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An Inquiry Report of the:  
**Economy & Culture Scrutiny Committee**

# **Council Workshops & Innovation Premises**

**November 2018**



**Cardiff Council**

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## CHAIR'S FOREWORD

The Council has a clear role in providing a framework for economic development in Cardiff, ensuring there is enough land for employment use, creating a supportive landscape for entrepreneurship and working to support private sector provision of suitable premises for businesses. However, at a time of increasing pressure on resources, should the Council continue to be a provider of small workshops and incubation spaces?

During our inquiry, we found a clear need for the Council to continue to provide small, low cost workshops to provide much needed accommodation for new and growing businesses. There is demand across Cardiff, with waiting lists for all the Council's workshop sites. However, several of these sites have increasing maintenance costs and we heard that it makes more sense to pass these sites on and use the monies received to invest in new, more suitable workshop spaces. We also found that there is a need to think through how we help businesses to become 'market ready' and move to private sector provision, to ensure there is a continuous supply of workshop spaces available for new start-ups.

Thirty years ago, Cardiff Council took the lead in setting up incubator space for new and growing businesses. Recently, there has been significant growth in the supply of innovation space, from universities and the finance industry, through to the growth of co-working spaces and solo workers using coffee shops. Our investigation found that there is less need for Council involvement in the provision of innovation space; we heard these resources could be re-invested in other provision.

Significantly, we heard that there is a gap in the availability of in-depth advice and mentoring for new start and growing businesses, hampering the growth of innovation.

Members carried out this inquiry over a short time frame to ensure its findings and recommendations were available to inform forthcoming proposals on Council workshops and innovation premises. I would like to thank Councillor Gavin Hill-John and Councillor Adrian Robson for their work and support during this Inquiry.



**Councillor Nigel Howells, Chair, Economy & Culture Scrutiny Committee**

## TERMS OF REFERENCE

- To investigate what the Council's role should be in the provision of workshop premises and premises for supporting innovation<sup>1</sup> in Cardiff, by:
  - Examining current council provision – e.g. location/ unit size/ demand/ property condition
  - Examining alternative provision – currently available and planned
  - Identifying whether there are overlaps and/ or gaps in provision
  - Exploring the role the Council wishes to play in addressing the above
  - Hearing the views of stakeholders with regard to the above.
  
- To make evidence based recommendations to Cabinet on the future role of the Council re provision of workshops and premises for supporting innovation in Cardiff.

Members of the Task & Finish Group were:

- Councillor Nigel Howells (Chair)
- Councillor Gavin Hill-John
- Councillor Adrian Robson.

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<sup>1</sup> Innovation is: the application of research for a benefit to the wider community, economy or for commercial benefit; and the successful exploitation of new ideas, turning ideas into business or social capital. Innovation contributes directly to productivity growth and creates sustainable, high value jobs.

## KEY FINDINGS

### Workshops:

- KF1. The Council provides 138 workshop units, mostly under 1,000 sq. ft., on easy in/easy out terms, supporting a wide range of small businesses that together employ circa 500+ employees. They have high occupancy levels and a waiting list of over 160 companies, demonstrating high demand for units.
- KF2. There is private sector provision of workshops across Cardiff; these tend to be larger units of 1,500 sq. ft. - 25,000 sq. ft. These often require tenants to provide 2 years' business accounts and have less flexible tenancy conditions than the Council workshops, meaning that they are less accessible to new and emerging businesses.
- KF3. It is difficult for most businesses to 'move-on' from Council workshops due to the significant increase in the costs of private sector provision and a shortage of small-medium size workshops.
- KF4. There has been a fall of 39% in the available supply of industrial units in Cardiff over the last year caused by increased demand, which is expected to rise further with the phased removal of tolls on the Severn Bridges and the possibility of an M4 relief road.
- KF5. The Council's workshops are mostly located in the southern arc of Cardiff. However, changes in patterns of work mean that there is demand for workshops across Cardiff, with a particular increase in demand in the co-working and creative industries hotspot areas of the city centre and Cardiff Bay.
- KF6. Many of the Council workshops are approaching or are already over 20 years old; repairs and maintenance expenditure will need to rise in future years at the same time as Council resources are under increasing pressure.

## **Innovation:**

- KF7. The Council has a role in the Cardiff Business Technology Company (CBTC), which is a wholly owned arm's length company of the Council. This was set up thirty years ago to provide 'incubator' space for new-start and growing businesses, with flexible easy-in/ easy-out lease terms. At the time, this was the main source of incubator space in Cardiff, with Cardiff University leasing land at Senghennydd Road to the Council at a peppercorn rent, in order to support innovative start-ups.
- KF8. There are high occupancy levels at both the Senghennydd Road site (CBTC1) and Capital Business Park, Wentloog site (CBTC2). However, many of the businesses at CBTC1 have been tenants for several years and would no longer meet the criteria for requiring incubator space.
- KF9. In recent years, additional premises for innovation have been developed in Cardiff, including Cardiff University's £60 million innovation centre, as well as sites for creative industries and co-workers, such as Sustainable Studio, Rabble Studio and Tramshed Tech. The banking sector has invested in provision, such as Eagle Labs, E-Spark and Virgin Money lounge, for all types of business and industry entrepreneurs, whilst many coffee shops in Cardiff accommodate solo workers.
- KF10. Despite increasing supply, there is still unmet demand in Cardiff for shared working space, particularly for co-working and creative industries. This is particularly true for the city centre and Cardiff Bay areas. Officers advised that there are developments planned for these areas, which should come to fruition shortly.

## **Future Role of the Council:**

- KF11. This Inquiry heard clear evidence that there is a role for the Council to remain as a provider of 'easy in/ easy out' small workshops, to help support local businesses, innovators and entrepreneurs. These units need to be in more locations across Cardiff and they need to have lower repairs and maintenance costs. To enable this, the Council needs to raise capital to invest in new provision.

- KF12. Officers are reviewing whether there are parcels of Council land on existing industrial estates that could be sold. Officers are also exploring a trickle, transition process to divest the Council of workshops with the greatest liabilities whilst maintaining a steady income stream for the Council. To ensure that workshop capacity is maintained, the Council would need to include covenants in the transfer agreements.
- KF13. To enable capital receipts to be used to re-invest in new provision that meets market demand, the Council needs to ring-fence the capital receipts generated from the sale of workshops and parcels of Council land on existing industrial estates.
- KF14. The Council no longer needs to be a direct provider of innovation premises, given the increase in supply and the willingness of other sectors to address continuing demand. Officers have been in discussion with Cardiff University about the future of the CBTC1 site, on the same basis as originally provided. This would free up Council resource to re-invest in new provision.
- KF15. The Council has a role in enabling and facilitating private sector provision, as part of master planning for large developments, as well as assisting in smaller schemes that assist in regeneration.
- KF16. The Council has a role in ensuring enough appropriate land is available for employment uses; it can use Section 106 agreements to require developer contributions, to stem the erosion of available employment land.
- KF17. In terms of its wider role, the Council can assist innovation by continuing to demonstrate leadership of place, recognising the value of key industries, and working in partnership with local sectors and regional colleagues to create an ambitious vision and supportive landscape. The Council could look at mechanisms to enable better partnership working with a wider range of local businesses to facilitate their contribution to discussions on economic development.
- KF18. In terms of its wider role, the Council could work to address the gap in advice and mentoring services that several witnesses to this Inquiry identified as hampering the growth of innovation.

## RECOMMENDATIONS

Having considered the evidence presented during the Inquiry, Members recommend that:

- R1. The Cabinet task officers to raise the capital required to provide new, more suitable workshop spaces by:
- a. Developing a trickle transfer programme of disposal of existing workshops that enables the Council to maintain a steady income stream and does not diminish the overall provision of workshop space in Cardiff
  - b. Reviewing Council- owned employment land for possible disposal, using criteria to ascertain 'best use' for each site that detail the rationale for any decision taken to dispose of parcels of Council-owned employment land.
  - c. Utilising offers and opportunities that arise from the private sector that meet the Council's Economic Development objectives.
- R2. The Cabinet ensure that capital receipts from sales of council-owned workshops and council land is ring-fenced for new Council provision of workshops and innovation premises that meet market demand i.e. workshops, workshops with office space, and/ or office space.
- R3. The Cabinet task officers to investigate the feasibility of introducing a sliding scale for rental, service charge and business rates costs for the first three years of workshop tenancy, with costs in Year 1 facilitating easy access for start-ups, and costs in Year 3 being close to market level. This would assist businesses to become 'market ready' and increase their ability to 'move-on' from council provision.
- R4. The Cabinet task officers to investigate ways in which the Council can provide workshop space of 1,000+ sq. ft. for 'move-on' accommodation, to facilitate throughput from smaller Council workshop units
- R5. The Cabinet task officers to review the application of the Council's employment land planning policy and propose amendments if these are necessary to ensure that the loss of employment land is addressed.



- R6. The Cabinet task officers to work proactively to support existing CBTC1 tenants to relocate successfully.
  
- R7. The Cabinet considers how to work with existing council resources, local businesses, entrepreneurs and networks to fill the gap identified in existing advice and mentoring services.
  
- R8. The Cabinet continue to demonstrate effective leadership of place, creating a supportive landscape for local businesses, entrepreneurs and innovators in Cardiff.
  
- R9. The Cabinet continue to engage in effective partnership and regional working to capitalise on opportunities for further innovation and investment in Cardiff and the region.

The Economy & Culture Scrutiny Committee invites the Cabinet to accept the above recommendations and in their response, detail the work to be undertaken for those recommendations that are accepted, the resources identified to deliver these and the timescales for implementation. Where any recommendations are rejected, the Committee asks that the Cabinet Response details the reasons for this and any proposed alternative approaches.

## Council Provision of Workshops & Innovation Premises

1. As part of its economic development role, the Council provides workshop units to local businesses and is involved in the provision of 'incubator' space to new-start and growing businesses, via the Cardiff Business Technology Centre; details of these are provided below.

### **Cardiff Business Technology Centre (CBTC)**

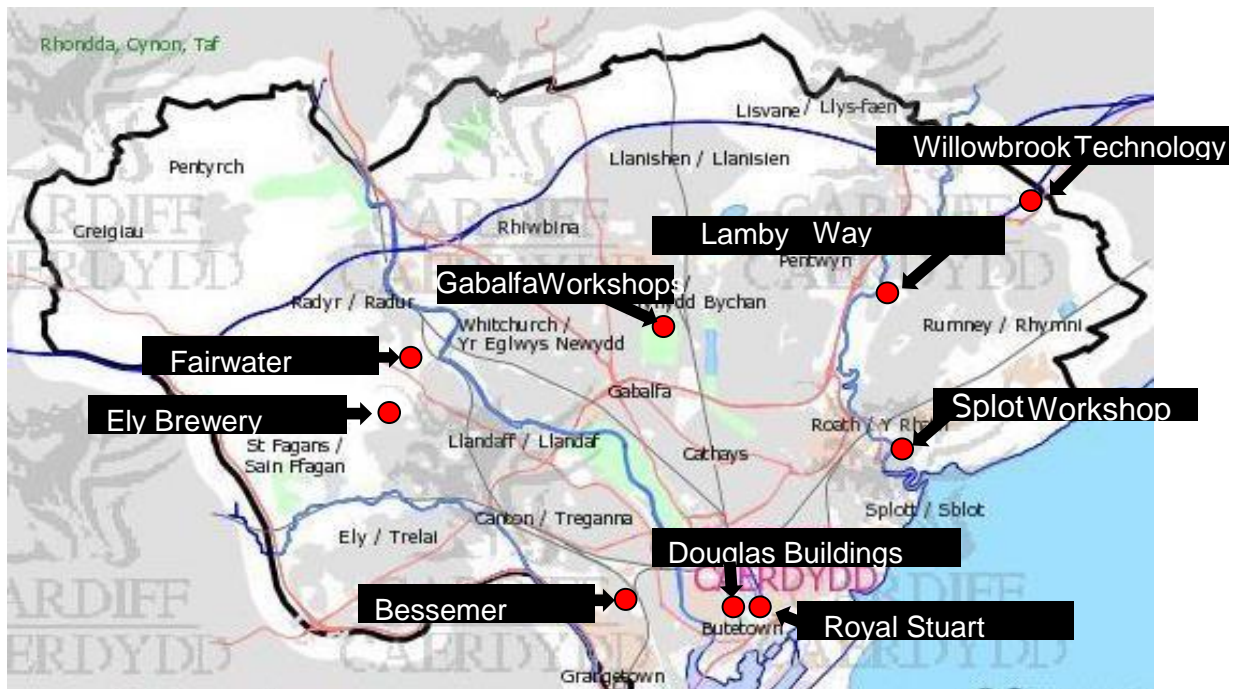
2. The Council has a role in the Cardiff Business Technology Centre (CBTC), which is a wholly owned arm's length company of the Council. This operates as a separate legal entity, as a private company limited by guarantee, not having share capital and being self-financing. The company operates with an Advisory Board of Directors; the company structure and relationships align the goals and objectives of CBTC with the wider objectives of the Council's economic development.
3. CBTC operates two separate incubator sites for new-start and growing businesses, at Senghennydd Road, Cathays and at Capital Business Park, Wentloog. Each of these sites has different ownership and stakeholder interest as well as different criteria for potential tenants.
4. The CBTC at Senghennydd Road provides incubator space for technology based businesses with flexible easy- in, easy-out lease terms. The accommodation can be adapted for a wide range of applications/business uses with individual units available from 142-777 sq. ft.; the flexibility to offer single or combined units enables the Centre to support businesses to grow and expand. The centre also provides hot-desk leases to student/ graduate enterprises. The Centre has private parking, conference and meeting room facilities, all with broadband connectivity, and audiovisual facilities. Average occupancy levels over the last few years are 89%.
5. The CBTC at Capital Business Park, Wentloog, provides services, accommodation and grow-on space for established and developing new technology companies. The site offer 26 units ranging in size from 256 sq. ft. to 1250 sq. ft., with the majority of the units being 950 sq. ft. and above. Average occupancy levels over the last few years have been 85%.

## Council Workshop Provision

6. Currently, the Council provides 138 workshops within the city, aimed at encouraging new and expanding local businesses by offering small start-up units with easy-in easy-out terms. This helps to diversify and keep skills in Cardiff, supporting employment and the economy. The more recently built workshops at Willowbrook provide 'clean labs' to support science businesses.
7. The units range in size from 120 to 2,000 sq. ft. and are sited in disadvantaged wards in the southern arc of the city to encourage local employment opportunities. The majority of workshop units are designated with a B1 use class (office / industrial). Two sites – Lamby Workshops and Splott Workshops – are designated B2 & B8 (general industrial and warehousing).

Sites	Wards	No of Units	Total Sq. Ft.
Bessemer Workshops, Bessemer Close	Grangetown	14	14,210
Douglas Buildings, Royal Stuart Lane	Butetown	18	4,917
Ely Brewery Workshops, Station Terrace	Fairwater	15	9,735
Fairwater Workshops, Norbury Road	Fairwater	18	10,267
Gabalfa Workshops, Clos Mentor	Gabalfa	10	18,350
Lamby Workshops, Lamby Way	Rumney	11	17,850
Royal Stuart Workshops, Adelaide Place	Butetown	17	5,810
Splott Workshops, Portmanmoor Road	Splott	14	10,336
Willowbrook Technology Park, Llandogo Road	St Mellons	21	24,998
<b>Total</b>		<b>138</b>	<b>116,473</b>

8. The map below shows the locations of the council workshops across Cardiff:



Cardiff Council Industrial Workshop Sites

9. Occupancy of workshops is high, with a 96% occupancy rate in Quarter 1 2018/19, accommodating a wide range of small businesses including: Life Sciences; cycle training and repairs; kitchen designers; catering companies; film sets; car repairs; creative industries and more.

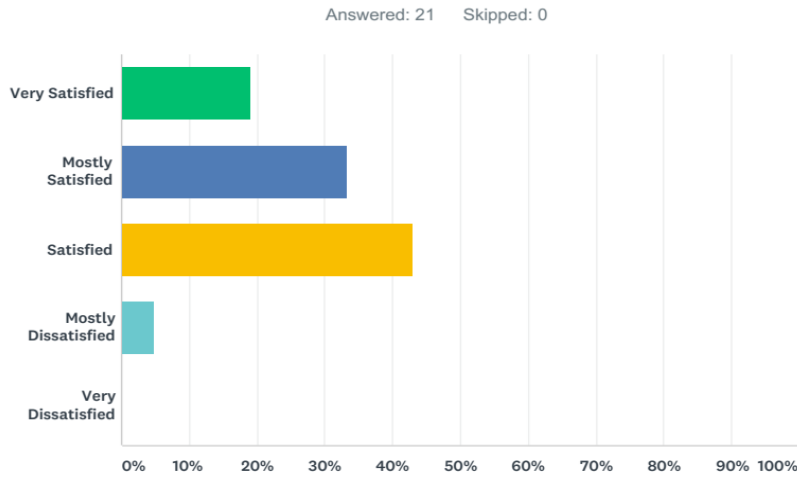
10. In the last three years, the average turnover rate has been 15-20% of total units, equating to between 20-30 units per year. The demand for workshops is high, with a waiting list of over 160 companies, the majority of which are waiting for a light industrial/ industrial unit from 500-1,500 sq. ft.

11. In terms of property maintenance and repairs, the cost of this is met from a service charge paid by tenants in addition to their rent. Some of the sites are approaching or over 20 years old and it is therefore predicted that repairs and maintenance expenditure will rise in future years.

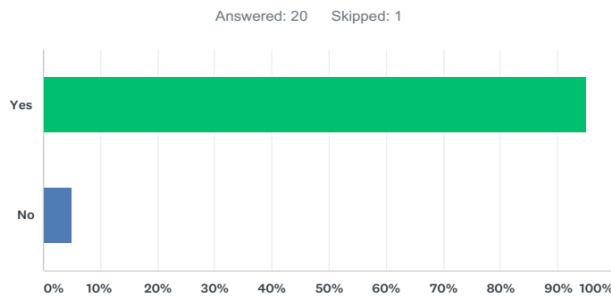
12. A Workshop Tenant satisfaction survey is undertaken annually, achieving a 15% response rate in 2018. The latest survey shows a high satisfaction level with the workshop facility and a very high willingness to recommend the workshop units to other

start-up or growth businesses. When asked which workshop facility they find most beneficial, 38% of respondents chose rental levels, 33% chose location and 29% chose flexibility. Graphs illustrating these results are shown below:

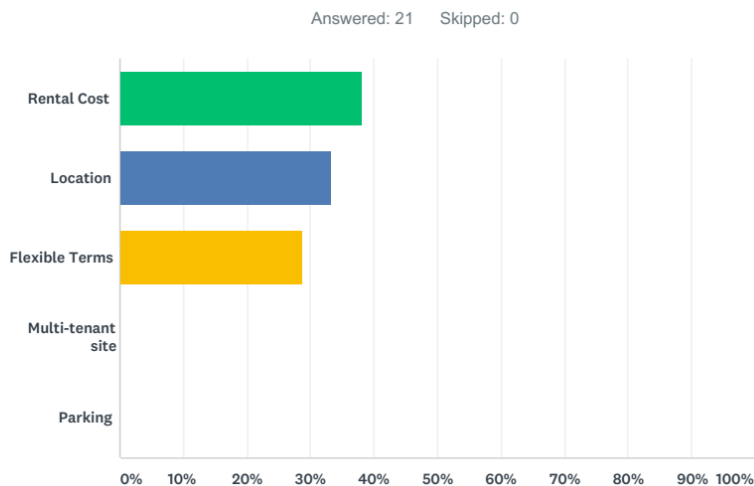
### Q1 How satisfied are you with the workshop facility?



### Q2 Would you recommend the workshop business units to other start-up or growth businesses?



### Q3 What aspect of the workshop facility do you find most beneficial to your business?

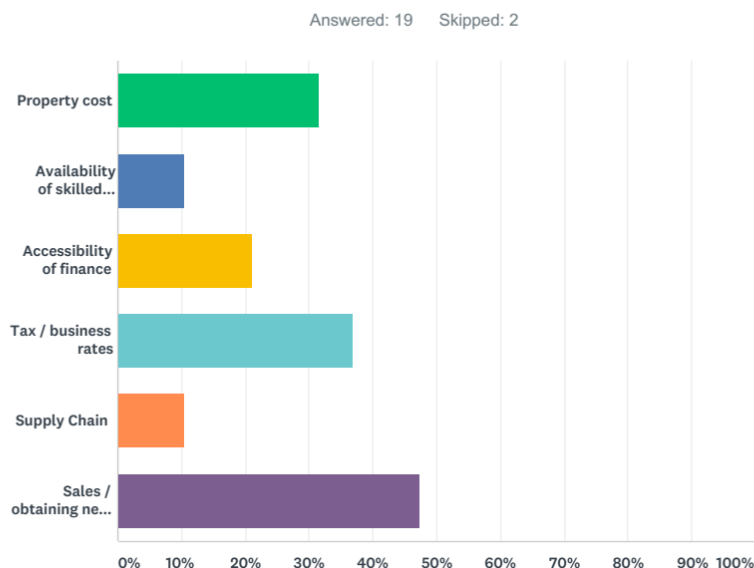


13. The Workshop Tenant satisfaction survey 2018 asked respondents how they felt the workshop facility or site could be improved. 14 responses to this question were received, which highlighted the following:

- Five responses re improving security – via locked gates, street lighting, CCTV, higher fencing, entry gate system.
- Four responses re improving exterior maintenance
- Two responses re improving parking - via permits or business-only parking
- Two responses re improving toilets
- One response re improving water supply
- One response re wanting a better service charge rate.

14. The Workshop Tenant satisfaction survey 2018 also asked respondents to state the most important factor currently affecting their business, with results shown below:

#### Q8 What is the most important factor currently affecting your business?



15. The workshops provide a key business support offer for the Economic Development team and Members heard that there are many success stories of companies starting up, growing and then moving into larger commercial premises employing larger number of people. Economic Development estimate that around 500 people are employed across the workshop portfolio.

## Other Provision of Workshops & Innovation Premises

### Workshop Provision

16. The private sector provides a range of workshops across Cardiff, in a number of locations such as Newport Road, Colchester Avenue, Hadfield Road, Bessemer Road, various locations in Splott and Tremorfa, Gwaelod y Garth, Wentloog etc. The majority of these workshop units are medium-size units, starting at about 1,500 sq. ft. ranging to 25,000 sq. ft. units. Larger units are also available, although there is more supply in the areas surrounding Cardiff.

17. A recent property monitor report by Alder King Property Consultants (2018)<sup>2</sup> states that supply of industrial units in Cardiff has fallen by 39% in the last 12 months; at the same time, take-up has increased by 42%, leading to refurbishment projects being successful to meet the increasing demand. The report states that:

*'There is now a real shortage of available stock and we expect imminent increases in rents and prices... Positive progress on the M4 relief road, together with scrapping of the Seven Bridge tolls, is expected to further increase demand and new development is required even if just to satisfy existing requirements.'*

18. The position for 2017 is a reversal of recent trends, where supply has been higher than demand for units, as the table below (taken from the Alder King 2018 report<sup>3</sup>) demonstrates:

#### Cardiff & Newport – Office and Industrial Demand and Supply (000 sq. ft.)

Year	Industrial Demand	Industrial Supply
2017	1,111	957
2016	725	1,340
2015	1,008	1,459
2014	983	2,102
2013	957	2,088

<sup>2</sup> South West of England and South Wales Property Review Market Monitor 2018 - Alder King Property Consultants

<sup>3</sup> As above

## Innovation Provision

19. In recent years, additional premises for innovation have developed in Cardiff, covering various types of innovation including creative industries, technical and freelance entrepreneurs, social sciences and science innovation. A range of bodies, including local entrepreneurs, universities and banks, has provided these additional premises. Officers explained that a lot of this has happened with support from the Council, providing advice, support and encouragement to those wishing to invest in Cardiff.

20. There has been a noticeable increase in premises for creative industries and co-workers, including:

- Tramshed Tech– details available at:  
<http://www.tramshedtech.co.uk/index>
- The Sustainable Studio  
<https://www.thesustainablestudio.com/>
- Rabble Studio  
<https://rabble.studio/>
- Chapter Arts Centre – their planned expansion will include units for creative industries, part-funded by the Council using receipts from the sale of the Medi-Centre site, based at UHW Heath Hospital site.

21. As well as providing co-working spaces, these creative hubs enable people to connect, engage and support one another, encouraging innovation. They are complemented by other spaces, such as Welsh ICE<sup>4</sup> that is based in Caerphilly, and the Hwyl Hub<sup>5</sup> that is based in Merthyr Tydfil, which also support creatives, along with other technical and freelance entrepreneurs. Together, these hubs support 247 companies, equating to more than 550 people<sup>6</sup>, and have come together as part of a network called Creative Cardiff, connecting people working in any creative organisation, business or job in the Cardiff region.

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<sup>4</sup> <https://welshice.org/> A shared working environment in Caerphilly for mixed community of creatives, technical and freelance entrepreneurs. ICE provides space, events and support networks with a community manager to build relationships and contacts and help build resilience.

<sup>5</sup> <http://www.hwyl.cymru/>

<sup>6</sup> Information taken from <http://www.creativecardiff.org.uk/spaces-resources/coworking-collective-launched-cardiff> downloaded 28 September 2018



22. Cardiff has also benefited from private sector investment from the banking sector to create space and support for entrepreneurs from all types of business and industry.

These include:

- Eagle Labs – details available at:

<https://labs.uk.barclays/locations/cardiff-en>

- Espark – details available at:

<https://www.entrepreneurial-spark.com/>

23. In addition, there are a number of spaces available for all types of entrepreneurs requiring space and internet connection, such as coffee shops that are happy to accommodate solo workers and places such as Virgin Money Lounge:

(<https://uk.virginmoney.com/virgin/about-lounges/cardiff-lounge.jsp> )

24. Cardiff has several networks for entrepreneurs, such as Cardiff Co-working Collective and Cardiff Start; these show emerging demand trends and help connect people working in related fields in Cardiff.

25. As well as the above, Cardiff University is developing a £60 million innovation centre to *'provide cutting-edge facilities that will help researchers and students work with partners to build enterprises that create products, spin-outs, start-ups and social enterprises.'*<sup>7</sup>

The 100,000 sq. ft. innovation centre will include: a social science research park, known as SPARK; an Innovation Centre providing creative space; and a Translational Research Facility housing world-leading scientific research at the Institute for Compound Semiconductors and Cardiff Catalysis Institute. These buildings are in addition to the already existing Brain Research Imaging Centre and the Haydn Ellis Building, which brings together experts in conditions such as schizophrenia, Alzheimer's disease and stem cell cancer research. Officers explained that the new facility will link Research & Development with industry, provide incubation space, support spin-outs and start-ups, all within a properly managed space.

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<sup>7</sup> Information taken from <https://www.cardiff.ac.uk/innovation/campus-investment> downloaded 28 September 2018

## Overlaps and/ or Gaps in Provision

### Demand for Workshop Provision

26. The demand for Council workshops is high, with a waiting list of over 160 companies, the majority of which are waiting for a light industrial/ industrial unit from 500-1,500 sq. ft.

Site	Number of companies on waiting List
Douglas	9
Royal	3
Fairwater	33
Ely	6
Willowbrook	0
Lamby	25
Splott	21
Gabalfa	11
Bessemer	28
Anywhere ground floor / Light Industrial	30
<b>Total</b>	<b>166</b>

27. Members heard from council officers that, even though some of the Council workshops are not in the best condition, there is still a waiting list for them. In officers' view, if the Council had an additional 50,000 sq. ft. of workshop space, the Council would be able to let it, given the existing waiting list. The main reasons cited for demand are set out below:

### Small Units

28. Members heard from council officers that the Council workshop units currently fill a gap in the market, in terms of size of units. The private sector has not traditionally provided any industrial / warehouse accommodation below 1,500 sq. ft., as units this size are usually not commercially attractive in terms of yield compared to management costs.

### Affordable & Accessible Provision

29. The private sector can require two years business accounts and require the tenant to commit to a long lease with restrictive get-out terms. These conditions make it difficult for

new start businesses to rent in the private sector. Members heard from council officers that the Council workshop units currently meet the need for affordable and accessible provision by having 'easy-in, easy-out' terms.

### **Issues with Workshop Provision**

30. Members heard that the main issues with current Council workshop provision revolve around increasing maintenance costs as buildings age, suitability of location, lack of suitable move-on accommodation and market forces leading to an overall reduction in employment land in Cardiff.

#### **Suitability of Location**

31. Members heard from Dr Jackson, the Director of Design and Digital, University of South Wales that the workshop spaces run by the Council are mostly not in the right location for their creative students. This is because their creative industries' students tend to stay in the City Centre and Cardiff Bay geographical areas, as the infrastructure and support mechanisms for their work are already there. Graduates also tend to want to stay close to these areas, in order to access support from lecturers and other networks. Some creative students and alumni access Tramshed, WeWork and locations in the Bay as well as various shared spaces and coffee shops. Dr Jackson stated that these are very important spaces, as creatives need digital space to access knowledge and hold conversations, as well as access to physical equipment such as 3D printers.

32. Conversely, Members heard from existing tenants of council workshops that they had moved into the units because the location was right for their business, with good transport linkages e.g. tenants at Willowbrook cited good links to M4, tenants at Gabalfa cited links to A48/ M4 and centrality to all areas of Cardiff.

#### **Lack of Move-On Accommodation**

33. Council officers explained that the ideal aim is for businesses to move from Council workshops into private sector workshops after 3 years, in order to free up space for other new businesses. However, this is problematic as there is not enough 'move-on' workshop space available in Cardiff, with a shortage of 500-1,000 sq. ft. units in Cardiff. Officers explained that this led to businesses either 'staying-put' in accommodation

originally intended for new businesses or moving out of Cardiff to premises in cheaper locations.

34. Members heard from existing council workshop tenants that it is a big leap for businesses to go from a council workshop to a private sector space due to the increase in costs, caused by the bigger size of units and a steep taper in business rate relief. In addition, when businesses move, they have to plan for relocation costs, perhaps additional fit-out costs but also downtime in production, all of which adds to the cost of moving on.

### **Reduction in Employment Land**

35. Council officers highlighted that there has been a steady erosion of available employment land in Cardiff, with market forces meaning that landowners can yield far more return by changing land use to residential provision. In November 2017, the Council adopted a '*Safeguarding Business and Industrial Land and Premises*' Supplementary Planning Guidance, detailing its approach to assessing alternative development proposals. This includes developer contributions, via Section 106 agreement, towards the provision of training and support to enable displaced employees and people who may have sought employment at the site, to gain employment elsewhere in the city.
36. Members heard that an additional way to stem the loss of employment land would be to use Section 106 agreements to provide the resource to re-provision other units off site.

## **Innovation Provision**

37. The private sector is providing more innovation accommodation, as set out earlier in this report. Members heard that, recently, large investment funds are starting to express interest in moving into this sector in Cardiff and that Economic Development officers are in discussions to ensure that this happens in a way that is beneficial to Cardiff. Members heard from all witnesses that there is demand for more space, despite the growth in provision in recent years.

### **Demand for shared working space**

38. Members heard from Gareth Jones<sup>8</sup> that there is demand for shared working space, with Cardiff underserved compared to other cities. In particular, Gareth believes there is unmet demand for more co-working spaces that offer support and encouragement to entrepreneurs. He highlighted that at Welsh ICE, they offered support, such as a 5-9 club for people who work full time but want to move on from what they are doing. This club provided learning and offered accelerator programmes. As part of his new project – The Town Square - they are replicating this club, at the Wrexham Enterprise Hub, showing that there is demand for this type of support across Wales.

39. Members heard from council officers that there is more supply of co-working space planned for the city centre, which will also help to reinforce the retail space. Economic Development officers are also speaking with a FinTech company that wants to set up a FinTech centre in Cardiff. All of this provides evidence that the private sector are responding to demand and are prepared to take risks to meet this.

### **Location of space re creative industries**

40. Professor Ian Hargreaves<sup>9</sup> highlighted that he is a bit disappointed that more has not happened re supply of space re creative industries in and around Cardiff Bay. When he wrote the 2010 Welsh Government report '*The Heart of Digital Wales; a review of creative industries*' it looked as if the Bay would flourish and Professor Hargreaves stated that, in some senses it has, for example Bad Wolf films have moved onto Trident

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<sup>8</sup> Co-founder of Welsh Ice and The Town Square

<sup>9</sup> Cardiff University, School of Journalism, Media and Culture

Park. However, in his view, there is not enough open space accessible for freelancers or creative entrepreneurs. The Bay also still suffers from transport connectivity issues, which are made sharper by newer development around Cardiff Central Station.

41. Dr Jackson, Director of Design and Digital, University of South Wales, stated that more support for creative industries start-ups needed to be in the area between the University of South Wales' Campus<sup>10</sup> that hosts 1,500 creative industries students and Cardiff Bay. This would help to drive innovation, as creative industries' people tend to work on their own and they need to be with other creative people to have a synergy, they also work on a different model, working evenings and having less of a gap between their social and work life. He believes that the pull towards this location, between the city centre and the Bay, will be accentuated by the relocation of the BBC to Central Square.
42. Professor Hargreaves also highlighted that, whilst there is anecdotal evidence, there is no research that gives a well-informed overview of the different types of business and supply and demand. As part of Creative Cardiff, which he co-founded, in 2015/16 he worked with colleagues to map the creative economy, using social media and other methods to build a network of creatives across Cardiff. However, there is such a fast pace of change that it would be difficult to keep this map up to date. Professor Hargreaves thinks it may be useful to have a refreshed piece of work that maps demand and supply, to inform future thinking and vision for Cardiff.

### **Cardiff Business Technology Centre (CBTC)**

43. Council officers explained that, over the last thirty-five years since CBTC was established, the landscape re innovation premises provision has altered significantly, with more private sector provision becoming available as well as Cardiff University's large innovation centre opening nearby.
44. During the same time period, the focus of CBTC has shifted away from providing incubation space for start-ups, as businesses have tended to stay at CBTC rather than moving on to alternative accommodation. This has resulted in several businesses currently at CBTC that do not now meet the original criteria of CBTC.

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<sup>10</sup> The Atrium

## Enabling Better Provision

### Workshops

45. Members heard that the Council is aware that there is demand for small, affordable and accessible workshops in suitable locations to assist start-up businesses. The challenge is in ensuring that these units are delivered. Traditionally, the private sector has not invested in these types of units, as the yield was deemed too low; more recently, large investment companies are showing interest in entering this market but this is still at an early stage.
46. Officers are exploring what the Council could do with its portfolio of workshops, in order to free-up resource to invest in new provision in more suitable locations. Members heard from Councillor Goodway that it is time to pass some workshops on, to release resource and use this to provide new premises in different parts of the city.
47. Officers explained that the Council would look to do this in a trickle, transition process, in order that the process of change is manageable and to maintain an income stream for the Council. This would involve the Council taking a property development approach to generate the capital required to develop. Officers would explore the feasibility of moving the workshops with the biggest liabilities into the private sector, with covenants to ensure that purchasers retain and invest in the workshops; this would ensure that capacity would not be lost.
48. Members heard that, in order to raise resource, officers are looking into whether there are parcels of council land on existing Industrial Estates that could be sold, with the monies ring-fenced for re-investment in new provision of workshop and/ or innovation premises. Officers stressed that it would be essential that these monies be ring-fenced for new provision, as otherwise the overall capacity of workshop space in Cardiff would be eroded, damaging the city's economy.
49. Members heard that there are sites in Cardiff that are suitable for additional workshop provision, for example a site at Wentloog, cited in LDP Proposals, although there are no plans in place currently. This site, in the east of Cardiff, would also fit with initial thinking

re Cardiff's Industrial Strategy, which is due to come forward as part of the Economic Development White Paper discussions in Autumn/ Winter 2018.

50. Officers explained that the Council could also assist in enabling private sector schemes for the provision of workshops. The property crash in 2009 stalled some developments in Cardiff, for example, there is a site off Newport Road that has remained half-built since then. The Council could play a role in helping to get these projects finished, from a regeneration perspective and the benefits that this would bring, not only in terms of increased capacity but also in terms of community cohesion and improving the look of Cardiff.
51. Members heard that whilst the Council will always seek to work with the private sector to take advantage of opportunities that arise, there is a need to identify a rolling programme of disposal and investment and that this work is currently underway. A comprehensive review of all Council land is being undertaken to identify opportunities to generate capital receipts to support the Council's budget. Council services will be offered the first opportunity for use of this land, subject to an appropriate business case appraisal. In the past, this has tended to be predominantly for the development of affordable housing but it will now also include opportunities for employment use.

### **Innovation**

52. Members heard that, with the increase in alternative provision of innovation premises, and with CBTC1 no longer providing an incubation offer, officers have been in discussion with Cardiff University about the future of CBTC1. Conversations are focusing on whether CBTC1 is still needed given other available provision, whether there is a different role for it to play or whether it would be better to use council resources in a different way.
53. Officers explained that Cardiff University had leased the site to the Council for a peppercorn rent in order that it could provide support to innovative start-ups. An in principle agreement has been in place with Cardiff University for a number of years that the Council would hand back the CBTC1 site on the same basis if the University delivered a brand new fit-for-purpose innovation centre.



54. Members asked about the businesses currently at CBTC1 that would not fit the new Cardiff University innovation centre criteria. The Director of Economic Development replied that circa 30% of current CBTC1 tenants would meet the criteria and move to the new site. Of the remainder, he is hopeful that they will find other locations, some on their own and others with assistance from the Council, using spaces within our provision. He anticipates that this would require circa 4 – 6 units.

## **Wider Role of the Council**

55. Members were pleased to hear positive feedback from several external witnesses regarding the work of Economic Development officers, who they had found to be helpful and constructive. This included tenants in workshops, who highlighted that officers had helped them to locate grant funding and signposted them to training providers, as well as entrepreneurs who had found officers positive and constructive in discussions about working in Cardiff.

56. Members heard from council officers that the Council's role is defined by the resources available to it and by the roles of other bodies, such as Business Wales, Finance Wales and Business in Focus. Welsh Government fund these bodies to provide businesses with advice and funding and to deal with queries. Therefore, the Council's support for businesses and innovation is primarily a property offer and signposting to Welsh Government funded agencies. This is an important offer - it helps engagement with start-ups and gives the Council access to new companies. In addition, Council officers explained that their role tended to focus on the following: national industries looking to locate in Cardiff; workshop and CBTC provision; providing booklets on funding; and bringing in advice as needed for particular aspects where guidance is needed, for example re marketing, financial etc.

57. Members explored with witnesses what they thought the role of the Council should be concerning provision of workshop premises and premises for supporting innovation in Cardiff. The discussions ranged beyond this focus, covering the role of the Council in supporting start-up businesses and encouraging innovation. The points made are summarised below, as Members believe it is useful to capture this wider evidence.

## Leadership of Place

58. External witnesses were clear that it important for the Council to recognise the value of local business, entrepreneurs and innovators and to demonstrate leadership of place to create an ambitious vision and supportive landscape for them to operate within. Several witnesses felt that this was happening:

*'Cardiff is moving towards a culture that recognises the value of creative industries and this is at a time when others, such as Gareth Jones, are making conditions to enable entrepreneurship to thrive. Cardiff is in a good place re creative industries and can go from strength to strength; we can raise our sights and go for more. The recent successful bid for Clwstwr Creadigol (Creative Cluster) will enhance this further.'*

*Professor Ian Hargreaves*

*'it's the best it has ever been, it feels exciting and tangible to students with an energy that suits the creative sector.'*

*Dr Mark Jackson*

59. Members heard that the Council could build on its success to date by continuing to use its role as a shaper and curator of ideas and opportunities, using its leverage to turn these into real-life projects. Professor Hargreaves highlighted that the Council did this when approached about The Tramshed proposal; he feels that this approach to recognising the value that creative industries bring to the Cardiff Economy needs to continue in order to deliver. He cited the Music Strategy, currently in development, as an area where the Council could continue to demonstrate leadership by ensuring that actions follow the discussions.

*'Cardiff is now in a place where we can get stuff done; rather than being stuck in theoretical discussions about creativity, we can actually deliver.'*

*Professor Ian Hargreaves*

60. Council officers told Members that Cardiff is mostly in a good place currently re innovation, for the following reasons:

- 15,000 people employed in the Creative and Digital sectors in Cardiff
- Cardiff is one of the top three locations in the UK re cybersecurity
- Flourishing FinTech sector – with demand for space
- Over last three years, more jobs have been created in Cardiff than in any other core City
- Fantastic growth in Incubation and Accelerator space – via the private sector, which demonstrates the growth in demand for the space and their consequent confidence to invest in Cardiff. In terms of incubation space, there is currently approx. 188,000 sq. ft. public sector space (Cardiff Council and Welsh Govt.) and 140,000 sq. ft. private sector space, with the latter rising as more space is due to be provided later this year.
- Plethora of support and initiatives for creative industries in Cardiff and Wales – as part of the recent bid to host Channel 4 offices, these were listed and they covered 5 A4 pages and included Welsh Government, Cardiff Council, Universities and private sector schemes.

61. However, council officers also explained that there are challenges for Cardiff in continuing to support and grow innovation, due to the low level of entrepreneurs and start-ups in Cardiff compared to South East England; officers explained that this is not unique to Cardiff, with other core cities and areas also having lower levels.

### **Partnership working**

62. Members heard that, to encourage further innovation, the Council needs to ensure that it does not work in a vacuum. It needs to continue to convene conversations with those already operating in Cardiff, those wishing to locate and/ or invest here and act as a catalyst to make this happen. Whilst funding is limited, external witnesses stressed that there are other types of encouragement, such as assisting the right moves and talking to interested parties.

63. Members asked about partnership working with neighbouring local authorities via the City Deal. Officers highlighted that closer working was starting to take place with

strategic discussions on where to place investment and on allocating resources to locations with known demand. This may mean that some businesses leave Cardiff or decide to locate elsewhere where the sites are better for them; this would be beneficial to the region but also for Cardiff, and sites that become available may provide space for value-added businesses, helping to boost salary levels. At the same time, it is important for the Council to identify anchor key industries that need to be kept in Cardiff.

64. Professor Ian Hargreaves highlighted the importance of remaining aware of the Western Powerhouse dynamic as well as the City Region; he stated that these goals are not contradictory, as demonstrated by Cardiff University, which collaborates with Bristol University as well as other universities in Cardiff and Wales.
65. Members also heard that it would be beneficial to have some type of mechanism to enable partnership working with a wide selection of business, including creative industries. Whilst there are a number of organisations, such as Cardiff Business Club, Cardiff Start, Cardiff Co-Working Collective and Creative Cardiff networks, these bodies do not replace the role of a mainstream business organisation, such as a Chamber of Commerce or equivalent, leading to a gap in civic machinery.
66. Members explored the role of the Council concerning partnership working with universities. In 2013/14, this Committee examined the role of higher education in Innovation. As part of this, Members heard that the Welsh Local Government Association (WLGA) recognises the importance of local authority contributions to supporting higher education innovation. It states that:

*“Local authorities also have a key role in terms of facilitating discussions between the higher and further education institutions and the business community in their areas in order to encourage better linkages so that the innovative activity of the HE and FE institution benefits the local economy and offers opportunities for young people to stay in their communities”<sup>11</sup>*

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<sup>11</sup> WLGA response to Welsh Government consultation on Innovation Strategy for Wales, 2012

67. Higher Education establishments play an important role in driving local innovation and growth for a number of reasons, including<sup>12</sup>:

- *attracting people and businesses to an area*
- *developing knowledge bases*
- *being internationally wired – academics have global connections which can be harnessed for wider civic benefit*
- *being part of the “civic brand” – globally recognised and major hooks for inward investors.*
- *helping to commercialise innovation. Innovation accounts for 63% of annual labour productivity growth since 2002.*
- *For every £1 million of university output a further £1.38 million of output is generated in other sectors of the economy.*

68. The universities based in the city have links with other academic institutions and businesses around the world, from Silicon Valley in the USA, to Geel in Belgium, creating opportunities for the city and making Cardiff part of a global network of academics, entrepreneurs and businesses.

69. Members heard from external witnesses that, in their view, the Council works collaboratively with universities in Cardiff

### **Use of Resources**

70. Members asked officers to explain what council resources are available to support local businesses and encourage innovation. Officers explained that there is no longer specific funding available; the Council's 'Cardiff Capital Fund' is currently fully committed and specific European Union grants are no longer available.

71. Members heard from external witnesses that the Council could rethink how it uses resources and what it chooses to prioritise. This would not require additional resources but a reallocation of resource to focus on different demands that better meet the needs of emerging businesses. Gareth Jones gave an example of how, at ICE, they realised it would be better to refocus their marketing resource to promote the different stories of

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<sup>12</sup> Higher Education Institutions and Local Government; Local Government Association, 2013

the companies located on site, so that people felt more of a community; this approach worked, resulting in ICE-based companies utilising each other's skills and networks.

72. Gareth Jones also highlighted the role of councils in thinking through the impact that their use of resources have on communities and ensuring existing resources are used productively in the broadest sense. For example, commercial landlords look to maximise the yield from their property; however, a Council may decide that the benefit generated to the local community is more important than yield, for example if it uses the property for economic development purposes, helping to create cohesion and resilience.

### **Assisting new provision**

73. Members heard that, despite increasing supply, there is still unmet demand in Cardiff, and that the Council has a role in assisting private sector opportunities for more supply. Witnesses mentioned sites such as the Brains Brewery and developments close to the city centre and Cardiff Bay, as being particularly suitable spaces for creative industries and FinTech.

74. Dr Jackson highlighted that in some other areas, local authorities have assisted innovation by providing accommodation. He cited Bath, where old factory units were provided as start-up units for Art practitioners when they left university, and Manchester and Leeds, where old warehouses were given as free spaces for entrepreneurs and creatives.

75. Members asked Councillor Goodway, Cabinet Member for Investment and Development for his views on the Council's provision of workshops and premises for innovation. Councillor Goodway explained that the Council's property offer is mostly industrial units that date from 1970s – 1990s and are not suitable for the needs of the more modern innovation businesses, such as the creative industries and FinTech companies, which prefer office-based spaces. He stated that he also did not think that the council provision is in the right locations for these types of innovation businesses. Council officers added that what is needed is a more modern and mixed portfolio – some workshops for light industrial use, some workshops with office space, and some office space.

### **Providing advice/ mentoring**

76. In addition to premises, the Council provides advice and support to existing and new businesses interested in establishing themselves in Cardiff, including advice on identifying and securing loans, grants and equity from a range of organisations such as Welsh Government, Finance Wales, European Commission and specialist funding bodies.
77. Officers outlined that there were challenges in Cardiff re wider advice and support, due to the level of advice, support and mentoring currently available. Understandably, this tends to be generic in nature and what is now needed is mentor advice that is specific to entrepreneurs and start-ups, who want mentors that have been through the process and can relate to their sector and journey. Members heard that Cardiff Start and other similar networks have also identified this as a big gap in the mentoring available in Cardiff, particularly compared to South East England and London where there are many mentors like this.
78. Similarly, Dr Jackson stated that, quite often, the people who do volunteer to be mentors do not have a connection with creative industries and this makes it difficult for them to add value or speak the same language as creatives. Dr Jackson stated that the challenge comes with taking creativity and commercialising it into a tangible income. Business advice and mentoring is needed from people who can speak the same language as creatives, to help expand and consolidate emerging businesses.
79. Members also heard from some local companies in Council workshops that they would welcome more business mentoring, a 'business angel' approach, and more training being available in areas essential to small businesses, such as cash flow modelling, profit/ loss accounting, how to use SAGE and succession planning for businesses.

### **Contribution from wider Council services**

80. In terms of the wider Council role, Members heard from witnesses that Education is critical in helping young people develop the innovation skills they need and that the Council has a role in organising apprenticeships and access to work for all levels, not just school leavers but graduates as well.

81. Witnesses also highlighted the role that Council services play in making Cardiff a safe and exciting place to study. Dr Jackson explained that he has received positive feedback from overseas students and that he considered students felt happy and confident in the city.



## INQUIRY METHODOLOGY

M1. The Economy & Culture Scrutiny Committee applies a project management approach to its inquiries; including mechanisms to consistently prioritise topics suggested for scrutiny, scoping reports and project plans. The aim of these is to ensure there is a dialogue with the services involved in the scrutiny process with the ultimate aim of improving overall service delivery and enabling effective scrutiny.

M2. Members held several meetings to hear from the following external witnesses:

- Professor Ian Hargreaves, Cardiff University
- Dr Mark Jackson, University of South Wales
- Gareth Jones, co-founder of Welsh Ice and The Town Square.

M3. As part of the Inquiry, Members visited a number of the Council's workshop sites to see the range of sizes and types of units provided and to meet with businesses to hear their views on existing provision.

M4. Members held two meetings to hear from the following Council officer witnesses:

- Councillor Russell Goodway – Cabinet Member (Investment & Development)
- Neil Hanratty – Director of Economic Development
- Ken Poole – Head of Economic Development

M5. The evidence from internal and external witnesses was used to identify suitable findings from the Inquiry.

## **FINANCIAL IMPLICATIONS**

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications.

## **LEGAL IMPLICATIONS**

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without modification. Any report with recommendations for decision that goes to Cabinet / Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal power of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## COMMITTEE TERMS OF REFERENCE

- To scrutinise, measure and actively promote improvement in the Council's performance in the provision of services and compliance with Council policies, aims and objectives in the area of economic regeneration.
  - Cardiff City Region City Deal
  - Inward Investment and the marketing of Cardiff
  - South East Wales Economic Forum
  - Economic Strategy & Employment
  - European Funding & Investment
  - Small to Medium Enterprise Support
  - Cardiff Harbour Authority
  - Lifelong Learning
  - Leisure Centres
  - Sports Development
  - Parks & Green Spaces
  - Libraries, Arts & Culture
  - Civic Buildings
  - Events & Tourism
  - Strategic Projects
  - Innovation & Technology Centres
  - Local Training & Enterprise
  
- To assess the impact of partnerships with and resources and services provided by external organisations including the Welsh Government, joint local government services, Welsh Government Sponsored Public Bodies and quasi-departmental non-governmental bodies on the effectiveness of Council service delivery.
  
- To report to an appropriate Cabinet or Council meeting on its findings and to make recommendations on measures, which may enhance Council performance or service delivery in this area.

## Economy & Culture Scrutiny Committee Membership



Councillor Nigel Howells  
(Chairperson)



Councillor Iona Gordon



Councillor Jane Henshaw



Councillor Gavin Hill-John



Councillor Thomas Parkhill



Councillor Adrian Robson



Councillor Adbdul Sattar



Councillor Elaine Simmons



Councillor Ed Stubbs



Scrutiny Services, Cardiff County Council  
Room 263, County Hall, Atlantic Wharf, Cardiff CF10 4UW  
Tel: 029 2087 3506 Email: [scrutinyviewpoints@cardiff.gov.uk](mailto:scrutinyviewpoints@cardiff.gov.uk)

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