

**Business Centre Association develops strategy for SMEs and removes financial burden from Government, Regional Development Agencies and Local Government Agencies (inc Local Authorities)**

**Flexible Space Voucher Scheme: SME /Incubator/Entrepreneur**

**Objective**

The Business Centre Association (bca) believes there is an opportunity to remove the financial burden for the ongoing development of flexible workspace for SMEs by Government – whether the financial burden falls to Central Government, LGAs, RDAs or Local Authorities. This will encourage and stimulate the growth of new small and medium enterprises (SMEs) as well as generating an environment conducive to the development and creation of job opportunities.

It is recognised throughout mainland Europe that the flexible space industry experiences the public sector (Municipalities and Local Authorities) offering space, to start ups and incubators in particular, at rates well below what is accepted as reasonable market values and in many areas this leads to 'Market Failure'. The problem worsens as a significant number of these companies, start ups, SMEs and incubators, stay for much longer periods of time than these publicly financed space facilities were designed for and therefore do not fulfil the task that was originally intended – a flow of new businesses taking up the space.

**Background**

It's striking how many enterprise strategies start with new workspace premises as a priority, but with little or no research or justification. Property itself does not boost enterprise, but it must be readily available, offered on the right terms, and should not be tied in with business support.

New premises are extremely costly and there's little proof that it will boost enterprise, unless there is a proven gap in the local market. In many instances new premises, such as innovation and technology parks, are too expensive for early stage start-ups, even when knowledge based. And, as many public sector premises come with restrictions, local authorities may unintentionally be hindering certain sectors of the SME market.

The provision of property should be the domain of the private sector, albeit sometimes working in partnership with the public sector. The bca believes there is a better way to provide much needed premises for small and growing businesses.

A primary benefit of private sector flexible space is the adaptability of the offering together with the opportunity for clients to up-size, downsize or have a virtual presence within the same location – in other words, react to market conditions without any capital outlay or financial penalty. This, combined with the high level of customer service and business support, together with the provision of IT and telephony, are just some of the reasons so many clients select business centres and managed workspaces and (in many instances) only move on when they have outgrown the environment and are in a position to step up and move into their own leased/owned building.

Established in 1989, the bca is the only UK trade association representing the business centre and managed workspace industry specialising in providing

support and guidance to owners and operators of centres. Currently, bca members provide *circa* 40 million square feet of flexible space to some 40,000 SME sized business occupiers, making use of around 500,000 workstations as well as those operating light industrial businesses in managed workspace locations.

### **Growth of Small Businesses**

Records from the Office of National Statistics (ONS) show that in 1980 there were 2.4million enterprises in the UK and that by 2007, this figure had grown dramatically to 4.7million and 95% of these enterprises employ less than 10 people. The ONS also calculates that new businesses are currently being set up at a rate of 500,000 every year and that SMEs represent 99% of the 4.5million plus UK enterprises.

The future prosperity of the UK economy lies with SMEs. As a country, the UK has moved away from dependency on large scale manufacturing employers like the steel and coal giants and now showcase a more diversified economy, which can be attributed to the continued growth of small businesses. It is therefore imperative that these businesses are helped to grow and develop into companies that can compete within a global economy.

### **Approach**

The bca believes that there will be a great many new small businesses setting up particularly during these recessionary times and, in many instances, due to the greater number of redundancies as many people will use their skills to set up their own businesses. bca members are well placed to cater for this growing market by providing space for SMEs at short notice – from receiving an enquiry one day to moving in the next.

It is believed that there are *circa* 300 local authority locations offering flexible managed workspace with diverse levels of size and services offered. Rather than the public sector managing and developing business centres to meet with demand, the bca would like to suggest that their members, who are flexible workspace specialists, provide space for start ups and growing companies. To facilitate this the bca is proposing Government issues SME vouchers to be redeemed at bca member locations.

### **Funding of Voucher Scheme**

The bca suggests two possible options for the funding of the vouchers:

- **Option 1**  
The local authority flexible incubator/workspace locations could be submitted for sale to the private sector and the surplus of funds generated be utilised to finance the proposed Voucher Scheme.
- **Option 2**  
The local authority flexible incubator/workspace locations could enter into a 'Profit Share' Management agreement with private sector operator(s) and the profit generated could be utilised to finance the proposed Voucher Scheme.

### **Business Support**

Working with Business Link, or other business support organisations, the bca through its membership will continue to strengthen its relationship with Business Link throughout the UK and this will greatly assist companies in their growth. By

directing all business support through the one agency i.e. Business Link, this reduces the confusion SMEs have in navigating the complex business support networks.

### **Code of Conduct**

bca members are covered by a Code of Conduct (a copy of which is attached). This Code of Conduct is renewed annually thus ensuring that the highest principles of ethics, equity, integrity, professional conduct and fair practice in dealing with others is sustained.

### **Inward Investment Opportunities**

The bca is a member of and sits on the board of The European Confederation of Business Centre Associations (EUROCBCA). A body comprising of Associations whose membership represents operators of serviced office/flexible space in Spain, Holland, Germany, France, Italy and the UK. The proposed 'voucher scheme' has been discussed in detail and is supported by EUROCBCA. The Associations representing each country are in the process of discussing the opportunity with their respective Governments, with Spain leading the way. In the near future and following the recent elections, representatives of EUROCBCA will be meeting with a number of MEPs to explore the prospect of establishing the scheme in Europe thus developing inward investment opportunities to participating countries.

### **The outcome**

Flexible Space Vouchers would be issued by Government for an initial period of 1 year, with vouchers issued during years 2 and 3 at a reduced value. Such a scheme permits SMEs to select a flexible space location on easy-in easy-out terms. There would not be any requirement for a long term lease commitment, rather a flexible licence agreement with a minimum occupancy period of 3 months.

To make sure SMEs select locations that adhere to sound business ethics and comply with current legislation requirements, vouchers may only be redeemed at bca member locations, of which there are currently more than 800 across the UK.

The government would authorize Business Link, or other organisation, to issue bca Flexible Space Vouchers and Business Link, having screened applicant to an agreed set of criteria, would then issue a voucher to start up/SME prospect together with the web link [www.bca.uk.com](http://www.bca.uk.com) and identify the locations where vouchers can be redeemed. The vouchers are not accepted unless authorized and validated by the respective Government department.

Clients can of course stay for longer or shorter periods than the 3 year duration of the vouchers, which we anticipate the majority will do. However, after year 3, they will be responsible for payment of invoices and will no longer be supported by the voucher scheme.

### **Conclusion**

The government needs to provide for the number of new start up and SME businesses within the UK – the majority of whom will need business premises from which to operate. By introducing Flexible Space Vouchers, thereby stimulating the creation of new SMEs, there will be an increase in demand for flexible business centres.

There is already a private industry sector specialising in the provision of flexible space, under terms which have been tailored to benefit new and developing businesses across all sectors. By using this sector to meet SME demand, more workspace facilities can be built by private sector specialists, at a greatly reduced cost to the taxpayer than the development of public sector facilities.

With the establishment of new SMEs comes additional job creation across more diverse sectors, boosting the UK economy. The development of new business centres by the private sector will also advance regeneration agendas and create jobs within the construction industry.