 payments. One provider suggested a joint venture approach between provider and local authority with associated profit sharing over time as a potential option to at least share risk.

The viability issue is also related to the scale of schemes and critical mass. Discussions regarding the size of the IAC offer indicated that a space of at least 10,000 square feet represented the lowest size to achieve economies of scale and achieve long term viability. Commentators suggested that a workspace of any smaller size presents strong financial challenges to operability – predominantly because they wouldn't sustain the minimum level of support service (for example, on site management) which creates the best scheme but also to create a proper IAC atmosphere. Smaller schemes could work but would be more likely to be traditional style managed workspace as they would not sustain additional services.

Business hubs often require subsidies to allow them to pass on benefits to customers – for example via rent-free spaces, or reduced rents/business rates, in order to operate.

Providers and stakeholders expressed a view that any IAC outside of Central London would experience financial strain or failure without financial subsidy of some kind.





### **Permitted Development Rights**

Providers and local authorities highlighted the pressure being placed on commercial spaces to be converted to residential use via Permitted Development Rights legislation. These pressures are tightening supply for offices and have a knock-on effect of limiting the space available for IAC workspace. Permitted Development Rights are perceived as undermining to some degree the nature of office provision in the region. Discussions about pipeline IAC provision suggested that the IAC element may be compromised in order to maximise revenue from residential space.

A number of schemes were highlighted to us, particularly in Reading, where it was felt that initial plans for IAC provision were being reviewed in light of alternative opportunities.

### **IACs as Part of a Wider Strategy**

A number of consultees suggested that the aspiration for an IAC workspace should be one part of a broader Thames Valley regional strategy for supporting start-ups and small businesses that are interested in developing and testing ideas, growing, and eventually occupying move-on space. In particular, it was felt that the current focus on such provision should not be at the expense of traditional light industrial provision for SMEs and that the contribution to the wider economy of that sector is sometimes either underestimated or forgotten.

### **The Local Authority Viewpoint**

We spoke to a number of local authority officers across the region as part of our research.

There was generally a much stronger assertion from officers that there is both strong demand for IAC space within their areas and that this demand is being stymied by external factors, particularly Permitted Development Rights and lack of suitable buildings. Such assertions were acknowledged as anecdotal. We are not aware of a local authority in the region which has sought to measure demand within their area. All of the local authorities we spoke to were keen to understand how IAC provision could be facilitated in their areas.

From our discussions and work elsewhere, we know that this is a view held by local authorities beyond the Thames Valley boundaries. Local authorities across the South East are considering the role of IAC provision as a component of their aspirations for economic growth.

Some have identified interventions to support provision in a similar way that the Thames Valley Berkshire LEP have supported Grow@Green Park. For example, the Enterprise M3 LEP has provided funding towards supporting WSX Enterprise, a social enterprise provider, to develop the Aldershot Enterprise Centre. The funding





is intended to add to the existing space's internet capabilities and add new office and meeting space. The public sector investment is justified based on social return. For example, our discussions indicated that the business incubator will focus its growth to improve social impact by focusing on building bridges between the town's military and minority-language communities.

### **Gauging interest in 5G provision**

As part of this research, we were asked to assess the interest and demand for 5G provision in the region. Whilst we caution that this is anecdotal evidence gathered through the interviews, the following insights have been gathered:

- Most stakeholders are not seeing any 5G demand or interest from their clients.
- However, they believe any tech capacity improvements that can be made will put the region in a stronger position to remain competitive for UK and international businesses
- SMEs have suggested to incubators that they need increased speed and greater bandwidth to cope with their growing need for mobile internet connection and Internet of Things (IoT)
- Providers have suggested that, whilst large companies can negotiate directly with providers for high speed links, the offer to small businesses in the area is weak.



## 5. Conclusions & Recommendations

In this final section, we summarise the main conclusions from our work and make recommendations for consideration by the LEP team in terms of your own work but also your discussions with individual local authorities.

### Conclusions

From our desk top research and our conversations with a wide range of stakeholders across the Thames Valley and further afield, there are some clear issues emerging in terms of supporting micro businesses and SMEs across the region through the development of incubator, accelerator and co-location (IAC) spaces.

1. There is little provision of, or appetite to provide, membership style workspace across the Thames Valley. There are some small exceptions – Oxford Innovation in Bracknell, Slough Aspire and Grow@Green Park but all are part of a mixed offer and provide extremely small facilities – 1,000sq ft or below. The biggest concerns are that there is unproven demand and that such schemes require a wider business ecosystem to work. There is a belief that such schemes could work within town centres where there are good transport links and an affluent and highly educated catchment population.
2. There are a small number of workspaces geared towards providing ‘permanent desk space’ for start-ups. Most examples include some subsidy particularly in the early years of development. In viability terms they rarely compete with alternative uses so finding buildings where such schemes are appropriate is a challenge. There is not enough provision to be able to point to a trend in demand – in fact, our research suggested contradictions in how providers across the region viewed demand. Providers such as Oxford Innovation and signposting organisations such as the University of Reading believe demand is strong. Other providers such as Grow@Green Parke and QV Offices in Reading have described finding it difficult to fill spaces. Most of the local authorities we have spoken to think that there is a frustrated demand which is being lost due to the difficulty of unlocking schemes.
3. Business support within centres tends to work better where it fosters conversations between users to encourage learning and inter trading rather than trying to ‘preach’ on issues. However, a number of providers believe that a business coaching model within schemes can be successful but needs subsidy.
4. Whilst there is no minimum size for an IAC scheme to be successful, there is an emerging picture that 10,000sq ft and above is ideal for a number of reasons – it is enough space to justify full time on site support to businesses, it can allow an ecosystem to flourish in terms of additional facilities such as a coffee shop and it maximises the likelihood of networking between users.



5. There is an assumption, because of the success and growth of IACs in Central London, that such schemes represent a viable alternative to other commercial uses. In fact, in the vast majority of schemes we have considered in the Thames Valley, two characteristics are consistently present – schemes have received some degree of subsidy and there is a period of 2-3 years when some degree of capital investment needs to be written off because it takes time to fill the space.
6. Light industrial schemes are thriving and should not be forgotten when looking at the SME picture across the region. Notable examples include Space Business Centre at Wokingham, Greenham Business Centre and the Enterprise Quarter at Slough Trading Estate. The job provision and contribution to the area's commercial GDP coming from this sector is arguably greater than the tech/office led workspace sector. Few of these schemes are particularly targeting SMEs as part of a wider offer – seeking to grow move on space. The Enterprise Quarter at Slough Trading Estate is an exception.
7. Permitted Development Rights have caused real problems with the resulting loss of commercial space limiting opportunities for providing micro and SME space.
8. SME space of all types is struggling to compete in the market, particularly against residential uses. It is therefore difficult to see new stock emerging without intervention from local authorities – for example through use of S106 funding, specific SME planning policies or use of Councils' own stock.
9. There is some frustration from providers that there is no Thames Valley wide strategy for workspace provision. However, the LEP region cannot be considered homogeneous when thinking about how to support IAC provision – what might work in Slough may be very different to what might work in Reading, Newbury, Wokingham, Bracknell and so on. Even within local areas, models may work well because of local circumstances. This is important – there are certain characteristics which allow IAC's to flourish including access to transport, local pockets of affluence and vibrant local services. Therefore, the LEP should be wary of assuming that a model can easily be replicated in all parts of the Thames Valley region. We do think there is scope for the LEP to promote the sector and to provide good practice on, for example, appropriate planning policies as well as highlighting exemplar schemes.

### Recommendations for the Thames Valley Berkshire LEP

The return to economic growth across the UK from the 2008 crisis has arguably been an SME led recovery. Most areas that have seen growth have witnessed that growth focused on the micro sector with major investments being the exception rather than the norm. The Thames Valley's reputation means that it continues to be home to major Corporates and continues to see investment from that sector.



However, to have a truly sustainable economy, we would argue that the region needs to invest in its small business base and that there are threats to that from competing land uses.

We would stop short of recommending that the LEP attempts to put in place a Thames Valley wide strategy to supporting, specifically, IACs. The area is too varied to make a 'one size fits all' approach appropriate and the success of IAC schemes will wholly depend on local circumstances in each area. Rather, we would urge the LEP to recognise the role of SMEs within any policy documents and encouraging individual local authorities to have SME friendly approaches across their planning and economic development policy documents. Such policies should not stop at IAC provision – they should look at SME support in its widest sense including light industrial businesses and traditional office users, all of whom are coming under pressure from the high cost of property and the loss of space to residential uses.

However, we do believe the LEP can have an important role in a number of areas including: identifying best practice; providing examples of viable business models; brokering conversations between providers, local authorities and landowners; and providing examples of robust JV arrangements between providers and the local authority. We also think the LEP is ideally placed to offer a platform for debate between operators and other stakeholders across the region.

#### Recommendations for Local Authorities

In parallel with our recommendations for the LEP, we would suggest that there are a number of issues which should be picked up at local authority level.

- Local Authorities should recognise that IAC provision is one part of an overall approach to supporting SMEs. We would urge all authorities who have identified economic growth as a priority to have specific policies to support the growth of the SME sector. Whilst IAC provision will be an important part of any such policy, an approach should be identified which considers all relevant sectors including light industrial uses.
- In looking at how they support IAC schemes, local authorities need to think carefully about the outcomes they are seeking to achieve. For example, if a local authority is creating an innovation hub in a town centre, is the imperative to create jobs, to see a return on investment or to add to the vitality and vibrancy of the town centre? We would urge local authorities to consider carefully what they are looking to achieve before they commit scarce funds to intervening in the market. In particular, we would suggest that, in many cases, schemes will only be viable against alternative uses if they consider the return on investment against 'regeneration outputs' as much as financial return.
- Authorities should identify the impact that Permitted Development Rights are having on their SME base and on the vibrancy of their town centres. We believe there can be merit in authorities exploring whether a suspension to Permitted Development rights would be appropriate – either



temporarily whilst further research is carried out or permanently should it be deemed that enough evidence exists to support a suspension. There are circumstances in which local planning authorities can suspend permitted development rights in their area. Such authorities have powers under Article 4 of the 2015 Order to remove rights although Article 4 directions must be made to accord with the National Planning Policy Framework and there must be clear justification for such a move. The risks associated with suspending Permitted Development rights have acted as a deterrent on their use in all but a small number of cases.

- LAs should consider how best to negotiate S106 agreements to facilitate future workspace schemes, particularly in town centres. This may not always be as straightforward as seeking funding via S106. It may be that, by arguing for mixed use schemes, local authorities can realise IAC provision by encouraging higher value uses to cross subsidise an element of workspace achieving critical mass within the workspace scheme but maintaining overall viability.
- Local authorities should build up and maintain a detailed picture of SME demand to create an evidence base to allow evidenced discussions with developers who, in the current market, will argue lack of demand as a justification for purely residential schemes.

# Appendix I

We would like to thank the following consultees who agreed to speak to us as part of this work.

1. Adrian Braine, SETSquared Partnership
2. Andrew Godley, Henley Business School
3. Christ Houston, QV Offices
4. David Gillham, University of Reading Science Park
5. Fiona Jones, Slough Aspire Centre
6. Janet Duffield, West Berkshire Council
7. Jo Willett, Oxford Innovation
8. Jurek Sikorski, Henley Business School
9. Kieran Roughan, Reading Jail
10. Louise Clarke, ConnectTVT and Grow@Green Park
11. Paul Lewis, SEGRO Enterprise Quarter
12. Rupert Holtby, Greenham Business Park
13. Susan Elliot, Vital Six and Thames Valley Business Growth Hub
14. Susan Matos, University of Reading Knowledge Transfer Centre
15. Yasmina Siadatan, Reading Block Park concept (and former Apprentice contestant)
16. Darren Parkinson, Thames Tower
17. Peter Grant, WSX Enterprise Centre in Aldershot
18. Tom Pierpoint, Newbury Station/Great Western Railway

Unable to get a hold:

19. Ginny Gibson, Henley Business School



## Appendix II

Map of current IAC provision across Thames Valley Berkshire region

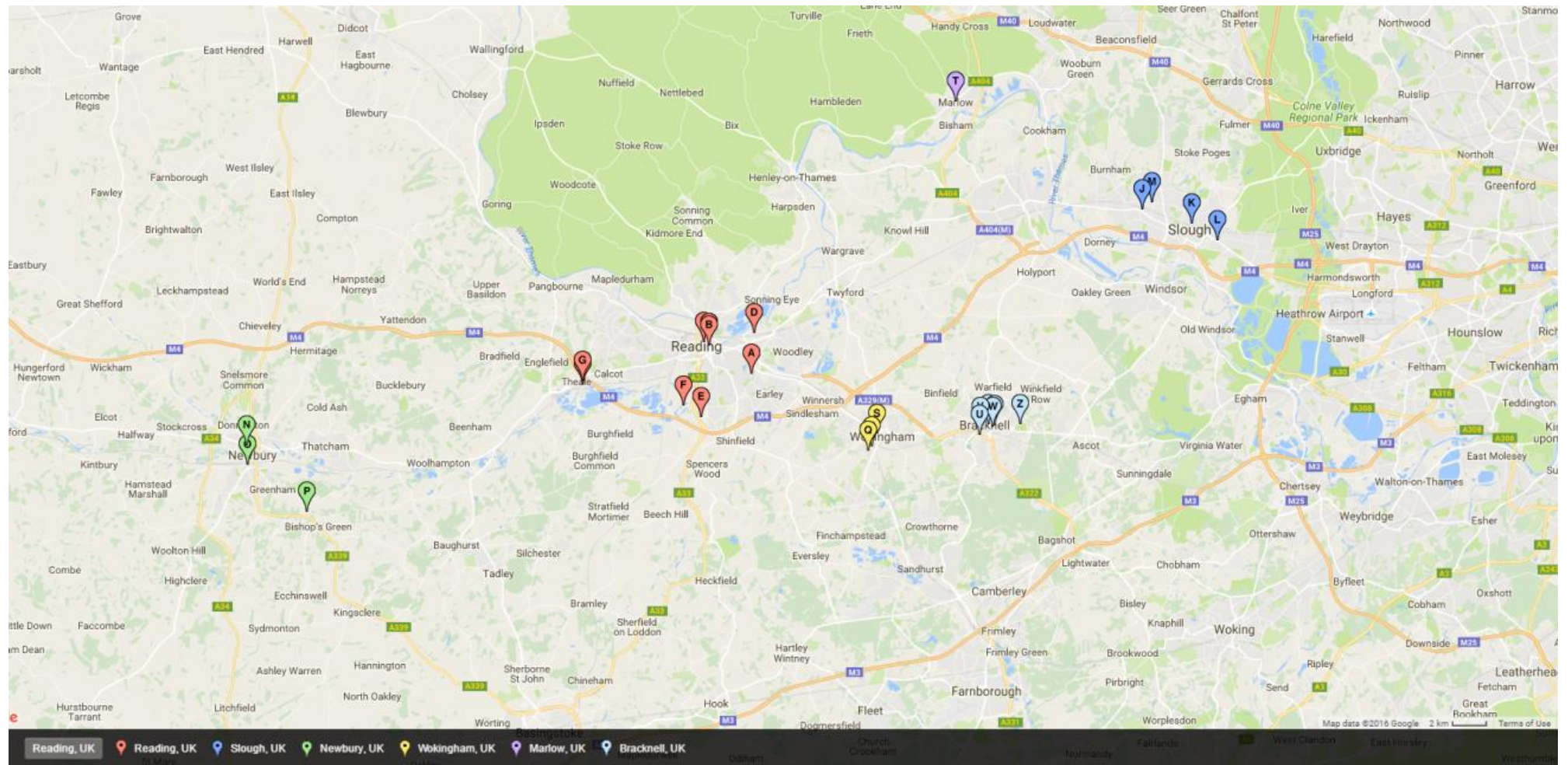


Table of IAC provision across Thames Valley Berkshire region

Key	Name	Location	Services offered														
			hot desks	flexible desk rental	flexible office rental	traditional office rental	meeting rooms	café/ kitchen	high-speed internet	bike storage	networking opportunities	business advice	close to public transport	close to motorway	24/7 access	24/7 security	parking
A	Green@Grow Park	Reading	✓	✓			✓	✓	✓		✓	✓		✓			
B	Univ. of Reading Science Park	Reading			✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓
C	Regus - Dukesbridge House	Reading		✓	✓	✓	✓		✓				✓				
D	Regus - Davidson house	Reading		✓	✓	✓	✓		✓				✓				
E	Regus - Thames Valley Park	Reading		✓	✓	✓	✓		✓				✓				
F	Regus - Atlantic House	Reading		✓	✓	✓	✓		✓					✓			
G	Regus - Green Park	Reading		✓	✓	✓	✓		✓				✓				
H	Regus - Arlington Business Park	Reading		✓	✓	✓	✓		✓				✓				
I	Regus - Theale Road	Reading		✓	✓	✓	✓		✓				✓				
J	QV Offices	Reading	✓	✓	✓	✓	✓		✓				✓			✓	
K	Regus - Slough Trading Estate	Slough		✓	✓	✓	✓		✓					✓			
L	Regus - Stoke Road	Slough		✓	✓	✓	✓		✓				✓				
M	Churchill House Business Centre	Slough			✓	✓	✓		✓				✓	✓			✓
N	Slough Aspire/The Bakery	Slough	✓	✓			✓	✓			✓	✓	✓				
O	Festival House	Newbury			✓	✓	✓	✓	✓				✓		✓		✓
P	Netqubate Business Centre	Newbury	✓		✓	✓	✓	✓	✓				✓		✓		
Q	Greenham Business Park - Liberty House	Newbury					✓		✓							✓	
R	Space Business Centre	Wokingham				✓	✓		✓		✓			✓		✓	✓
S	Mantle Business Centres	Wokingham				✓	✓		✓			✓	✓	✓		✓	✓
T	Albany House Business Centre	Wokingham				✓	✓		✓				✓	✓		✓	✓
U	The Workstation	Marlow					✓	✓	✓				✓	✓			✓
V	329 Bracknell	Bracknell			✓	✓	✓		✓	✓				✓	✓	✓	✓
W	Regus - Venture House	Bracknell		✓	✓	✓	✓		✓				✓				
X	Regus - Atrium Court	Bracknell		✓	✓	✓	✓		✓				✓				
Y	Abbey House	Bracknell	✓		✓	✓	✓	✓	✓				✓		✓		
Z	Bracknell Enterprise Hub (Oxford Innovation)	Bracknell			✓	✓	✓		✓		✓	✓	✓			✓	
AA	Lily Hill House (Oxford Innovation)	Bracknell			✓	✓	✓		✓			✓	✓	✓		✓	✓