

# Vulcan Works Creative Hub

## Operating Model Options Appraisal

**Deyton Bell**

**May 2019**



**NORTHAMPTON**  
BOROUGH COUNCIL

# Contents

<b>Executive Summary</b>	<b>3</b>
<b>1. Introduction</b>	<b>4</b>
<b>2. Purpose of the Report</b>	<b>4</b>
<b>3. The Vulcan Works Creative Hub</b>	<b>4</b>
<b>4. The role of Incubators and Business Space</b>	<b>6</b>
<b>5. Understanding Incubators and Accelerators</b>	<b>8</b>
<b>6. Northampton's current Incubator Space</b>	<b>13</b>
<b>7. Positioning the Vulcan Works Creative Hub</b>	<b>16</b>
<b>8. Analysis of potential Operators</b>	<b>17</b>
<b>9. Evaluating the Operators</b>	<b>24</b>
<b>10. Conclusion</b>	<b>25</b>

## **Executive Summary**

This report seeks to evaluate how the Vulcan Works Creative Hub (the VWCH) in Northampton can be operated successfully. Deyton Bell has reviewed the cohort of operators across the country that could potentially operate the VWCH. Consideration has also been given to the whether Northampton Borough Council could manage the VWCH.

The evaluation sets out details around nine identified operators, highlighting their strengths and weaknesses and potential appetite for partnering with Northampton Borough Council to operate the VWCH. Each operator is measured against a number of criteria that are commensurate with the delivery of a high quality incubator.

The report concludes that Northampton Borough Council would be best placed to act in a Client role, overseeing and monitoring the operator, rather than seeking to take on the role of operator with in-house support. At present the market has a number of high quality operators. Each are able to demonstrate that they would be able to provide strong support to the VWCH and bring specialisms that the Borough Council would not be able to replicate without significant additional cost.

The report has analysed a range of operators against a range of indicators. Information has been gathered through discussions with the operators and web research. The analysis reveals that the most effective of the operators includes Oxford Innovation, Allia and Luton Culture. While others have a more restricted offer, they would still provide a strong service, operators in this group include Wenta, Basepoint, The Brew, We Work and the University of Northampton.

The report also concludes that the next phase of the project, developing the Tender Specification, will be a very important piece of work. The Council needs to ensure that the Specification is comprehensive, attractive and partnership orientated. If the Specification can achieve these points it will serve to engage Operators and help promote healthy competition between operators to deliver the VWCH.

From our research it is clear that a number of operators are keen to develop a conversation with Northampton Borough Council. We recommend that the Borough Council should seek non-committal conversations with interested operators prior to the Tender Specification entering the procurement phase.

## **1. Introduction**

Deyton Bell has been appointed by Northampton Borough Council (NBC) to develop an Options Appraisal for the future VWCH. The VWCH sits within Northampton's Cultural Quarter and will provide 59 workspaces for start-up or small enterprises.

## **2. Purpose of the Report**

This options appraisal has been undertaken to review whether Northampton Borough Council should operate the VWCH or seek to engage a professional Operators currently within the market.

The option appraisal process has been informed by various meetings between the project team and Deyton Bell. In addition, Deyton Bell has spoken to industry leading Operators to identify how they would seek to operate the VWCH should they successfully win a tender competition to operate the VWCH. The evidence collected during these conversations have fed into the appraisal.

## **3. The Vulcan Works Creative Hub**

VWCH will be an exciting new strategic, creative and digital business hub in Northampton of significant scale. Led by Northampton Borough Council, the plan includes the transformation of the former Vulcan Works and the Amalgamated Tyres sites in the centre of Northampton town – in the area between Guildhall Road, Angel Street, Fetter Street and St John's Street.

The scheme, costing around £14 million, will create a total of 59 lettable units – specifically aimed at start-ups and growing businesses. It will restore the historic and Grade II listed former iron works factory in the heart of the Cultural Quarter, as well as constructing a new block on Angel Street to create the new office, studio, and managed workshop facilities.

*Vulcan Works Creative Hub Artists impression*



*Northampton Vulcan Works aerial photo*



The plan is to redevelop the buildings to incorporate workspaces for the digital and creative sector. The aim is for the building to become a digital hub for the Borough. The project involves the regeneration of the existing listed buildings incorporating a new extension and redevelopment of a new building – to provide a total of 4,808 sq.m net (3,461 sq.m net lettable). The VWCH will provide facilities such as meeting rooms, hot desks/shared workspaces, Café, networking and collaboration spaces and cycle storage units alongside the primary outputs as listed in the table below;

<b>Primary Outputs</b>	<b>Target</b>
Business Units	59
Business Support	116
Businesses Created	25
Construction Jobs (16 week contracts)	286
Direct Jobs	174
Indirect Jobs	261

## **4. The role of Incubators and business space**

### **i) Mapping the different types of incubators**

Over the past 20 years, increasing importance has been attached to incubators as mechanisms for enhancing local economic conditions by promoting the rise of entrepreneurial ideas and encouraging the growth of newly established companies. Many local economic development agencies, government and other public institutions have adopted incubators as a tool to develop high growth companies and to speed up the process of business creation.

### **ii) Publicly funded incubators**

The main objective of public incubators is to stimulate local economic growth. Incubators offer a range of service from renting space, to more elaborate services, such as access to technical and managerial expertise and assistance in business plan development. The main source of profit for public incubators are the fees generated for the services they provide and the public funding from local, national and international schemes.

### **iii) University Business Incubators**

University Business Incubators (UBIs) are institutions that provide support and services to new knowledge-based ventures. UBI's place more emphasis on the transfer of scientific and technological knowledge from universities to companies. UBI's seek to link business concepts, with technology, capital, and know-how to leverage entrepreneurial talent, in doing so they seek to encourage the commercialisation of technology by nurturing new knowledge-based ventures.

There are two main categories of services offered by UBIs;

- a) typical incubator services including shared office services, business assistance, access to capital, business networks and rent breaks;  
and
- b) University related services including faculty consultants, student employees, university image conveyance, library services, labs/workshops and equipment, mainframe computers, related R&D activity, technology transfer programs, employee education and training, and other social activities.

#### **iv) Private Incubators**

The increased use of technology has enhanced the use of incubators and impacted upon the way they operate. These market changes have revived and reshaped the concept of incubation, leading to the growth of private incubators, e.g. profit-oriented institutions, fee/equity oriented. Interest in private or profit incubators has increased over the last ten years and stems from the importance attached to high-tech companies and, more generally, to the new economy.

Private incubators can make money in several ways, including charging service fees, as well as taking a percentage of revenues from incubated companies. The purpose of for-profit incubators is to quickly create new ventures and in return to take a portion of equity in the new venture as fees. They seek to help entrepreneurs by providing pre-seed, seed and other early investments that have been traditionally offered by angels and early-stage venture capitalists. They offer business guidance, connections to their network of contacts, the ability to take on the tasks of managing an office, hiring and payroll.

The main services offered include the efficient completion of the entrepreneurs' business models, validation and vetting, the provision of experienced operation staff, recruiting mechanisms, instant infrastructure, networks of relations with key strategic actors; access to a network of domain experts for all aspects of business, including concept validation and construction; provision of technology to accelerate product development or support, including master relationships with strategic partners, not ordinarily motivated to deal with or adequately service any but large accounts.

Private incubators can be segmented into two main categories, Corporate Business Incubators and Independent Business Incubators.

- i) Corporate Business Incubators are owned and set up by large companies with the aim of supporting the emergence of new independent business units. These new business units (corporate spin-offs) usually originate from research projects spill-over (carried out within source-organizations) and happen to be the outcomes of diversification strategies. It is common for the source-organization company to control all the new ventures by holding equity stake. These incubators, in addition to corporate spin-offs, host more generic start-ups as well.



Generally these incubators (like University Business Incubators) intervene during the early stages (business concept definition) of the business development cycle.

ii) Independent Business Incubators are incubators set up by single individuals or by groups of individuals (companies too may be among their founding partners), who intend to help rising entrepreneurs to create and grow their business.

## **5. Understanding Incubators and Accelerators**

Defining the terms 'Incubator' and 'Accelerator' is subjective, with various different models in operation. Several of the key concepts used in this report do not have one single definition and their use has often changed over time. Business Incubation is however an established concept, although interpretations vary. The definitions below seek to set out how the terms will be used within this report.

Incubators are typically physical spaces, available on relatively flexible terms, which provide additional incubation services. These services generally include provision of training for entrepreneurs, access to networks and specialist equipment. Incubators are typically dependent on charging rent or membership fees to residents, often on a monthly basis. By charging rent, rather than taking equity in the businesses they support, incubators are able to support businesses that are unlikely to scale rapidly. In many cases, incubators are aligned with a university, supporting spin-outs along with other local businesses.

An incubator can be defined by the following characteristics:

- Open-ended duration (exit usually based on the stage of the company, rather than a specific time frame)
- Typically rent/fee-based
- Focus on physical space over services
- Admissions on ad-hoc basis (not cohort-based)
- Provision of services including mentorship, entrepreneurial training
- Often provide technical facilities such as laboratory equipment
- Selective admission (but typically less so than accelerators)

An emerging variant model is the virtual incubator, which focuses solely on providing services, such as mentoring and access to investors, without physical space or infrastructure. Some physical incubators may offer virtual tenancy as well as physical tenancy. The number of incubators has increased significantly in the past half-century with around 200 in operation across the UK.

Accelerators are a more recent phenomenon than incubators, but are now sufficiently well established. Whilst early programmes were funded primarily by venture capitalists seeking to develop deal-flow, newer programmes have been established by a wider variety of organisations, including large corporates and the public sector.

In contrast with incubators, accelerators typically provide services through a highly selective, cohort-based programme of limited duration (usually 3-12 months). Services often include assistance in developing a business plan, developing an investor pitch deck, prototypes, and initial market testing.

Whilst incubators typically charge rent or membership fees, accelerators more often base their business model on equity from the start-ups. This means that they are more growth driven, typically aiming to produce companies that will scale rapidly or fail fast, thus minimising wasted resources.

Exceptions to this business model do exist, however - most commonly with corporate accelerators, where some firms may choose to sponsor or subsidise such a programme for broader strategic reasons including internal innovation, cultural change, marketing, corporate social responsibility (CSR) or public relations. Increasingly, accelerators are providing support designed for more established and high growth companies looking to scale up their business.

Support for the pre-start up stage is offered in the form of pre-accelerator programmes, directed at entrepreneurs or start-ups with the aim of joining an accelerator programme in the future.

An accelerator can be defined by the following characteristics:

- Fixed duration programme (usually between three and twelve months)
- Typically growth-based (payment via equity rather than fees)
- Often provide seed funding
- Focus on services over physical space
- Admission of entrepreneurs in cohorts
- Provision of start-up services (e.g. mentorship, entrepreneurial training)
- Highly selective process to vet entrepreneurs

As with incubators, there are also ‘virtual’ variants. These are programmes which do not offer physical space but aim to provide other services remotely.

Table 1 below sets out the range of features typically offered within both Incubators and Accelerators. VWCH has an opportunity to select the features it wishes to provide by developing a partnership with its preferred Operator once they have been contracted.

**Table 1: Comparison of business incubation types and their common features.**

Incubation type \ Features	Investment	Office/Work Space	Services - inc. mentoring	Fixed duration	Cohort-based	Selective
Incubator	N	Y	Y	N	N	Y
Accelerator	Y	Y	Y	Y	Y	Y‡
Pre-accelerator	N	N	Y	Y†	Y	Y
Virtual Accelerator	Y/N	N	Y§	Y	Y	Y
Virtual Incubator	N	N	Y	N	N	Y/N
Active seed / VC	Y	Y/N*	Y/N*	N	N	Y
Coworking space +	N	Y	Y	N	N	N
Makerspace	N	Y	Y	N	N	N

A common feature of a particular incubation type is indicated by a green cell and Y, a feature which is usually absent in an incubation type is indicated by a red cell and N, a feature which is sometimes present, but not common, to an incubation type is indicated by an orange cell and Y/N.

\*Venture capital plus must have either space or mentoring

† Less than one month

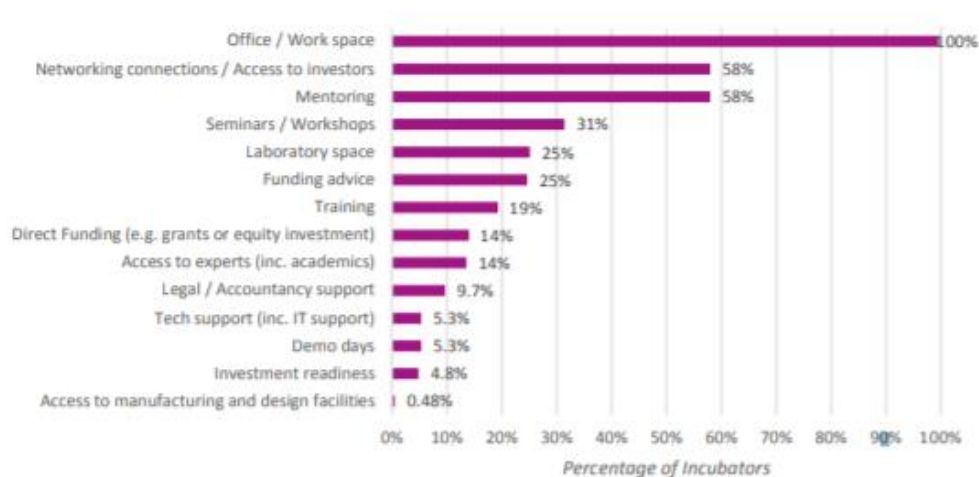
‡ Highly selective

§ Delivered online

According to BEIS 'Business Accelerators and Incubators – The National Picture (2017)', there are 205 active incubators in the UK, supporting around 3,450 new businesses a year. In addition to providing office space, just over half of incubators offer mentoring or networking connections/access to investors. In addition, more than one in four offer seminars/workshops, laboratory space or funding advice. Although incubators also offer other forms of support such as training, direct funding, access to experts, demo days and legal/accountancy support (including intellectual property advice), this is relatively uncommon.

Of the 14% of incubators that provided direct funding to entrepreneurs, the average amount given was just under £25,000. It is important to note however, that this funding was provided via a combination of grants, loans (some with 0% interest) or in exchange for equity, so the amounts given vary substantially. Those incubators that take equity in return for investment (relatively uncommon: only 8% of all incubators) reported taking an average 16% share. Figure 2 below demonstrates the different forms of business support that are available.

**Figure 2. Percentage of incubators offering different forms of business support.**



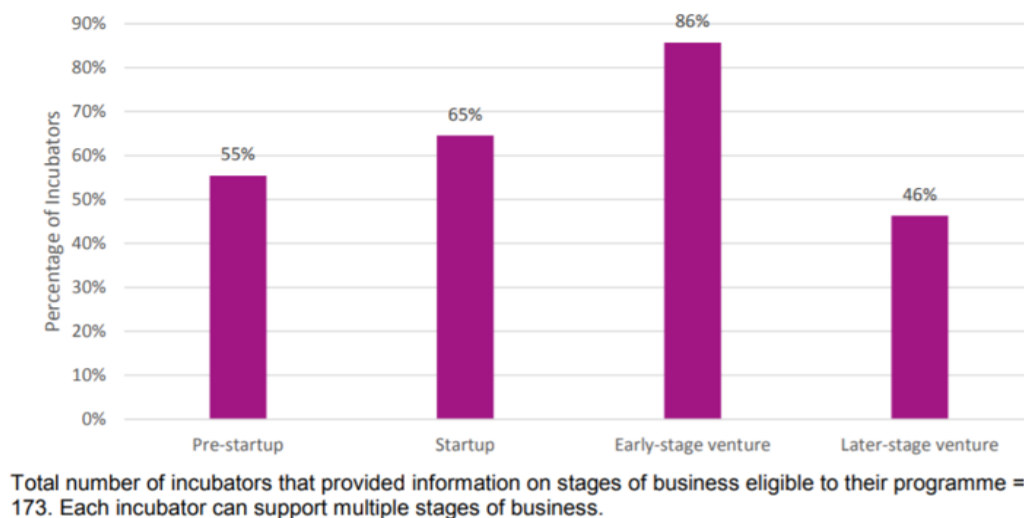
Total number of incubators that provided information on the business support they offer = 205. See Appendix for a description of each type of support offered.

The majority of incubators are at least partly self-funded through the membership fees / rent they charge their residents. Of the 72% of incubators that reported charging fees, the average charge is around £250 per person per month (though these fees vary greatly from £100 per month for a hot desk to £1860 for laboratory and office space).

Incubator fees are often subsidised using public or university funding; philanthropic and corporate funding is much less commonly reported.

Although some incubators cater to entrepreneurs in the pre-start up stage through to later stage scaling, the majority of incubators focus on early-stage ventures (Figure 3). While there is not typically a fixed duration for residence in an incubator, the average reported stay is around two years.

*Figure 3 Percentage of Incubators accepting each stage of business*



### **i) What catchment areas do incubators and accelerators have?**

The BEIS review also revealed that business owners are prepared to travel on average 35 miles to participate in an incubator and 61 miles to participate in an accelerator. The research showed that only around 1% of businesses in UK incubators originated from outside the UK, compared with around 18% of businesses in UK accelerators. On all measures, incubators seem to be more locally-focussed than accelerators.

### **ii) Diversification of business incubation models**

Alongside the growth of traditional incubator and accelerator models, there has been a diversification of business incubation models. One recent, perhaps inevitable, development is the expansion of programmes provided online. This includes the virtual accelerators and incubators described earlier in this report, as well as online entrepreneurship courses like Tech City UK's Digital Business Academy and online advice centres such as The University of Northampton's Inspire2Enterprise.

Virtual accelerators, in particular, are becoming increasingly common, from Dreamstake, the first virtual accelerator, which launched in 2014, to the seven online programmes running today. The growth of virtual incubators has been slower, with only four currently active, the oldest of which are, Ignite virtual incubator and Rushlight Incubator, both launched in 2006 ([www.digitalbusinessacademyuk.com/](http://www.digitalbusinessacademyuk.com/)).

Another variation of the accelerator model is becoming more prevalent is the pre-accelerator. 'FFWD London' launched as the first UK based pre-accelerator in 2014, since then a further nine pre-accelerators have opened their doors to entrepreneurs. A different variant is the 'start-up studio', such as Makeshift and Mint Digital. These organisations aim to generate multiple, parallel ideas in-house before spinning them out.

## **6. Northampton's current incubator presence**

Northampton is currently home to an Innovation Centre and a range of Serviced Offices. These are analysed below.

### **i) Northampton Innovation Centre**

The University of Northampton Innovation Centre is a set within the Waterside Enterprise Zone. With 42 flexible office units (total build 37,000 sq ft), a cafe and conference space, the centre offers the opportunity to 'grow your enterprise in a supportive environment alongside like-minded businesses'.

The University of Northampton Innovation Centre is focused upon supporting organisations that 'deliver social impact, attracting tenants that deliver social benefits, address unmet social needs and tackle difficult social problems in an enterprising way. It seeks to attract organisations that serve the common good through its products and services, through its employment and training policies or in the way it uses its supply chain'.

The University sets out to prospective tenants that; 'You may already know what social impact your company has or you may need some guidance working out your social impact.

The University has set out a series of expectations that it requires its tenant to support, these include;

- Providing training to unemployed young people and disadvantaged groups
- Purchasing goods and services directly from social enterprises
- Improving recycling facilities and strategies
- Reducing road miles and supporting local businesses through local purchasing

The social impact of some organisations is more evident than others. The University offers assistance to businesses to help define and measure social impact and, where necessary, can offer consultancy to organisations that would like to learn more about and measure their social impact'.

From our research the centre is currently 90% occupied, demonstrating that there is demand for incubator space within Northampton. There is evidence that the University are operating strictly to the 'Social Impact' policy that has been established. It has however been noted that at present the website for the Innovation Centre is currently a year out of date, this does not serve to attract new tenants effectively.

## **ii) Regus, Northampton Business Park**

Regus has a presence within Northampton like many other UK towns and Cities. Located in Victory House, Pavilion Drive, Northampton. Regus do not provide Incubator space directly, their offer is a basic 'shared office' function. While they do provide some elements of business support, the offer is not in competition with the proposed VWCH. Regus state that;

'This centre is in a prime position on Pavilion Drive in Northampton's premier business park alongside the corporate offices of some of the world's largest financial companies. Northampton is one of the largest towns in the centre of England. It has excellent road and rail links and a vibrant community for both business and leisure. Northampton's main private-sector employers are now in distribution and finance. The University is another major employer. The centre has 35 units with the largest being c.200 sq. ft. The centre is well used for both serviced office and virtual services. The pricing for the centre is set out below. The pricing is identical to the Regus Centre in Central Milton Keynes. Regus also has a similar centre at Watford Gap Services.

<b>OFFICES</b>	From <b>£4.70</b> per day
<b>CO-WORKING</b>	From <b>£4.10</b> per day
<b>VIRTUAL OFFICE</b>	From <b>£1.60</b> per day

Prices shown are the minimum price per person, based on a 24 month contract or lowest rates available.

In addition to these the Innovation Centre and Regus, Northampton also has a private serviced office on Lower Harding Road, NN1. This centre has 8 units ranging from 112 sq. ft. up to 1,600 sq. ft. The centre offers free car parking, and 24 hours access. The centre operates on a one month deposit and notice period.

Further serviced offices are located on Spencer Parade and Billing Road, however these offer single units for small businesses or up to 8 workspaces as co-working space.



## 7. Positioning the Vulcan Works Creative Hub

Northampton Borough Council needs to undertake careful due diligence in order to partner with an operator that is able to deliver a high quality, innovation focused hub.

The danger, as has been proven across the country, is that many innovation centres simply become another 'serviced office'.

From our research it is evident that the most effective and innovation focused hubs demonstrate strong connections to world class higher education provision.

Northampton sits between two of the leading Innovation Centres in the country; St Johns Innovation Centre in Cambridge and the Oxford Innovation Centre. Both centres are importantly more than just bricks and mortar, they are hubs for business support, networks and focal points within their own business community.

The Borough Council needs to position its tender specification for an operator very effectively, it will be crucial to ensure that a strong operator is secured who can drive the VWCH forward. The tender process needs to identify a partner that is able to evidence that they operate high quality facilities, which offer high quality business support services. The operator should ideally have access to funding to support business and see Northampton as a key part of their overall strategy and wider network.

Further consideration needs to be given to the focus of the VWCH. The Borough Council prior to selecting an operator needs to be clear what the nature of the VWCH is. Key questions that need resolving include;

- Should the VWCH solely focus on the creative sector?
- What definition for 'Creative' should be applied?
- What is the age range of potential tenants being sought– eg Start up or more established businesses?
- What length of tenancy should be applied to businesses within the VWCH?
- Should the VWCH simply a financing raising initiative for the Borough Council, or is the development of the Enterprise community within Northampton of prime focus?

## **8. Analysis of potential operators**

As specified in the brief, Northampton Borough Council has been assessed as a potential operator of the VWCH. The Council has therefore been assessed in the same manner as the other Operators considered. Following discussions with Northampton Borough Council's Officers a long list of operators was developed. This section reviews the credentials of each of these operators.

The operators identified include;

- Allia
- Basepoint
- Luton Culture
- Northampton Borough Council
- University of Northampton
- Oxford Innovation
- The Brew
- Wenta
- We Work

Our approach to appraising each of these operators identified a range of considerations that need satisfying to determine which operator(s) could deliver the kind of support that would lead to the VWCH being an exemplar centre.

The considerations include;

- Experience of operating incubator space
- Number of incubators in operation
- Range of business services on offer
- Breadth of networks available to tenants
- Ability to integrate into Northampton's business community
- Links to Higher Education and added value services
- Capability to attract tenants and provide an effective service

The following section reviews each of the identified operators in turn.

**i) Allia**

Allia is an independent not for profit with a social mission. Allia started its operation in 1999 and currently employs 50 staff. They own and operate 4 Future Business Centres in Cambridge, East London and Peterborough. Their centres have combined space of nearly 100,000sq ft. Allia currently operate a range of business support programmes and help hundreds of ventures to start up, grow and scale. Programmes are designed to support start-ups and growth companies in emerging markets, which Allia aligns with UN Sustainable Development Goals and solving complex local and global challenges.

Allia provide hands-on support to businesses, and state that their teams of community hosts, mentors and programme managers all play an active role in curating the space and ensuring that business owners can access the support, advice, networking and connectivity that may be needed.

Allia have been engaged in previous discussions with the University of Northampton around the role of Social Enterprise. They were previously in discussion around playing a role in Northampton Innovation Centre, although this did not come to fruition.

From our conversation Allia confirmed that while they are not specifically targeting growth in Northampton they would be open to a preliminary non-committal conversation with the Borough Council to explore options.

**ii) Basepoint**

Basepoint is a Serviced Office provider, they both own and operate around 30 centres around the South of the country. Basepoint considers itself as a recognised as a leading provider in this sector. Basepoint Centres have previously won the BCA's coveted Workspace of the Year award for 3 consecutive years, an award which requires nominations from workspace occupiers.

Each centre has a dedicated management team that build and develop links with other organisations and ensure they maintain a wide knowledge of the availability of

new initiatives and funding that may help small SMEs particularly with the signposting and promoting of grant availability.

Each centre also holds regular, free to attend, networking events and seminars to help raise awareness of business issues and to provide advice on key areas such as business planning, sales, marketing and PR.

From our conversations it is apparent that Basepoint offer a strong Serviced Office package. However there is minimal added value services. The model is geared towards IT companies and Graphic Designers, rather than innovative companies. Basepoint would be interested in operating the VWCH, however our analysis of operators suggests there are better placed partners for Northampton Borough Council to consider.

### **iii) Luton Culture**

Luton Culture specialise in culturally interesting (and listed) buildings and understand the needs of Incubator management. They are not-for-profit and a charity, and re-invest all surpluses back into the marketing/promotion and building improvements; they do charge commercial rents.

Their current model focuses on cultural and creative clients (grouped under 12 categories of creative industries). They currently operate 3 buildings, one owned, one managed for Luton Borough Council (the main Hat Factory), though they are negotiating a possible further purchase.

They are keen to operate in Northampton and build a wider hub linked to Luton enabling Northampton to benefit from the learning from the Hat District. They have strong relationships with University of Bedfordshire (who in turn are joint managing projects with the University of Northampton).

They are aware of the VWCH project having viewed the opportunity with Northampton Borough Council Officers. They are keen to respond to any bid to operate the VWCH subject to the offer and the financial detail (how much return NBC require, if a freehold purchase through surpluses generated might be possible, with reducing liabilities and responsibilities for the council as surpluses accrue).

They would also be very interested in helping work up the design to ensure it is suitable for creative sector as design champions (they have strong views on the quality of design necessary and might not bid if they thought premises not suitable for the clients). They expressed a view that they are confident they could fill the VWCH and make it very successful as it is an exact match for their current focus.

#### **iv) Northampton Borough Council**

The Borough Council could take the decision to operate the VWCH in-house. Deyton Bell has considered the practicalities of this, both in terms of positives and negatives, our conclusion is as follows.

While operating the VWCH may be financially advantageous, the potential for the VWCH to underperform is directly increased. The Borough Council does not possess sufficient capacity and capability to deliver a successful VWCH. The Council if it chose to operate the VWCH would need to recruit additional staff to support the centre. In addition the Council would need to source business advice from a third party to support tenants. Equally costs of operating the VWCH would be higher, not least as the Council would need to cover marketing and promotion costs and other associated costs.

With such a vibrant market of operators, and with a number showing an interest in running the VWCH, there is clear logic for the Borough Council to perform the Client function in relation to the VWCH. This would draw on the Council's strengths and enable the strategic objectives of the Hub to be monitored closely and in partnership with the chosen operator.

#### **v) University of Northampton**

The University of Northampton currently operate the Northampton Innovation Centre. This is the only Centre they operate. The Centre has been open for over 3 years and was funded by public sector. The University owns the centre. The Centre focuses upon social impact and social enterprise, this is a clearly defined specialism which reflects one of the University's strengths. The University is constrained in operating beyond Northampton, in this sense the Centre is likely to remain the only Innovation Centre operated by the University.

The Innovation Centre offers a limited range of business support when compared to other centres. Where it does focus its business support offer, it does deliver a strong programme of support, principally around Social Impact support.

The University has a chequered history of involvement with the VWCH project. It is not currently clear whether the University have an ambition to operate the Hub. While the University has expertise through the Innovation Centre, other specialists are better placed to help ensure the VWCH succeeds.

#### **vi) Oxford Innovation**

Oxford Innovation has been operating Innovation spaces for over 30 years. Their current portfolio consists of over 30 centres, these are based in both England and Northern Ireland.

The company's founding mission was to provide three areas of support for technology start-ups;

- flexible and affordable workspace – whether that's an office, workshop or laboratory
- Access to funding that fills the gap between what an entrepreneur can raise themselves through family and friends and what a Venture Capital firm might fund
- Support from highly qualified mentors, coaches and other entrepreneurs through part-funded business support programmes

Oxford Innovation state that they work with clients to understand their needs and create new approaches based on the idea that differentiation is the key to success. This approach gives clients the competitive edge when looking to develop an innovation centre that is both financially sustainable and future proof.

The operating model involves regular access to entrepreneurs, mentors, investors and subject experts, with Business Support designed to be integral to the core package centre customers receive.

Support is available via Innovation Directors who are resident in each centre. They bring specialist know-how and entrepreneurial experience. Each centre also runs customer focused programmes, providing specialist support and workspace to start-ups and growing businesses.

In many ways Oxford Innovation provide the benchmark for delivering high quality operation of Innovation Centres. Oxford Innovation have held previous discussions with the Borough Council. From our discussions, subject to the contents of the tender specification it is likely that the Borough Council could expect interest from Oxford Innovation.

### **vii) The Brew**

The Brew currently operate 4 Co-working centres, commencing operation in 2011. It was established as a challenger service to the more established incubators. The operating model is based on a co-working membership. The Brew view their offer as ‘– no gimmicks, no hidden price rises, just one low monthly membership price with everything you need included’.

The Brew is part of a global network with centres based in more than 50 locations, with a membership of over 25,000.

The Centres are currently all within Central London, and the offer is predominantly aimed at tech start-ups. They offer Hot Desks, Co-Working or Private Offices. The service offers both business support and well-being seminars.

The Brew provides opportunities for members to get together, get to know one another and potentially collaborate. The model seeks to offer a friendly and welcoming environment.

While the model is of interest, it is unlikely that the Brew would be interested in operating the VWCH, equally the model is designed to support businesses that require minimum support and intervention, therefore the model is not necessarily best suited to the types of business which are likely to locate to the VWCH.

### **viii) Wenta**

Wenta are a Hertfordshire based Enterprise Agency, it is a not for profit company. They operate their own premises (in Enfield and Watford) and manage for local authorities – including centres in Stevenage and Potters Bar.

As an Enterprise Agency they re-invest surpluses back into group development (services and premises). The offer includes added value business support and advisory services at all premises (not just managed workspace) including on-site advisers and an on-line service. They offer some subsidised rents and work with the University of Hertfordshire. Wenta also provide training courses and event and currently manage start up programmes on behalf of Herts LEP and SEMLEP.

From our conversations they would consider bidding to run the VWCH depending upon the deal offered (no specifics). Although Northampton is not considered a target market at present, Wenta consider Milton Keynes is close enough to be viable for them.

### **ix) We Work**

The 'We Work' concept was established in 2010 in the United States of America. The mission of the company was to build a 'community' rather than offer simply Serviced Office. The We Work website sets out that each centre should be a 'place where we're redefining success measured by personal fulfilment, not just the bottom line'. There are currently 668 We Work Centres based in 117 cities. There are only 3 centres in the UK, in London, Manchester and Edinburgh. We Work Centres offer business support, however their offer is limited in the UK which suggests that there is limited provision beyond the core offer from We Work.

Deyton Bell tried to speak with We Work and telephoned their advertised phone number listed on their website. The call reverted to answerphone. The voice message set out how we could become a member in New York, suggesting that despite the coverage in 117 cities, the core operation is still based in the original head office. In our view it is unlikely that We Work would engage with Northampton. Equally we believe a service that is effectively based in the United State of America is not going to offer the kind of support that Northampton Borough Council is seeking to delivery through the VWCH.



## 9. Evaluating the Operators

Having set out the offer from the identified operators, we have sought to evaluate the service each can offer as the potential operator of the VWCH. The operators have been measured against a range of parameters that Northampton Borough Council should expect the selected operator to possess. Scores have been used from 10 – 2 (with 10 being the highest score).

Operator	Experience	Number of centres in operation	Range of business support services	Scale of networks	Ability to integrate into Northampton	Links to quality Higher Education support	Capability to deliver the Cultural Hub	Total	Ranking
Allia	9	7	9	9	7	9	9	59	2
Basepoint	8	8	4	6	4	3	6	39	5
Luton Culture	4	4	7	8	6	7	8	47	3
Northampton Borough Council	2	2	2	2	10	2	2	22	9
University of Northampton	3	3	3	5	9	8	3	34	6
Oxford Innovation	10	10	10	10	8	10	10	68	1
The Brew	6	5	6	4	3	5	5	34	6
Wenta	7	6	8	7	5	6	7	46	4
We Work	5	9	5	3	2	4	4	32	8

Our analysis reveals that there are preferential operators that Northampton Borough Council may identify as optimal partners to deliver the VWCH. Operators such as Oxford Innovation, Allia, Wenta and Luton Culture possess the capability to deliver and an operating model that would ensure the VWCH is a high quality centre. The analysis also reveals how great a task it would be for Northampton Borough Council to deliver a high quality service in-house when compared to those experienced, professional Innovation Centre providers.

While our analysis reveals the type of operator that would best deliver the VWCH, there is no guarantee that those identified would submit a tender in response to a specification promoted by Northampton Borough Council. This points again to how important it will be for the Borough Council to develop an engaging and attractive specification. The Council should seek to establish, or in the case of Oxford Innovation and Luton Culture, re-establish dialogue prior to publishing the specification. This dialogue would assist in shaping a tender specification effectively, and in determining the key issues that would need resolving with the most suitable operators.

## 10. Conclusion

The development of the VWCH is an exciting opportunity for Northampton.

For the VWCH to succeed there is a need to secure a high quality operator to drive the delivery of the centre.

The analysis reveals that the Borough Council should play key role as the Client. This would assist in setting out clear expectations the Council has as owner of the VWCH, alongside developing a monitoring framework to ensure that the performance of the Hub is optimised.

The report highlights a number of front-running operators, all of whom have significant experience and track record in running high quality and respected incubators. A number of these operators have centres geographically close to Northampton, which makes operating the VWCH a more attractive proposition.

From our conversations, there are three clear operators who should be engaged in further dialogue ahead of the production of the Specification.

It will be important that the Specification sets out clear expectations and parameters that demonstrate the ambition of Northampton Borough Council. The operators are experienced at responding to tender opportunities. Therefore the Borough Council needs to differentiate the expectations it has for the VWCH so as to stand out from the other opportunities that the operators have seen in recent times, or have historically won through a tender process.