



Interim Evaluation of the RED UEZ Programme

A Final Report by Hatch
December 2020

Research England

Interim Evaluation of the RED UEZ Programme

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1. Introduction

- 1.1 Hatch has been appointed by Research England to undertake an interim evaluation of the £20.9 million University Enterprise Zone (UEZ) Programme funded by the Department of Business, Energy and Industrial Strategy (BEIS, £5m) and through the Research England Development (RED) Fund (£15.9m).
- 1.2 The UEZ programme funded 20 incubator projects across England. The programme allows for both capital and revenue investment delivered over a period of up to two years from September 2019.
- 1.3 The core objective of the programme is to improve linkages between the academic specialisms of universities and local (mostly small and start-up) businesses and other partners.

Evaluation Objectives

- 1.4 The main themes explored in the report are:
 - Key enablers and other barriers that have impacted UEZ success
 - Best practice being developed/emerging in terms of incubator design and delivery
 - The added value likely to be generated by the programme, in terms of:
 - filling gaps in the landscape for incubator and wider enterprise support
 - innovative approaches, models & insights delivered for university incubation/acceleration policies and practices more generally
 - local partnerships and developments
 - addressing the levelling up agenda
 - addressing R&D roadmap priorities
 - Any emerging insights on the challenges presented by COVID-19 economic crisis and recovery, and the approaches being taken by projects to tackle this changed climate.
 - Progress toward and potential key outcomes and likelihood of achievement (including immediate impacts of COVID-19 i.e. lockdown).

Approach

- 1.5 We have undertaken structured interviews with all 20 UEZ project leads. This report provides a synthesis of the key messages emerging from these interviews. We explore:
 - whether, and how, the UEZs are addressing **market failures** and wider **socio-economic need** for incubator provision, a fundamental requirement for any public funding in delivering clear benefits over and above what is provided solely by the market
 - **emerging best practice** and **key enablers** for impact and success, in terms of the **design and approach** deployed. We explore the nature of facilities and wraparound support provided, partnership working, the wider landscape of business and R&D/innovation support, terms typically offered by the projects, market analysis undertaken, marketing plans and sector focus.

- emerging findings on the **additionality** of UEZ funding, i.e. whether funding stands to enable universities and business users to deliver development and growth that would not have come about otherwise (or to the same extent/in the same timescale)
- the **routes through which net additional economic growth** and wider benefits are likely to emerge
- the implications from the **COVID-19** pandemic in terms of project delivery and success, and reaction among project partners
- emerging areas of **future need** under any subsequent UEZ funding programme.

1.6 As alluded to above, this study takes place in the context of the COVID-19 pandemic. As a result:

- A significant proportion of projects (**8/20**) had not yet started delivering incubator services as a result of the RED/BEIS investment and are yet to register any business support outputs as of October 2020.
- Much of the impact resulting from the programme will not materialise for some time.

1.7 Some projects are expected to complete deliver from December 2020, with the majority completing in early 2021.

1.8 Therefore, we are not yet able to determine the likely scale of emerging impacts, or to provide quantitative evidence that certain approaches to delivery are likely to generate greater impacts.

2. Incubator Focus & Location

- 2.1 Table 2.1 provides a summary of the sector focus areas across each of the 20 UEZs. All but one of the projects is applying some degree of sector focus. This allows universities to focus support on the areas in which they have core academic expertise and specialisms. Nonetheless, many of the projects take a reasonably flexible approach to sector targeting, opening to wider innovation activity.
- 2.2 Our research suggests that:
- digital, life sciences and health have been the strongest areas of sector focus
 - **4/20** projects are student/graduate incubators focussed on business creation and entrepreneurship.
- 2.3 These focus areas do not appear to have changed greatly following the uncertainty surrounding COVID-19.

Table 2.1 Summary of UEZ Sector Focus

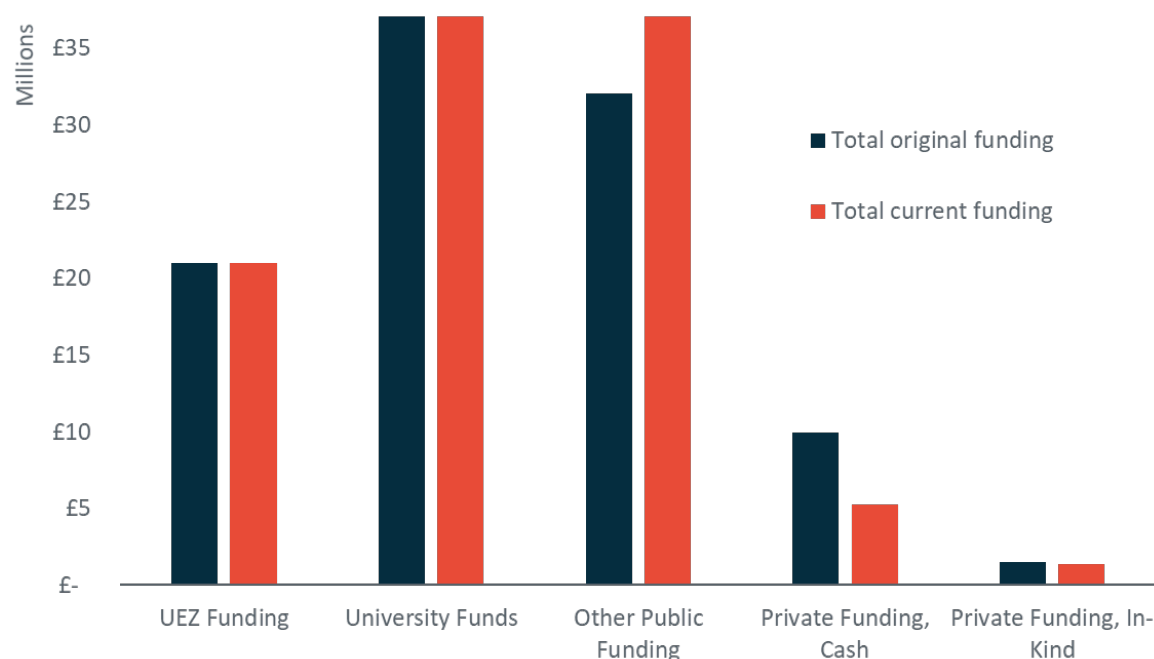
| UEZ University | Description of Sector Focus |
|---------------------------------|--|
| Birmingham City University | STEAM (science, technology, engineering, arts and maths) |
| University of Bristol | Life Sciences & broader science-based businesses |
| University of Cambridge | Digital Health & MedTech |
| Cranfield University | Aerospace |
| Durham University | Photonics, surface science, energy, biosciences, satellite applications & data intensive research* |
| University of Essex | Digital & Creative* |
| University of Exeter | Environmental, digital and data science |
| University of Falmouth | Digital/Games |
| University of Hertfordshire | Broad sector focus |
| Keele University | Data Analytics |
| Lancaster University | Advanced manufacturing and digital health |
| University of Lincoln | Food |
| Oxford Brookes University | Artificial Intelligence & Data Analysis (for the service sector, esp. creative industries, social scientists & law, but also applicable for e.g. HR & life sciences) |
| Queen Mary University of London | Life Sciences |
| Sheffield Hallam University | Health & Wellbeing |
| University of Southampton | Future Towns Innovation |
| Staffordshire University | Advanced materials & manufacturing |
| University of Sunderland | Digital/Media |
| Teesside University | Digital |
| University College London | Third Sector |

Source: Hatch; UEZ project Interviews; UEZ Applications

3. Programme Funding

- 3.1 We have drawn on funding data from the original UEZ applications and asked project leads to provide an update on their current position.
- 3.2 In total **£77.3 million** of additional public and private funding has been levered by RED funds (exc. In-kind contributions). This represents **£4.50** for every £1 of RED UEZ funding.
- 3.3 Total project funds can be broken down into:
- **£20.97 million of** RED UEZ funding
 - **£49.0 million** in university match funding, £2.26 for every £1 of RED funding
 - **£39.7 million** of other public funding, an additional £2.32 for every £1 of RED funding.
 - **£5.25 million in** private sector match funding (cash), £0.33 for every £1 of RED funding.
- 3.4 In-kind contributions from industry partners in the form of staff time and equipment totals **£1.35 million** according to returns from project leads.
- 3.5 Other public funding has risen by **£7.7 million** since the original applications were submitted. Private (cash) funding has fallen by **£4.66 million**. RED Funding has remained unchanged.

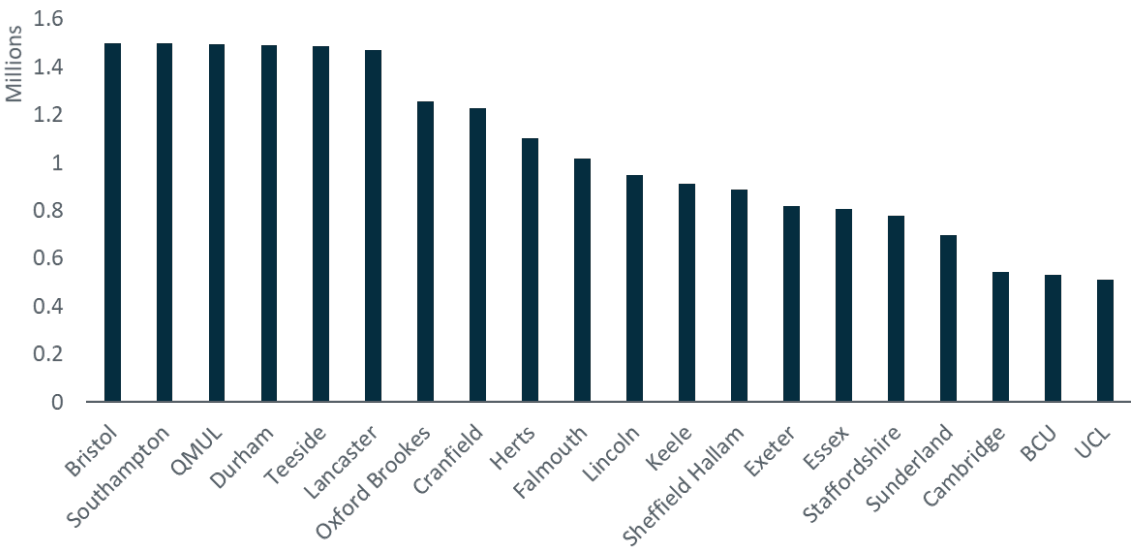
Figure 3.1 UEZ Project Funding By Type: Original and Current Position



Source: Hatch; UEZ project Interviews; UEZ Applications

- 3.6 RED funding has spanned the full range of what was available per project, from:
- £0.5 million: University College London, Birmingham City and the University of Cambridge were around this mark
 - to £1.5 million (or just under that value): Bristol, Southampton, Queen Mary University London, Durham, Teesside and Lancaster.

Figure 3.2 RED UEZ Funding By University



Source: Hatch; UEZ project Interviews; UEZ Applications

4. Programme Outputs & Outcomes

- 4.1 We have asked project leads to provide their position on target outputs and outcomes/impact and on what has been achieved to date.
- 4.2 Many of the projects are yet to complete or open their doors to businesses, with the timeframes for opening being delayed due to COVID-19 regulations. We explore the effects of COVID-19 on the programme in more detail later in the report.
- 4.3 We have been able to access a sample of the outputs and outcomes that projects are targeting, and which have been delivered to date. The key findings from our review of outputs and outcomes are that:
- Across 17 projects **857 business assists** have been targeted, an average of 50 per university. Over a third (**38%**) of this target has been reported as achieved by these universities.
 - Across 10 projects **12,500m²** of incubator/accelerator/workspace is expected to be developed, an average of 1,250m² for each of the universities providing a target. **44%** of this floor space had been delivered at the time of writing.
 - Across 12 universities it is expected that almost **800 gross jobs** will be created, an average of just under 66 per project. Just under a third of this target (**31%**) appears to have been achieved to date. The target figure is skewed by the University of Bristol, which is looking to deliver 250 FTE jobs, none of which have yet been delivered.
 - 9 projects have provided research and innovation targets relating to collaborative R&D and new product development. It is anticipated that just over **90 new products, collaborative R&D projects and businesses accessing new markets** will be registered. This target appears to have been exceeded already. This figure is skewed by the University of Lincoln Business Incubator for which 10 new products were targeted. The university has reported 40 created to date. Similarly, the University of Essex have reported to have delivered 19 new products despite not registering any target (targets listed in the table below assume the university would have targeted at least 19).
- 4.4 This can be seen as strong progress given the circumstances around COVID-19.

Table 4.1 Core Outputs and Outcomes Achieved to Date

| | Target | Achieved | % of target achieved | Based on X/20 projects |
|---|--------|----------|----------------------|------------------------|
| Business Assists | 860 | 330 | 38% | 17 |
| Workspace delivered (m2) | 12,500 | 5,500 | 44% | 10 |
| Jobs created | 790 | 250 | 31% | 12 |
| Collaborative R&D / Products developed / Markets accessed | 90 | 100 | 103% | 9 |

Source: Hatch; UEZ project Interviews; UEZ Applications. Workspace targets and achieved to date round to the nearest 100m². Other targets and achieved to date rounded to the nearest 10.

5. Market Failure and The Rationale for Public Funding

5.1 We asked project leads about underlying market failures and the wider need for investment. Project leads pointed most often to **three** specific factors that underpin the need for public investment:

- **Commercial viability gaps & undersupply of incubator space:** more than half of all project leads (12/20) pointed to a fundamental commercial viability issue. Private operators are often not able to access market rental values from earlier stage businesses, many of which are yet to generate significant revenue. Public funding is required to provide the space and facilities for these businesses to develop their ideas and grow. More generally, project leads highlighted:
 - an under-provision of incubator space locally
 - that a key barrier for many start-ups with high growth potential is access to necessary facilities and lab space.
- **Co-ordination failure:** when asked about the need for public funds 8/20 project leads have pointed to the need for a co-ordinated response among local partners. All project leads have referred in one way or another to the benefits generated in terms of collaboration that UEZ funding is facilitating between partners and access to knowledge exchange and collaborative R&D. Often no single organisation has the incentive to invest in facilities that stand to benefit an array of partners (universities, industry partners, users). Public funding is therefore required for the upfront costs to establish an incubator.
- **Broader socio-economic and market need:** 8/20 projects referred to the wider need to boost employment, productivity and business creation and survival rates to address socio-economic performance in areas lagging the national average on these key indicators. Although perhaps not explicitly stated, all projects stand to generate socio-economic benefits for the local economies, in terms of employment, skill, productivity and GVA growth.

“Cambridge is the largest tech cluster outside the US, fueled by excellent research across all disciplines. But there are gaps that need to be addressed to develop a fully-connected R&D environment – to coordinate interdisciplinary activity & unlock untapped opportunities where Cambridge has global advantage.” **University of Cambridge**

“Small companies don’t have money to invest in equipment that is being provided. Advancements and innovations in materials and manufacturing are driven by some leading-edge technologies & equipment to which small companies don’t necessarily have access to in a single facility or they lack resources to invest in these”. **Staffordshire University**

5.2 Although not often highlighted explicitly by project leads, based on the nature of the projects, and from our experience in developing and analysing similar projects, we know that the following also affects private investment into incubators:

- **Underinvestment in mid-stage R&D/technology:** known as the valley of death, R&D at TRL levels 3 to 6* are often unable to access early-stage research grants but are not close enough to market for investors to provide finance. Incubators serve to fill this finance gap and help to de-risk businesses from an investor perspective, and boost the local investor market/environment.
- **Information failure:** business often do not fully understand the benefits to be generated through sector/technology-focussed academic expertise/facilities. Incubators provided a route for universities to demonstrate this potential and address this information failure.
- **Path-dependency:** some locations may have struggled to develop clusters of sector activity and draw inward investment because they are not recognised in these areas and/or do not have a critical mass of assets/activity in these areas. Incubators enable universities to develop key specialisms into commercial and business growth that stands to develop burgeoning clusters.
- **Positive externalities:** each of the UEZ's will deliver economic benefits for the local economy and wider society (in terms of e.g. job creation and innovation) that hold value beyond their market price. If left to the market, private operators will underinvest in such facilities, and so public funding is required.

The UK R&D Roadmap

5.3 The R&D Roadmap was published in July 2020. As such, it was not factored into applications for RED UEZ funding. Nonetheless, UEZ leads have variously highlighted the progress that stands be generated against the roadmap, in terms of e.g. promoting socio-economic outcomes, greater engagement and collaboration between academia and business and boosting R&D investment at a regional and sub-regional level in line with the levelling up agenda.

"Without investment ideas cannot be proven so never get to market. Our project kick starts ideas with advice and provides the ability to prove concept of the idea." **Sheffield Hallam University**

"We are filling key gaps in the sub-region in start-up and investment support provision and access to finance and support." **University of Bristol**

"The area is home to lots of very strong computing developers but they don't come together to collaborate and share." **Oxford Brookes University**

"Start-up businesses & entrepreneurs often don't have the funds to access experts or equipment/facilities to achieve their business ambitions." **University of Hertfordshire**

"There is a regional economic development justification: Supporting start-ups (Levels in North East are half national level), increasing knowledge exchange and productivity, forging higher GVA." **University of Sunderland**

"Cornwall's economic performance is lower than the EU average for a developed region and so it is important to set up an entrepreneurship and innovation ecosystem to help boost productivity in the region." **University of Falmouth**

"The region is poorly served by business accelerators. We have a hub of digital and creative enterprise but limited space and facilities for growth and connection with university knowledge" **University of Exeter**

6. Key Enablers: Incubator Design & Approach

- 6.1 We have drawn a range of best practice points from discussions with project leads, in terms of the design, approach and structure of incubators, which are key to delivering effective services and that act as enablers for success.

Best Practice in Incubator Design and Structure

- 6.2 UEZ project leads have pointed to a number of broad points in terms of the most effective design and structure of incubator facilities and support. We summarise the key findings below:

- Draw on the **lessons learned** from previous investment in enterprise innovation support, incubation and collaboration and **maximise what works well already**.
- Ensure **flexibility** is built into the model will allow incubators to adapt to business need, opportunity and changing circumstances. This is especially crucial in times of such uncertainty.
- Align to areas of technology development in which the university has a **deep understanding**.
- Ensure a robust and **sustainable financial model**.
- Ensure key business support, academic and industry partners have **clear buy-in** and a role in the development process. Make sure all are a core part of the service offer.
- Maximise engagement, buy-in and collaboration with **local partners** (we explore the projects interactions with local partners later in the report).
- Target sectors where there is already a **burgeoning local cluster**.
- Put in place a clear set of **Key Performance Indicators** to monitor performance (e.g. TRL progress, products tested/commercialised).

We have built the UEZ around the very successful Bio-incubator at QMUL. We are not re-inventing the wheel, but expanding our provision to incorporate digital health alongside existing pharma start-ups." **Queen Mary University London**

We learned from the other angel finance models. We used the DELIO platform as it is proven, successful and we could get up to speed quickly." **University of Essex**

"We have extensive experience at the University. We have learned from previous support projects and understand the barriers to survival and growth for SMEs and start-ups in the region." **University of Hertfordshire**

"We were inspired by the Alacrity Foundation model. Over time we have enhanced this and made it our own award-winning variation. Academic links in our programme are important so we underpinned the programme with a fast-paced MSc." **University of Falmouth**

"It is good to draw on the expertise of successful sites. Our visit to Sensor City was hugely beneficial. We also reached out to other local projects and businesses. This inspired us to do things we hadn't thought of." **University of Durham**

Wraparound Support and Accelerator Models

- 6.3 **12/20** projects are deploying accelerator-type support models. This sees universities use UEZ funding to deliver **intensive support** to cohorts of like-minded businesses from similar sectors in order to navigate a path to high growth. Project leads suggest that this ensures a close focus among businesses and delivers **peer-to-peer learning and collaboration**.
- 6.4 Several projects are delivering through a **recognised commercial provider of incubator/accelerator support**. These projects point to the commercial/investment focus brought by such partners, the ability to draw on best practice developed elsewhere and links to good quality mentors/advisors and investors. e.g. the UKSPA*, Three universities have said that they are working with or have drawn on the approaches to accelerator support deployed by SETsquared**. Other projects are working in partnership with accelerators, for example, Oxford Brookes is working with Oxford Innovation which delivers 11 accelerators across the UK.
- 6.5 Based on knowledge from Hatch's evaluation and appraisal of a wide range of business support, the accelerator model has shown to be highly effective in delivering **sustainable high growth businesses**. There are a range of successful accelerator models being deployed across the UK and globally. These models should be drawn upon in designing and delivering any accelerator programmes.
- 6.6 **8/20** projects are providing access to laboratory space; including 'wet labs' for businesses in sectors such as the life sciences and 'dry labs' for businesses working in digital health and data science.

"We run a range of related initiatives, including our Launchpad FUEL programme and Digital City Accelerator, to support start-ups with a good technology offering. This approach, which includes working with a large network of partners, is central to driving growth in promising companies." **Teesside University**

"We did a lot of thinking in designing the collaboration zone. We looked at how a lot of similar spaces work - including the Tram Shed in Bristol and the Barclays Eagle Lab. We spoke to people about what worked and what didn't and how to promote collaboration." **University of Southampton**

"The university, industry partners, Tower Hamlets Council, Bartholomew NHS Trust and Royal Hospital London are working together to curate a data reading library, where businesses access unique health data at a physical space in East London." **Queen Mary University London**

"A deep understanding of aerospace technology is needed to support these businesses." **Cranfield University**

"We work very closely with a national body that supports incubators: UKSPA. They have developed best practice and we have tried to align with this." **Birmingham City University**

- 6.7 Based on points raised by project leads, and our experience in developing and evaluating incubator and accelerator programmes, we can point to several areas of best practice in the design and delivery of incubator wrap around support:
- put in place a strong application process to identify the best high growth candidates and tailored support (where focusing on high growth, specialist areas, accelerator/cohort models)
 - make sure businesses are committed to the incubator model and any wrap around support, and aware of the commitments to any accelerator programme.
 - mentor & coaching support can provide vital tailored 1-2-1 advice and continuity for businesses.

- Provide a deep technical knowledge offer
- Draw on professional networks and wider ecosystems to develop demand, draw on expertise and deliver collaborative and peer-to-peer activity
- review the supply of local support and facilities regularly and adapt in response to business/industry need and feedback.

"We connected with Essex providers to plug gaps in their offers and ensure seamless referrals. We have taken a hop-on-hop-off approach, so support is available according to need." **University of Essex**

"It must be customer focused and must not be process driven. Let the businesses lead and determine their priorities, guiding their decisions so that they own them." **University of Lincoln**

Partnership Working

- 6.8 Projects are working with an extensive range of local partners to support delivery/governance and enhance complementarity with the wider support landscape. This mostly covers **1)** publicly funded business support (mostly local council/LEP delivered), **2)** incubator/accelerator delivery partners and investment funds, **3)** occasionally other HEIs. Health and life sciences focused incubators are also working with medical partners including hospitals and NHS Trusts.
- 6.9 This facilitates a broad and flexible offer to businesses and helps to market the wider university offer locally.
- 6.10 The clear majority of projects are also working with private and industry partners. Ensuring clear and strong partnerships with industry and tapping into networks can develop a strong pipeline of users, industry-relevant product challenges, extend access to facilities, create opportunities for start-ups and cluster benefits and link projects with business advisers & mentors.

"At the centre of the partnership, the GDI Hub provides exceptional disability-focused teaching, research and innovation leadership. Plexal and UCL at Here East will provide spaces for ELIEZ members in their innovation campus, (at the heart of the Queen Elizabeth Olympic Park) so that our facilities sit within an environment that fosters networking, funding and business growth support. The partnership will ensure high quality delivery of the comprehensive set of expertise and services the community needs to develop an inclusive innovation community." **University College London**

"We are working with the UK Government Centre for Data Ethics and World Economic Forum. The CDE are supportive and interested in what we are doing [with AI/data tools] and want to draw on our work as best practice." **Oxford Brookes University**

"We had the perfect partnership in place. The UnitDX incubator is led by a former graduate and spin-out that has built incubator space and has set up to seed fund IP-rich tech ventures. The university is a shareholder. There is a strong existing relationship. The beauty is that the region gets huge benefit from this public-private partnership" **University of Bristol**

"It is important to have a strong advisory group and to maximise every strategic partner. Bringing partners together enables us to trial new models of incubation, quickly implement strategies that work across sites and run joint events, comms, training and acceleration activities." **University of Cambridge**

Considering the Wider Landscape

- 6.11 Each of the projects appears to firmly recognise that incubator facilities are just **one part of a wider landscape of support** that business may need. Some are working with local and national level investment funds, R&D/POC grant funds and wider high growth start-up support to ensure a pipeline of tenants. They are typically linking into complementary and follow-on support to provide more tailored support and expertise to business. For example, many potential R&D-rich start-ups require support with investor readiness, IP/legal issues and market exploration/engagement.

Terms of the Incubator Offer

- 6.12 The terms of the support offer vary by project. **8/20** projects are using **flexible terms** (e.g. no fixed term rental contract). This is typical for incubators and is often needed for micro and pre-start businesses that need to avoid longer-term contracts at an early stage of their development. Flexibility also facilitates incubator take-up and opens space for new tenants so that projects can continue to support the development of a rolling pipeline of business prospects.
- 6.13 **10/20** projects have some form of move on strategy. **6/20** offer support to locate move-on space, including with workspace providers that are linked to the university. We know from previous incubator work that it is important to **ensure clear links to move/grow-on space** wherever possible. Several interviewees have highlighted the lack of suitable move-on space as a key constraint on the medium and longer-term growth of incubator tenants, and on the ability to free up space for new tenants.
- 6.14 Incubator space is typically offered between **1 to 3 years** before businesses are asked/encouraged to go into move/grow-on space. A minority offer longer-term provision.
- 6.15 One project lead highlighted that a **paid for service** is important to delivering sustainable outcomes. This can engender a commitment to financial sustainability. Another has set its aims of ensuring a financially self-sustaining incubator over the longer term.
- 6.16 Oxford Brookes offers a sliding payment scale depending on business size, recognising the need among smaller early-stage businesses for financial support to establish and grow.

"It is important to have a paid service. There are a number of free spaces in Birmingham. It creates a community that jumps from free space to free space with no commercial principles. It doesn't lead to an understanding of need for revenue to support business." **Birmingham City University**

Open and fixed office space is there as a base for 12-24 months (first year open office), tenants can establish themselves as a business, get support plus physical infrastructure then can move onto other grow-on spaces available in Hertfordshire." **University of Hertfordshire**

"Move on options depend on the business, we are happy for them to come and go. We want to be a point of contact to keep businesses local." **University of Essex**

Market Assessment

- 6.17 **8/20** projects undertook formal **detailed market assessments**. The others based their assessment of the market on more informal consultation and background research into business need. As an example, Staffordshire University undertook informal consultation and drew on feedback from other business support programmes at the university, background research from the LEP and sector research. Queen Mary University London already had a strong pipeline of businesses that it was engaging with. As such, a comprehensive market assessment was not required.
- 6.18 Based on our discussions, the depth of market assessment needed will depend on the focus and specialist nature of the proposed incubator. Some projects had a clear idea of the nature and scale of demand from the existing interactions with businesses/students.
- 6.19 Where this is not the case, a detailed market assessment should be undertaken to ensure demand is present and that the incubator offer is based on a detailed understanding of **market need** and **business requirements**.

"We undertook a lot of surveying with legal and professional firms to understand the need for support on AI and advanced business data analysis. There are also clear opportunities in the life sciences" **Oxford Brookes University**

"We learned from previous Innovation Centre projects. It is important to have independent design and review, an independent business plan and market demand assessment." **Keele University**

"We were aware that there were many opportunities that could be increased through interdisciplinary interactions, and that the university could be more closely aligned across disciplines to work with businesses to innovate in their priority sectors. There was a clearly identified need." **University of Cambridge**

"London is very tight on incubator space. There is plenty of it, but it is full. RED funding has enabled us to expand the supply." **Queen Mary University London**

Marketing Plans

- 6.20 **3/11** incubators have said that they have **delayed marketing plans** due to COVID-19.
- 6.21 **Marketing varies according to incubator type**. There is a varied approach, covering e.g. social media, existing business partners and networks, publications and reports, via university marketing teams and wider grassroots marketing efforts. Some can rely on internal marketing and marketing amongst partners and industry networks.
- 6.22 Some project leads (e.g. Sheffield Hallam University) have stressed that **case studies** are an effective means for communicating the benefits to businesses and tackling information failure.

"We recruited an MBA student alongside a new business development manager to do business mapping, look at innovation activity and undertake surveys and interviews to understand gaps in provision." **University of Exeter**

"There are 40 world leading tech organisations operating in the area. The ecosystem is ripe for growth, but businesses need support to take advantage." **Oxford Brookes University**

7. Delivering Additionality

- 7.1 **60%** of projects suggest that the project would **not have gone ahead** without RED UEZ funding. The remaining 40% suggest that any activity would have come forward **later and typically at a significantly smaller scale**. This suggests a high degree of additionality.
- 7.2 UEZ incubators are providing **space and facilities** for collaboration and innovation with young businesses, which would not exist otherwise.
- 7.3 Project leads have often cited occasions where RED UEZ funding has enabled them to **complement existing investments in facilities**.
- 7.4 The programme has acted to fill key gaps for universities and for start-up businesses:

1) For Universities

- 7.5 For many participating universities public funding has not been available for incubator activity. Project leads have variously suggested that RED UEZ funds have enabled them to:
 - focus academic/R&D specialisms towards **market need** and **commercialisation**, positioning them to generate greater benefit for the local economy
 - address an important **gap in the market for incubator facilities**, which is not meeting demand in many areas
 - **complement and maximise benefits** associated with other investments facilities and learning space
 - **bolster engagement** with smaller and start-up businesses
 - enable a **pathway to entrepreneurship** for students on top of traditional routes into careers in academia and industry
 - better **test, demonstrate and showcase** new ideas and technologies
 - create **spin-off companies** and (sometimes) **capture IP**
 - **Fill key gaps** in enterprise innovation and R&D support

2) For Start-Ups

- 7.6 Many potential start-ups **lack access** to appropriate facilities/lab space, support and the right technical and academic expertise (or the finance to access these). RED UEZ funding is enabling universities to provide those facilities and create a pathway to commercialisation and growth.
- 7.7 Incubators are one of the best ways for small and young businesses to **access university knowledge, state of the art facilities** and the **expertise** to use those facilities to maximum benefit.

Delivering Additionality

Key Quotes

"RED funding helps to leverage existing services and facilities, boost academic engagement with SMEs and start ups." **University of Hertfordshire**

"The project is majority capital. But RED revenue funding has enabled us to expand out wrap-around services to deliver entrepreneurially-focussed support" **Queen Mary University London**

"Currently research is too far from real life market need. Research strengths in different disciplines are often disconnected: UEZ funding has provided the opportunity to boost connections to meet research and innovation needs." **University of Cambridge**

"We wanted to make it efficient and easy for start ups to access a wealth of university knowledge, the knowledge of mentors and state of the art equipment. UEZ funding provides this. It would be impossible to access in any other way." **Sheffield Hallam University**

"The UEZ is one part of a much larger programme to create a major life science cluster in Whitehall over ten years. RED funding has allowed us to take the first step to realising this vision. It will work to encourage and facilitate the next steps. RED funding has also given us the confidence to move into a new areas of incubator provision – digital health and med-tech." **Queen Mary University London**

"We wouldn't have undertaken this project without external funding. The building is currently underutilized and is rented from the County Council. It has required a significant investment to make the space work as an enterprise zone. It wouldn't have been commercially viable otherwise." **Durham University**

"The funding has allowed us to get a really strong infrastructure of support and good relationships with partners and intermediaries. The project would not have occurred as swiftly or to same quality. We would have ended up doing quite an ad hoc piece of work in this area." **Birmingham City University**

"RED funding has acted like seed finance, to validate and confirm the UEZ offer. We reviewed the project from an operational side and refined the offer. Without the fund we would have taken forward a smaller scaler project untested." **Oxford Brookes University**

"We wouldn't have been able to do anything like this. The funding allowed us to catalyse a consortium at scale reasonably quickly, and build out tailor-made infrastructure like application systems, podcasts, event design and delivery . Otherwise, we would have been able to do something, but it would have been on a much smaller scale." **University College London**

8. Routes to Economic Impact

8.1 Projects leads have pointed to a wide range of likely channels through which impacts will be generated. Core amongst these are:

- **Collaboration and knowledge exchange:** the ability to access UEZ partnership, network and university opportunities, knowledge and facilities and collaborative R&D is the starting point for much of the impact that will be created. This could include knowledge exchange generated through interaction between academia and industry alongside apprenticeships (to be delivered under at least **2/20 projects**) and graduate placements. This collaboration will enable all partners/stakeholders to maximise the benefit they generate for the local economy.
- **Business starts, survival and growth:** start-ups are the core aim for many early-stage incubators. The UEZ projects are delivering new workspace (often where it is in low supply) and focused wrap around support for start-ups. In this way incubators can deliver core business creation and more sustainable business growth for local economies.
- **Innovation and opening new markets:** the UEZ incubators are commercially focused and aim to deliver business growth and new to market products. Such innovation will generate opportunities to access new markets and deliver local GVA growth. Part of this is about enabling early-stage businesses to understand and engage with their potential markets.
- **Higher value employment and increased productivity:** the UEZ incubators are typically focused on R&D, technology and sectors that generate higher value employment and increase productivity. By supporting additional activity in these areas, the UEZs can deliver uplifts in economic value in local economies.
- **Skills:** several UEZ incubators are delivering apprenticeships and knowledge transfer opportunities that will see students gain invaluable skills and qualifications. Business can benefit from skills development in e.g. management and leadership.
- Each of these areas of impact should be monitored at project level and assessed for the final evaluation wherever possible.

A note on the timing of benefits: The projects are working with pre-start and early-stage businesses and in areas of R&D and technology that will often take some time to mature and reach commercialisation. As a result, it is likely that a significant proportion of the economic impact that is generated as a result of the programme will come in the medium rather than short term.

9. Wider Benefits

9.1 Projects leads have pointed to a range of wider benefits that stand to be created as a result of the UEZ programme:

- **Business retention:** local businesses are more likely to stay in the local area, due to the support on offer and opportunities presented through cluster development.
- **Graduate, employment and retention:** incubators enable universities to better tap into the economic potential of top graduates, enhance employability, attract more top-level graduates and increase graduate retention, benefitting the labour market and enhancing investment growth.
- **Cluster development and inward investment:** incubators can provide a key part of the puzzle in developing clusters. As an area becomes better known for sector strengths and specialisms and as a key business location, inward investment can follow. Some projects are also looking to stimulate growth in the market for private equity finance, using incubators to demonstrate to the venture capital market that there are investible ventures emerging in their sub-region.
- **Health and social and wellbeing outcomes:** 5/20 projects are delivering R&D and innovation in the field of healthcare and life sciences. The outcomes from the research can deliver improved health outcomes. Other projects will deliver enhanced employment opportunities and the chance to establish business. These aspects of the activity being delivered through the UEZ programme will deliver wider benefits to people that should be assessed in greater detail within the final evaluation.

As examples, the Oxford Brookes Artificial Intelligence & Data Analysis Incubator (AIDA) is working to ensure that AI systems do not discriminate against vulnerable and minority groups. The Queen Mary University of London digital health incubator will work alongside the Royal London Hospital and Bartholomew's NHS Trust and digital businesses across East London (Shoreditch in particular) to deliver data access and analysis drawing on East London's population of 3 million people, which is uniquely diverse within the UK.

- **Reputational benefits:** Several project leads have highlighted the reputation benefits that come with the ability to deliver a Research England funded incubator. RED funding is enabling universities to invest in new R&D infrastructure, to build a greater presence in terms of their engagement with industry and an opportunity to market themselves, attract new investment and funding and attract new talent.

9.2 As for core impacts, each of these areas of impact should be tracked and assessed for the final evaluation wherever possible.

Wider Benefits & Attribution to RED Funding

Key Quotes

“The project has been essential, not only in significantly improving our infrastructure for tech-based start-ups and growing companies, but in creating a physical focus for digital innovation in businesses across sectors. It will help to grow our business reach in this arena, and UEZ designation will support wider inward investment in marketing talent and innovation expertise. It has real importance for the place agenda, in supporting economic opportunities and growth and increasing attractiveness for residents and investor.” **Teesside University**

“It will help to maintain Cambridge as world-leading cluster. It supports our construction of multi-sector incubation hubs and interdisciplinary bridges, which in the longer term could be rolled out to other institutions and additional research areas.” **University of Cambridge**

“I hope a more joined up business support environment will lead to more inward investment. Ultimately, we want to grow regional economic activity by supporting the success of high growth ventures. This requires joined up regional focus.” **University of Exeter**

The UEZ enables businesses and individuals to come into an R&D lab and able to use niche equipment, have confidence in these things and present as an innovative company leading R&D in a specific area, to evaluate ideas systematically, put processes in place and develop as entrepreneurs and leaders. **University of Staffordshire**

“The project has enabled us to build a team of experts and develop the skills of our existing team. Our team members are working on projects that they never would have had the opportunity to support and everyone’s horizons have been broadened as a result. Our technical team includes apprentices and young people who have developed amazing levels of new skills and knowledge which has resulted in the strengthening of our research infrastructure alongside the growth of the businesses we have supported.” **University of Lincoln**

“Investment in facilities and funding is invaluable. Having a Research England recognised UEZ will add credibility to our partnerships and help to leverage wider investment and other projects. In terms of student skills development, it will help with employability, graduate retention, creating higher skilled jobs and the institutions ability to attract talent and engage with industry.” **Lancaster University**

Without funding we wouldn’t have secured £13.4m in public funding for a second phase investment in capital or a further £0.7m for associated support programmes, or the digital economic institute.” **Keele University**

“The UEZ, alongside the Life Science Opportunity Zone (LSOZ), are working to draw businesses in and create an ecosystem of support. This can focus the world’s eyes on this area. We are seeing a lot of interest and the UEZ has added to this.” **University of Hertfordshire**

10. Implications of COVID-19

- 10.1 When asked about the key challenges to date, all projects have highlighted COVID-19 first and foremost. The pandemic and its effects on the ability to complete any capital build or refurbishment and to accommodate new businesses/entrepreneurs in UEZ incubator space is highlighted by the projects as the major challenge they have faced to date.

COVID-19: Effects on Incubator Delivery and Take-Up

- 10.2 COVID has delayed the capital build/refurbishment and opening of many of the UEZ facilities.
- 10.3 Some projects **(4/20)** said that take-up will be reduced due to the need for social distancing and due to wider economic uncertainty caused by the pandemic. Online support delivery is mitigating this effect. As many incubators are yet to open, the effects of COVID-19 on take-up of support remain unclear.
- 10.4 Most projects expect take-up to be in line with target **(10/20)** or exceed target **(5/20)**. **5/20** projects have said there is some uncertainty on the degree of take-up, due to delayed opening.
-

"We originally had a target of 20+ entrepreneurs by August 2020. Due to COVID-19 delays we have recruited around 12 by October. Thanks to an extended project timeline, we aim to near our original target by March 2021 and, remarkably, expect to reach at least another 100 people through online activities." **University College London**

"Prior to COVID-19 we would have been confident in reaching occupancy targets. Now we are not so certain. We will get to full occupancy but it will be delayed." **Queen Mary University London**

"It has been exceptionally challenging trying to deliver a new project during lockdown. Practical things, normally requiring face-to-face interactions, are difficult. COVID-19 has hindered some early impacts. Some will inevitably happen next year or the year after." **University of Hertfordshire**

"The businesses we support are using the office less but still need access to lab space. We are able to provide that continuity." **University of Bristol**

"Business development activity has really been impacted by COVID." **University of Exeter**

"The university will be closed till early-2021 at the earliest. But the incubator will be open to businesses. Businesses will need increased access to investment as a result of the pandemic. Businesses are thinking about process change as a way to mitigate the effects of the crisis. There is an opportunity to support them with this." **Oxford Brookes University**

"We are expecting lower take up of support because businesses are likely to focus on core functions not R&D. We might have to further consider building utilisation to account for social distancing." **Keele University**

"COVID may affect interest in office space. We are mitigating against this by offering more lab space, a collaboration zone, specialist equipment and access to research expertise, by making the offer really flexible - offering access to facilities, equipment and workspace on a short-term and part-time basis..." **University of Southampton**

COVID-19: Effects on Outcomes and Impacts

- 10.5 Some projects have pointed to the increased pressure COVID-19 has placed on commercial viability and financial sustainability.
- 10.6 Some projects have referred to a tougher investment market, as investors turn to larger/safer deals.
- 10.7 A mixed picture and uncertainty on impacts: some projects expect that final impacts could be in line with expectations. Others have said that COVID-19 will inevitably restrict the ability of some businesses to develop and grow in the same timescale. Some may not be able to grow at all and some of the earliest stage businesses may cease to start-up / trade.
- 10.8 Others have pointed to some of the opportunities that might emerge. Queen Mary University London for example is opening an incubator for digital health and med-tech start-ups. The project lead believes that “the notion of digital health has moved front and centre” in the context of the pandemic. The ability to deliver healthcare solutions at home and remotely could be a vital part of the solution to tackling the virus over the longer term.

The Response to COVID-19

- 10.9 At the time of writing, rates of COVID-19 infection are still high across the UK. The effects of the pandemic are still playing out for businesses and the UK faces significant uncertainty in 2021. Some businesses have been returning to incubators for additional support in the face of COVID-19. It is positive that this support is available but also a sign that some are struggling in the current environment. What we do know is that projects have shown **flexibility and innovation** in adapting to develop online incubator support.

“We have been shut down for 5 months. It has delayed the influx of student businesses missed one whole cohort. But recruited clients is in excess of target and individuals engaging in workshops has been strong. A programme extension may be needed as there will be a knock-on lasting around 10-12 months. We have also had to reduce desk and meeting room space. We can only use 28 of 40 desks.”

Birmingham City University

“Take-up of our online offer has been slow. We were charging at a subsidised rate, then offered some content for free but take-up didn’t increase significantly. Businesses have been very positive about our online service but are simply too busy to engage at this time. Many of them are fire fighting to stay in operation.”

Queen Mary University London

“We had to stop work on the progress of the project for 3 months at a critical design stage. We couldn’t get easy access to do site surveys etc. The university was locked down, therefore access to buildings wasn’t easily possible. Plus some estates’ colleagues we were relying on were on furlough. Our suppliers have also flagged that there may be some issues with subcontractors and availability of supplies. Legal colleagues are having to draft specific Covid T&Cs into contracts to determine how we might deal with any further delays.”

University of Durham

“We are expecting a contraction of the economy due to COVID-19, so impacts might not be exactly what we are aiming for. Because of our focus on recovery, resilience and future towns, we think the project will be able to deliver a significant long-term impact.” **University of Southampton**

11. Future Areas of Need

11.1 All project leads are keen that core UEZ funding is maintained or expanded after the current programme. They have pointed to:

- the additionality of RED UEZ funding and relative lack of public funding for start-up enterprises: many universities suggest they will not be able maintain incubator services/investment without further public capital and revenue funding (or at least not to the same degree)
- the need among universities for some certainty surrounding funding availability, especially given what will be tough circumstances in terms of the economy and university finances
- a potential spike in start-ups as we come out of the circumstances surrounding COVID-19 and increased access to funding and investment to ensure this is the case. Public funding will be required in this space to facilitate these and to avoid business failure rates
- any medium/longer-term requirement for social distancing and the need to consider new incubator delivery models: projects highlighted that the way in which businesses are working has changed significantly since the onset of the pandemic. Lancaster University has been involved in discussions with UKSPA on what workspace will look like in future: how the response varies by the stage of career, the increase flexibility of co-working and incubator space. This will be a key consideration for any future UEZ programme.

Increased UEZ Interaction

11.2 Several project leads have suggested that any UEZ programme could be enhanced by focusing more on increased interaction between UEZs. This could deliver wider opportunity for collaboration between HEIs and businesses, cross-referral, peer-to-peer support and sharing of best practice.

Grow-on space

11.3 **Five** projects have suggested that any future fund could consider investing in move/grow-on space. This is lacking in some areas and presents a constraint to business growth and programme impacts.

Programme Timescales

11.4 **One** project lead suggested that the condensed programme timeline has been positive in terms of focusing minds and delivering benefits in a timely fashion. However, **at least five** have suggested that a longer time period is needed, to draw together resources, engage with businesses and partners/stakeholders and develop a pipeline of users.

Geographical spread

11.5 **One** project suggested that there should be more of a focus in rural and peripheral areas of the UK, that are in the most need of public funding for this sort of activity.

12. Summary of Findings

Incubator Focus and Location

- 12.1 All but one of the projects is applying some degree of **sector focus**. This allows universities to focus support on the areas in which they have core academic expertise and specialisms.
- 12.2 Digital, life sciences and health have been the strongest areas of sector focus.
- 12.3 The largest representation of UEZ projects is in the North East, West Midlands, South East, South West which are each home to three RED funded UEZs.

Programme Funding

- 12.4 In total **£77.3 million** of additional public and private funding has been levered by RED funds (exc. in-kind contributions). This represents £4.50 for every £1 of RED UEZ funding.
- 12.5 Other public funding has risen by £7.7 million since the original applications were submitted. Private (cash) funding has fallen by £4.66 million. RED Funding has remained unchanged.

Outputs and Outcomes

- 12.6 Key findings from our review of a sample of outputs and outcomes targets and achievements to date are that:
 - Across 16 projects just under **850 business assists** have been targeted, with **38%** of this target reported as achieved.
 - Across 9 projects **9,700m²** of incubator/accelerator/workspace is expected to be developed, with more than half of this floor space (**57%**) having been delivered at the time of writing.
 - Across 11 universities it is expected that over **500 gross jobs** will be created, again with just under half of this target (**46%**) appearing to have been achieved to date.
 - Across 8 projects it is anticipated that **80 new products, collaborative R&D projects and businesses accessing new markets** will be registered. This target appears to have been exceeded already.
- 12.7 This can be seen as strong progress given the circumstances around COVID-19.

Market Failure and the Rationale for Public Funding

- 12.8 Project leads pointed most often to **three** specific factors that underpin the need for public investment:
 - Commercial viability gaps & undersupply of incubator space
 - Co-ordination failure
 - Broader socio-economic and market need.
- 12.9 Although not often highlighted explicitly by project leads, the UEZs also stand to address underinvestment in mid-stage R&D/technology, information failures and path-dependencies and deliver positive externalities.

Best Practice in Incubator Design and Structure

- 12.10 The Projects have pointed to a range of best practices on the delivery of incubators. This includes **1)** drawing on lessons learned from previous investment, **2)** ensuring flexibility is built into the delivery model, **3)** aligning to areas of technology development in which the university has a deep understanding, **4)** ensuring a robust and sustainable financial model, **5)** maximising engagement, buy-in and collaboration with local partners and **6)** targeting sectors where there is already a burgeoning local cluster.

Wrap Around Support and Accelerator Models

- 12.11 **12/20** projects are deploying accelerator-type support models. Several projects are delivering through a recognised commercial provider of incubator/accelerator support. **8/20** projects are providing laboratory space.

Partnership Working

- 12.12 Projects are working with an extensive range of local partners to support delivery/governance and enhance complementarity with the wider support landscape. This facilitates a broad and flexible offer to businesses and helps to market the wider university offer locally.

Considering the Wider Landscape

- 12.13 Each of the projects appears to firmly recognise that incubator facilities are just one part of a wider landscape of support that business may need, incorporating e.g. access to finance, wider innovation, start-up and growth support. The UEZ programme has enabled many of the universities to add to their existing business engagement and support services and to complement the wider business support provided locally, e.g. through local councils and Local Enterprise Partnership (LEP) delivered business growth hubs.
- 12.14 Similarly, the UEZ programme investment has complemented wider university investment in capital building programmes and expanded skills provision. This can help to maximise the benefits from existing university assets and future university investment and to increase the potential to deliver knowledge transfer and industry collaboration.

Terms of the Incubator Offer

- 12.15 The terms of the support offer vary by project. **8/20** projects are using flexible terms (e.g. no fixed term rental contract). This is typical for incubators and is often needed for micro and pre-start businesses that need to avoid longer-term contracts at an early stage of their development.
- 12.16 **10/20** projects have some form of move on strategy. **6/20** offer support to locate move-on space, including with workspace providers that are linked to the university.

Market Assessment

- 12.17 **8/20** projects undertook formal **detailed market assessments**. The others based their assessment of the market on more informal consultation and background research into business need. Based on our discussions, the depth of market assessment needed will depend on the

focus and specialist nature of the proposed incubator. Some projects had a clear idea of the nature and scale of demand from the existing interactions with businesses/students.

- 12.18 Where this is not the case, a detailed market assessment should be undertaken to ensure demand is present and that the incubator offer is based on a detailed understanding of **market need** and **business requirements**.

Marketing Plans

- 12.19 **4/12** incubators have said that they have delayed marketing plans due to COVID-19. There is a varied approach to marketing, covering e.g. social media, existing business partners and networks, publications and reports, via university marketing teams and wider grassroots marketing efforts. Some can rely on internal marketing and marketing amongst partners and industry networks.

Delivering Additionality

- 12.20 **60%** of projects suggest that the project would not have gone ahead without RED UEZ funding. The remaining **40%** suggest that any activity would have come forward later and typically at a significantly smaller scale. This suggests a high degree of additionality.
- 12.21 The programme has acted to fill key gaps for universities. For many public funding has not been available for incubator activity.
- 12.22 The programme has addressed key gaps for potential start-ups that lack access to appropriate facilities/lab space, support and the right technical and academic expertise (or the finance to access these).

Routes to Economic Impact

- 12.23 The projects have pointed to a wide range of likely channels through which impacts will be generated. Core amongst these are **1)** collaboration and knowledge exchange, **2)** business starts, survival and growth, **3)** innovation and opening new markets, **4)** higher value employment and increased productivity and **5)** skills development.

Wider Impacts

- 12.24 The projects have pointed to a range of wider benefits that stand to be created as a result of the UEZ programme. These cover **1)** business graduate and employment retention, **2)** cluster development and inward investment **3)** health and social and wellbeing outcomes and **4)** reputational benefits for participating universities.

The Implications of COVID-19

- 12.25 The pandemic and its effects on the ability to complete any capital build or refurbishment and to accommodate new businesses/entrepreneurs in UEZ incubator space is highlighted by the projects as the major challenge they have faced to date.
- 12.26 COVID has delayed the capital build/refurbishment and opening of many of the UEZ facilities. Some projects (**4/20**) said that take-up will be reduced due to the need for social distancing and due to wider economic uncertainty caused by the pandemic. Online support delivery is

mitigating this effect. As many incubators are yet to open, the effects of COVID-19 on take-up of support remain unclear.

- 12.27 Most projects expect take-up to be in line with target (**10/20**) or exceed target (**5/20**). **5/20** projects have said there is some uncertainty on the degree of take-up, due to delayed opening.
- 12.28 There is a mixed picture and uncertainty on impacts. Some projects expect that final impacts could be in line with expectations. Others have said that COVID-19 will inevitably restrict the ability of some businesses to develop and grow in the same timescale.
- 12.29 Projects are showing flexibility and innovation in adapting to develop online incubator support.

Future Areas of Need

- 12.30 All project leads are keen that core UEZ funding is maintained or expanded after the current programme. They have pointed to:
- Several project leads have suggested that any UEZ programme could be enhanced by focusing more on increased interaction between UEZs.
 - **Five** projects have suggested that any future fund could consider investing in move/grow-on space.

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