
Agenda Item 4 Appendix 2

Title:	Westcott Incubator and Accelerator Programme – Proposed Refresh
Purpose:	To update board members regarding challenges with the Westcott Incubator and Accelerator Programme, and to recommend changes to help enhance the programme's impact on the Westcott Enterprise Zone Programme
Recommendation(s):	Board members are asked to: a) Approve the changes to the programme in section 3 of the report and agree an annual budget of £150,000 from January 1st to December 31st, 2024. b) Agree to review programme performance in Autumn 2024, prior to deciding how to proceed for the following year.

1. Background

The Westcott Incubator and Accelerator programme (WIA) was launched with a budget of £500k, over three years, to attract existing and start-up companies from across the UK to Westcott and make use of the unique expertise and facilities on offer. WIA's purpose is to incentivise companies to access business support and specialist equipment at Westcott to explore, design and produce prototype products or services. Following delivery of support, companies were expected to secure external investment from outside of the programme to grow (Incubator) or to commercialise their designs (Accelerator). Where companies were commercially successful because of the programme's support the EZ Board recommended that funds through the voucher scheme should be repaid.

Based on experience of similar programmes operated by the Catapult, a target of securing 10 Start-up businesses to the Incubator and 12 Companies to the Accelerator over a 36-month period was agreed, these targets have not been met. We are therefore recommending changes to the programme, to be piloted on an initial one-year initial. These modifications are an attempt to ensure the programme can compete with other national innovation voucher offerings that support space sector businesses. The changes should ensure the programme is more effective in attracting new companies and will potentially require a reduced budget. They will aim to attract sufficient high-quality business nationwide with the potential to grow and require future floorspace at Westcott.

2. Issues with Current Programme

The programme was launched at the beginning of 2023 but, despite significant initial interest from industry, no companies have signed-up to the Accelerator programme, and only three start-up businesses have committed to the Incubator. To summarise.

- 14 companies formally applied for support.
- 7 went through the selection panel process.
- 3 were accepted to the programme (Hybrock, Techwerk and Growbotics)
- £55k of support has been offered to date.
- Around 45% of companies stated an objection to the repayment mechanism.

The Catapult agreed to write to the LEP, highlighting the issues with the programme and recommendations for improving its impact. The reasons for businesses not applying or withdrawing during the process, are quoted from the Catapult's recent letter to the LEP as follows:

- i. Requirement of voucher fund payback (where the profit threshold was reached).*
- ii. Requirement to pay 50% up front (Accelerator)*
- iii. Application process*
 - a. Burdensome due diligence process for applicants required from the (then) EZ Board*
 - b. Time lag incurred between Expression of Interest and acceptance of the application to the programme due to delays at different stages of the process.*
- iv. Pipeline of businesses*
 - a. Lack of alignment from the (then) EZ Board of the original purpose and scope of programme, which is to attract businesses from across the UK, and beyond, into Westcott.*

A comparison of competitor programmes helps illustrate the challenge. Programmes such as 'Innovate UK Edge' (100% of eligible costs to a maximum of £15,000) and the 'European Space Agency Business Incubator Programme' (€50k equity free funding for product and IP development alongside expertise and facilities), offer similar value of expert support and facilities access. However, they do not have the same repayment requirements. The barriers to taking part are lower. There was interest in the WIA programme, and Westcott generally, at the UK Space Conference this November, but its comparisons were mentioned in those conversations.

On a positive note, the potential and capability within of those businesses that have gone through our programme has been good and they continue to engage with the Catapult and with Westcott. Hybrock will receive an additional series of meetings to help validate some on the areas they want clarity on. They are talking with funders and communicating with cluster partners on propulsion testing capacity at Westcott to meet their indicative schedule, should they attract funding to proceed.

Growbotics have applied for National Space Infrastructure Programme funding to support design and prototyping. They have been positive about the facilities and expertise at SAC and are still working with them. They may apply for Accelerator funds in 2024. Additional technical workshops have been offered to help them prepare for NSIP programme submission.

Techwerk are now delivering multiple contracts. Once these have been delivered, they have plans to do drone technology testing at Westcott. They are also collaborating with primes on use-cases for their technology. They will receive additional support from the Catapult's business strategy and defence teams.

3. Proposed Refresh

Given the issues raised by businesses, and negative comparison to other programmes, it is important to take steps to protect the reputation for innovation at Westcott and resolution of this matter is important. It is also important to attract a pipeline of future activity that will result in EZ floorspace growth. Repayment of our investment should be through business rates uplift. The main proposed changes are below.

Requirement of voucher funding payback and up-front payment

- i. Remove the requirement for payback from companies who are applying for the Incubator and Accelerator programme.

- ii. Businesses that apply for the Accelerator scheme have 50% of the cost of their approved programme paid for by the scheme, and must meet the cost of the other 50%, either from their own funds, or through external funds, such as grants, in a way that is compliant with subsidy control regulations. This can include in-kind contributions (staff time and other resources as relevant to the project) and does not have to require an up-front cash payment. In kind contributions of staff time to the project from companies in the scheme aligns well with the aim to encourage their exposure to the capabilities of, and a presence at, Westcott.

Application process

- iii. Streamlined selection process, with the current panel session being replaced by a diagnostic session with each business, lasting 1.5 hours, which includes Catapult experts and appropriate Bucks representation. This session would be of sufficient length and depth to properly assess and score their case for support and alignment with Westcott's capabilities.
- iv. The diagnostic panel prepares a summary recommendation for proposals that are rated above the qualifying threshold, and this is communicated to the EZ Board who will be asked to approve them virtually (as agreed previously) within a week.
- v. The selection criterion related to location to focus on potential for future economic impact and activity in Bucks rather than an immediate commitment to relocate, which aligns with the original intent to attract companies into the region. There should be an obvious fit between the activity of the company and the capabilities possessed at Westcott, to ensure utility for the company.

Wider Considerations

- vi. Broaden and make clear the sales pitch for Westcott. For example, there are firms who offer R&D services and equipment for hire who could complement the Catapult offer.
- vii. Being clear on the how the successor programme itself will be marketed, the customer journey and scope of support to be provided.
- viii. Reduce the budget overall, targeting seven successes per annum (£150k should be sufficient to attract quality applicants, four of which are Accelerator, three incubator).
- ix. Annual review before proceeding following January re-launch. If it is not working after year one, we will then need to further consider a different approach (this could be more regional programmes, working with Harwell and/or widening the vouchers to include other providers).

4. Concluding Comments

Return on investment is rightly a concern of the Board. The payback, if it is achieved, will come through floorspace growth. If the companies on the programme eventually take 1,000 sqm over five years for example, the likely rates retained is £175,000 per annum. Moreover, more firms in the supply chain should help attract other firms, nationally and internationally, whether they are in the programme or not. It is under these terms that success will be bets measured over the long-term.

The programme is not delivering on the potential envisaged when initially approved by the BEZ Board. These changes are needed for it to compete on a more even playing field with others in the sector. The Board were right to seek repayment from successful businesses, but this is reducing our pipeline of business and creating uncertainty. We should seek to ensure two to three major successes will repay the investment in future business rates uplift. These successes should then be used to showcase the potential of Westcott, helping us promote it nationally and internationally as a unique location for inward investment in years to come.

5. Recommendation(s):

Board members are asked to:

- a) Approve the changes to the programme in Section 3 of the report and agree an annual budget of £150,000 from January 1st to December 31st, 2024.**
- b) Agree to review programme performance in Autumn 2024, prior to deciding how to proceed for the following year.**