



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	4th February 2014
Classification:	General Release
Title:	Hub Westminster
Financial Summary:	The Council committed a one-off conditional grant £300,000 and equity and loan finance (£336,000 and £100,000) to help establish Hub Westminster. No further funding has been committed by the Council. Hub Westminster generated an operating profit of £60,000 during the calendar year 2013.
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1. Executive Summary

- 1.1 The Audit and Performance Committee has requested information on the Hub Westminster project. This paper provides a broad summary of information on Hub Westminster.
- 1.2 The City Council helped establish Hub Westminster as part of the Living City 2011-12 programme. Hub Westminster is a limited by shares company with 'Community Interest Company' status.
- 1.3 Hub Westminster is an enterprise space providing a highly supportive environment for start-ups and micro businesses. It operates a 'pay- by-time' monthly membership model and currently has more than 400 paying members. The space also hosts events. In the past year more than 50,000 people attended events at Hub Westminster.
- 1.4 Hub Westminster is now self-financing. Comparable enterprise space projects supported by local and regional government typically have involved much larger public funding commitments and frequently and long-term subsidy. In this regard, Hub Westminster has also performed strongly, generating an operating profit of £60,000 in the calendar year 2013.
- 1.5 Member satisfaction and events client satisfaction rates are high. Hub Westminster also has a strong reputation amongst the enterprise support

sector in London, and nationally with different Government departments including UKTI, BIS and the Cabinet Office.

2. Recommendations

- 2.1 That the Audit & Performance Committee notes the content of this report.

3. Background

- 3.1 The Council provided a one-off conditional grant (£300k) and equity and loan finance (£436,000) to help establish Hub Westminster. The other shareholders are Do Laboratories (a subsidiary of Architecture 00) and Simon Kirkham.
- 3.2 Hub Westminster opened in October 2011 and provides a highly supportive environment for start-ups and micro businesses. It is currently home to 420 entrepreneurs as paying members of the space. This equates to approx. 235 organisations currently within the space.
- 3.3 Hub Westminster operates a membership model, where entrepreneurs working from the space pay a monthly membership fee based on the amount of time they use the space. There is no minimum sign-up period, no deposit, and members can go on different tariffs from month to month depending on how much time they require in the space. The membership tariffs are kept lower and more flexible than would be found in a more typical serviced office environment.
- 3.4 Hub Westminster also hosts events, primarily from paying clients. In the past year, more than 50,000 people have attended events hosted at the space. A wide range of different events have been held at the space, from large scale national enterprise events, to small business support workshops. The space has also become popular for data science and 'big data' rapid prototyping events.
- 3.5 An operating profit of approximately £60,000 was generated during the calendar year 2013, which is expected to be revised to approximately £50,000 after clarification of bad and inclusion of final accounting entries and adjustments.

4. Revenue Generation, Operations and Costs

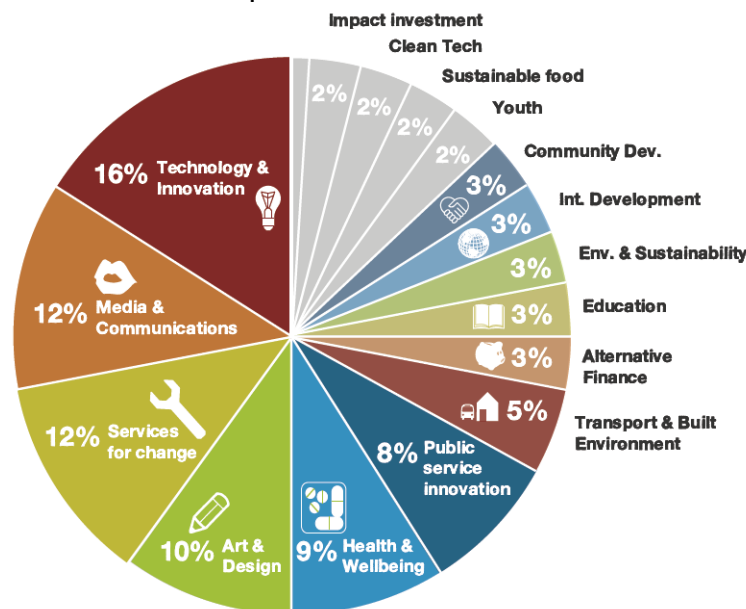
- 4.1 Hub Westminster is run by a team of 7.5 FTE staff employed by the company. The Managing Director of Hub Westminster is Alex Soskin ACMA. The team has proven to be extremely dedicated and motivated.
- 4.2 The Board of the company is made up by Indy Johar and Alice Fung (Do Laboratories), Simon Kirkham, and the Strategic Director Housing, Property and Regeneration and Principal Economic Development Officer (representing WCC), and Alex Soskin (Managing Director, Hub Westminster).
- 4.3 Gross wages and labour expenses during 2013 amounted to £279,356. Rent and rates amounted to £495,544. After staffing, rent and rates, the next

largest direct expense is catering subcontractors (£43,065) and next largest overhead is maintenance and sunk premises expense (£29,842).

- 4.4 During 2013, Hub Westminster’s largest revenue streams were membership (£616,557), events (£244,527), catering and cafe (£83,934), services (£48,602), and meeting room hire (£41,479).
- 4.5 Between 2012–2013, revenue increased over 60% (£0.7m to £1.1m), while overheads increased only 3% and direct costs increased by 30%. Hub Westminster’s working capital position is tight but improving. No dividends have been issued to shareholders.

5. Membership – Sectors and Other Facts and Figures

- 5.1 Amongst the membership community there is a very diverse mix of sectors represented within the space:



- 5.2 Not reflected in the chart above is the large number of data science and ‘big data’ clients who have frequently used the events spaces for large scale rapid prototyping software and applications events.
- 5.3 The diversity of sectors represented within the space creates good conditions for collaboration within the space. Over 80% of members have collaborated together.
- 5.4 We know that the biggest reasons for becoming a member include: atmosphere; membership price; opening hours; collaboration opportunities; events and programmes.

6. Political Groups Holding Meetings at Hub Westminster

- 6.1 Shortly after opening, Hub Westminster received recognition from Government as a best practise example of supporting enterprise, with the Council’s role in the project also praised by Prime Minister David Cameron. There has been visits or meetings held at the space by all the main political

parties. In addition, some civil service departments have held meetings at the space or requested visits. These are listed below:

Visitor	Party	Purpose of visit
Gregory Barker	Conservative	Requested tour of the space and informal networking with start-up businesses.
Gregory Barker	Conservative	Held policy round-table with clean-tech, environment, and finance start-ups.
Vince Cable	Liberal Democrats	Attended and spoke at a BIS event during Global Entrepreneurship Week celebrating the Government's Start-up Loans Company initiative.
David Cameron	Conservative	Held a 'responsible capitalism' speech to UK press and some start-up members within the space.
Nick Hurd	Conservative	Attended and spoke at Virgin Pioneers young enterprise event as part of Global Entrepreneurship Week.
Mark Prisk	Conservative	Filmed a video from the space for 'The Political Slot' channel 4 programme, talking to start-ups within the space and praising the initiative.
Chuka Umanna	Labour	Held a networking meeting with entrepreneurs within the space.
Baroness Verma	Conservative	Requested a tour of the space and informal networking with start-ups.

7. Measuring Success

- 7.1 Essentially, the prescribed outcome for Hub Westminster was the creation of self-financing enterprise space, providing a highly supportive environment for start-up businesses. This outcome has been achieved. The facility is self-financing, extremely popular with start-ups, and has become a magnet for a very wide range business support activity that requires no ongoing funding from the council.
- 7.2 Surveys of the membership community reveal a very high degree of satisfaction with Hub Westminster as a supportive environment for start-ups and micro business. The popularity and on-going high demand are also testament to the strong reputation of the space. The high volume of people using the space led to a small number of complaints to the management team, who have addressed these concerns by putting temporary caps on membership tariffs and some adjustment of the way the space is used – more chairs, different layouts etc.
- 7.3 Our knowledge of other enterprise space projects across the UK shows that Hub Westminster has been created with a fraction of the amount of grant funding that is typically required to establish enterprise spaces that provide a highly supportive environment for start-ups and micro businesses¹. Hub Westminster is regarded as a model of best practise. Many visits to the space

¹ Prior to the commitment of funding from the City researched (including facilities with backing from Birmingham, Manchester, Leeds, Sheffield and other London councils) were the beneficiaries of much more substantial public grant funding commitments, and many required on-going subsidy. None of the facilities researched contained funding on commercial terms from the public sector.

have made by other local authorities and government ministers who want to learn about the model and see how it supports entrepreneurs and innovation.

- 7.4 The Council plans to undertake an independent economic impact assessment of Hub Westminster during its third year of operation. This is likely to look at other success metrics such as job creation.

8. Location and Potential for Enterprise Space in North Westminster

- 8.1 Hub Westminster is based at New Zealand House, 80 Haymarket. It benefits from an excellent location, but its success and popularity are primarily driven by the excellent services it provides.
- 8.2 Officers believe other enterprise space projects are viable in different parts of the city including north Westminster.
- 8.3 As part of the Better City Better Lives programme, officers are currently working to establish new enterprise space projects in the north of the city, including a space of comparable size to Hub Westminster as part of the Church Street phase 1 regeneration programme.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

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BACKGROUND PAPERS

None