



Meeting:	Cabinet
Date:	4 th October 2006
Subject:	Business Incubation Management Company
Responsible Officer:	Innovation and Acceleration in Harrow and West London Director of Planning Services: Graham Jones
Contact Officer:	Senior Professional, Strategic Planning Partnerships: Claire Codling
Portfolio Holder:	Property, Housing Planning (Development) and Planning (Strategic): Cllr Marilyn Ashton
Key Decision:	No
Status:	Public

Section 1: Summary

Decision Required

To agree that the development of business incubation in the borough should be predicated by setting up an incubation management company with the University of Westminster and Harrow in Business.
(Early development work will be carried out by the University of Westminster and Harrow in Business in consultation with Harrow Council)

Reason for report

To gain approval to the principle of supporting the incubation of new businesses through this new entity.
To ask for responsibility for establishing the company to be delegated to the Director of Strategic Planning who will keep the Portfolio Holder regularly informed of progress.

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Benefits

Enable work to start on developing incubation in Harrow as partly suggested by one of the actions set out under the corporate plan priority 'Getting Harrow Moving.' July 2006. "To provide opportunities to develop a new incubator base and 'move-on space.'

Enable development work to commence on what is expected to be a key economic development project.

Once incubation is in place it will also help in:-

- Reducing the barriers to enterprise start-up, growth competitiveness
- Contribute to increasing the numbers of high level businesses starting up in the borough
- The implementation of wider underpinning enterprise support services which address barriers faced by particular client groups, particularly BME and women-owned enterprises
- Enabling businesses to stay in the borough
- Ensuring that, the process of business incubation enables Harrow to benefit to the full from its cultural and ethnic diversity
- Facilitating effective cohesive collaborations between enterprise support intermediaries and enterprises
- Engaging with local HEIs as a source of specialist services including access to intellectual expertise
- Encouraging local job creation, and retention through sustained economic growth.
- Regenerating the surrounding locality through supply chain initiatives with the incubator
- Drawing in incubator-ready start ups from local HEIs¹, virtual incubation processes

¹ Higher Education Institutions

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Cost of Proposals

No additional budget provision is sought. The first phase of the project will be the development of the company business plan which will be covered by an in kind staffing contribution from the University of Westminster and support from Harrow in Business.

The costs of registering a company are minimal and can be contained within existing budgets Detailed plans for working capital will be prepared and reviewed by the three promoting organisations.

Whilst no financial contribution is being sought in this financial year, at a later date (2008/9) in order to lever in external funding it may be necessary to contribute, towards managerial and marketing costs. However current information is that this would not exceed £15,000 and with sufficient forward planning could also be contained within existing approved budgets.

Risks

Risk minimised by establishing a company limited by guarantee.

Implications if recommendations rejected

The UKBI² report provides a clear indication of need for incubation as a result of market failure to support growth and retention of business in the Harrow area. Failure to engage in this process will return the status quo in that

- Harrow Council becomes marginalised from incubation development
- Opportunity lost to become involved in a key economic development project not just in Harrow but also in the sub-region
- Business incubation proceeds without the Council involvement which may not provide the wider locally focussed economic development benefits envisaged
- Opportunity to work with University of Westminster on incubation is taken to another borough

Section 2: Report

2.1 Background

² United Kingdom Business Incubation who carried out the feasibility study is included as one of the supporting documents

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Discussions on setting up an incubator base to nurture small businesses have to this point focussed on the opportunity provided by changes at Kodak's site in Wealdstone. In July 2006, these plans were put on hold for a year by Kodak.

However, the planning for establishing an incubator base is already quite far advanced:

- Committee reports June 2005 onwards
- a feasibility study had been completed by United Kingdom Business Incubation
- a steering group set up, comprising: Kodak the University of Westminster, Harrow in Business, and Harrow Council
- indicative incubator business plan written for the first five years.
- approach made to the London Development Agency for support
- liaison with possible sub-regional partners Park Royal Partnership and West London Business
- survey of businesses for the economic regeneration review canvassed business support for incubation
- press releases and articles in local press

The steering group³ in understanding the implication of current market failure and the opportunities incubation presents are very keen to continue incubator development, recognising not just the momentum that has built up but also the sound economic reasons for this as a service to help continue to grow the entrepreneurial base in Harrow and West London and identify opportunities for businesses to grow and remain in the surrounding area.

Whilst there remains the possibility that Kodak building 168 may become available in a year's time, there is another opportunity. Part of the Berkley Homes planning application for Honey Pot Lane former government office site is to develop large scale incubator and move on space as part of the 106 agreement for the site. This application has only recently been submitted and will not go to Planning Committee until November 2006. In the interim there will need to be liaison with the developers on the detail of the plans.

Discussions between the Council, United Kingdom Business Incubation, UKBI and partners / stakeholders⁴ had already lead to the conclusion to separate the ownership of any incubator building from the operation and management of the incubator facility.

2.2 Benefits of setting up the new company and roles

By setting up the company in advance of obtaining premises, it enables the company to build interest, a client base and real credibility with both the business community and would be external funders.

Bringing together the three partners would enable each to benefit from the other's strengths. E.g. involvement of the University, would enable access to

³ Kodak keen to be kept informed but not be as actively involved as the remaining partners

⁴ The feasibility study steering group is made up of: Harrow Council, Kodak, University of Westminster and Harrow in Business.

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spin out and spin in⁵ companies from not just the University of Westminster but also the other six universities who have established an enterprise network under the WestFocus banner and also enable that network of enterprise support to be accessed by new companies needing specialist support. Studies of business incubation in the US, where it originated, indicate that involvement with local universities is positively correlated with new business success.

Harrow in Business (HIB) has clearly and repeatedly demonstrated its commitment to developing a strong entrepreneurial business community in Harrow.

HIB has canvassed for the development of local business incubation and views its establishment as a key requirement to enable enhanced local economic development. It regards this as an ideal opportunity to grow their services and is keen to be an integral part of this initiative.

Working with HIB would enable the new entity to build on the existing strong local and sub-regional enterprise contacts established and benefit from their credibility and reputation for successfully delivering start up and micro business support for the last 23 years. It would also enable fledgling companies to benefit from the current service provision i.e. The 'Access to Finance' and diagnostic funding recently secured from Business Link for London and the London Development Agency by HIB.

Public sector funds for business support are now more limited, moving into incubation in the long run may help HIB sustainability as a local organisation.

The HIB Board members have been fully briefed and are wholeheartedly behind the development and implementation of these plans.

Setting up a new entity together with the University of Westminster and the Council, will enable HIB to integrate its service provision more widely whilst keeping some of its other activities separate

Having an enterprise agency (there are now only nine in London) at the centre of this development should enable the incubator to get off to a flying start and provide the new organisation with business credibility and opportunities to maximise use of and access to existing networks and contacts.

The Council's role would be to use its established expertise to set up and implement governance, financial and monitoring systems and processes that will enable the company to demonstrate its impact and worth to the local and sub-regional business community. In addition it would also provide a platform through which the Council could improve its standing with the business community and integrate its services (i.e. planning, Environmental health, sustainability and environment into the process) as well as raise the Council's profile with businesses, as suggested in the Corporate Plan 2006 'Building a better relationship with business.'

⁵ A spin out company is established by the University to commercialise Intellectual Property originally developed by the University. The University hold shares in a spin out company. Spin ins occur when a company decides to work so closely with a University that it allows the University an equity stake.

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2.3 Initial Company Development

The University of Westminster has agreed to provide some initial resource to set up the management company, to source legal advice and to work on the business plan leading onto initial marketing.

Once the business plan is developed and implemented the company will grow its services and credibility. This will be a gradual process. By the end of the two year period, it should be offering the full range of on-line access to the services listed below, to support the early stage development of businesses, providing modest funding is in place to support initial staffing. (see cost of proposals above)

2.4 Virtual Incubation

In the short term once the establishment of a management company "Innovation and Acceleration" is set up and in the absence of a physical building the service provided will be an on-line service provision. Phased development will allow the service to be trialed and tested in line with resources available as well as making sure that the service builds on the established partnership and links into current support provision available.

Harrow in Business is particularly keen to engage with the business community through virtual processes and has been piloting on-line service provision on behalf of its national federation.

Once established, with the implementation of the full business plan it will ultimately aim to provide access to the following services:-

- Marketing and sales,
- General business advice,
- Mentoring,
- Networking,
- Training, seminars and workshops,
- Financial advice,
- Access to specialist advice.

Additional support can be also provided externally and is available through local Higher Education Institutions, agencies and professional providers. Examples of support available include:

- Technology commercialisation assistance,
- Technology assessments / proof of concept,
- Patenting and other forms of intellectual property protection,
- Legal advice,
- Accounting and book keeping assistance,
- Sector specific networking,

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- Export assistance,
- Access to specialist loans, grants and seed funds,
- IT advice and assistance (e.g. ISP service level agreements, domain hosting, etc.),
- Specialist mentoring.

It is expected that once the opportunities of a physical location are realised to provide a permanent base for the company, facilities management will also be provided to clients. All three partners will be involved in marketing the new company's services.

2.5 Alternative Harrow Council Role

Harrow Council could step back from this management company and just enable its early development, however, this may mean that the benefits of incubation in the borough lose their intended economic development focus and the project would not be attributed to Council support, and not allow this Council to be seen as 'building a better relationship with business' or proactive in the field of economic development and enterprise support.

In addition a business incubation and acceleration company is likely to address enterprise development needs across an area wider than the borough alone. If the Council is not to take a lead in this important area of economic development it is possible that a neighbouring authority might do so instead.

Recommendation

It is recommended that the Council pursue the option to become an integral part of the new company, as one of its three promoters.

2.6 Management company principles

In establishing the company a series of decisions need to be made. It is suggested that Harrow Council delegate this decision making to the Director of Strategic Planning who will liaise with the portfolio holder on matters of principle etc.

Why a company and what kind of company ?

The suggested "Company Ltd by guarantee" model mirrors the 23 year HIB operational status, which with local authority have been involved in from the outset and so sets precedence for this as way forward.

Setting up a company will enable owners (members) to limit their liability in the event of the company's insolvency.

A company's separate legal personality simplifies making and enforcing contracts (and therefore means a company is preferable to partnership or informal unincorporated co-operation).

The company is intended to be a not-for-profit vehicle: a company limited by guarantee is the usual form for such undertakings. A company limited by guarantee can use the word "Limited" in its name and can make a distribution

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of profits, but is not required to do so. Because a guarantee company has no shares, there is no need for members to contribute up-front share capital. The University of Westminster initial support includes access to legal expertise, which will enable the initial partners to reach decisions on all aspects of the company e.g. Members, and Directors and their responsibilities. As well as drawing up the Memorandum and Articles. Initial plans will be shared with a Harrow Council lawyer also. One early decision that will need to be made is Harrow Council representation, and whether this includes both a Council Member and officer.

Before the company is registered it will need to have decided the following:-

Basic minimum decisions needed before incorporation:-

Co name

Registered address

Size of guarantee fund

No of subscriber-members (ie: founder-members)

Names of first directors

Name of co secretary

Statement of objects for memorandum

How to provide working capital (and how much)

3.1 Consultation

As part of the Business Mapping Survey carried out in March 2006, 142 companies were expresses an interest in incubation.

3.2 Financial Implications

Comments from the finance offer have been built into the costs section.

3.3 Legal Implications

"The Council has the power to set up and participate in the proposed company under Section 111 Local Government Act 1973 and Section 2 Local Government Act 2000.

The control and reporting provisions in part V of the Local Government Act 1989 are applicable to companies in which local authorities have interest in. The Council will need to comply with this in due course."

3.4 Equalities Impact. Elements of the Incubation support provided could be targeted to particularly to address barriers experienced by BAME businesses and other groups in line with London Development Agency priority groups.

3.5 Section 17 Crime and Disorder Act 1998 Considerations n/a

Section 3: Supporting Information/Background Documents

Appendix 1 Background Documents: **A definition of incubation, the wider case for incubation and a summary history of this project.**

Supporting Information

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1. Cabinet report June 2005
2. Stage 1 feasibility study march 2006
3. Cabinet Paper March 16th 2006 (Part 1)
4. Portfolio Holder decision June 2006