A report by

TRANSFORM
Transform Research Consultancy Ltd

POTENTIAL FOR THE DELIVERY OF WORK HUBS IN SIX DEVON MARKET AND COASTAL TOWNS

For

Devon County Council

Prepared by:

Transform Research Consultancy
In collaboration with
Cosmic
PFA Research
Maze Property Solutions
Aren Grimshaw, Social Media Consultant

June 2011

CONTENTS

INTRODUCTION

Devon County Council's Strategic Plan includes an ambition to promote enterprise and help develop a competitive economy as the key to a better quality of life for all. Ensuring that the right type of workspace is available for businesses to grow and develop is an important part of this vision.

To help enable this process the County Council is actively developing a draft Strategy for Investment in Managed Work Space across Devon[1] that aims to achieve:

> *"A high quality network of managed workspace that supports the diverse needs of Devon businesses to ensure a thriving and resilient economy."*

An important component in the development of this Strategy is to test the demand for managed workspace. A previous study on the subject conducted by RedC[2] gave an overview of demand and supply across the county and identified work hubs as a potential solution.

RedC defined managed workspace as "office facilities, workshop units and flexible workspace, with some on-site support mechanisms" and went on to identify three broad types or categories including:

- Traditional managed workspace (such as that provided nationally by Basepoint and Regus);
- Innovation Centres (such as the facilities at Exeter University and South Devon College in Paignton);
- Work hubs (local examples were not found by RedC, though further afield, examples in the South West include hubs in Frome, Holt and Bristol).

This study was designed to build on the findings of the RedC work, specifically addressing the needs of micro and small enterprises alongside pre-start and new start businesses in terms of their requirements for this new type of work hub space.

[1] *Work Space for Devon: Draft Strategy for Investment in Managed Workspace*, Devon County Council, 2011
[2] *Low Carbon Workspace To Meet The Needs of Micro and Small Businesses in Devon*, RedC/Vickery Holman, 2010

1.1 Aims of the study

The key requirements of the study were to assess whether investment in new work hub space could be successful in the six towns of Totnes; Newton Abbot; Barnstaple; Ilfracombe; Exmouth and Axminster. This involved looking at the potential to create work hubs in each town by conducting:

- An in-depth assessment of market demand in each location;
- Identifying premises in each town suitable for forming such a workspace; and
- Assessing the viability of delivering a work hub in each town.

1.2 Methodology

To achieve these aims, the project was divided into five main elements, and applied to the six towns;

Identifying the Target Audience

To ensure that market demand was fully understood, key contacts and groups within each town who might be interested in using a work hub were engaged in this process. The main target groups for this exercise included:

- Women entrepreneurs;
- Home Based Businesses;
- New business start ups;
- Those considering starting a business; and
- Existing micro enterprises and SMEs.

Assessing Market Demand

Market demand was assessed using a variety of techniques as well as through engagement with local businesses and property agents. The main techniques included:

- A short on-line survey capturing the views of those interested in a work hub, including existing business or those considering setting up a business;
- Business animation event(s) held in each town targeted at a variety of audiences with a 'hook' of "Free IT advice";
- Jelly sessions in each town – Jellies are casual co-working events and they provided a good avenue to further explore the demand for work hubs;
- Social media, including www.devonworkhubs.co.uk website and twitter, was used to engage with under the radar/HBBs;
- Various "traditional" media articles and outlets including Devon Life, local journals and papers, radio stations and press releases;
- Business Link email and phone contact with over 1,400 pre start and new start businesses contacted over the previous 18 months;
- Women Do Business Devon and North Devon Women's Business Network email contact with over 700 registered contacts across the county;
- Local community networks in each town, such as Transition Town Totnes, Newton Abbot CIC, etc were used to promote and advertise the study;
- Free workshops and ICT events in local schools in each of the towns; and
- Awareness letters were sent to over 4,000 SMES in the locality of the six towns.

All of these techniques involved highlighting the idea of a work hub in each town, and encouraged those who were interested in such a hub to complete the online survey.

Asset Review

Further in-depth work was undertaken with local agents to identify potential private sector property assets that could be suitable for a work hub development. In addition, public sector assets were assessed covering both DCC and other known publicly owned and leased premises, with a focus on utilising existing buildings.

In total approximately 200 public sector assets were reviewed alongside over 100 currently available private sector assets. Each of the assets were reviewed in terms of both the focus on using existing buildings, and its suitability as a work hub in relation to the criteria specified in the RedC report.

Delivery Options

This stage of the project involved drawing on findings, to advise on the following issues in each town:

- Viability of development of work hubs in each location;
  - Potential costs to deliver workspace in the key sites identified i.e. costs for purchase, conversion and management;
  - Potential delivery partners for each preferred asset, either in the public, private or voluntary sector; and
- Viability assessment of preferred options in each town, potential returns on any public sector investment

Reporting

The outcomes of the work are presented in this report:

- An assessment of the viability of developing a work hub in each town taking into account:
  - Potential market demand and income generation potential;
  - Potential tenant mix within any development, and size of space offered for rent to achieve viability; and

  - Identification of preferred options for land/premises for workspace.
- A potential investment model including possible funding streams.

It is important to note that the assessment of viability is based on finances, i.e. a comparison of potential income generated against costs of delivering and operating a work hub. The assessment does not include the wider business benefits that can accrue from the work hub, such as assistance and support for pre starts, increased collaboration and networking, and economies of scale from joint purchasing..

Chapter 2 of this report explores the concept of work hubs, the current state of the economy and the market place for work hubs, alongside Devon County Council's draft Strategy for Investment in Managed Workspace. Chapter 3 details the findings on the level of demand for work hubs in the six towns, while Chapter 4 describes the complementary information on the Asset Review in each town.

Chapter 5 draws these two sets of information together to provide an assessment of the viability of investing in a work hub in each town, together with recommendations for the next steps forward. Finally Chapter 6 contains some concluding comments about the study and the future development of work hubs in the county.

The appendices contain details of the online survey questionnaires, the criteria in the RedC model for an "ideal" Work Hub, a bibliography and details of the property assets reviewed in each of the six towns.

2. WORK HUBS: THE CONCEPT AND THE MARKET PLACE

Before presenting the findings from the different stages of the study, it is worth considering some of the key background factors that should be taken into account when assessing the viability of delivering work hubs in the six towns. These can be grouped under three main headings:

- The concept of "work hubs";
- The current economic situation and the market place for work hubs; and
- The Devon County Council perspective.

2.1 The concept of work hubs

During the conduct of the study, thousands of businesses and individuals from across Devon were contacted, either face-to-face in the Business Animation events, jellies and discussion groups, by telephone, post, email, through the online survey, twitter or webpage visits. The most commonly asked question following conversations with these contacts was "*what* ***is*** *a work hub?*"

When summarising the concept of work hubs, it is necessary to look at what they are, who they are useful for, why they are different from what is already available and what role they can fill in the "chain" of managed workspace provision.

The original idea of work hubs evolved in the United States and has become a significant emerging component of managed workspace provision in parts of the UK. Work hubs grew out of the many changes that have taken place in the world of work, such as the increasing number of (isolated) home workers, the ability to use IT to work "remotely" and the relative costs of renting "formal" office space.

They have been championed in this country by the Work Hubs Network which describes them as:

> *"A flexible workspace, offering an 'office when needed' service to modern micro businesses and mobile workers, including those that are home-based. Shared facilities available to users usually include bookable desks, formal and informal meeting spaces, high speed broadband and costly or space-hungry technical equipment.*
>
> *Work hubs allow their members to access professional facilities as frequently or occasionally as suits them… (and) … provide an environment that facilitates business collaboration and networking, with members exchanging ideas and services and feeling less isolated. Many offer business advice, serving as an incubator for start-ups, and professional skills training[3]".*

The key component of successful work hubs has been to provide individuals and small businesses, who might otherwise be working from home or who cannot afford a formal office, office-type services like broadband, IT support and meeting rooms. Rather than paying a monthly or yearly lease, the space can be rented as and when needed.

This flexibility over services provided and the associated tariffs charged is the USP of the work hubs. It is this USP that enables the hubs to attract home workers, micro businesses and remote working employees. In addition to this a hub can provide (breakout space for) networking opportunities; business support; a professional "front" (including business address, reception, telephone answering, etc); formal and informal meeting/training rooms; and access to professional equipment, such as photocopiers, colour printers etc.

Work hubs can therefore be seen as a link between working from home, such as in a bedroom or garage and working in a formally rented office space or small manufacturing unit.

The Work Hubs report[4] contains 18 case studies of hubs around England, identifying the factors that underpin viability and delivery, alongside an exploration of their potential low carbon benefits. Importantly, it also contains a section on "*enabling the market to grow*" and it is this, or more precisely, "*how much the market has grown in Devon*" that has been the focus of this study.

[3] *Work Hubs – Smart Workspace for the Low Carbon Economy* Dwelly T., Lake, A and Thompson, L., 2010 p.4
[4] *Work Hubs – Smart Workspace for the Low Carbon Economy* Dwelly T., Lake, A and Thompson, L., 2010 p.4

2.2 The economic situation and the market place for work hubs

The on-going state of uncertainty over the global and national economic outlook has clearly affected the outcomes of the study, firstly in terms of the views expressed by the HBBs, micros and SME businesses who were consulted about their need for work hubs in the six towns and secondly, in terms of the availability of premises suitable for use as a work hub in a depressed property market.

It was also evident that the market place for work hubs is still at a new and emerging stage. This was clear on both the demand and supply side of the equation. Among the wider general public and specifically among potential customers of a work hub there was a relatively low level of awareness of the existence of hubs or an understanding of the range of facilities that they could offer to help pre start, SME and micro businesses.

The immaturity of the market place is also evident on the supply side. A range of operating models can be found – mostly led by "independent", private sector individuals or concerns, but some by the public or Third sector. Significantly, large, established private sector managed workspace providers such as Regis, Basepoint, run few of the existing work hubs around the country.

While the range of models in operation can be seen as evidence of market flexibility in facing challenging circumstances, it is also apparent that a market place that is not stable presenting obstacles to the identification of financially viable options. Some existing hubs have changed their tariff structures in the last year (including Monks Yard, Ilminster and The Werks, Hove), offering either greater flexibility or aligning their charges more closely to users ability to pay. One hub in an international network has actually closed (Bristol Hub shutting in December 2010), while others in the same group have continued to grow and increase their offers (Islington and King's Cross).

In addition, the low levels of awareness and understanding among the business community and the general public present a significant barrier to the demand for, and use of, work hubs. Although it is clear that this level of awareness is very likely to increase over time, the absence of any well-known or established hubs in Devon is indicative of the circular nature of the problem.

In the light of these factors – in particular the uncertain economic outlook and the immature state of the work hubs market – we have couched our recommendations in this report in very cautious terms. Investment in a work hub has only been proposed when there is a clear case based on demand and financial viability. We have detailed our assumptions and calculations so that they may be examined and challenged as appropriate.

Furthermore our recommendations are “targeted”, in that we identify the option with the least risk attached in each case.

Crucially, we were tasked with assessing the case for investment in each potential work hub on a financial basis – would the income generated by the hub be sufficient to generate a surplus in a reasonable time span?

Put another way, the brief was to *assess the viability of developing work hubs in terms of the costs of delivery* (purchase, conversion and management) against *the potential returns on any investment from the revenue generated*. The recommendations made in the report are based on these strictly financial terms.

However, we would note that the wider benefits of work hubs are well documented, both in the role that they can play as stimulants to local enterprise and also, if targeted correctly, to community regeneration activities and initiatives. As such it may well be that if investment in a hub is to be taken forward; the measurement of its “success” could be assessed in a much wider manner alongside strictly financial terms. This would mean focusing on the less immediately tangible economic benefits of a hub, together with the financial returns on any investment.

The returns from investment in a work hub could therefore be identified by such benefits as the “number of pre start businesses assisted”, the “number of new businesses taking on employees”, and the “number of micro businesses increasing their profitability”. As such we believe that these very important benefits should be given due weight in assessing the success of a hub, though it is recognised that the imperative is demonstrating the financial case for investment.

2.3 Devon County Council perspective

The need for this study comes in the context of Devon County Council developing its Strategy for Investment in Managed Workspace[5]. The draft Strategy identifies that there are a number of drivers for managed workspace that apply across the UK, but which are arguably more evident in Devon than elsewhere. Subject to finalisation, the draft Strategy identifies that these include;

- The growth in home based businesses and freelance workers, with their need to interact, network and collaborate;
- Micros and SMEs wanting space to grow on and expand their operations;
- People, businesses and organisations seeking greater flexibility in their working lives in terms of tenancy, use of space and cost;
- The increasing importance of business interaction and collaboration, specifically for micros and SMEs;
- The strong desire to reduce or remove the impacts, particularly on time, cost and carbon, of commuting to work;
- Public sector spending cuts, driving smarter investment in, and rationalisation of assets (reducing liability) and co-locating private, public and VCS; and
- The increasing recognition of buildings themselves providing a service, with businesses paying only for the time used.

Through the Strategy, Devon County Council aims to:

- Work in partnership with the private sector, other public agencies and community groups to deliver a range of managed quality workspace which will support the continued growth of Devon's businesses;
- Establish a Devon managed workspace network which allows users to book space flexibly, quickly and easily, either over the internet or in person;
- Establish managed workspace in parallel with our investment in ICT connectivity to ensure that Devon's businesses have access to high quality work space and fast broadband connectivity;

[5] *Work Space for Devon: Draft Strategy for Investment in Managed Workspace*, Devon County Council, 2011

- Establish managed workspace to meet the needs of Devon's diverse economy, including exploring how the needs of, for example, rurally based industries, the creative sector and food and drink businesses can best be served through appropriate managed workspace provision; and
- Raise the profile of Devon as an excellent place to do business by creating the right environment and range of business accommodation to help new start ups, growing businesses and to attract inward investment.

Most significantly, in the context of this study, the Strategy has the objective of ***establishing a mechanism to support the creation of a network of Devon work hubs operating alongside or within existing work space and business premises*** by 2013. This key objective sits alongside establishing a financial model for investment in managed workspace facilities with other public sector providers, the private sector and /or community and voluntary sector partners.
It is also important to note that a further key element of the Strategy is to identify the differing workspace needs of the key sectors of the Devon economy (including creative industries, food and drink and rural enterprise) and develop an appropriate response in cooperation with local partners.

This is important because there is evidence from work hubs established elsewhere, and from the findings highlighted in sections 2.1 and 2.2, that work hubs may be very good work space solutions for businesses from some sectors of the economy, such as the digital media or creative sector, but not necessarily for businesses from other sectors who require different workspace solutions.

Therefore it should be noted that if a given town is not recommended for investment in a work hub, this does **not** mean that other, different workspace solutions are not needed in that town. As mentioned, the recommendations for investment are primarily based on demand levels, which are driven by the presence or absence of businesses and start ups from particular sectors of the economy.

The Strategy goes on to outline two other areas of importance to this study. Firstly it describes the principles and aims that underpin the rationale for investment as follows:

- Stimulating business growth amongst SMEs and new business start ups with a focus on market and coastal towns;
- Generating an income from any investment made by the County Council and other partners in workspace facilities;
- Raising awareness of Devon as a destination of choice to invest, work, live and learn;
- Linking investment in managed workspace with investment in ICT connectivity to maximise benefits, impacts and revenue generation; and
- Working strategically with other public and private sector partners to develop an approach to managed workspace across the Local Enterprise Area.

The second covers the finance models for investment, in terms of value for money, risk, state aid compliance and appetite for partnership from the private sector:

- Public sector investing in workspace facilities (new or refurbished) on an equity share basis with a developer or current owner, taking a proportion of rental income over a defined timescale;
- Public sector investing in workspace facilities (new or refurbished) as a joint venture with a developer and/or operator and as part of this arrangement generating income either through a share holding or as a 'rebate' on income targets achieved, and over a defined timescale;
- Developing workspace as a sole funder / current building owner and contracting with an operator to manage the facilities and retaining surplus;
- Partnering with another public sector partner in the above approach such as a district or town council or a community group (social enterprise).

3. MARKET DEMAND ASSESSMENT

The work assessing market demand in the six towns collected details from businesses on the following issues:

- Business profile (core business activity, number of employees, current premises, length of time in operation and location);
- Work space requirements that were considered essential to the successful future development of the business;
- Degree of interest in using different types of facilities that a work hub could provide in their town;
- The likelihood of them (or their employees) using a work hub, if one were made available in their town for occasional, additional or alternative space;
- Other types of facilities and business support activities that would make a work hub a (more) attractive business proposition;
- Whether they had considered moving premises in last 12 months (if so, types of workspace required/considered, preferred location(s) and site); and
- Knowledge of other micro enterprises, business start-ups and individuals who might be interested in the facilities offered by a work hub.

Where applicable the same information was collected from pre start businesses and those thinking of setting up in business, with the addition of:

- Business intent (actively setting up, thinking of setting up, other); and
- When business would begin trading.

In total 226 responses were received, via the online demand assessment survey, from businesses or individuals in the six towns. These consisted of 174 established businesses and 52 pre start individuals (of whom 28 were female and 24 were male).

This overall level of response and interest in work hubs was, given the on-going state of concern about the economy, very encouraging. Nonetheless, it should be considered that the HBBs, micros, SMEs and individuals who responded to the survey, and whose views are presented in this section, did so in a period of change

,and uncertainty, about the future. Furthermore, it might be considered reasonable to assume that the demand levels found in each town would increase as the economy moves forward and business start ups increase.

The following sections provide more detail on the demand assessment work at the aggregate level – that is for all 226 respondents across the six towns. The chapter ends with a summary of the level of demand found in each of the six towns.

The following chapters of the report provide detail and discussion on the demand findings for each of the six towns individually alongside the asset review work completed and as part of the viability assessment undertaken for each.

3.1 Business profile of those interested in a work hub

Core activity

The established businesses were asked about their current core business activity. Their wide-ranging answers were classified into broad categories, with three main sectors of activity, accounting for two thirds of those expressing interest in a hub:

Creative and arts sector (including digital media)

These included artists, authors, film and DVD makers, graphic designers, heritage/ arts/cultural constants, illustrators, music business consultants, performing arts, photographers, opera producers and writers.

Professional services

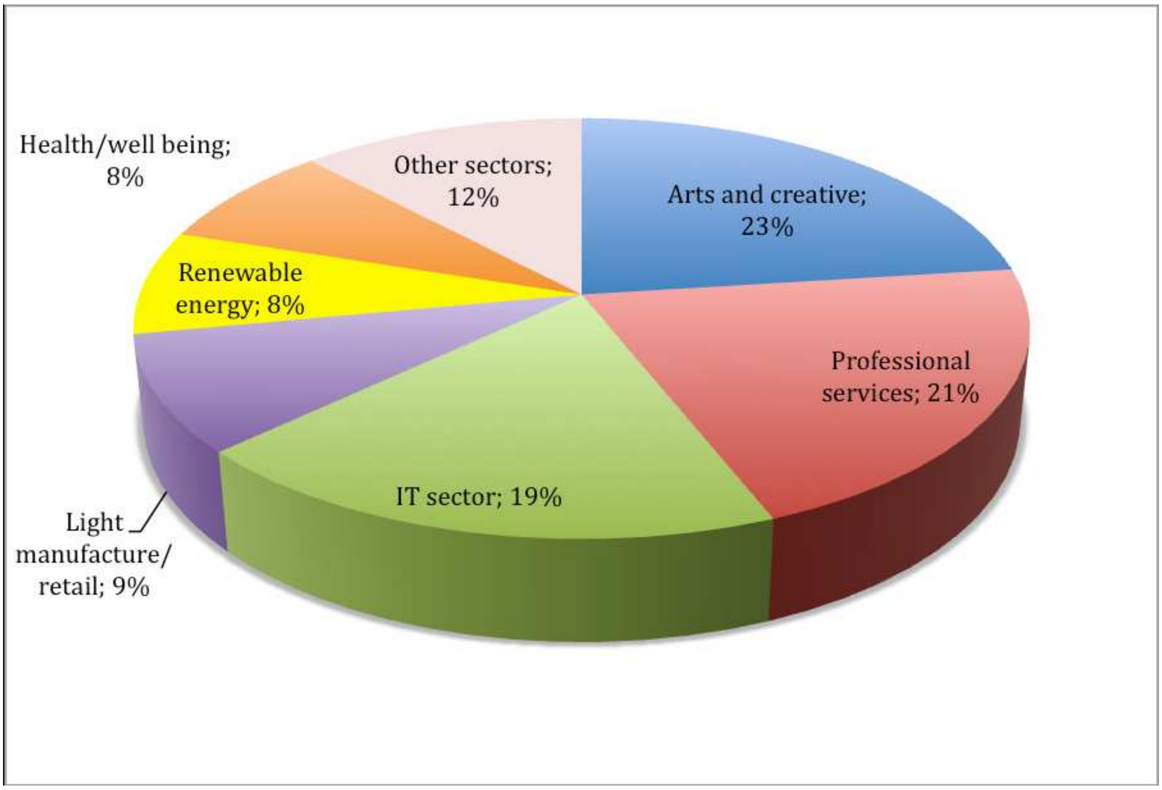
These included accountants, coaching consultancy, education/training consultants, family mediation, marketing services, pension/portfolio fund managers, solicitors, translators, tutors and a veterinary surgeon.

ICT sector

These businesses included ICT consultants, ICT services and support, website, software and app developers, e-commerce training, telecoms and data networks advice and support.

Figure 3.1.1 shows the distribution of their main business activities. It is worth noting that many work hubs elsewhere in the country have focused on providing their services to the creative, media and digital sector, because of the natural "fit" of the sector with the ethos of hub working and the facilities provided.

Figure 3.1.1: Core activity of established businesses (%)



Base: 174 established businesses

In addition to the three main sectors of activity, there were three other types of established businesses that formed notable groups:

Light manufacture/retail

These were often home based manufacturers wishing to sell a diverse range of their own products, i.e. chocolates, toys, skin care products, stencils, jewelry, precious metals, surf/snow gear, plants, craft materials, handbags.

(Renewable) Energy

These included renewable energy systems installation and maintenance (biomass, solar panels, etc.), green consultants and transition advisors.

Health/wellbeing

These included care workers, physiotherapists, psychologists, chiropractictioners, medical herbalists, reflexologists, complementary therapy and yoga.

The businesses in the “other” sectors undertook a very diverse set of activities, including engineering, building, garage and tyre services, accommodation providers and guesthouses, organic farming, taxi services and sandwich makers.

Pre starts – intended activity

The 52 individuals who were in the process of setting up a business, or who were considering doing so, were asked about what their core business activity would be. Their answers largely mirrored those given by the established businesses, though a higher proportion of them were intending to offer professional services and fewer of them creative or arts related services. The two largest groups participating were:

- Professional services

These included business advice, business support, coaching, creating adult education programmes, health/safety training, management consultantancy, marketing services, office management, PR, recruitment and translation.

- ICT sector

These included web 2.0 consultancy, iPad/iPhone development, IT support/web design, social media and online sales advice.

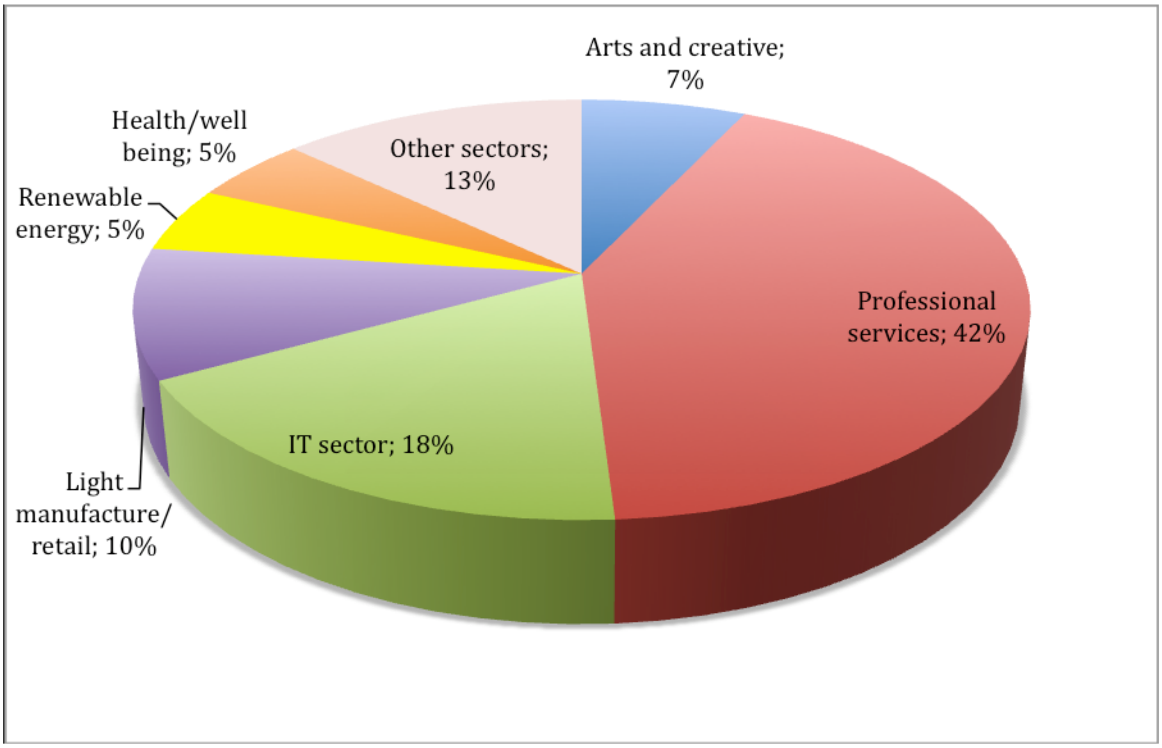
There was one other main type of pre start business that formed a notable group:

- Light manufacture/retail

These were people wishing to sell their own products, i.e. natural health products, specialist foods, wine, natural soaps.

Figure 3.1.2 illustrates the spread of these intended business types and highlights the difference in profile between them and established businesses, as well as comparing them with the users of work hubs elsewhere – both of which tended to have a preponderance of businesses from the creative, media and digital sector.

Figure 3.1.2: Intended core activity of pre start businesses (%)

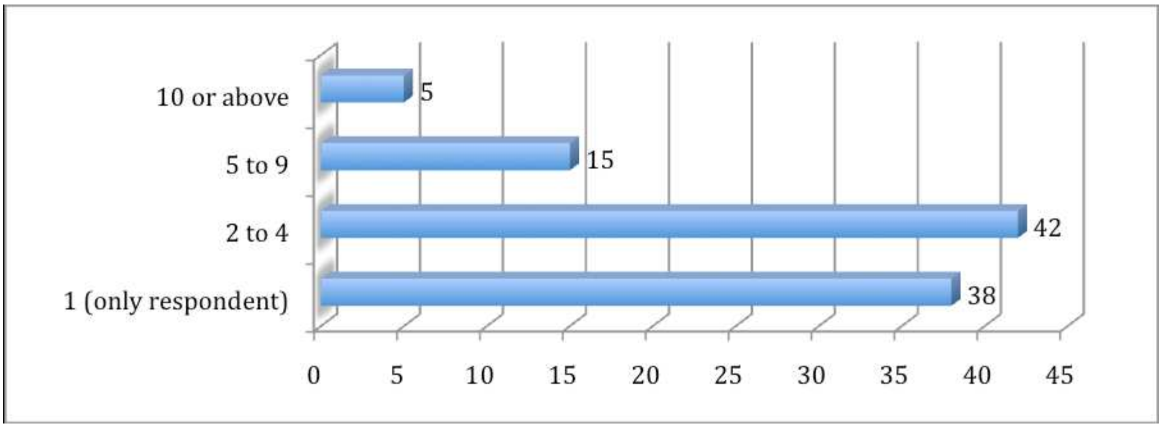


Base: 52 pre start businesses

Numbers of employees

The owners of the established businesses were asked how many employees they had, including themselves. The small size and micro nature of these businesses is illustrated by figure 3.1.3 below, which shows that more than one third had just one employee (38%) and eight out of ten had four or fewer (79%).

Figure 3.1.3: Number of employees (% established businesses)



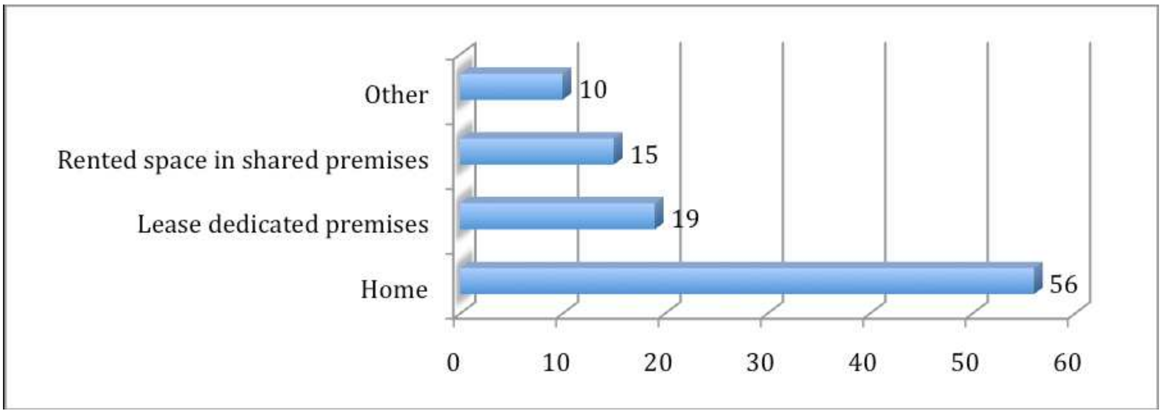
Base: 174 established businesses

In terms of the potential tenant mix at any work hub in the six towns, it is worth noting that when the 52 pre start businesses are "added" into the above figures (on the basis that they are all sole trader/one person businesses), half of those interested have one employee (53%), one third between 2 and 4 (31%); a ninth between 5 and 9 (11%) and one in twenty 10 or more (5%) – that is, a total of over 180 businesses/pre-starts with under 5 employees.

Premises

Given their small size, it was no surprise that over half of the established businesses were home based. Nonetheless, most of the remainder did already pay for use of a business premises – primarily in either a dedicated space or in a shared premises. Those in the "other" category primarily mixed being at home with occasional rental/sharing space or they hired rooms on an ad hoc basis (i.e. for providing therapy, consultations, etc).

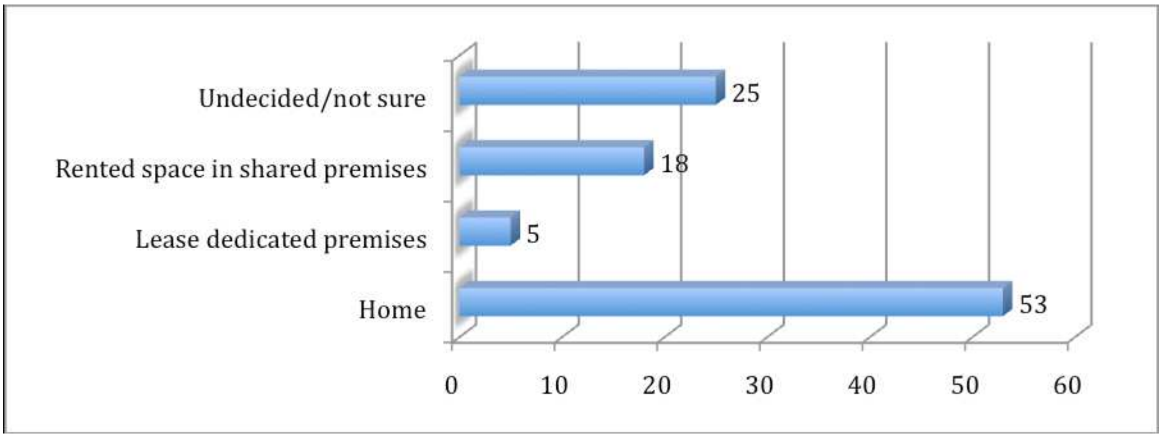
Figure 3.1.4: Current premises (% established businesses)



Base: 174 established businesses

When asked about where they planned to operate their businesses from, a similar proportion of the pre starts said that they intended to be home based (53%). However, as shown in figure 3.1.5, a quarter of the pre starts were undecided (25%) about where they would be based, while most of the remainder said they would rent space in shared premises (18%).

Figure 3.1.5: Intended premises (% pre start businesses)

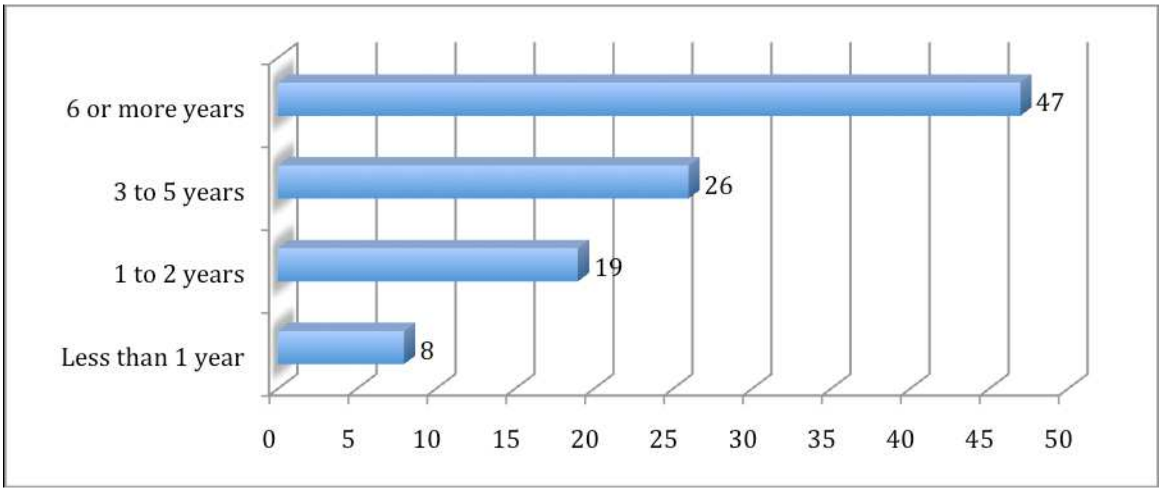


Base: 52 pre start businesses

Length of time in operation

Perhaps slightly surprisingly, nearly half of the established businesses had been in operation for more that five years (47%). Nonetheless, figure 3.1.6 overleaf shows that a sizeable proportion of them were relatively recent start-ups: with 8% having been in operation for less than a year and a quarter for less than two years (27%).

Figure 3.1.6: Length of time in operation (% established businesses)



Base: 174 established businesses

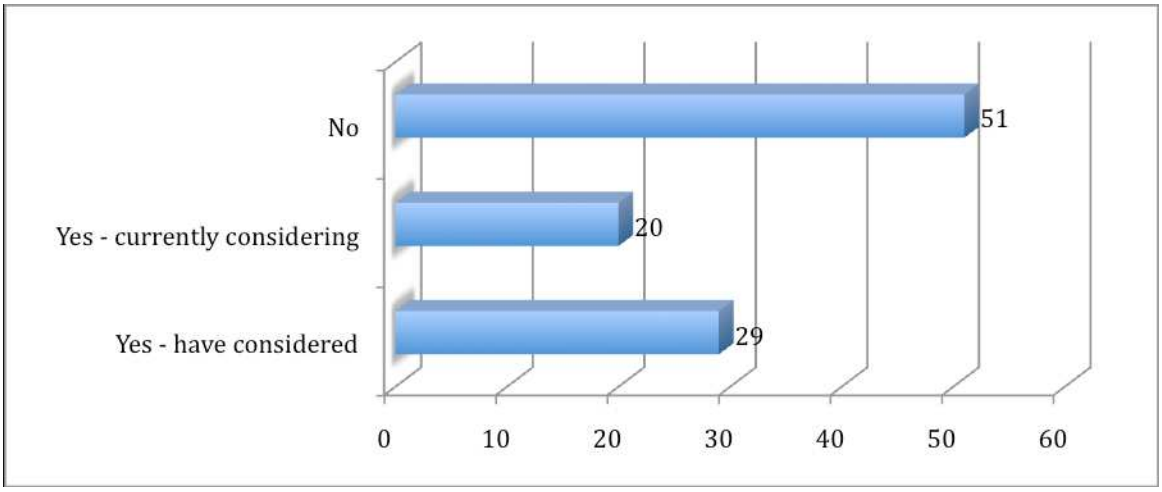
Interestingly over half of the pre starts (56%) said that they intended to start trading in the next three months and a further third in the next 12 months (33%). The remaining small proportions said they would either start in the next two years (6%) or they were not sure when (5%).

3.2 Established businesses considering moving in last 12 months

Half of the 174 established businesses (49%) said they had considered moving premises at some point in the last twelve months and two fifths of this group (41%) were currently thinking of moving. Figure 3.2.1 below contains the detail.

Given that over half of the established businesses were currently operating from home, with all the limitations and difficulties that this can entail, it was unsurprising that HBBs made up the majority of those who were considering moving.

Figure 3.2.1: Whether considered moving premises in last 12 months (% established businesses)



Base: 174 established businesses

Among the 86 established businesses that had considered moving premises in the last twelve months, three quarters had been looking to move into an office (77%), while the remainder was divided between looking for a workshop/factory (7%), a warehouse (5%), and a retail outlet (5%). The remainder of this group of businesses was looking for other types of work space including: artist's studios, incubator space, and consulting rooms,

"*somewhere groovy to fit the ethics of the business*" and "*anywhere quiet with WiFi*".

The 86 established businesses that had considered moving were also asked *in what areas* they had looked, or considered looking, at. Almost all of them (76 out of the 86) had only considered the town/area in which they were currently located.

Among the small group of 10 that had thought about locating to a different town or area, a range of geographic possibilities had been considered. Intriguingly, three had thought of moving from Newton Abbot to Totnes and three from Totnes to Newton Abbot. There were three Exmouth businesses and three Barnstaple businesses that had considered moving to Exeter.

Over three quarters of the 86 established businesses that had considered moving had looked in either town centre locations (57%) or edge of town sites (22%). Just one in nine had looked in a rural setting (11%). The remainder had considered an industrial estate or did not have a preference.

3.3 Workspace requirements of those interested in a work hub

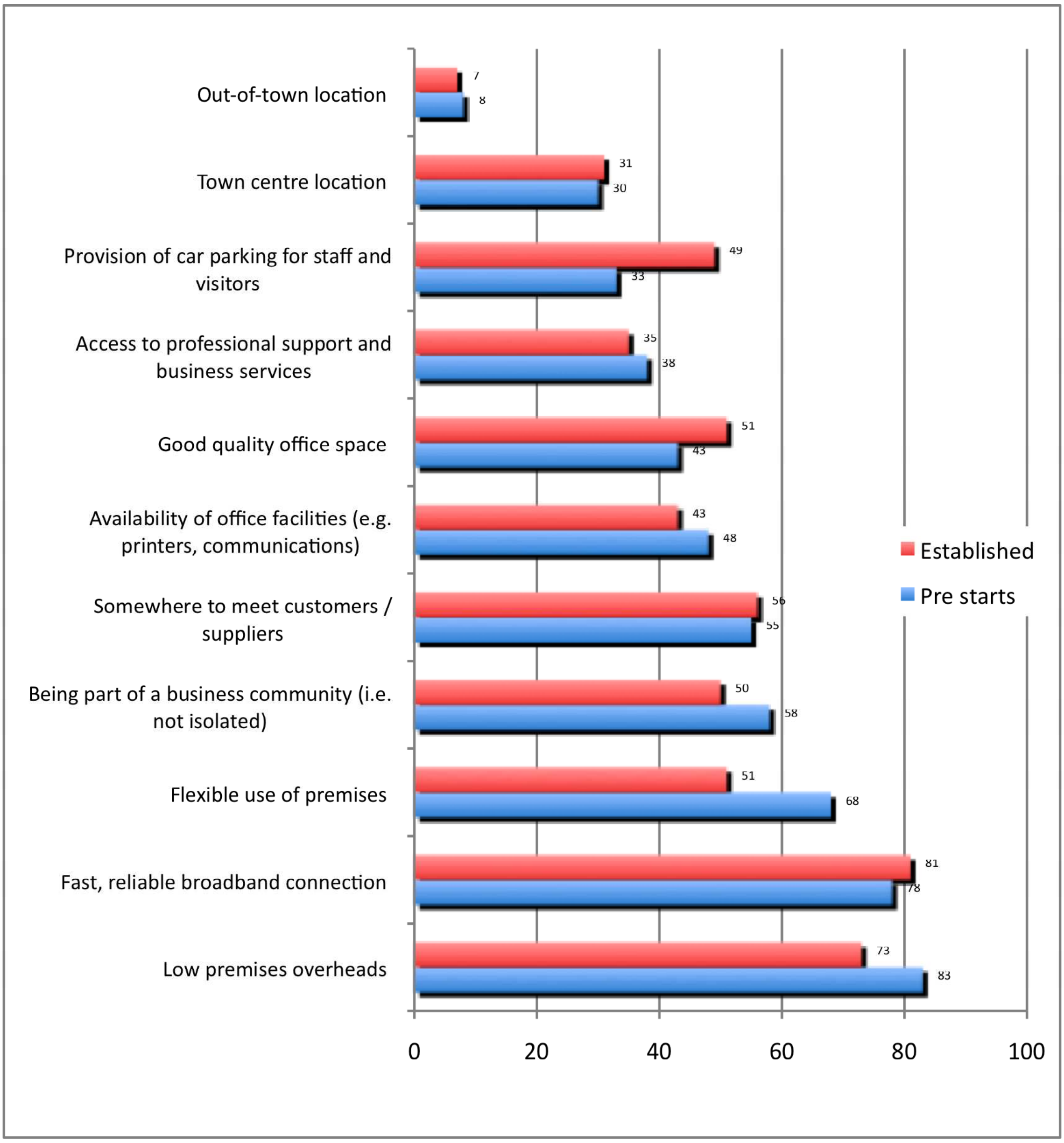
All 174 established businesses and the 52 pre starts were asked about the workspace requirements that were essential to the successful development of their businesses in the future. Each group was shown a list of eleven workspace related factors and asked to say whether it was "essential" to their future business plans.

Interestingly, and directly reflecting their existing lack of any workspace or business facilities, the pre starts and those thinking of setting up a business rated many of the factors more highly than the established businesses. However both groups ranked the factors in virtually the same order of priority – with two factors highlighted as the most important by everyone:

- Low premises overheads; and
- Fast, reliable broadband connection.

Figure 3.3.1 overleaf illustrates the importance of these two factors, with around eight out of ten respondents mentioning them among both groups. It also shows the importance of flexible access and use of premises for pre starts, with over two thirds mentioning this as an essential factor, compared with half of the established businesses. Established businesses were more likely than pre starts to mention the need for car parking for staff and visitors as well as "good quality" office space, reflecting their size and more deep rooted position.

Figure 3.3.1: Workspace requirements essential for future business plans (%)



Bases: 174 established businesses and 52 pre-starts

Both groups were equally concerned about being part of a business community (and overcoming isolation), together with having somewhere "to meet customers and suppliers". Similarly the availability of offices facilities in the form of equipment and access to business support and advice were seen as being important. Clearly these are all key features to build into a hub as well.

It is interesting to note how closely these finding match those of the national work hubs report[6], which summarised the top "needs" of work hub users as being: a

[6] *Work Hubs – Smart Workspace for the Low Carbon Economy,* Dwelly T., Lake, A and Thompson, L. 2010

professional front for their business; business support; networking and collaboration; office-standard equipment and services (fast broadband connection + IT support) and value for money.

In relation to the potential development of work hubs in Devon, the findings in the figure and this section can be summarised into four key points:

Low cost and flexible entry	• Low cost of premises was rated as essential by eight out of ten pre starts and established businesses. Two thirds of these businesses have the option of operating free from home so any outlay they make needs to be good value for money. • This factor also covered the need for flexible tariffs (i.e. hourly and daily rates, etc) and small capital outlay on deposits, etc.
High speed broadband	• The value placed on this factor reflects the broadband coverage of many parts of Devon and the potential impact of improved connection speeds and reliability. • The business activities of many of those interested in a work hubs (i.e. digital media, IT, film making) mean high bandwidth is essential. •A minimum of 100mb is required, preferably more.
A wide ranging and supportive offer	• To offer a range of services based on several key needs: • Business practicalities (i.e. equipment such as printers, photocopiers, IT support, etc), • Facilities for networking and meetings (i.e. café, training rooms, etc): • Business growth and development (access to business advisors, mentors, etc).
Accessible location	• While more businesses wanted a hub to be in a town centre than out-of-town, even more said that they needed car parking. • The relatively small geographic size of many of Devon market towns means that, in some cases, an edge of town or close to centre location provides a solution.

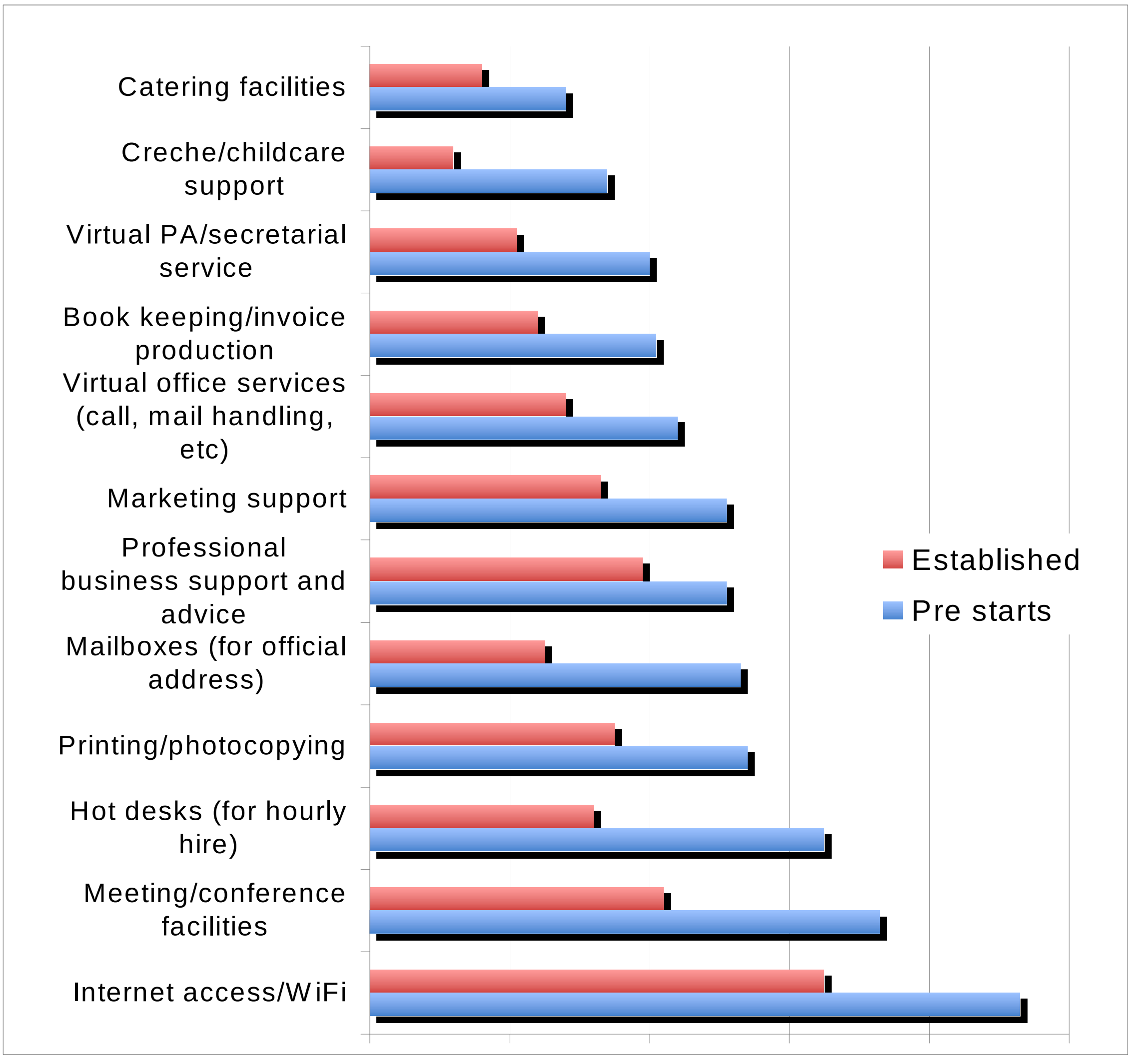
3.4 Interest in using different work hub facilities

The established businesses and the pre starts (including those considering setting up a business) were asked about their interest in using a range of twelve different services that could be provided through a work hub:

> *"On a scale of 1 to 5, where 1 means 'Not at all interested' and 5 means 'Very interested', how interested would you be in using the following types of services if available through a local 'work hub'?"*

Figure 3.4.1 below shows the proportion of each of the two groups saying they were "*interested*" or "*very interested*" in each of the services described, i.e. scoring them 4 or 5 out of 5. As is to be expected, the pre starts and those thinking of setting up in business rated all of the facilities more highly than the established businesses, reflecting their current lack of any business facilities and/or support.

Figure 3.4.1: Interest in potential facilities at a work hub (%)



Bases: 174 established businesses and 52 pre-starts

The table reinforces the findings in the previous section relating to workspace requirements, with both groups ranking the twelve services in virtually the same order and with Internet access/WiFi being the facility of greatest interest to all. Two other factors were highlighted as being of significant interest: hot desks and meeting/conference facilities. In both cases around two thirds of pre starts and two fifths of established businesses were interested or very interested in using these facilities in a work hub.

Other facilities and additional types of business support required at a work hub

In order to provide a little more background to the businesses requirements of a work hub, both groups were asked about any *other* facilities or services that a work hub would need to have, and/or any additional types of business support that could be offered, in order to make it an (more) attractive proposition. However, most could not think of anything else as the previous lists were thought to have been comprehensive.

In terms of other facilities, the extra answers given focused on three areas, though most replicated ideas already suggested:

Networking/business opportunities

> **"***Meetings/linkages to other IT customers"*
> *"Synergy meetings involving all the people working in my line"*
> *"A drop in for people looking for (my) services"*
> *"Like minded people"*
> "*List of trade local suppliers"*

Specific support requirements

> *"A friendly IT person"*
> *"An area to conduct workshops and product presentations"*
> *"Access to bank managers prepared to lend money to SMEs"*
> *"Financial advice/support"*
> *"Website development"*

Work hub design/appearance

> *"It should be professionally designed to conform to highest standards"*
> *"Professionally run, immaculately maintained"*
> *"Green credentials of building"*
> *"Good design, nice lighting, clean, minimalist, appropriate layout"*
> *" A healthy, ecologically designed and energy efficient building"*

Further comments made covered refreshments ("*Cafe with good (but not fiendishly* *expensive) coffee*" and "*Coffee machine, water cooler*").

In terms of other business support services that work hub could provide, the answers were: *"business library", "legal services", "access to bank managers prepared to lend money", "current contracts", "like minded people"* and *"finance".*

Likelihood of using a work hub

As was to be expected given the nature of the research, the great majority of the pre starts (91%) and three quarters of the established businesses (74%) said that they would either definitely use a work hub or would be fairly likely to do so. The remainder said that they were not sure or could not say because it depended upon a range of factors, such as cost, services, location, etc.

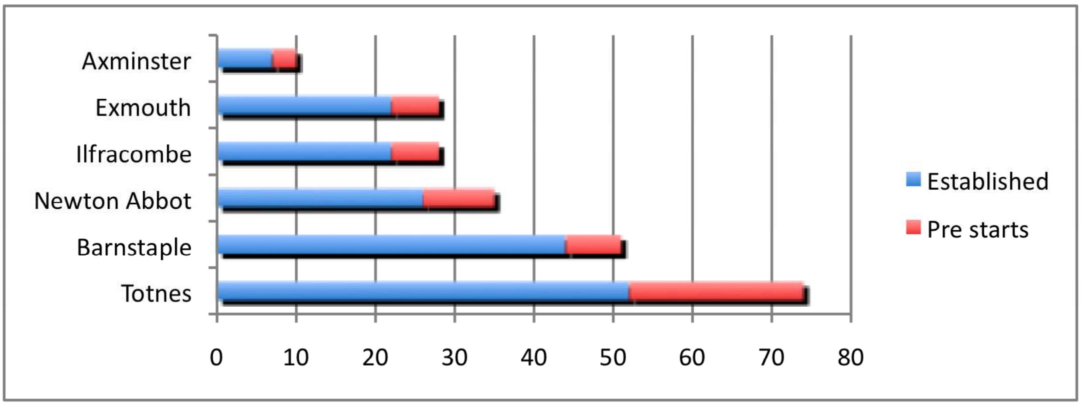
Knowledge of others who might be interested in using a work hub

Both the 52 pre starts and the 174 established businesses were asked if they knew "*of start ups, micro enterprises or other people in your area that would have benefited, or could still benefit, from the sort of high quality business space and facilities that a work hub would deliver*?" Three fifths of the pre starts (60%) and half of the established businesses (49%) said that they could think of people/businesses in this category.

3.5 Demand assessment summary in each town

The finding presented in this chapter so far have been based on the 226 micro, SME and pre start businesses that expressed an interest in using a work hub. To assess demand in each of the six towns covered, the responses by location are shown in figure 3.5.1 below. This shows that two towns – Totnes and Barnstaple – between them accounted for half of the total demand identified.

Figure 3.5.1: Demand for a work hub by town



Bases: 174 established businesses and 52 pre-starts

While the demand found in Totnes was particularly high, that found in Newton Abbot, Ilfracombe and Exmouth was only moderate. Given their population sizes, this level of demand was perhaps lower than had been anticipated in both Newton Abbot and Exmouth. Reflecting its small population size, the demand found in Axminster was only minimal.

These demand findings are discussed in more detail in the sections in chapter 5 assessing the viability of delivering a work hub in each of the towns.

4. Asset review

4.1 Aims and background

The asset review work involved three main components:

- Identifying the potential private and public sector property assets that could be suitable for work hub development in each of the six towns covered by the study;
- Any suitable opportunities that were identified were reviewed in terms of their location, description, size, costs and rental terms together with views on their potential for conversion and where possible, likely delivery partners and stakeholders were also identified; and
- Providing recommendations on a preferred option for each town, if any

were identified, together with estimates on likely conversion or procurement costs.

The asset review work built on the RedC work, which outlined, as part of its findings, a “three income stream model” format for a successful work hub as well as listing certain ingredients that would help a hub to be both sustainable financially and work effectively for its users.

Some of these ingredients are tangible in the sense of the appearance of the property, (the “wow” factor as the report defined it) and others less so in terms of the hubs’ management and level of business support. It is the tangible ingredients that formed the basis of the search criteria of this review.

The “three income stream model” format identified that the financial sustainability of a work hub needs to hinge on core income, quantified at being no less than 70% of total income. This core income was to be made up of permanent occupiers, occupying space on a more conventional basis.

Added to this, the report identified that the minimum size of a work hub should be no less than 500 sq m (5,000 sq ft) in total and that the core income base could be bolstered by other services, such as cafes or restaurants. This means hub facilities could be retrofitted into suitable existing premises to meet the 70/30 income split, with the space for the managed workspace element being less than 500 sq m. This is important to note as a low risk option where demand is not high.

4.2 Context and approach

Given the challenges of finding suitable opportunities that were not only available on the open market, but also matched to a greater extent the “model” criteria, it was felt necessary to adopt a fairly broad approach as part of the search process. It was also recognised that market conditions ,and with this the underlying viability of establishing a work hub from a standing start, have altered significantly since the bulk of the research for the RedC report was undertaken.
As the RedC report identified, a core level of income is necessary to maintain the financial stability of a hub, and it is indigenous demand for such conventional serviced office accommodation that has declined so dramatically over the last 18 to

36 months. Work hubs tend to be more successful during periods of economic growth, as individuals build the confidence to establish new business and break away from conventional employment. This finding was acknowledged in the national work hubs study:

> *"…The Hub now has over 100 members, at least two-thirds based at home and using the hub ad hoc or part-time… At its peak before the recession member numbers were closer to 140…[7]"*

The focus of the Review therefore was to identify buildings that fit one of the following profile characteristics:

- Currently redundant buildings, preferably character or period in style, of "iconic" status, capable of conversion to form a "model" work hub as set out within the RedC report;
- A currently multi-let building, where a core income of existing tenants already exists but where the landlord has a void suited to accommodating the more flexible "drop in" users.

The estimates on costs for conversion that are given in the detailed assets review sections in Appendix 4 are based on approximations per square foot and can vary from property to property. As part of any ongoing process to evaluate the viability of a chosen option we would recommend full building and M&E surveys should be undertaken.

4.3 The outcomes of the review

It became clear as the Review progressed and demand results began to come through, that a simple "model" solution might not be appropriate in all the towns. The keys drivers for this were firstly either a distinct lack of available suitable assets, from either the public or private sector, or a lower level of demand in particular towns. The parameters of the asset review were therefore widened to include:

- Assets with potential to establish a work hub style centre on a smaller scale than the RedC defined "model"; and

[7] *Work Hubs*, Ibid p.43

- Through the demand side of the study, a number of existing or newly established work hub style managed workspace providers were identified that presented the opportunity for enhancement of their existing “offer” or the delivery of potential stakeholder partners.

These are discussed as appropriate in the following sections reviewing each town.

4.3.1 Totnes asset review

The Asset Review of commercial properties in Totnes was not overly productive, with only a very limited range of premises being offered in the open market that matched the RedC “model” criteria. In total only seven opportunities were found that merited consideration, of which three were short listed and four others noted below.

The potential developments on the Dartington estate (http://www.dartington.org) and the former Dairy Crest site (http://atmosproject.co.uk) were also both considered, but have not been detailed in this review because of their location and uncertainty over precise plans and timescales respectively.

The Asset Review of public assets in Totnes was similarly not overly productive, in terms of the number of potentially suitable properties. However, one potential building was identified among the public assets and also through the demand studies undertaken in the town.

The Mansion House in Fore Street, currently used by Devon Adult Education, was identified by numerous local contacts as being a focal point for the community with considerable potential for enhancement and expanded use.

Including Mansion House, the short listed options in Totnes were therefore:

- Baltic Wharf Site, St Peters Quay;
- St John Ambulance Hall, Station Road; and
- The Mansion House, Fore Street.

It should be noted that the Baltic Wharf option is a site that has recently been granted planning permission, while the other options are existing buildings that would require conversion/refurbishment and that the St John Ambulance Hall would only be suitable for a very limited work hub “offer”, in terms of floor space available. This would, of course, impact on its potential financial viability.

Very few other opportunities were identified in Totnes. Among these other premises, only four were worthy of note though it was felt that those above better matched the RedC criteria. Two of these were vacant shops and one a café, all with very limited floor space, while the fourth was a small retail unit:

- 46 Fore Street;
- 53 Fore Street;
- The Terrace Coffee Shop, 57 Fore Street; and
- Unit C8 Waterside, The Plains.

Appendix 4 of this document contains full details for the findings for each of the shortlisted premises in Totnes. The images of each of the properties are available in a separate document. Appendix 5 summarises the other properties reviewed in the town.

4.3.2 Newton Abbot asset review

The Asset Review of commercial properties in Newton Abbot proved to be the most productive, not only in terms of the volume of available office accommodation, but also yielding three private sector opportunities that to a greater extent, matched many of the RedC “model” recommendations.

The main uncertainty with all three of these properties is the ultimate deliverability, be it through issues with cost (both conversion and purchase), current stakeholders and most significantly, demand viability.

We have also included two public sector options, both currently leased or owned by Devon County Council. Including these two assets, the five short listed options in Newton Abbot were the following:

- Teign Stores, Teign Road;
- Templar House, Newton Abbot Hospital;
- 22-24 Devon Square;
- Estuary House, Brunel Industrial Estate (DCC); and
- Bridge House, Courtenay Street (DCC).

Numerous other opportunities were identified in Newton Abbot, but were not short listed as they fell well short of the necessary criteria. Among these other premises, five were worthy of note though it was felt that the five above better matched the RedC criteria:

- Brunel House, Brunel Industrial Estate;
- Sherborne House, Kingsteignton Road;
- Coronation House (lower site of Coombeshead College), Broadlands Estate;
- Pearl Assurance House, Courtenay Street; and
- St John Hall, East Street.

These five premises were not short listed because on a combination of the main RedC factors – location, floor space, rental costs, etc., the five other premises better matched the criteria.

Appendix 4 details the five short listed premises. The images of each are available separately, while Appendix 5 summarises the other properties reviewed.

4.3.3 Barnstaple asset review

The Asset Review in Barnstaple failed to identify any significant number of opportunities that matched in with the criteria of the RedC "three income model". However, several properties were identified, including a modern multi-let building with vacant space, a medium size (potentially) multi-use former office building, a large ground floor retail building and two smaller options that could work in a smaller format way.

Again, the main uncertainty with any of these options is the ultimate deliverability, be it through issues with cost, current stakeholders or demand viability.

The five short listed options were:

- Queens House, Queen Street;
- Devonshire House, The Square;
- 103 Boutport Street;
- 21 Cross Street; and
- Victoria Chambers, Gammon Lane

Two further potential opportunities were identified at BMyOffice, 37 Bear Street and the Business Centre, Bridge Chambers, 1 Bridge Street. Both of these existing workspace providers either currently offer small-scale hot desk and management facilities or could adapt their provision to do so. Between them they offer a range of work hub services, such as meeting rooms, secretarial and reception support.

These existing managed workspace providers were not short listed because they are already operating and are not "on the market". However, we propose that they be kept informed of the study outcome in order that they might consider adjusting their offer to suit the market requirements.

Other opportunities identified but not short listed included:

- 70 Boutport Street;
- Unit 2 Old Station Road; and
- 12/13 High Street.

These premises were not short listed because on a combination of the main RedC factors – location, floor space, rental costs, etc., the five other premises better matched the criteria.

Appendices 4 and 5 contain details of short listed premises and summaries of other properties reviewed. The images of each are available separately.

4.3.4 Ilfracombe review

The Asset Review in Ilfracombe was conducted in a slightly different manner to that in the other five towns. This was because the lead contact in North Devon+ had expertise and knowledge of the commercial property market in the town and was therefore able to provide initial leads and insights on viability that might not otherwise have been available. This resource was used to supplement the approach that was taken in the other towns.

The work identified that unlike in some of the other towns covered; there were numerous commercial assets available in Ilfracombe. However, the properties identified were virtually all either small retail outlets or former hotels. While the vacant retail outlets were all located on the High Street, the hotels were in disparate locations in and around the town, as well as being of varied size and suitability.

The vacant retail outlets included:

- 17 High Street (Rodds Electrical);
- 78 High Street (Terry's Sports);
- 107 High Street (Estate Agent);
- 132 High Street (The Chocolate Box);
- 138 High Street (John Smale Estate Agents); and
- 152 High Street (Mike Edmunds Garden Store).

Two of these outlets have now been taken over by new leaseholders (107 becoming a Golf Shop). The remaining four were all too small to be viable as work hubs on the basis of the RedC criteria of a minimum of 5,000 square feet.

The hotel and "other premises" list identified covered:

- Berkeley Hotel, Wilder Road;
- Britannia Hotel, Broad Street;
- Former Bus Station Site, Ropery Road;
- Former Pavilion Site, Wilder Road;
- Former Cliffe Hydro Hotel, Hillsborough Road;
- Former Collingwood Hotel, Wilder Road;

- Former Collossus Nightclub, Avenue Road;
- Former Golden Coast Arcade, Wilder Road;
- Former Montebello Hotel, Fore Street;
- Ebberly House/Wellington Laundry/Marine Cottage;
- Southcliffe Hotel, Torrs Park; and
- The Shields.

The North Devon+ contact confirmed that some of these sites had active planning applications underway (the Berkeley, the former bus station, Cliffe Hydro), while others had actually completed their own renovation work and were finished and "open for business" (the Britannia). The remainder were considered but were not appropriate for short listing as they fell well short of the necessary RedC criteria. The commercial property search was widened to include more diverse properties and existing property owners who were currently using their premises for office space were approached to see if they would consider incorporating a work hub into their provision.

The wider search found the following premises:

- Former Midland Bank, 151 High Street;
- Prince of Wales Public House, Fore Street;
- Bay Tree Restaurant, St James Place; and
- Maddy's Chippy, St James Place.

Unfortunately these properties were either unsuitable for conversion to a work hub as they were too small (only being between 700 sq ft and 1,300 sq ft) or were being sold as a going concern. As such they were not short listed.

The conversations with local property owners also failed to produce any productive avenues to follow.

Therefore, because of the lack of suitable commercially available premises, attention was turned to the public sector property assets. Interestingly several of these appeared potentially suitable, although the remainder were entirely unsuitable, unavailable for conversion to a work hub or were not located in Ilfracombe itself.

The public assets that were worthy of further investigation were:

- The Ilfracombe Centre, 44 High Street;
- The Lantern Youth & Community Centre, 51 High Street; and
- The Ilfracombe Library, The Candar.

Preliminary enquiries found that the Ilfracombe Centre was already offering limited managed workspace and business support activities in a manner that was very similar to that envisaged at a work hub. However, these activities had not yet been set up as a “work hub” or promoted to the business community, although there were already several tenants and “hot desks” available. It is located in the very centre of town and covers three floors offering a range of alternatives for conversion and adaptations.

The Lantern Youth and Community Centre also has many positive attributes, in relation to being considered as a work hub. However, its existing mixed use (including as a nursery/crèche) with a single means of entry meant that there would be issues over accessibility and child protection for any “walk in” style hub. Furthermore we understand there is only a limited amount of space that might be available in the premises for any other form of use.

Similarly the Library has many positive attributes, including being recently refurbished with WiFi, study space, chill-out space for young people and “comfy seating for all.” However, the fact that it had been recently refurbished and all available space is being well utilised meant that there was little potential for conversion or adaptation to including work hub facilities.

As such neither the Lantern Youth and Community Centre or the Library were suitable for short listing, although the Ilfracombe Centre was clearly a very strong candidate and it is described in more detail below.

The Ilfracombe Centre

Location and description

The Ilfracombe Centre is located in the centre of town, on the junction between the High Street and Northfield Road. It occupies a substantial three storey building plus basement and is a "*new and exciting development from the Ilfracombe Town Council. It connects council, community and voluntary services enabling residents to access current, comprehensive and accurate advice under one roof*[8]".

The centre already offers business support and serviced office accommodation in the form of dedicated areas designed specifically for start-ups or small businesses wanting a base in the area. Each area can accommodate up to six desks with lockable storage, IT and telecoms equipment. WiFi is free to use and marketing and promotional support are available.

The centre has a fully serviced reception area that deals with all enquiries and also offers conference and training facilities. The current tariff structure for businesses is £1,000 per annum covering desk rent, rates, furniture, direct dial phone, use of rooms, reception, marketing and partnership working.

Conversion potential and partnership

Following discussions between the Centre Manager and the EDO of NDDC, they have agreed to plan and cost the changes and conversions needed in the Centre to offer a "work hub" type facility alongside the existing office provision. It is proposed that this would be in one of the training rooms that already have extensive IT equipment installed.

While there are some issues with the internal layout, the overall offer that the centre can provide is close to an "ideal" work hub service scenario. The Manager is aiming to produce the costings as soon as possible and is considering whether a partnership approach with DCC might be appropriate. She will also be drawing up a more flexible tariff structure – designed for hub users wishing to access on a daily or weekly basis without paying a large sum up front.

[8] http://www.theilfracombecentre.co.uk/centre/

4.3.5 Exmouth asset review

The Asset Review in Exmouth proved challenging with very little available in the open market. Only one current commercial opportunity that in any way matched in with the RedC "model" was identified, while one possible solution was noted among the public sector assets and a third was put forward by a local regeneration, education/training and community business – Rolle Exmouth Ltd.

A potential fourth option was identified as the Exmouth Well Being and Business Centre that opened last summer in Hartley Road. This is currently being finalised to offer small-scale hot desk and management facilities alongside some other work hub attributes, such as meeting rooms, kitchen and reception services.

As had been found elsewhere, the uncertainty with pursuing the RedC "model" option at any of these sites concerned the three key issues of cost, current stakeholders and demand viability, each of which impacted negatively on deliverability.

The short listed options in Exmouth were:

- 36-37 The Strand (former Thomas Tucker);
- Exmouth Branch Library, Exeter Road (DCC); and
- Rolle College – Main Building (Administration Block).

The Exmouth Well Being and Business Centre at 14 Hartley Road was not short listed as such because it is already operating and is not "on the market". However, its owner has asked to be kept informed of the study outcome in order that he might best adjust his offer to suit the market requirements.

Very few other suitable opportunities were identified in Exmouth, due to the depressed state of the property market.

The few others that were identified were not appropriate for short listing as they fell well short of the necessary criteria. These other premises included the following:

- Youth Café, 10-12 Victoria Road; and
- Exmouth Registrars office, St Andrews Road.

These premises were not short listed because they did not sufficiently match the main RedC factors – location, floor space, rental costs, etc.

Appendices 4 and 5 detail the short listed premises and summaries of other properties reviewed in Exmouth. The images of each are available separately.

4.3.6 Axminster asset review

Given the size of Axminster relative to the other target towns, it was not surprising that the Asset Review found that the level of available space on the commercial market was considerably lower and no ideal opportunities were identified.

However, two small-scale commercial possibilities were identified to be worth exploring further if warranted by the findings of the demand study.

Among the public sector assets that were reviewed, one property did demonstrate some potential – the Axminster Community College. However, there were numerous issues attached with the site. Not least of these was that the College is, of course, mainly fully utilized for academic purposes in the day time and that the only suitable room on site is an IT suite used by students for classes. With these issues of restricted accessibility, availability and usage it was not felt appropriate to shortlist the College as an option.

Therefore the shortlist in Axminster was limited to two commercially available properties:

- Hanover House, Chard Street; and
- The Regent Hall, Market Square.

Appendix 4 contains the findings for each of these two premises in Axminster. The images of each are available in a separate document.

5. Viability assessments and recommendations

This chapter assesses the viability of the delivery of a work hub in each of the six towns and, based on the demand assessments and the asset reviews in the previous chapters make recommendations for the best means of proceeding.

5.1 Assessing viability

The viability assessments that are described in this chapter are based primarily on a financial appraisal of the potential revenue that could be generated from a work hub, relative to the costs of establishing and running such a hub in each of the six locations. The brief for the study was clear that viability must be focused on these financial criteria.

To ensure that the revenue estimates that formed the key part of the assessment were conducted in a clear and transparent basis, two basic assumptions were used to underpin the calculations. These were:

- The level of income that an “average” hub user would generate; and
- The proportion of those interested in a hub that would actually use the hub.

It is acknowledged that this is a straightforward approach and that a more complex model for estimating potential revenue could have been created. Such a model could have involved collating the whole range of factors associated with the likelihood of individuals and businesses using a hub and attaching weights to each factor. For instance, to the actual likelihood of using a hub (“very”, “fairly likely”, being heavily weighted etc) or related to the current/projected size of each business’ turnover and the proportion of this turnover spent on office space.

However, it was felt that there were too many uncertainties, in both the range of factors and the general economic outlook that would need to be taken into account to warrant a more complicated approach. Furthermore, it was felt that any such model was likely to produce a spurious sense of accuracy, in that any change to any one of the many variables involved could have greatly influenced the outcome.

As such, it is important to note that the figures presented in the following sections do NOT represent a full feasibility study for a work hub in each of the locations. Such a full study could only realistically be undertaken when sites and partners have been identified and agreed, alongside the range of other matters that would need to be addressed, such as any planning or sustainability issues.

The key advantage of this approach is that it is transparent and that a different figure can easily be slotted in to create alternative estimates of income generated in each town and, hence viability, if felt necessary. The figures give an informed assessment of the financial viability of proceeding with a work hub in each of the six towns.

5.1.1 Likely income generation from hub users

Clearly this is the key component in the assessment of viability. We have examined the wide range of tariffs and charges currently being offered by hub providers and spoken to numerous letting agents together with hub operators and tenants. Table 5.1 shows examples of current hub and hot desk tariffs, illustrating differences in amounts and flexibility (over timing) around the country and more locally[9].

The variety is based on several key factors including level of usage, location, services used, competition from other providers, etc. As far as possible we have tried to show comparable costs, though in reality many hub owners are very flexible and will vary their rates/service provided depending upon local prevailing conditions.

Table 5.1 Selection of Hub and hot desk rates

Location	Services	Hours per month	£/ month	£/ annum
Bradford Chambers Business Park, Bradford, Yorkshire www.bradfordchamber.co.uk	Hot desk, printing, storage (telephone, etc at extra charge)	25 50 100	£70 £100 £150	£840 £1,200 £1,800
Riverside Park Centre,	Dedicated desk telephone,			

[9] Because the research did not find any hubs or specifically hub-style services currently being offered in Devon, it was not possible to include any more local comparisons.

Farnham, Surrey http://www.flexiofficespace.co.uk/costs.asp	fax, voicemail, company address, office services as required	Unlimited	£150	£1,800
FunkBunk, Leighton Buzzard, Bedfordshire http://www.funkbunk.com/cool-spaces-hot-desks/	Use of desk (dedicated and with storage at higher rates) printing, meeting rooms, free tea and coffee)	16 48 96 Unlimited	£25 £70 £140 £200	£300 £840 £1,680 £2,400
The Hub, Islington, London http://islington.the-hub.net/public/joinus.html	Use of the hub workspace, membership on mailing list, free entry to all Hub Islington events, storage and registered post box	25 50 100	£70 £125 £210	£1,080 £1,500 £2,520
Old Church School, Frome, Somerset http://www.theoldchurchschool.co.uk/tariffs/	Use of hub workspace, fax, printing, use of meeting rooms and cafe/lounge plus mailbox, phone lines and storeage at higher rates	8 30 60	£20 £100 £150	£240 £1,200 £1,800
The Innovation Centre, University of Bath http://www.bath.ac.uk/bathventures/forbusiness/innovationcentre.html	Use of desk in centre, reception cover, business lounge, meeting rooms, copying, faxes, mailbox, scanning, telecoms	Unlimited	£220	£2,640
The Werks, Hove, Sussex http://thewerks.org.uk/	Small, functional desk with keys and 24 hour access. Large desk in prime location, adjustable chair, lockable drawers as above	Unlimited Unlimited	£150 £220	£1,800 £2,640
York Hub, Yorkshire http://www.yorkhub.co.uk/index.php?s=2010_whatis	Use of hub workspace, meeting room, reception, car parking and reduced rate phone charges (For less than 3 employees)	Daily Monthly	£15 £160	£1,200 £1,920

The table contains examples of hubs charging from between £1,800 and over £2,600 for *unlimited* access to a hub workspace (with various caveats and additional charges attached in terms of use of other facilities). It also demonstrates the need for flexibility, with the range of tariffs going from unlimited down to very limited usage of just 8 or 16 hours per month in some cases. A few hubs were found to be offering *hourly access* as well.

In considering what could be regarded as an average rate of return from hub users, we noted the points made concerning the work hubs market still being an "immature" market place, with variable prices and availability. We also noted that the key factor determining usage that was raised by the prospective users of a work hub was its affordability, i.e. the low cost of access.

While the hub owners we spoke to were generally reticent about the take up, profitability and levels of usage of the flexible tariffs, it was evident from both the agents and the prospective users involved in the research that minimum "hot desk rates" are necessary to entice those currently operating with no or only minimal rental charges into a hub. Furthermore, most new users will be unlikely to need unlimited access, stating that they were looking for 1-2 days per week.

As the main customers for a hub will be either Home Based Businesses, for whom "office space" is currently free, or new starts with limited income, we have used ***an average figure of £1,000 per annum per user*** for the purposes of calculating the income generation potential in each town. This is clearly in excess of what some users could afford, but equally is considerably less than renting a "formal" office. (N.B. This figure does not include anything else spent on other facilities offered by a hub, such as meeting rooms, refreshments, photocopying, business advice, etc.).

This figure of £1,000 is based on a day rate of £20 per day, with users visiting their hub for the equivalent of 4 to 5 days per month (that is about once a week) or approximately 50 times per year. While some hub users would be much more regular attendees, we believe that there would also be a sizeable number who would only come relatively infrequently. The average of 50 times per year is a starting figure that the hub itself would clearly wish to increase over time.

On this basis, the average income generation figure of £1,000 per annum per user can be regarded as being at the low end of what could be achieved and as such this helps lowers the risk of any hub being "unviable". That is, if the figures appear to be viable based on a low rate of return then there is a lesser risk attached to investing in them, if it is anticipated that the rate of return can actually be exceeded.

We debated the income generation potential with agents and business mentors from across the six towns. The agents were keen to point out that as businesses grow they wished to “step up” the ladder and move into larger, more professional premises. They believed that the figure of £1,000 fitted with this, as the minimum for a small office was often in the region of £4,000 per annum, based on the use of two to three desks.

It is also worth noting that the figure of £1,000 has been arrived at based both on the tariffs shown in the table above and also following discussion at the business animation events and jellies with a range of those expressing interest in a work hub.

The figure of £1,000 was also in line with the findings of the RTP study into the feasibility of Business Development Units in Seaton, covering desk only rental charges that prospective tenants were prepared to pay[10].

5.1.2 Proportion of those “interested” who would use a hub

Once an average figure for likely income that could be generated by each user was arrived at, it was necessary to identify what proportion of those expressing an interest in a hub would actually pay to use it.

We canvassed current hub operators on what proportion of their membership actually regularly uses their hub, as it was felt that this would serve as a good indicator of take-up levels.

While there was again a degree of reticence about disclosing this figure, and some considerable variability in the answers given (between 10% and 60%), on average the figures provided indicated that ***20-25%*** is a “safe” assumption to work with. (This figure also concurs with the figure given in the national work hubs study).

That is, for every 50 people expressing an interest in a town, we have assumed that it is likely that 10-12 would actually pay for the service if it were established there. This does not mean, of course that further additional people could not be attracted through marketing, etc., to increase numbers. It simply means that as the market

[10] *Seaton Business Development Unit Feasibility Study*, East Devon District Council, RTP, 2008, pp23-25

stands, these 10-12 would be the starting point.

Again the figure we have adopted is based on a low risk scenario – i.e. if a hub appears viable based on using it, then if the actual figure did prove to be higher then the hub would be generating greater revenue.

5.1.3 Premises in each town

Of course, alongside the estimation of potential revenue generated from hub users, the costs of establishing and running a hub in a suitable premises in each town forms the other side of the demand and supply equation. It is therefore worth re-emphasising that the commercial property markets in each of the six towns were all found to be in a relatively depressed state at the time of the study. This was evident in terms of the limited number of available *and* suitable premises and the levels of rental and purchase costs that were being asked.

5.2 The viability of a work hub in each town

The assessments of viability for each of the six towns covered by the study and their associated recommendations can be summarised into three groups:

- **Towns with significant current demand for a work hub**

  Totnes and Barnstaple were found to have significant levels of current demand for a work hub. Several potentially viable property options and possible partners for delivery have been identified. The recommendation is that the delivery of work hubs in both towns is facilitated in the most efficient and timely manner possible, by means of an open tender process in Barnstaple and also in Totnes.

- **Towns with modest current demand for a work hub**

  Ilfracombe, Newton Abbot and Exmouth have modest levels of current demand. The recommendation is that work hubs are only taken forward in these towns if a scenario involving a *minimal* level of public sector investment can be found, i.e. refurbishing a suitable public sector building. This is being pursued in the Ilfracombe Centre. Longer term this may be possible in Exmouth on the Rolle College site.

- **Towns with limited current demand for a work hub**

  One town – Axminster – was found to have a very limited level of current demand. The recommendation is that a work hub is not taken forward here at present, as there is very little prospect of any investment producing a viable financial return, unless it is of the “in-kind” type.

When considering the four towns in which demand was found to be modest or limited, it is worth reiterating one of the key findings from the *Flexible Working and Managed Rural Work Space*[11] study:

> “*Small businesses … did not necessarily require flexibility in terms of hot-desking or drop-in facilities”*.

This was a reflection of their business activities and the associated workspace requirements and was evident in the feedback received at the Business Animation events and jellies from local businesses themselves. Members of the Newton Abbot and Exmouth Regeneration Boards endorsed this view, saying that many new businesses in their locality went “straight” from a garage/spare room to a rented workshop or small unit on a local industrial estate or business park.

The following sections provide the detail on the financial viability of a work hub in each of the six towns, containing findings relating to the demand work at the town level and also a summary of the asset review in each location. Where appropriate, they present the options for taking forward delivery of a work hub or the alternatives in those cases where a hub is not considered currently viable.

[11] *Flexible Working and Managed Rural Work Space,* Devon Renaissance Ltd/Devon County Council, BASLLP 2007

5.2.1 Totnes viability assessment

At first sight the demographic and economic statistics for Totnes (with its small resident population as shown in Table 5.2.1 below) had seemed to indicate that the town would have a relatively limited *potential* market for a work hub. However, the high proportion of people of working age, combined with the relatively high number of established and new start local businesses pointed towards there being a considerable degree of demand in the town.

Table 5.2.1: Totnes demographic and economic statistics

Totnes	
Town population	8,440
Town and rural hinterland population	23,261
Proportion of working age (16-64 years)	64.5%
Number of businesses	c.1,200
Number of pre/new starts in last 18 months	c.200

Sources: Devon Town Baseline Profile Updates: Totnes 2009 and Business Link 2010

This positive indication was further strengthened by the profile of the people working in the area and the type of businesses that are established there that combined to demonstrate quite significant potential demand for a work hub:

- c.25% of the working age population being self employed;
- Significant numbers of employees working in wholesale & retail (19%), real estate & business (17%) or education & health (23%) occupations; and
- A higher than average proportion of the population being in the 16-44 age group (the banding anticipated to generate most work hub customers).

As shown in chapter 3, these factors were borne out by the study that found the highest level of demand for a work hub across the six towns covered, with 74 businesses and individuals expressing an interest in a work hub in Totnes. These were predominantly home based, micro businesses in the creative, digital and media sector, 52 of whom are established businesses and 22 pre starts.

43 have only one employee, while 18 have 2 - 4 and 12 between 5 and 9 employees and just 1 more than 10 employees. 58 of the 74 said that either they already did, definitely would or were fairly likely to use a work hub. Four key points were found to

be central to the success of developing a work hub in Totnes:

- The importance of low cost entry;
- The need to provide high speed broadband;
- The need for a town centre location; and
- The importance of a flexible offer.

The services the 74 were most interested in accessing at a Totnes hub were: internet access/Wi-Fi (75%); hot desks (on an hourly basis) (58%); printing/photocopying facilities (55%); and meeting / conference facilities (52%).

The Asset Review in Totnes did not find any available commercial properties that matched the RedC criteria. The few properties that were short listed only offered limited suitability for conversion, with issues of floor space or still being developed. The Review identified several managed workspace operators and possible partners who were interested in offering work hub facilities in the town, including:

- The Dartington Trust, a major local land/property owner (also provider of managed workspace with outline plans for further provision);
- The Baltic Wharf developers, with plans to procure office and professional services managed workspace on the Wharf; and
- A Social Enterprise, TQ9/Breadcrumb, with plans for a Totnes Media Centre including hot desks and flexible desks for “project workspace”.

Moreover, the review found one of the public assets – Mansion House – already met many of the RedC criteria, such as a central location, accessible, well known, iconic building and having many facilities that a work hub would need (café, crèche, etc). The building is currently an Adult Education Centre. However, there are key issues regarding covenants on the site, which restrict its use to “educational purposes” only. DCC have clearly indicated that they are actively seeking to resolve the covenants issue, but that this is likely to be a complex and lengthy process. No new tenants would be allowed into the building until this issue is resolved and therefore, although the site seems to meet the criteria, it is recommended that other premises options are pursued if a work hub is to be developed in the town in the short and medium term.

Subject to a suitable location being found, therefore, the level of demand in Totnes is significant and would contribute positively to the economic viability of a hub – as is borne out by the interest from potential partners. Taking 20-25% "occupancy rates" from a membership of 74 equates to c.15-20 users, i.e. to an income stream of **c.£15,000 to £22,000 pa** depending upon use.

Recommendations for Totnes

The demand findings and the amount of interest from potential partners indicate that a work hub should be pursued in Totnes. However, this study has been unable to identify suitable existing premises which meet the RedC criteria and which can be converted into a work hub.. Therefore the recommended next steps are for DCC to:

- Make the study findings available to Dartington Trust, TQ9/Breadcrumb and other interested parties in the town – and request their responses/reactions;
- Continue to explore issues relating to the Mansion House, which could enable it to be considered for use as a work hub; but also
- Release an open tender for the provision of a work hub in the town, exploring likely DCC financial investment based on following criteria:
    - To be situated in suitable premises, ideally which meet the RedC criteria if not;
    - To meet certain DCC criteria to be specified in relation to the level, quality and standard of services available at the hub; and
    - The preferred terms of the financial investment and associated caveats, together with alternatives that might be considered.

5.2.2 Newton Abbot Viability assessment

The demographic and economic statistics for Newton Abbot (Table 5.2.2 below) had indicated that the town could have a significant *potential* market for a work hub. Specifically, the size of the resident population and the surrounding rural hinterland area, together with the number of established and new start businesses pointed towards the possibility of sizeable demand.

Table 5.2.2: Newton Abbot demographic and economic statistics

Newton Abbot	
Town population	25,223
Town and rural hinterland population	70,480
Proportion of working age (16-64 years)	62.1%
Number of businesses	c.3,300
Number of pre/new starts in last 18 months	c.500

Sources: Devon Town Baseline Profile Updates: Newton Abbot 2009 and Business Link 2010

However, the profile of those living in the Newton Abbot area and the make up of local businesses, together with the proximity of the town to Torbay and Exeter indicated a lower level of demand for a work hub:

- Just c.16% of the working age population being self employed;
- Significant proportions of employees in the town working in public administration/defence (10%) or education/health (19%) occupations; and
- A much higher than average proportion of the population being "*older families living in suburbia*" (Mosaic definition).

Reflecting these factors, and as reported in chapter 3, the study found a modest level of demand for a work hub in Newton Abbot, with 35 businesses and individuals expressing an interest. Given the size of the town compared with the other towns covered, this represented a comparatively low level of demand.

The 35 were mainly home based, micro businesses, 26 being established and 9 pre starts. They came from a range of sectors, including arts and creative, retail, professional services and leisure. Seventeen have only one employee and ten have between two and four, with six having less than 10 and two more than 10. Twenty eight of the businesses/pre starts said that either they already did, definitely would or were fairly likely to use a work hub in Newton Abbot. The remaining seven said it would depend upon the terms and conditions of the work hub.

Fast, reliable broadband access combined with low premises costs were considered the most essential factors relating to their workspace requirement in the future for more than three quarters of the group of 35. The three services they were most very interested in accessing at a Newton Abbot hub were:

1. Internet access/Wi-Fi (71%);
2. Meeting/conference facilities (46%); and
3. Hot desks (available by the hour) (40%).

The Asset Review found a selection of commercially available properties in Newton Abbot that were shortlisted as being potentially suitable for conversion to a hub, alongside two public sector buildings. The Review did not find any private sector managed workspace operators interested in providing a work hub, though it did identify a local developer who was interested in managing a work hub in the town.

The demand assessment work had found only a moderate level of demand in Newton Abbot – insufficient to make a work hub economically viable alone and barely sufficient to be viable as a third stream of income in a wider enterprise. Taking 20-25% “occupancy rates” from a membership of 35 equates to just c.7-9 users, i.e. to an income stream of ***c.£7-9,000 pa***.

This compares to the estimated costs of rental/purchase and conversion/ refurbishment for the short listed commercial properties in Newton Abbot that ranged from £295,000 for purchase plus c.£800,000 for conversion of Teign Stores to £36,000 for annual rental plus conversion costs of £75,000 to £150,000 for the property in Devon Square.

On this basis, a hub in a commercial property in Newton Abbot is not currently a viable option in its own right. If a hub were to be taken forward in the town, then it would need to be in an existing public sector building, where there would be no purchase costs and any rental costs could be minimized or as part of a much larger venture, producing considerably less than the 30% income in the RedC model. As such it would effectively need to be part of a much larger operation, generating income from an otherwise under utilized space.

Recommendations for Newton Abbot

The modest level of demand and the lack of any market response (in terms of providing work hub facilities) in the town indicate that investment in a work hub in Newton Abbot should only be undertaken with the minimal level of public investment, i.e. either be on the basis of very limited support for a wider private sector offering, or preferably as a complement to existing public sector provision. In the absence of any identified private sector partners (aside from one wishing to manage a hub), the recommended next steps are:

- Make the study findings available to workspace providers and interested parties in Newton Abbot – and request their responses/reactions;
- Explore the two identified public asset premises to ascertain whether it is possible to make a very limited hub offering there; and then
    - If it is possible, release an open tender for running a small work hub in the building, based on meeting certain DCC criteria to be specified in relation to the level, quality and standard of services available at the hub; and the preferred terms of the investment and associated conditions, together with alternatives that might be considered; and
    - If it is not possible, focus attention on the provision of other forms of managed workspace for the town returning to the question of a work hub in the future when demand may have changed.

5.2.3 Barnstaple viability assessment

The demographic and economic statistics for Barnstaple (as summarised in Table 5.2.3 below) also show that the town has a significant *potential* market for a work hub. This is both in terms of the size of the working age population and the surrounding rural hinterland area, together with the number of established and new start businesses that can be found there.

Table 5.2.3: Barnstaple demographic and economic statistics

Barnstaple	
Town population	25,184
Town and rural hinterland population	47,874
Proportion of working age (16-64 years)	62.8%
Number of businesses	c.2,200
Number of pre/new starts in last 18 months	c.300

Sources: Devon Town Baseline Profile Updates: Barnstaple 2009 and Business Link 2010

Furthermore, the profile of the people living in the vicinity and the established businesses further emphasis the potential market for a work hub:

- c.21% of the working age population being self employed;
- Significant numbers of employees working in wholesale & retail (21%), real estate & business (12%) or education & health (25%) occupations;
- A higher than average proportion of the population being in the 25-44 age group (the banding anticipated to generate most work hub customers); and
- A higher than average proportion of households being "*younger families living in newer homes*" (as described by Mosaic).

These indicators were borne out by the study that found the second highest level of demand for a work hub across the six towns covered, with 51 businesses and individuals expressing an interest in a work hub in Barnstaple. These were mainly home based, micro businesses, focused on the IT, web design, digital media, creative and arts sectors, 44 of whom were established businesses and 7 pre starts.

18 have only one employee, while 20 have 2 - 4 and 11 between 5 and 9 employees and just 2 have more than 10 employees. 29 of the 51 said that either they already did, definitely would or were fairly likely to use a work hub. Virtually all of the remainder said it would depend upon the terms and conditions of the hub and their circumstances at the time of opening.

Fast, reliable broadband access combined with low premises costs were considered essential to their future development by more than three quarters of the group. The three services they were most interested in accessing at a Barnstaple hub were:

1. Internet access/Wi-Fi (59%);
2. Meeting / conference facilities (56%); and
3. Access to professional business support and advice services (40%).

The Asset Review found a selection of commercially available properties in Barnstaple that were shortlisted as being potentially suitable for conversion to a hub. The Review also found private sector operators that were already offering managed work space in the town centre that was either similar to a work hub or could be adapted to being a work hub offer.

Further to this a Charitable organisation – TTS – that owns a substantial, currently mainly unused building in the town centre – has also asked to be considered for assistance in funding to convert/refurbish part of the building into a work hub while using the rest for office space and other community facilities.

While the demand assessment work across the six towns found the second highest level of demand in Barnstaple, it is apparent that this demand alone is not sufficient to make a work hub economically viable. Taking 20-25% “occupancy rates” from a membership of 51 equates to c.10-13 users, i.e. to a relatively modest income stream of c.***£10,000 to £13,000 pa*** depending upon use.

This compares to the estimated costs of rental/purchase and conversion/ refurbishment for the shortlisted properties in Barnstaple that, based on the RedC floor space criteria of 5,000 sq ft, ranged from £25,000 to £50,000 for annual rental plus conversion costs of £125,000 to £250,000.

As such the level of demand found in the town could form an important part of the income from a mixed provision site, as outlined in RedC “three income stream” model. This indicates that any hub in Barnstaple needs to have a core of permanent tenants in fixed, managed workspaces for *at least* 70%, and preferably more of its income with additional income generated from both hub users and a third main income stream, such as a cafe, community space, training or meeting rooms, etc.

Recommendations for Barnstaple

In terms of the original brief for the work, to assess the viability of developing a work hub based on the demand identified and the existing market response(s), the findings above show that a work hub should be pursued in Barnstaple, but only on the basis that it is part of the wider provision envisaged in the RedC “three income stream” model. The recommended next steps are for DCC to:

- Make the study findings available to workspace providers and interested parties in the town, TTS and Petroc – and request their responses/reactions;
- Consider the TTS proposals for delivering a hub in their site and the potential returns on any public sector investment required; and then
- Release an open tender for the provision of a work hub in the town, exploring likely DCC financial investment based on following criteria:
    - To be situated in one of the shortlisted premises (or another that meets the RedC critera);
    - To meet certain DCC criteria to be specified in relation to the level, quality and standard of services available at the hub; and
    - The preferred terms of the financial investment and associated caveats, together with alternatives that might be considered.

5.2.4 Ilfracombe viability assessment

The demographic and economic statistics for Ilfracombe (as summarised in Table 5.2.4 below) showed that the town has a modest *potential* market for a work hub. The size of the working age population (c.8,000) and the surrounding rural hinterland area, together with the relatively small number of established and new start businesses combine to indicate a moderate level of demand.

Table 5.2.2: Ilfracombe demographic and economic statistics

Ilfracombe	
Town population	12,462
Town and rural hinterland population	19,138
Proportion of working age (16-64 years)	63.9%
Number of businesses	c.800
Number of pre/new starts in last 18 months	c.100

Sources: Devon Town Baseline Profile Updates: Ilfracombe 2009 and Business Link 2010

The profile of the people living in the area and those of the established businesses nonetheless contains some factors that will stimulate the potential market for a work hub in the town:

- Nearly a quarter (c.23%) of the working age population being self employed;
- Significant proportions of employees working in manufacturing (16%), wholesale & retail (16%), hotel & catering (17%) occupations; and
- A higher than average proportion of the population being in the 25-44 age group (the banding anticipated to generate most work hub customers).

The study found a moderate level of demand for a work hub in the town, with 28 businesses and individuals expressing an interest in Ilfracombe. Given the size of the town this represented a comparatively high level. The 28 were predominantly home based, micro businesses, covering a range of sectors such as publishing, marketing, retail, accommodation providers, renewable energy and manufacture, 22 of whom were established businesses and 6 pre starts.

17 have only one employee and 11 have between two and four – that is, all 28 have fewer than five employees. 18 said that either they already did, definitely would or

were fairly likely to use a work hub. The remaining 10 said it would depend upon the terms and conditions of the hub and their circumstances.

Fast, reliable broadband access combined with low premises costs were considered to be essential to their future development by more than three quarters of the group. The four services they were most very interested in accessing at an Ilfracombe hub were:

1. Internet access/Wi-Fi (67%);
2. Mailboxes for official business addresses (43%);
3. Hot desks (available by the hour) (42%); and
4. Meeting / conference facilities (41%).

The Asset Review in Ilfracombe did not find any available commercial properties that matched the RedC criteria. The majority of the private sector properties were former retail outlets on or close to the High Street only offering limited floor space.

However, the review found one of the public assets – the Ilfracombe Centre – already met many of the RedC criteria, such as a central location, accessible, well known, iconic building and already offering managed office accommodation. The building is currently run by the Town Council and NDDC, although the workspace provision has not yet been set up as a work hub or promoted, although it does already have several tenants and "hot desks" available.

Following discussions between the Centre Manager and the EDO from NDDC it has been agreed to produce a costing and plan for altering provision in the Centre to offer work hub type facilities.

While the demand assessment found a comparatively high level of demand given the size of Ilfracombe, this level of demand alone is not sufficient to make a work hub economically viable. Taking 20-25% "occupancy rates" from a membership of 28 equates to just c.5-7 regular users, i.e. to an income stream of **c.£5-7,000 pa**.

On the basis of this level of income, a hub in a commercial property in Ilfracombe is not currently a viable option in its own right. If a hub were to be taken forward in the town, then it would need to be in an existing public sector building, where there would be no purchase costs and any rental costs could be minimized. As such, it would effectively need to be part of a larger operation, generating income from an otherwise under utilized space.

Recommendations for Ilfracombe

The lack of any market response (in terms of offering work hub facilities) in the town is symptomatic of the current level of demand and the likely modest levels of returns. This indicates that the pursuit of a work hub in Ilfracombe should be undertaken with the minimal level of investment, i.e. on the basis of support for, or as a complement to, existing public sector provision. In the absence of any identified private sector partners, the recommended next steps are:

- Make the study findings available to interested parties in the town – and request their responses/reactions;
- Consider the Ilfracombe Centre proposals for hub facilities in their building and the potential returns on the investment/support required; and then
    - If the proposals meet DCC criteria to be specified, in relation to the level, quality and standard of services available at the hub; and the preferred terms of any investment/support needed with associated conditions, proceed with the investment/support; or
    - If they do not meet the criteria, focus attention on the provision of other managed workspace for the town, returning to the question of a work hub in the future when demand may have changed.

5.2.5 Exmouth viability assessment

The demographic and economic statistics for Exmouth (Table 5.2.5 below) indicate that the town should have a significant *potential* market for a work hub. Specifically, the size of the resident population and the surrounding rural hinterland area, together with the number of established and new start businesses point towards a high level of demand.

Table 5.2.5: Exmouth demographic and economic statistics

Exmouth	
Town population	35,763
Town and rural hinterland population	47, 961
Proportion of working age (16-64 years)	59.6%
Number of businesses	c.1,300
Number of pre/new starts in last 18 months	c.150

Sources: Devon Town Baseline Profile Updates: Exmouth 2009 and Business Link 2010

However, the profile of those living in the area and that of local businesses, together with the proximity of the town to Exeter indicate a lower level of demand for a hub:

- Under 60% of the population being economically active;
- Just c.16% of the working age population being self employed;
- Significant proportions of employees working in the public administration and defence (12%) or education & health (22%) occupations; and
- A much higher than average proportion of residents being *"independent older people with relatively active lifestyles"* (Mosaic definition).

As a result of these factors, and in contrast with the population figures, the study found only a modest level of demand for a work hub in the town, with 28 businesses and individuals expressing an interest. Given the size of the town's population and compared with the other towns covered, this represented a low level of demand. The 28 were mainly home based, micro businesses, providing photography, IT, heating and web services, 22 being established and 6 pre starts.

Fourteen have only one employee and nine have between two and four, with the reminder all having less than 10. Perhaps surprisingly, only eleven said that either they already did, definitely would or were fairly likely to use a work hub. The remaining seventeen said it would depend upon the terms and conditions of the work hub and their circumstances at the time.

Fast, reliable broadband access combined with low premises costs were considered essential to their future development by three quarters of the group of 28. The three services they were most very interested in accessing at a hub in Exmouth were:

1. Internet access/Wi-Fi (55%);
2. Hot desks (available by the hour) (46%); and
3. Printing/photocopying facilities (35%).

The Asset Review found a small selection of commercially available properties in Exmouth that were shortlisted as being potentially suitable for conversion to a hub, alongside several other assets such as the Rolle College site. The Review identified a private sector managed workspace operator was preparing to offer limited work hub facilities in the town.

The demand assessment had found only a low level of demand in Exmouth – insufficient to make a work hub economically viable alone and barely sufficient to be viable as a third stream of income in a wider enterprise. Taking 20-25% “occupancy rates” from a membership of 28 equates to just c.5-7 users, i.e. to an income stream of ***c.£5-7,000 pa***.

On the basis of this level of income, a hub in a commercial property in Exmouth is not currently a viable option in its own right. If a hub were to be taken forward in the town, then it would need to be in an existing public sector building, where there would be no purchase costs and any rental costs could be minimized or as part of a much larger venture, producing considerably less than the 30% income in the RedC model. As such it would effectively need to be part of a much larger operation, generating income from an otherwise under utilized space.

Recommendations for Exmouth

The low level of demand and the limited market response (in terms of offering work hub facilities) in Exmouth show that investment in a work hub should only be undertaken with the minimal level of public support, i.e. either be on the basis of very limited support for a wider private sector offering, or as a complement to existing public sector provision. In the absence of any identified private sector partners, the recommended next steps are:

- Make the study findings available to interested parties in Exmouth – and request their responses/reactions;
- Explore the identified assets to ascertain whether it is possible to make a hub offering there; and then
    - If it is possible, release an open tender for running a work hub in the building, based on meeting certain DCC criteria to be specified in relation to the level, quality and standard of services available at the hub; and the preferred terms of the investment and associated conditions, together with alternatives that might be considered; and
    - If it is not possible, focus attention on the provision of other forms of managed workspace for the town returning to the question of a work hub in the future when demand may have changed.

It is important to stress that this study only examined demand for work hubs and that the recommendations above do not preclude the need for other forms of managed workspace in the town.   (It should also be noted that much of Exmouth is undergoing a significant Masterplanning exercise covering the Royal Avenue/ Estuary side site and London Inn areas of the town. On going coordination with this exercise is necessary if a work hub or any other managed workspace is to be taken forward).

5.2.6 Axminster viability assessment

The demographic and economic statistics for Axminster (Table 5.2.6 below) indicated that the town has only a limited *potential* market for a work hub. The size of the working age population (c.5,000) and the surrounding rural hinterland area, together with the small number of established and new start businesses pointed towards a low level of demand.

Table 5.2.6: Axminster demographic and economic statistics

Axminster	
Town population	6,701
Town and rural hinterland population	13, 548
Proportion of working age (16-64 years)	60.9%
Number of businesses	c.600
Number of pre/new starts in last 18 months	c.70

Sources: Devon Town Baseline Profile Updates: Axminster 2009 and Business Link 2010

However, the profile of the people living in the area and those of the established businesses nonetheless contained some factors that could produce a demand for a work hub in the town:

- c.27% of the working age population being self employed;
- Significant proportions of employees working in manufacturing (18%), wholesale & retail (15%), education & health (20%) occupations; and
- A much higher than average proportion of the population being from a *"rural area far from urbanization"* (Mosaic definition).

Despite these factors, and in line with the population figures, the study found only a low level of demand for a work hub in the town, with 10 businesses and individuals expressing an interest in Axminster. All but one of the 10 were home based, micro businesses, 7 being businesses and 3 pre starts.

Two have only one employee and eight have between two and four. 8 said that either they already did, definitely would or were fairly likely to use a work hub. The remaining two said it would depend upon the terms and conditions of the work hub and their circumstances at the time.

Fast, reliable broadband access combined with low premises costs were considered to be essential to their future development by virtually all the group of 10. The four services they were most very interested in accessing at an Axminster hub were:

1. Internet access/Wi-Fi (6 out of 10);
2. Meeting / conference facilities (6 out of 10);
3. Mailboxes for official business addresses (4 out of 10); and

4. Hot desks (available by the hour) (4 out of 10).

The Asset Review found very few commercially available properties in Axminster that were suitable for conversion to a hub. The Review did not find any private sector managed workspace operators interested in providing a work hub.

The demand assessment work found a low level of demand in Axminster, reflecting its small size and insufficient to make a work hub economically viable alone and barely sufficient to merit inclusion as part of a wider enterprise. Taking 20-25% "occupancy rates" from a membership of 10 equates to just c.2-3 users, i.e. to an income stream of c.**£2-3,000 pa**.

This compares to the estimated costs of rental/purchase and conversion/ refurbishment for the two commercial properties in Axminster that ranged from £250,000 purchase plus c.£60,000 for conversion of c.£9,000 for annual rental plus conversion costs of £50,000 to £70,000 for conversion.

On this basis, developing a work hub in a commercial property in Axminster is not currently a viable option in its own right. If a hub were to be taken forward in the town, then it would need to be in an existing public sector building, where there would be no purchase costs and any rental or conversion costs could be minimized. Furthermore any rental income generated would be considerably less than the 30% income in the RedC model. As such a hub in the town would effectively need to be subsidised, only generating income from an otherwise under utilised space.

Recommendations for Axminster

The low level of demand and the lack of any market response (in terms of providing work hub facilities) in the town indicate that investment in a work hub in Axminster should only be undertaken with the absolute minimal level of public investment, i.e. solely on the basis of very limited support for, or as a complement to, existing public sector provision. In the absence of any identified private sector partners, the recommended next steps are:

- Make the study findings available to interested parties in Axminster – and request their responses/reactions;
- Confirm there are no suitable public sector assets in the town to ascertain whether it is possible to make a very limited hub offering there; and
- Focus attention on the provision of other forms of managed workspace for the town, returning to the question of a work hub in the future when demand may have changed.

(When considering these recommendations concerning a work hub in Axminster, it is important to note the ongoing plans and proposals for a Business Development Unit with some hub facilities in Seaton – just five miles from Axminster and also the East Devon Business Centre in Honiton, just 10 miles away which also has space for the provision of some work hub facilities).

Concluding comments

In this final chapter we draw together the key points from the previous chapters and discuss the issues that have emerged from the study in relation to the merits of investment in work hubs in Devon market towns. In particular we consider the current state of the commercial property market and return to the question posed at the beginning of the report: *what is the demand for work hubs in Devon*?

The national Work Hubs report and both the Devon focused reports by RedC and BASLLP made a number of points concerning the financial viability of work hubs that it is worth reassessing. These have been borne out by the current study as being central to the successful development of any work hubs in Devon. Firstly, the financial dilemma faced by workspace providers considering offering hub services:

> *"Supporting the economic development of home-based businesses does not always make (generate) enough income to be sustainable on its own. Most work hubs rely to some extent on income from full-time users. Some public sector-backed work hubs prioritise getting income from full-time users and supporting home-based businesses is not at the top of their agenda*[12]

This highlights a key question for the development of work hubs in Devon as part of the County Council's Strategy for Investment in Managed Workspace. Is the aim to provide a sound financial investment that generates a self-sustaining, profitable income stream or is it to provide support to pre and new start businesses? If it is the latter, then benefits may need to be measured in ways other than profitable income.

While the aim is to generate a sound financial investment, it is clear from the demand assessment work that only the Devon towns with the right "mix" of potential hub users (that is, having sufficient numbers of creative, digital and social media, ICT, arts and professional services type businesses combined with a younger, mobile resident population) are likely to generate sufficient interest to make a hub economically viable.

Indeed, it is important to note that many hubs around the country have focused their offer on services for existing or start up businesses more or less solely in these sectors. They have benefited from the natural fit of such businesses with the hub

[12] *Work Hubs*, Ibid

"ethos" and the established networks they have, together with links to local colleges /universities running courses in these areas as the basis for their development.

It was noticeable that the highest level of interest in a hub was generated in Totnes, where the primary source of enquiries was from creative, digital and media sector businesses alongside professional services.
The workspace requirements of the micros and pre starts from other key sectors in Devon, such as food and drink and other rural and land-based enterprises, are quite different to those in the creative, digital and media sectors. Their needs should therefore be addressed through other components of the County Council's Managed Workspace Investment Strategy.

A further matter to reconsider is the "three income stream model" highlighted by RedC as a means of addressing the income dilemma described above. This was intended to improve the economic viability of hubs by offering a mixture of permanent space, providing core income; plus flexi "hub" space and public/community space, providing two additional income streams, within a minimum floor space of 5,000 sq ft[13].

The concerns resulting from this are twofold:

> a) If the model is applied as suggested (70% core/30% flexi), then how is the flexi space maintained at this level (given that the permanent space offers a more reliable and profitable stream as shown by the number of private providers offering this alone); and
> b) A greater level of investment will be required to refurbish/maintain a larger building to accommodate the wider offer.

Our experience on the ground, through speaking to property agents and owners alongside landlords and our own property agent's perspective, is that the current state of the commercial property market is such that an alternative proposition is also worth considering. This concerns the fact that changes in the business rates rules mean that landlords are now liable to pay rates on relatively small, *empty* office spaces. As such they are looking to fill these spaces at peppercorn rents to avoid the business rates charges.

[13] *RedC*, Ibid

It was also found that there are quite significant amounts of such small, empty office spaces currently available on the market and the indications are that rental returns per sq ft have decreased substantially in the last quarter, in some cases by up to 40%. This has happened in those areas where the market has been flooded by newly available premises, following business closures and reductions in capacity.

Furthermore, the RedC model is dependent upon the availability of both a suitable premises and a managing agent/owner with a range of skills beyond letting empty office space.

Taking these factors into account, it is worth re-assessing the RedC model to consider including much smaller spaces of say 1,500-2,500 sq ft. Landlords could be approached about filling their empty office spaces with a work hub “space” alongside their existing facilities, thereby not having to pay the “empty rates” charge, albeit having to develop and manage a work hub offer instead.

While we appreciate that this approach would risk losing some of the attributes highlighted as being important to the appeal of a work hub, it may well be that in the current market situation this is a solution that could help get hubs established in some of the locations where they would not otherwise be deliverable. Longer term it would be necessary to look at the space and facilities issues again as the economy recovers fully.

As such, we suggest that for the consideration of investment in work hubs in Devon, a slightly amended approach to the RedC model could be taken, incorporating the points made above to provide a more flexible solution, tailored to the state of the property market and the available workspace in each town.

……………………...

Reviewing the issues highlighted in each of the previous chapters and the varied findings from the towns together, the following general points can be made:

Current demand for work hubs

The level of demand for a work hub was found to be very variable between the six towns covered by the study. This reflected a range of factors, including local population and business profiles, awareness of the work hubs “concept”, existing managed workspace provision, strength of community and business networks, etc. Crucially the number of local creative, digital and media alongside professional services businesses was very important.

Future demand for work hubs

While the level of current demand reflected a range of matters, the key factors influencing future demand were identified as business/pre start profiles and awareness of the work hubs “concept” together with existing managed workspace provision and the ability to build upon local networks among established creative, digital and media businesses.

Assessing the viability of work hubs

A strict focus on financial viability in terms of income generated related to the size of investment makes sense in these difficult economic times. However, it is important to note that the wider economic benefits that can accrue from a work hub should not be undervalued. These include collaboration, networking, time efficiencies, economies of scale and access to support all of which will directly aid business growth and hence longer term economic prosperity. These could also be taken into consideration if the more flexible model for hub space and facilities suggested above was adopted.

Awareness of work hubs

While considerable evidence of demand was found – with over 220 positive responses from across the six towns – the generation of these responses required an extensive promotional and awareness testing campaign using a multi method approach. While the response was encouraging, it was clear from the large number of face-to-face and online contacts that many individuals and businesses had not previously been aware of the concept of work hubs.

Consequently, while those who were told about hubs received the idea with a mixture of both caution and interest, it is likely that there may be a larger audience who are interested, but who are currently unaware of the concept. A campaign *raising* awareness and understanding would therefore need to be an integral component of taking the concept forward in any of the towns if sustainable work hubs were to be established.

A network of hubs and managed workspace

The DCC Draft Strategy for Investment for Managed Workspace includes the objective of developing:

> "…*a Devon wide booking system to enable managed work space across the county to be booked on-line through a single co-ordinated system*."

It is worth noting that the establishment of such a network of hubs and other facilities would be very well received by the businesses that were canvassed during this study. Many already operate in several locations and by their nature have clients in various other locations. They are also used to operating on the move, so the ability to book online and in advance would be viewed very positively.

Other forms of managed workspace

In both Exmouth and Newton Abbot, representations were put forward that what the towns needed was *not* a work hub, but more small-scale offices and light industrial units of the type available at the Teignbridge Business Centre and Heathfield Industrial estate[14]. This was based on the profile of local micros and start-ups together with local knowledge about their workspace requirements.

It is also worth noting that these views are in line with the findings in the RedC report for these towns, that noted that "traditional plus" managed workspace would be the appropriate solution for some types of businesses as a work hub solution was not necessarily the best option for all.

Consequently, we suggest the workspace needs identified above for Exmouth and Newton Abbot should be incorporated into the finalisation of DCC's Strategy for

[14] This point was made by representatives at both the Exmouth Regeneration Board and the Newton Abbot Regeneration Panel, as well as by the Newton Abbot Town Centre Manager.

Investment in Managed Workspace.

Final thoughts

Returning then to the question posed at the beginning of this report; "*how much the market (for work hubs) has grown in Devon*" that has been the focus of this study. It is evident that the market has grown strongly in some parts of Devon, with sizeable demand for a work hub found in Totnes and Barnstaple.

However, it is equally evident that market demand has not grown in towns that do not have a sizeable, vibrant and active creative, digital and media sector. In this respect, it is clear that the points made in the national work hubs report concerning "enabling the market to grow" are still pertinent.

As such, and in the current economic climate, demonstrating a viable level of return on any investment in a stand alone work hub, is likely to be elusive, highlighting the potential to explore fitting work hub space alongside existing business operations as an additional income source. It is likely that the demand levels found in each town will increase as the economy moves forward and also that as it does so, and rental rates increase, more suitable premises/operators would come onto the market.

Therefore continued efforts to help grow and stimulate the market will be needed both in the towns where it is proposed that work hubs be established and elsewhere in the county where they might be in the future. While marketing and promotion of the concept of work hubs will be an important component of the enabling process, a much wider range of support will be required, as outlined in the national report, for it to begin to bear fruit.

Lastly it is also worth taking a wider perspective to work hubs, involving them more directly in the way in which many public sector employees' working patterns are likely to change in the future. A recent think tank report examining the future of government workspace envisaged that by 2020, large, centralised government offices would be gone and that:

> *"…At sub-regional level and dispersed around town locations, flex offices are found within local neighbourhoods including government one-stop shops to*

> *help with jobs, personal tax, benefits and carbon credit advice.*
>
> *…Accommodating up to 400 workstations in a variety of settings – desk assigned, team-shared, touchdown, walk-up configurations, neighbourhood offices come with hotel-style management, web enabled booking and front-of-house concierge and provide 'swing' space for when departments are relocating.*
>
> *…Increasing numbers of employees, particularly part timers, are now attracted to the prospect of walking and cycling to a neighbourhood government facility. If the neighbourhood scene is sometimes too busy for quiet work then homeworking is an option[15]".*

In this scenario it is evident that a hub could be serving both private and public sector employees alike. If the market can be stimulated and support correctly targeted, it is not inconceivable that this "vision" could become a reality much sooner than 2020 in some Devon towns.

Building in, and on, the work hubs concept discussed here, combined with strong private and Third sector partnership when the opportunities arise, makes it an even stronger and more viable proposition.

………………………………..

[15] *Working beyond walls: The government workplace as an agent of change* DECG (HM Treasury) 2008