

# Cabinet

27 January 2021



<b>Title</b>	Managed Service for the Incubator
<b>Purpose of the report</b>	To make a decision
<b>Report Author</b>	Keith McGroary: Economic Development Manager
<b>Cabinet Member</b>	Cllr Tony Mitchell
<b>Confidential</b>	No
<b>Corporate Priority</b>	Economic Development
<b>Recommendations</b>	<p>Cabinet is asked to:</p> <p>Agree to enter into a contract to manage the Business Incubator with the tender specified in Appendix B to include the grant of a lease of the premises at the Summit Centre 33 Hanworth Road Sunbury on Thames for a term of 5 years at a nominal rent.</p>
<b>Reason for Recommendation</b>	<p>Under contract standing orders the appointment of a contractor for a contract of this value sits with Cabinet.</p> <p>The proposal for an incubator was first identified within Spelthorne's Economic Strategy 2017-22 Reference A4 which related to encouraging entrepreneurship in the Borough, and to support this aim to open a business incubator. The incubator would provide mentorship and professional guidance to nurture early start businesses so that they can thrive and grow, thereby creating more jobs, as well as encouraging and supporting the creation of new businesses within the Borough.</p> <p>The contract is for the day to day management of the premises, marketing, advertising and, ensuring the premises are fully utilised and self-sufficient, maximising the space available and providing training and access to mentorships. This is not within the capacity of the existing resources of the Economic Development Team.</p>

## 1. Key issues

- 1.1 In 2015 Staines-upon-Thames was identified as the number 1 location in the whole of the UK for new business start-ups (Hacker & Young), in 2016 Spelthorne was the 6<sup>th</sup> most active town for start-ups. The proposal for an incubator was first identified within Spelthorne's Economic Strategy 2017-22

Reference A4 which related to encouraging entrepreneurship in the Borough, and to support this aim to open a business incubator. The incubator would provide mentorship and professional guidance to nurture early start businesses so that they can thrive and grow, thereby creating more jobs, as well as encouraging and supporting the creation of new businesses within the Borough.

- 1.2 The creation of an incubator was approved by MAT in November 2017 when a room in the west wing of Knowle Green Offices was identified as a location and capable of providing up to 20 desks. Since then several alternative locations have been identified until finally a property the Council purchased a year ago, The Summit Centre 33, Hanworth Road, Sunbury-on-Thames was confirmed as the agreed location. This ground floor office space currently provides up to 92 desk spaces, so is significantly larger than the original location and as such, will generate more revenues when full. Indications from previous smaller locations for the incubator suggested that at best it would be cost neutral, whereas with this incubator the worst-case scenario would be cost neutral.
- 1.3 In more recent times, the whole country has been affected by Covid-19 which has led to a significant loss of jobs and the likelihood of more losses to come as we move into 2021. Spelthorne has had a significant reliance on the aviation sector linked with Heathrow and as such the Borough has suffered increases in unemployment, more so than in Surrey, the south east or indeed Great Britain.
- 1.4 In the absence of job opportunities, many people are now looking towards starting up their own business; but even with a good idea, without implementing it effectively, often leads to the business failing. This gives an added momentum to have the incubator up and running soon as possible as a beacon of light for many who are floundering in the dark looking to find gainful self-employment.
- 1.5 The Incubator requires an operator to manage the premises who can evidence demonstrable ability and experience, to carry out the requirements needed to run this enterprise efficiently and effectively. This will include the day to day management of the premises, marketing, advertising and, ensuring the premises are fully utilised and self-sufficient, maximising the space available after the initial outlay has been spent.
- 1.6 The tender provided for the operator to have a right to occupy the premises. In order to protect the council from any possible application of the security of tenure legislation a grant of a contracted out lease linked to the term of contract is recommended.
- 1.7 A variety of offers will be made available to budding entrepreneurs / businesses, from monthly contracts for desk space, office space and hot-desking, thereby maximising revenues and as such reduce / eliminate the reliance on the council to subsidise costs of running the business incubator.
- 1.8 In addition to the working space, there will be the opportunity to have low cost 'Meetups', hackathons, internship opportunities, Kiddy Commerce Days and more to involve the community. Royal Holloway University has already stated that they are keen to become involved and Set Squared (winner of the best Incubator in the World award) at Surrey University has also expressed strong interest.

- 1.9 A Request for Quote (RFQ) was published on 8<sup>th</sup> September 2020 on the e-tendering portal which is linked to Contracts Finder so available to all interested parties that uses this service.
- 1.10 There were 28 businesses that opened the RFQ but only one tender for the contract was made from a company who already successfully manage 2 other incubators / serviced offices of a similar size in Surrey. The lack of tenders is more than likely due to this being a niche market, and as a result not many businesses are equipped with the experience and skill set needed to bid.
- 1.11 When the tender was marked it achieved a very high score, so, although only one application was received, it was of a very high standard and strongly recommended for this contract. (Please see confidential Appendix B)
- 1.12 Discussions are continuing to finalise the contract which will include appropriate targets.

## **2. Options analysis and proposal**

- 2.1 Option 1 is to enter into a contract and lease with the tenderer (as set out in confidential Appendix B) and utilise this expertise to help fill the incubator with entrepreneurs and then manage the premises on a day to day basis including the delivery of events and training opportunities.
- 2.2 Option 2: Not to enter into the contract and instead recruit a manager for the premises as a paid employee of the Council to run the incubator on behalf of the Council.
- 2.3 Option 3: Not to enter into the contract and instead use existing staff in the Economic Development Team to run and manage the incubator.
- 2.4 Option 1 is the preferred option. This would give access to an experienced company who would have the incentive of attracting talent to the incubator as their share would be based upon 40% of the revenues the Incubator generates. As an experienced operator, it is also likely that they would be able to attract suitable entrepreneurs to the incubator quite quickly utilising their existing contacts and networks.
- 2.5 As the payment for services to run the incubator is based upon a share of the revenues generated, this is a motivating factor to ensure that the quality of the offer is maintained and it becomes the destination for entrepreneurs from Spelthorne and the surrounding areas to bring their business to be developed.
- 2.6 Utilising existing staff on the Economic Development Team would dilute their ability to give support for businesses, promote the Borough as an attractive location to invest and set up business, as well as helping to retain existing businesses. The team consists of 2 full time officers, 1 full-time officer on an 18-month contract and a Town Centre Manager on an 18-month contract.
- 2.7 Entering into a contract with the tenderer would also provide opportunity to cross-fertilise entrepreneurs from three separate incubators ran by the same operator. This would provide further prospects to network and develop new contacts and mentorship opportunities.
- 2.8 Option 2: There would also be a lack of resilience when the manager is absent to cover absences, access to expertise would be reduced as that would be limited to the skills and knowledge of one individual.

- 2.9 When operating at full capacity, the amount paid to the tenderer to manage the premises is likely to be less than employing a manager including on-costs.
- 2.10 Identification of a suitable person to carry out this function may be quite difficult as this is a niche function and would probably require somebody to adapt existing roles to fit requirements. The limited availability of suitable candidates is also likely to push up costs based upon supply and demand. Based upon salaries for management positions within the broader field of economic development, this would be between £50k - £60k without including on-costs.
- 2.11 Option 3: This would require the full-time commitment from an officer to ensure that the incubator is ran well, is a success, and credit to the Council, especially in the first year or two. The resilience needed to provide full-time cover would come from other members of the team, none of which have the experience of running an incubator. It would be on the job learning and applying existing experience and knowledge to develop the operation.
- 2.12 The knock-on effect would be to reduce the capacity of the economic development team and dilute the support available, as well as the delivery of some events that are managed by the team.
- 2.13 As the incubator would be open at the weekends, there would also be a requirement for somebody to be on call-out in the event of a problem / issue.

### **3. Financial implications**

- 3.1 The ability to maximise the revenues generated from the incubator will be hindered by the restrictions brought about by Covid-19 as the premises will need to operate at a covid-19 safe capacity. Any training may need to be on-line. The Incubator will be Covid-19 compliant with the restrictions in place when it goes live around March 2021.
- 3.2 From the proposal made by the tender (confidential appendix A) the projected annual revenue is likely to be operating at 100% capacity after 18 months. After a share of the income is deducted as part of the contract, this would leave the remaining amount to pay for the ongoing costs associated with running the incubator.
- 3.3 Further funding would also be available from Shepperton Studios as part of their S106 agreement to help with running costs and provide support for the residents of the incubator. This is likely to be available around April 2021 (if planning permission is granted for the reserved matters applications which are currently under consideration).
- 3.4 In addition to new start up entrepreneurs, the plan is to attract several established businesses to locate their company within the incubator. Experience at other incubators show that monthly rental payments by new start-ups can be erratic and not always paid on time; introducing some established businesses into the incubator gives more of a certainty around the collection of rents and also adds to the dynamics within the building as this mix tends to also provide an additional source of in-house support and guidance for inexperienced entrepreneurs.
- 3.5 Given the above, the incubator is not only likely to be self-sufficient, but could also potentially provide a small revenue stream which could further sustain additional economic support for businesses in the Borough.

**4. Other considerations**

4.1 Work is currently underway to create a disabled toilet on the premises to comply with DDA legislation.

**5. Sustainability/Climate Change Implications**

5.1 No implications.

**6. Timetable for implementation**

6.1 1GB broadband has already been installed at the premises, and painting and other preparations are due to be carried out in January 2021. Once the contract has been agreed, work can start immediately to open the incubator for business.

**Background papers:** There are none

**Confidential Appendices:**

**Appendix A - Response to Request for Quote (RFQ)**

**Appendix B - Procurement Tender Report**