Mapping incubators, accelerators and co-working spaces in the North West:

A review of the economic benefit of the regions workspaces and their role in encouraging innovation

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Executive Summary

Introduction

- **Incubators, accelerators and co-working spaces (IACs) provide workspace and support to start-ups / small businesses and can play a key role in driving up productivity and innovation within the economy.**
- **National research has found that start-ups that have access to strong IAC's are more likely to survive and grow than those that are not part of a formal programme,** supporting economic growth in an area.[1] Furthermore, a recent report for the **Northern Powerhouse Partnership**[2] **recognised their potential for boosting the North's contribution to the UK's economy**, particularly for the tech sector but increasingly for all sectors. It found that incubators across the prime capabilities are accessible across the North, despite the fact that more than half of the UK's total are in London. Therefore, understanding how the North West can encourage and support IACs will help boost productivity and economic growth in the region.
- **In the North West, the number of start-ups per 10,000 working age population significantly lags London (171) the UK as a whole (100) and the East of England (120) at 93. Given the link with productivity and innovation this suggests that there is room for growth in IAC's across the region.**
- It is set in this context that this report for the NW Regional Leaders Board reviews the incubator, accelerator and co-working space landscape across the North West. It assesses the economic benefit they bring and what they mean for public policy in terms of encouraging innovation within the region. Further the report looks at the key characteristics of these spaces and the services they offer as well as their broader role, including supporting the regeneration of an area. It provides insight into the numbers, types and locations of these workspace, identifies opportunities and challenges, drawing on the key findings from interviews with IACs across the region and presents a set of policy recommendations for NW sub regions to take forward through their economic strategies and spatial planning activities.

Defining IACs

- Incubators, accelerators and co-working spaces can be defined as follows:
    - Incubators offer support to businesses in the start-up phase and aim to actively enable economic growth. They offer workspace alongside various support to a business including training, mentoring and help with access to finance.
    - Accelerators are focused on those start-ups and small businesses that have the potential to achieve high growth, typically within products or services that have a national or international market. The potential for rapid growth means that support is usually more intense, direct and hands-on.
    - Co Working facilities provide space where multiple businesses can operate from. This could include event space, shared office, business centre, artist space, maker space, etc.

[1] The Rise of the UK Accelerator and Incubator Ecosystem (2014) O2

[2] Powerhouse 2050: The North's Route map for Productivity (2017) Northern Powerhouse Partnership

- **A key benefit of these workspaces is the opportunity that they offer for collaboration and learning between firms,** which help ideas to flourish and informal networks and partnerships to form. **Flexible office space is also a more practical solution for smaller businesses, which offer favorable terms in relation to membership and pricing. IACs also have a broader impact in terms of the wider economic opportunities that they can bring to an area, including regenerating neighbourhoods** by bringing activity and identity to a place and adding social value through addressing disadvantage.

- **IACs are most commonly associated with the digital/tech sector** but are also prevalent in Life Sciences and other science-based sectors such as Engineering and Manufacturing, Health and Wellbeing, Energy and the Environment and Space and Satellite technology.

- **The services provided by IACs are vast. In addition to workspace, IACs may offer mentoring, networking connections, access to investors, seminars/workshops, laboratory space, funding advice, training, direct funding, demonstration days, access to legal/accounting advice and tech support.**

- Over half (51%) of UK accelerators are funded by corporate sources, with a further 41% funded through public sources. By contrast, nearly three quarters of incubators are funded at least in part through the membership fees / rent they charge residents (72%). **Funding sources vary significantly between regions. In the North West, public / university funding is the most common source of funding for accelerators and incubators.**

- **Growth trends across the UK including the NW has shown a rapid increase in these type of space particularly over the last 5 years.** The recent growth in these type of open workspaces is due to changes in the way we work. This includes technological developments, the growth of the creative & digital sector and the growth in self-employment and entrepreneurialism.

- **Indications are that these types of workspaces will continue to grow,** albeit at a slower rate than the last 10 years. Growth is anticipated to follow current trends – that is in close proximity to existing hubs and transport links with a focus on digital and creative sectors.

The IAC landscape

- **Whilst 50% of all accelerators are based in London, there has been a steady rise in the number of accelerators in other Cities**, including Manchester in the North West. By contrast, **incubators are more evenly distributed throughout the UK**, often in Universities or out of town science or business parks. In the UK, 33% of all co-working spaces are based in London with others often located in cities.

- Research for BEIS identified 205 incubators, 163 accelerators and 51 co-working spaces in the UK and noted that over half of these had been established since 2011[3]. **In the North West, 19 incubators (9% of UK total incubators), 12 accelerators (6% of UK total), 4 co working spaces and 5 'other' spaces were identified.**

- **However, additional mapping undertaken by GMCA for the North West identified a further 52 IAC's in the region, giving an overall total of 92 IACs in the North West.**

[3]Department for Business, Energy and Industrial Strategy (2017) *Business Incubators and Accelerators: The National Picture* [online]. Available at: https://www.gov.uk/government/publications/business-incubators-and-accelerators-the-national-picture [accessed 6th November 2017]

This suggests that IACs are more prevalent in the North West than reflected in the research for BEIS[4].

- **Most IACs tend to be located in large urban centres, but there are examples of smaller geographic locations highlighted too. In the North West, the majority of IACs are located in the cities of Manchester and Liverpool, although there are several in Preston, Lancaster, Carlisle, Chester and Warrington and there are several rural workspaces in Cumbria.**

Opportunities and challenges

- IACs have the potential to boost productivity and innovation in the NW. Yet there is evidence that the region is losing out to the Capital in terms of accelerators[5], with London home to the vast majority of the UK's accelerators (and arguably the most successful). Understanding the opportunities that exist for IACs in the region as well as the challenges that could be deterring IACs from locating here could help to boost the number of IACs in the North West.

- To this end, GMCA interviewed 15 incubators, accelerators and co-working spaces across all five North West sub-regions. GMCA also consulted TechNorth and spoke with a number of workspaces in London to gain further insight into the opportunities and challenges facing IACs.

- From the case studies and literature review a number of common themes have emerged:

    - **Ecosystem - in order to succeed workspaces need to provide more than just a space to work: it is the ecosystem and social infrastructure (including investors, corporates and mentors) that make these spaces successful. This was a key finding of the report.**

[4] Some of the additions may reflect accelerator programmes that have launched since the research for BEIS was completed

[5] Cited by Midas, Greater Manchester's Inward Investment Agency

- **Proposition / offer for investors** - There is a need for a clear understanding of the NW offer and its sector strengths so potential investors can see the benefit of investing here. Developing a strong proposition to support the sector offer could help boost IACs in the region.

- **Building on success** - a key ingredient in the success of many IACs is the **entrepreneurial drive and vision of their founders and management teams. Having an experienced private sector company to run the workspace, someone to act as a broker/make introductions and providing space for informal collaboration** also seemed to be a successful strategy.

- **Move on / grow on space** – a lack of move on / grow on space was highlighted as a significant barrier. **Each NW sub region needs to ensure that it understands its offer and ensure that there is adequate follow on space and this needs to be built into sub regional strategies.** Linked to this, there is a need to adequately prepare companies to operate in the private sector post incubation.

- **Affiliation between hubs** – affiliation between workspaces in different places could offer start-ups the flexibility to work between different offices and support better coordination between IACs, including linking rural hubs with urban hubs.

Policy recommendations

- A number of policy recommendations are identified in order for the region to fully realise the benefits of these workspaces:

1. **NW Sub regions should develop models and programmes for public sector investment in the provision/support of IAC-related activities and buildings that address market failure.** Specifically:

   - **Explore how the public sector can help address the gap in the provision of move on space for growing companies.** As part of this, NW sub regions should **explore opportunities to bring derelict buildings back into use as innovative workspaces** as part of the regeneration and transformation of localities, including the re-purposing of town centres. In addition, sub regions should encourage workspaces to have a clear path for how they can support firms once they have grown beyond the space they offer.

   - **Explore how the public sector can support firms post-IAC, including through a second IAC stage and explore how it might establish spaces/programmes for firms in the early growth stage**

   - **Work with developers and partners to ensure developments include open workspaces in areas that would benefit from workspace growth.**

2. NW sub regions should **increase efforts to attract investors / business angels** who can provide vital funding for start-ups and make it easier for start-ups to access these investors. This could include **developing a proposition to share with potential investors and better promotion of the NW offer.** NW sub regions should also ensure that they **maximise the benefit of the NPH Investment Fund**,

which will enable more small businesses to access finance and the **British Business Bank, which is appointing new Regional Managers to ensure businesses know how to access investment.**

3. Linked to this, NW sub regions need to **better promote the value of these workspaces through increased marketing of the region's offer and its sector strengths**, particularly digital/tech, science and advanced manufacturing. This in turn could help the region to **attract more corporate support for IACs.** As part of this increased marketing effort, NW sub regions should also seek to encourage **improved coordination between IACs, including potentially through affiliation and the use of MoU's.** There is also an opportunity to explore opportunities to connect rural hubs, and potentially connect rural hubs with those based in urban centres as this may help to retain them in the local area and enable them to benefit from more opportunities (collaboration, networking etc).

4. The North West, through the RLB, should **collectively seek urgent clarification from Government regarding future funding arrangements for those IACs that are heavily reliant on ERDF.**

1. Introduction

Aims of the research

1.1. This report for the North West Regional Research Collaboration (NWRRC) reviews the incubator, accelerator and co-working space (IAC) landscape across the North West in order to determine what economic benefit these workspaces bring and what they mean for public policy in terms of encouraging innovation within the region.

Background and Context

1.2. IACs provide workspace and support to start-ups / small businesses and can play a key role in driving up productivity and innovation within the economy.

1.3. National research has found that start-ups that have access to strong IAC's are more likely to survive and grow than those that are not part of a formal programme.[6] Furthermore, a recent report for the Northern Powerhouse Partnership[7] recognised their potential for boosting the North's contribution to the UK's economy, particularly for the tech sector but increasingly for all sectors. It found that incubators across the prime capabilities are accessible across the North, despite the fact that more than half of the UK's total are in London. Therefore, understanding how the North West can encourage and support IACs will help boost productivity and economic growth in the region.

1.4. In the North West, the number of start-ups per 10,000 working age population significantly lags London (171), the UK as a whole (100) and the East of England (120) at 93. Given the link with productivity and innovation this suggests that there is room for growth in IAC's across the region.

1.5. It is set in this context that this report for the NW Regional Leaders Board maps IACs across the North West.

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[6] The Rise of the UK Accelerator and Incubator Ecosystem (2014) O2

[7] Powerhouse 2050: The North's Route map for Productivity (2017) Northern Powerhouse Partnership

Approach and structure of the report

1.6. The study uses a mixed methodology, including literature review, stakeholder engagement and local, national and international case studies to examine the issue in detail. Whilst the research does not focus on any particular sector, given that incubators, accelerators and co-working spaces are particularly common in the digital/creative/tech industries, this sector features most prominently in the analysis.

1.7. The report is structured as follows:

- **Section 2:** seeks to define incubators, accelerators and co-working spaces, looking at the common features and key characteristics of these spaces. It looks at the services these spaces offer, how they are funded, the types of businesses that use these spaces and the sectors where they are most prevalent. It also reviews the growth of these spaces in recent years and their future growth potential. In addition, it considers the broader role of these workspaces and the wider economic opportunities they can bring to an area, including supporting regeneration etc.
- **Section 3:** examines the incubator, accelerator and co-working space landscape at a national, regional and sub-regional level. It draws on recent research produced for BEIS, which looks at the numbers, types and locations of these workspace. Additional mapping undertaken by GMCA research builds on this and identifies a significant number of additional IACs in the region, providing more detailed local insight for sub-regions.
- **Section 4:** draws on the key findings from interviews held with incubators, accelerators and co-working spaces across the North West as well as insight from discussions with IACs in London and Tech North to identify opportunities and challenges for IACs. The findings are also used to explore the roles of different types of space, help us understand how these types of workspaces are being used - including those factors that are critical to making these workspaces successful – and to identify good practice.
- **Section 5:** presents a set of policy recommendations for NW sub regions to take forward through their economic strategies and spatial planning activities. These can be used to influence decision making and policy, ensuring that the needs and opportunities of the region are well represented at a northern geography on this agenda.

2. Defining incubators, accelerators and co-working spaces

Defining incubators, accelerators and co-working spaces

2.1. Incubators, accelerators and co-working spaces (IACs) are types of workspace designed primarily for start-up, micro and small businesses. They aim to support young businesses through the early stages of growth and ultimately aim to increase their chances of survival.

2.2. IACs play an important role in providing space for and supporting start-ups / small businesses and driving up productivity and innovation within the economy.

2.3. The provision of incubator, accelerator and co-working space is growing rapidly both in the UK and internationally, with significant growth in the last five years. A recent comprehensive review of all UK incubators, accelerators and co-working spaces identified 205 incubators, 163 accelerators and 51 co-working spaces in the UK – and over half of these had been established since 2011[8].

2.4. They often share a number of common features:

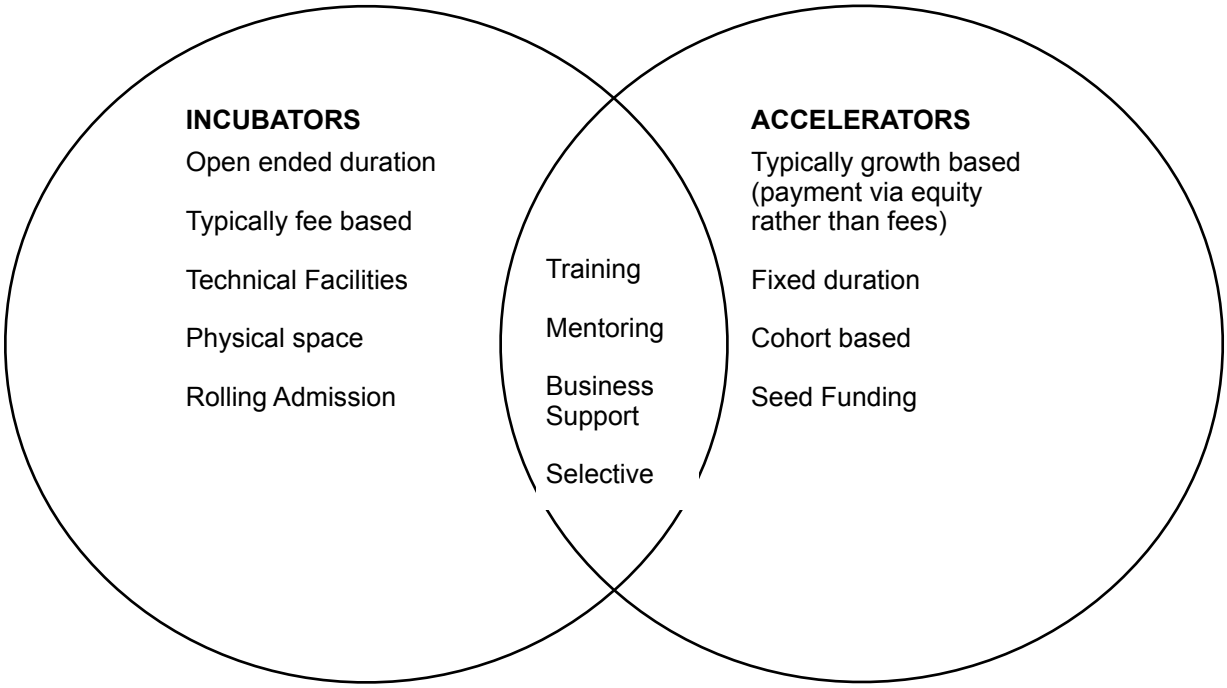
- **Incubators** offer support to businesses in the start-up phase and aim to actively enable economic growth (although businesses can also return to incubators in order to develop growth). Incubators offer workspace alongside various means of support to a business including training, assistance in areas such as business management (managing cash flow etc), mentoring and help with access to finance. Incubators typically provide support to businesses for a period of 1-2 years when they are in the early stage of development. Businesses generally stay in an incubator for 18 months – 5 years. Given that provision is focused on start-ups they tend to offer rent at a reduced rate and space tends to be dedicated and personal. Incubators tend to serve local businesses, with firms travelling a shorter distance to participate in incubators than accelerators.
- **Accelerator** spaces are not always easy to distinguish from incubator spaces but a key characteristic is that they are focused on those start-ups and small businesses that have

[8]Department for Business, Energy and Industrial Strategy (2017) *Business Incubators and Accelerators: The National Picture* [online]. Available at: https://www.gov.uk/government/publications/business-incubators-and-accelerators-the-national-picture [accessed 6th November 2017]

the potential to achieve high growth, typically within products or services that have a national or international market. The potential to achieve rapid growth means that support is usually more intense, direct and hands-on compared with an incubator. To take up space and access this support accelerator managers will typically require equity in the business. Support is usually only provided for up to 12 months as the potential for high growth can usually be determined within a short time frame. As such, the contract for an accelerator space is usually in the form of a licence, which provides an informal contract, with an easy exit route. Accelerators are usually located within incubators and co-working spaces in large cities.

- **Co-working** facilities provide space where multiple businesses can operate from. This could include event space, shared office, business centre, artist space, maker space, etc. They are often aimed at micro businesses many of which are in their start-up phase. Co-working space tends to comprise a large open plan area offering desks where businesses can work alongside (but not necessarily with) one another, meeting areas, shared reception and facilities. The sharing of space, equipment and facilities often means that the costs can be lowered. The high levels of business support whether formal or informal (this is typically mentoring, workshops and networking) differentiates co-working spaces from traditional serviced office spaces.

Figure 1: Overlapping characteristics of Accelerators and Incubators



Services provided by Incubators, Accelerators and co-working spaces

2.5. IACs create an ecosystem of economic activity – providing space for like-minded individuals that interact and engage with one another, strengthening the potential impact of their business.

2.6. The services provided by IACs are vast. In addition to providing workspace, research for BEIS show that just over half (58%) of the incubators it studied provided mentoring,

networking connections or access to investors[9]. In addition, more than one in four incubators provided seminars/workshops, laboratory space and funding advice[10]. Other forms of business support provided by incubators included training, direct funding, demonstration days, access to legal/accounting advice and tech support, though this was less common. Separate analysis found that providing high levels of digital connectivity is a must now - as well as a high standard of accommodation, fixtures and fittings[11].

2.7. Accelerator programmes provide intense business support to firms with research for BEIS finding that mentoring is by far the most common form of business support, provided by 85% of those studied[12]. Other forms of business support offered include direct funding (provided by 61% of programmes), workspace (54%), seminars/workshops (45%) and networking connections and access to investors (44%). Training is provided by nearly a quarter (22%) of accelerators, whilst demonstration days are provided by 17% of accelerators. Less common support includes funding advice, access to expert, legal/ accounting advice, tech support and lab space.

2.8. Co-working spaces cited a range of other services they provide in addition to space to rent. These included meeting rooms, mailboxes, video conferencing and networking opportunities[13]. Indeed further research found that 79% of co-working spaces regarded themselves as 'more than just a co-working space'[14].

2.9. More generally, a key benefit of these workspaces as a whole is the opportunity that they offer for collaboration and learning between firms. Collaborative spaces help ideas to flourish and also help informal networks and partnerships to form which can help growing businesses become more resilient and flexible in the future. Research undertaken by Deskmag found that nearly three quarters of members surveyed said they collaborate with other members - this could take the form of collaboration over a small task or partnering on a project without contracts, contracting on a new project or forming a new business[15].

2.10. Flexible office space is also a more practical solution for smaller businesses who do not want to commit to prime real estate or for start-ups who want a space to create and innovate before their business plans become formalised, offering flexibility in relation to membership and pricing according to use. However, research has found that larger companies are also increasingly turning to these sorts of spaces to foster creativity and give flexibility to their workforce[16]. Membership costs vary from place to place but a recent report cited average workstation costs for UK cities. It noted that the average workstation in London cost £613 per month in 2016, with a workstation in the vast majority of cities

[9] ibid

[10] ibid

[11] Large firms increasingly turn to flexible space providers, in Property Week, Vol 84 No 32 18 Aug 2017, pp41-43

[12] BEIS, op cit

[13] ibid

[14] Global Co-Working Survey (2017) Deskmag

[15] ibid

[16] Property Week, op cit, pp41-43

costing around £200-£300. The average cost of a workstation in Liverpool cost £247 per month whilst in Manchester the average cost was £271 per month[17].

2.11. Further, these spaces play an important role in generating productivity and growth for an area as they invite new and emerging professionals to enter and also provide an opportunity for SMEs and start-ups in particular to gain a footing within a local economy. Additionally, they can help to regenerate an area by bringing activity and identity to a place.

Figure 2: Summary of benefits and risks of innovative workspaces

Benefits	Risks / Challenges
Flexible terms: short term leases, no upfront costs and more affordable rent	Fewer rights in this kind of environment
Shared / lower costs	In areas of high interest rents are high and availability of space low
Access to a vast array of business support services including training, mentoring and networking	Difficulty in transitioning out of innovative spaces (i.e.companies often struggle to leave the protection afforded to them and enter the real world)
Access to investors and expertise	Decreased public funding from local authorities
Opportunity for collaboration and knowledge sharing. The osmosis effect of having entrepreneurs around them can also galvanise SMEs	Lack of privacy and potential for loss of Intellectual Property or ideas
Provide an environment for innovation to occur, increasing productivity and growth in areas. These workspaces also play a key role in helping to regenerate areas	Security e.g. in relation to equipment etc
Social element – less isolating than working from home	Insecurity of tenure, including from the demand for conversion of office space to residential use
Increased likelihood of business success	

Sectors

2.12. BEIS data show that a large proportion of co-working spaces (49%), incubators (45%) and accelerators (30%) have no sectoral focus but those that do are most often found in the digital/tech sector. The proportion of co-working spaces with a digital/tech focus was 31% compared to 29% of incubators and 23% of accelerators. A high proportion of incubators also focus on Life Sciences (26%) and other science-based sectors such as Engineering and Manufacturing, Health and Wellbeing, Energy and the Environment, and Space and

[17] Flexible Workspace Review UK (2016) Instant Group

Satellite technology. For accelerators, social enterprise, B2B and health and wellbeing were also a strong focus.

2.13. Further research aligns with this, also finding that most IAC programmes focus broadly on the digital/tech sector. However, it notes that increasingly this focus is narrowing as they carve out a niche in a single sector such as FinTech or e-commerce. It also found evidence that the IAC model was expanding beyond the technology sphere to industries such as fashion, education healthcare and social ventures[18].

Funding

2.14. BEIS data show that UK accelerators are most commonly funded by corporate sources (51%) rather than the public sector or universities, although 41% of those studied were funded through public sources, including from LEPs, central Government and the ERDF. By contrast, the majority of incubators are funded at least in part through the membership fees / rent they charge residents (72%). Fees are often subsidised using public/university funding. Philanthropic or corporate funding for incubators is much less common.

2.15. IACs are closely associated with the tech sector and the data found that IACs in the tech sector are most reliant on public / university funding: more than half of the incubators and accelerators that focus on Space and Satellite Technology, as well as more than half of the incubators that focus on Agritech, are wholly reliant on these sources.

2.16. Reliance on public / university funding for incubators and accelerators varies significantly between regions. Of the five incubators in the North East all are completely funded by public / university funding and incubators in Scotland and Wales are also heavily reliant on this funding, with over 35% of incubators reliant solely on public/university funding. In the North West, 29% of incubators are reliant on public/university funding. Incubators in London and the South East are least reliant on public/university funding. With regard to accelerators, Wales, Northern Ireland and the West Midlands rely heavily on public/university funding, which is the only source of funding for more than half of their accelerator programmes. In the North West, 30% of accelerators rely solely on public/university funding, the same level as Scotland and the South East. The East Midlands and Yorkshire and Humber were least reliant on this funding for their accelerator programmes (14% and 13% respectively).

2.17. Separate research on co-working revealed that most pay for membership of co-working space themselves (61%) though a quarter said that their employer paid[19].

Tech Nation
Tech Nation (formed from a merger of Tech City UK and Tech North) is a government backed initiative to help tech businesses grow. It does this through a series of programmes, research and events. It also aims to eliminate issues that hold back start-ups such as skills and access to finance. It is primarily funded by Government (80%) and received £2.1m in 2016-17 with the remainder coming from sponsorship and paid for educational programmes. A further £21m was confirmed by the Government in 2017 to create a new network of regional tech hubs.

For the North specifically, £11 million has been invested in three new technology business hubs in Manchester, Leeds and Sheffield. £4 million has been provided

[18] ibid

[19] Deskm

Catchment areas

2.18. Research for BEIS suggests that the majority of incubators and accelerators are open to national or even international applicants, although accelerators tend to be more locally focused than incubators. It found that businesses relocated an average of 35 miles to participate in an incubator and 61 miles to participate in an accelerator.

Recent growth and future potential

2.19. IACs have seen significant growth both in the UK and internationally in recent years. Current growth in the UK stands at 29 per cent in 2015 and 50 per cent in 2014[20].

2.20. Over half of the incubators in the UK have been established since 2012 (111 out of 205) and 45 accelerators were established in 2016 alone[21]. In the United States of America, recent analysis found that accelerators grew from 16 to 170 programmes between 2008 and 2014 and other places, such as Singapore and Spain, report similar rates of growth for both accelerators and incubators[22], reinforcing the fact that these types of workspaces are a relatively new phenomenon.

2.21. Accelerators are also now expanding beyond the capital[23], but the ecosystem is imbalanced as 50% of all accelerators are still based in London, according to analysis for BEIS, which dwarfs all other regional clusters. This is perhaps unsurprising given the Capital is a prime tech start-up location and an important hub for many venture capital funds and corporates. However, the research notes that as the total number of accelerators has increased so too has the percentage which base themselves in Cities outside of London. In particular, there has been a steady rise in the number of accelerators in Cities including Birmingham, Bristol, Cambridge and Manchester. The data show that in 2014, fewer than half of accelerators which launched were based outside London, but in 2016, 60% of new accelerators set up outside the capital. By contrast, incubators are more evenly distributed throughout the UK, often in Universities or out of town science or business parks. One reason for this may be the different business model of incubators, which is based on charging rent or fees to residents, rather than competing for and taking equity in the best start-ups. Co-working spaces are predominantly found in or near big cities. In the UK, 33% of all co-working spaces are based in London with others located in large cities, including Manchester in the North West.

2.22. The recent growth in these type of open workspaces is due to changes in the way we work. This includes technological developments, the growth of the creative & digital sector (the most common sector to use this type of space) and the growth in self-employment and entrepreneurialism, which means more people are looking for space

[20] ibid

[21] BEIS, op cit

[22] Innovation Spaces: The New Design of Work (2017) Brookings

[23] The distribution of incubators, accelerators and co-working spaces is considered more in chapter 3.

that meets their needs[24]. PWC note that cost efficiencies are also contributing to the growth of these workspaces and forthcoming changes to lease accounting roles in 2019 will see firms look for shorter leases as they seek to reduce costs and the impact of these changes. The role that social change has played in the growth of these workspaces is also noted – people are living and working longer are re-assessing their careers and lifestyle choices. Employees are also increasingly looking for flexible working to enable them to reduce commuting times, manage childcare[25] or perhaps because they are unable to work from home (lack of space, noise/distractions etc).

2.23. Going forward, indications are that these types of workspaces will continue to grow, albeit at a slower rate than the last 10 years. JLL estimate that 30% of office space will be in co-working format by 2030[26]. Further, the latest Global Co-working Survey from Deskmag notes that whilst the annual growth rate has slowed in recent years, 67% of co-working space providers were planning to expand their operations and 85% expected the number of members to increase in 2017[27]. Growth in provision is anticipated to follow current trends – that is in close proximity to existing hubs and transport links with a focus on digital and creative sectors. However given the broadening appeal of this provision, it may increasingly spread to new sectors and is likely to continue to expand to different parts of the country.

2.24. In the UK, the magnetic pull of the capital is likely to continue to be felt by regions if current trends continue. Research by O2 suggests that a shortage of credible tech investors is a major factor obstructing development in cities outside of London. Other key elements of a healthy startup ecosystem, such as meetups and events, are also often lacking or in short supply. As a result, many promising startups end up gravitating towards London and other major clusters in Europe and the US.

2.25. However, the explosion of IACs in London has prompted speculation that the bubble will soon burst and has led to more IACs therefore carving out niche specialisms for themselves. London is also very expensive and this may lead start-ups to increasingly look at other large cities[28].

Impact of Brexit

2.26. The effect of Brexit on these types of workspaces remains uncertain. However, a number of concerns have emerged, particularly in relation to issues such as funding and skills. Clearly the removal of ERDF funding following Brexit could have a significant impact on those incubators/accelerators that are reliant on this funding. Other commentators have suggested that more start-ups will look to set themselves up in Europe rather than the UK, meaning that UK Accelerators will have a smaller pool to recruit from[29]. Further

[24] Start me up: the value of workspaces for small businesses, entrepreneurs and artists in London (2016) IPPR

[25] PWC emerging trends in real estate, 2017 (cited in Instant Group report Pg11)

[26]Workspace Reworked (2016) JLL. Available at: http://www.jll.eu/emea/en-gb/news/729/workspace-reworked-jll-report-analyses-technology-data-digital-disruption-transform-real-estate

[27] Deskmag, op cit

[28] O2, op cit

[29] http://www.thedrum.com/opinion/2016/06/25/what-impact-will-brexit-have-uk-startups-and-innovation

research notes that large firms are increasingly turning towards this type of workspace in the wake of Brexit as occupiers are less willing to take on traditional long term leases that go beyond Brexit negotiations[30]. An IPPR report on open workspaces in London, notes that the Brexit vote has already created substantial uncertainty in the commercial property sector and suggests that Brexit could decrease investment in London's commercial property sector and that this could lead to more employment space being turned into residential use.

The broader role and impact of workspaces

2.27. IACs also have a broader impact in terms of the wider economic opportunities that they can bring to an area, including the benefits to both businesses and the surrounding area in which they are found. These include:

Social value and regeneration

2.28. Open workspaces can be highly valuable to an area, boosting economic growth, regenerating neighbourhoods and adding social value through addressing disadvantage. Indeed, without the affordability and flexibility that these spaces offer MSMEs may relocate, which could harm cities economies as agglomeration and clustering effects are lost.

2.29. The positive regeneration benefits that IACs can bring to an area are widely acknowledged. Research by IPPR found that open workspaces can help regenerate areas and create identities for neighbourhoods, particularly where previously vacant or dilapidated space is brought back into use or upgraded[31]. In addition open workspaces can help areas to become more attractive and can also increase footfall and spend in local shops[32]. Several of the workspaces interviewed as part of GMCA's research (Baltic Creative and Ashton Old Baths for example) have played a key role in the wider regeneration of the areas in which they are based.

2.30. Research also suggests that developers are increasingly acknowledging the benefits that these types of workspaces can have on an area and the positive contribution to the growth that these spaces can make[33]. Indeed developers that are focused on regeneration are increasingly including co-working spaces as anchor tenants to attract young, creative businesses that will increase the desirability of the neighbourhood[34]. Some developers are also offering co-working spaces as part of live-work or mixed use developments, which suggests the private sector is responding to demand from the demographics they serve[35].

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[30] Large firms increasingly turn to flexible space providers, IN Property Week, Vol 84 No 32 18 Aug 2017, pp41-43

[31] IPPR, op cit

[32] ibid

[33] Ferm J (2014) 'Delivering Affordable Workspace: Perspectives of developers and workspace providers in London', *Progress in Planning* 93: 1–49

[34] IPPR, op cit

[35] ibid

2.31. Further research noted the positive regeneration benefits of IACs in London[36]. Benefits in relation to the physical environment are often linked to the increasingly effective manner in which temporary spaces are being used to enhance and further business ideas, including meanwhile spaces and pop-up uses. Utilising space that is temporarily vacant has a positive regenerative impact by bringing vacant commercial space back into use and tackling negative perception issues which could potentially impact on businesses in the surrounding area. It found that IAC providers are taking on temporary use of retail space in some areas and offering these to occupiers at little or no cost. This provides a unique opportunity for businesses to test ideas on a consumer base and for planning authorities to increase the footfall and vibrancy of high streets. In addition, complementary services such as cafes and events and follow on spaces associated with IACs can be attracted to an area and stimulate business activity. All of this activity supports and helps to grow an area's local economy.

2.32. Many IACs, notably those whose set up has been motivated by non-commercial return, also run community engagement programmes which have a direct local impact on the communities in which they are based[37]. This could be in the form of programmes of events, aimed at increasing awareness of local entrepreneurs of the opportunities on offer to training and skills programmes which aim to up-skill the local workforce.

Increased start-up success rates

2.33. Research by O2 noted the increased success rate of start-ups supported by accelerators or incubators compared to those that were not part of a formal programme[38]. It found that nationally the average survival rate for these businesses reaches almost 92% when backed by a formal programme, which is nearly 20% more than that of other small businesses who choose to go it alone.

2.34. The North West as a whole has a lower level of start-ups compared to the UK and London. Data show that in the North West there were 92.8 start-ups per 10,000 working age population, compared to 100 in the UK, 171 in London and 120 in the East of England[39]. Further, North West start-up rates have consistently lagged behind the UK and London and this has had a detrimental impact on the region's productivity and growth.

2.35. Start-ups generate more than £196bn for the UK economy every year[40]. Increasing the level of start-ups in the region and ensuring more are able to access the support offered by IACs will therefore help to boost productivity in the North West.

The role of the public sector in supporting workspaces

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[36] GLA, op cit

[37] ibid

[38] O2, op cit

[39] ONS, 2016

[40] The Start-Up Low Down: How Start-ups are changing Britain, 2016, Virgin StartUp

2.36. The public sector has long recognised the important role that incubators, accelerators and co-working spaces play in generating economic growth. Authorities are also becoming increasingly aware that IACs which operate targeted social programmes can generate socio economic benefits to communities which go beyond economic and commercial benefits.

2.37. Indeed much of the literature[41] suggests that public sector intervention in the support / provision of IACs should be more focused on social orientated initiatives with a strong element of training and community support. It also suggests that public sector support could be particularly beneficial for incubators, which are the least agile of the three types of workspace where capital intensity and long lead in time are prohibitive.

2.38. A key role for the public sector is as a facilitator or enabler: using its resources to help kick start these hubs in an area, helping to address the funding issues that many SMEs / start-ups face and securing buildings for use by IACs (for example, using stock within its portfolio that is surplus to requirements and making it available on advantageous terms, or acquiring space which it can then sub-let or encourage new provision within larger redevelopment/regeneration projects).

2.39. However, it can also be argued that the public sector should not invest in these spaces at all. Indeed, during interviews with a number of IACs (including The Bakery in London, for example) it was suggested that subsiding these spaces could be disruptive to the private sector and that if there is a demand then it will be met.

2.40. Research by IPPR[42] suggests that if the market were providing enough spaces with accessible pricing structures, then there would be little case for intervention by policymakers. It notes that whilst some areas are well provided for by the market, in some cases, competitive markets are unlikely to provide sufficient workspaces. It identifies three grounds for public intervention in the open workspace market i) where there is evidence of market failure ii) where it can support growth sectors and iii) where there is a strong equity argument for protecting and promoting open workspaces that protect vulnerable people and help people into employment.

2.41. It is also vital that the public sector is able to make a strong assessment of the case for intervention. In order to do that authorities will need to compare the impact of open workspace policy against alternative forms of intervention and uses of the space (including the use of vacant space for housing). In assessing the case for intervention IPPR suggests that policymakers should consider a number of questions including: What specific benefits would or do open workspaces bring to the area, and is there evidence of these benefits? Is there potential in the area for a new sectoral cluster, and would the proposed open workspace aid further agglomeration and growth? Is the location well connected by transport to other local and regional employment areas? What is the cost of intervention, and how does the expected social benefit compare to other interventions? How long are the benefits expected to last?

[41] For example the previously referenced research by IPPR & GLA

[42] IPPR, op cit

3. The incubator, accelerator and co-working space landscape

3.1. This chapter examines the incubator, accelerator and co-working space landscape at a national, regional and sub-regional level, drawing on the findings from recent research undertaken for BEIS. However, additional mapping undertaken by GMCA identified a significant number of additional IAC's in the North West, suggesting that IACs are more prevalent in the North West than reflected in the research for BEIS.

National Context

3.2. BEIS data[43] show that there are currently 205 active incubators in the UK, supporting around 3,450 new businesses a year (or 6,900 businesses at any one time). There are also 163 accelerators active in the UK, considerably more than previously estimated, and these support 3,660 businesses per year. 51 co-working spaces are also identified.

3.3. More than half of accelerators are based in London, though there is a trend towards other cities, including Birmingham, Bristol, Cambridge and Manchester. By contrast, incubators are spread relatively evenly throughout the UK. Scotland, Ireland and Wales have a greater concentration of accelerators and incubators, relative to the number of new businesses, than England. Co-working spaces tend to be located in or near Cities including Birmingham, Manchester, Newcastle and Sheffield. IACs tend to be located in areas where this is a high level of transport accessibility and sectoral clusters[44].

3.4. At an

We Work is the largest provider of co-working space in the world. It is a global network of workspaces established in 2011, with over 200,000 members worldwide. In the UK, WeWork has 26,000 members from all types of industries and backgrounds. Privately run and operated, it brings together a community of local entrepreneurs, start ups and bigger companies together with like-minded people all over the world - they're connected on-site in the physical location, but also to the global WeWork members network via an app where every member around the world can network together. This aims to open up valuable networking and collaboration opportunities, but also potentially create new employment opportunities as these businesses grow. More than 50% of members have done business together and 70% have collaborated in some way. The flexibility and openness of spaces allows members to connect with others over the open plan kitchens and communal spaces. Regular events and workshops bring members together as well as wellness events like yoga and boxing. Community managers get to know every member and make relevant connections for them. These opportunities provide time for collaboration and networking possibilities. Members are also able to use international WeWork locations when they travel and can

[43] BEIS

[44] Supp Consulting and #1

International Case study: USA
The USA has seen significant growth within its flexible office market in recent years and is the largest flexible office space market in the world. Growth has spread from New York, LA, Chicago and San Francisco across the country. 37% of space is described as co-working in these cities. Notably, more than 50% of the U.S. market is run by independent operators and this is a key differentiator – most other global markets such as the UK, Germany or France are run by large operators. There are a number of reasons for the U.S. market's rapid growth including an increase in 'niche' workspace. Further, the demand for these niche spaces is there and independent occupiers are seeing increased demand as those looking for space are looking in new areas and seeking alternatives to large operators such as We Work. Government support also aides these independent operators, encouraging and fostering the growth of independent operators. Total flexible workspace providers across the U.S. are now more than 4,000, half of which are concentrated in California, Texas, Florida, New York and Illinois. This is primarily driven by widespread adoption of co-working by the technology, advertising media and the information technology firms of San Francisco and Palo Alto.

international level, research by Deskmag[45] found that there were over 11,000 coworking spaces worldwide in 2016 and this was expected to grow to around 14,000 by the end of 2017. A report by the Instant Group notes that key markets such as London, New York, Hong Kong and Sydney are experiencing rapid change in the provision of workspace. It highlights rapid growth of over 20% in Melbourne, Singapore, Berlin and Tokyo where strong occupier demand is driving supply. Further, it notes that nearly half of all flexible work space in New York is now labelled as co-working space, with Berlin the only city to have a higher proportion of co-working space from its total supply, a location that has become synonymous with its booming tech start-up scene and collaborative business environment. The UK and USA are the largest global markets for flexible workspace[46].

North of England Context

3.5. BEIS data shows that there are 19 incubators in the NW, which accounts for 9% of total incubators in the UK. There are 10 accelerators in the NW, accounting for 6% of total accelerators.

3.6. The NW fairs comparatively well in terms of incubators, compared to other regions as shown in figure 3.

Figure 3: Regional distribution of incubators

Region / Country	Number of incubators	% of total incubators	Number of incubators per 1000 new businesses

[45] Deskmag, op cit

[46] Global Cities: The Flexible Workspace Market Review21, 2017, Instant Group

Scotland	23	11.1	2.49
Northern Ireland	3	1.5	1.75
Wales	6	2.9	1.48
South West	21	10.2	0.8
West Midlands	21	10.2	0.72
East Midlands	18	8.7	0.71
South East	32	15.5	0.58
North West	**19**	**9.2**	**0.52**
North East	5	2.4	0.52
East of England	17	8.3	0.48
Yorkshire and the Humber	12	5.8	0.47
London	29	14.1	0.29

Source: BEIS, 2017

3.7. The North West has amongst the highest number of accelerators of any region outside of London, and the same number as the South East and Scotland, as shown in figure 4.

Figure 4: Regional distribution of accelerators

Region / Country	**Number of accelerators**	**% of total accelerators**	**Number of accelerators per 1000 new businesses**
Scotland	10	6.2	5.83
Northern Ireland	3	1.9	0.8
Wales	3	1.9	0.74
South West	7	4.4	0.52
West Midlands	11	6.8	0.37
East Midlands	8	5.0	0.32
South East	10	6.2	0.32
North West	**10**	**6.2**	**0.31**
North East	5	3.1	0.27
East of England	5	3.1	0.27

Yorkshire and the Humber	8	5.0	0.18
London	81	50.3	0.14

Source: BEIS, 2017

3.8. Figure 5 shows the number of IACs in the North West. Cheshire and Warrington has the highest number of incubators, followed by Greater Manchester and Liverpool. Lancashire only has one incubator whilst there is no evidence of any incubators in Cumbria.

3.9. Greater Manchester has the highest number of accelerators in the region, with few apparent in other sub-regions. Only 2 accelerators were found in the Liverpool City Region and 1 in Cheshire & Warrington. In Cumbria and Lancashire there was no evidence of accelerators, although the data found a large number of areas nationally with no accelerators.

3.10. A number of co-working / other spaces were also identified in Cumbria and Greater Manchester[47], also shown in the table below.

Figure 5: Incubators, accelerators and co-working spaces in the North West

Sub region	Incubators	Accelerators	Co-working spaces	Other
Cheshire and Warrington	7	1	0	0
Cumbria	0	0	1	0
GM	6	9*	3	4
Lancashire	1	0	0	1
LCR	5	2	0	0

Source: BEIS, 2017
**The report identifies 7 accelerators in GM however this table reflects the figures quoted in the excel directory, which was updated after the report was published.*

3.11. Within the North West, BEIS data show that the majority of IACs do not have a sectoral focus but those that do are most often found in the digital/creative/tech sector followed by the life science sector. A notable difference with the UK level data is that over half of IACs in the NW receive public sector funding whilst the majority of IACs in London are funded by corporates.

3.12. Cumbria was one of 5 LEP areas where the BEIS research found no evidence of an incubator[48] (a far higher number of areas had no accelerators, as above). All of these areas had a strong rural component and there are some indications that incubators are

[47] These were not included in the main report but appear in the excel directory released alongside the report.

[48] The other areas are: Coast to Capital, Gloucestershire, Tees Valley and The Marches

used less frequently in rural areas compared to urban areas[49]. Geographic isolation and sparse population can pose challenges for incubators in rural areas, including fewer local resources and a smaller pool of potential clients. There can also often be a lack of suitable business premises. These barriers can often have a knock on effect on productivity and innovation. However, further research has shown that location does not determine the potential for incubator success[50]. Rather, it found that programme policies and procedures influence programme success the most. In particular, rural incubation programme managers who are highly skilled in business development tended to produce better outcomes as did rural incubation programmes that use client advisory boards[51].

Case study: The North East Rural Growth Network (RGN)

The North East RGN is one of five DEFRA funded pilot programmes designed to look at new ways of stimulating economic growth in rural areas. One element of the programme set out to investigate the nature of rural enterprise hubs in the rural north east, and how the RGN programme can help them deliver economic growth. The research found that rural enterprise hubs faced a number of challenges including financial pressures as a result of finding it harder to let units and difficulties in forming productive networks. Key recommendations were to develop a network of enterprise hubs that connected rural as well as more urban hubs, investigating opportunities to generate more demand for vacant units and the development of bespoke hub Business Support programmes, which will seek to support hub owners and managers to develop their hubs by developing networking opportunities and promoting their offer (letting terms etc).

Taken from 'Honey Pots and Hives: Maximising the potential of rural enterprise hubs' Paul Cowie, Nicola Thompson

[49] Andrew Atherton, Paul D. Hannon, (2006) "Localised strategies for supporting incubation: Strategies arising from a case of rural enterprise development", Journal of Small Business and Enterprise Development, Vol. 13 Issue: 1, pp.48-61,

[50] Best Practices in Rural Business Incubation: Successful Programs in Small Communities by Bridget Lair and Dinah Adkins, NBIA Publications, 2013

[51] ibid

Further analysis of BEIS data by North West sub region

3.11 Figure 6 provides a more detailed summary of the IACs in each North West sub region, as detailed in the research for BEIS[52].

Figure 6: Common characteristics of IACs in the North West

Sub region	Location	Geographical coverage	Sectors covered	Funding sources	Services provided
Cheshire & Warrington	Chester: 4 Warrington: 3 Alderley Park: 1	National focus: 4 Regional focus: 4	Digital tech Life sciences Health & Wellbeing Transport Manufacturing Engineering Space/satellite technology Energy Environment Food No sectoral focus	Public: 6 Corporate: 1 Unknown: 1	Workspace Access to experts Funding advice Access to investors Mentoring Training Tech support
Cumbria	Ambleside: 1	Regional focus: 1	No sectoral focus	Public: 1	Workspace Training
Greater Manchester	Manchester: 17 Oldham: 1 Salford: 1 Stockport: 1 Tameside: 1 Trafford: 1	International: 5 National focus: 3 Regional focus: 9 Unknown: 5	Digital tech Creative industries Life sciences Health & Wellbeing Social enterprise No sectoral focus	Public: 7 University: 3 Corporate: 3 Private: 3 Unknown/ Other: 5	Workspace Mentoring Networking Direct funding Access to experts Access to investors Seminars Tech support
Lancashire	Preston: 1 Unknown: 1	Regional focus: 2	Social enterprise No sectoral focus	Public/ private partnership: 1 Unknown: 1	Work space Seminars Workshops Networking Mentoring Direct Funding

[52] BEIS, op cit

Liverpool City Region	Liverpool: 7	International: 2 National focus: 2 Regional focus: 2 Unknown: 1	Life sciences Health & wellbeing Social Enterprise No sectoral focus	Public: 5 Public/ private partnership: 1 Unknown: 1	Workspace Training Mentoring Networking Access to investors Direct funding Seminars / workshops Laboratory space

Source: BEIS, 2017

Additional mapping for the North West undertaken by GMCA

12. GMCA undertook additional mapping for the North West in order to provide more detailed local insight into the location of incubators, accelerators and co-working spaces in the region.

13. Figure 6 shows the location of all IACs in the North West. The map comprises those IACs identified in the BEIS data, those identified by NW sub regions, those identified through recent research undertaken by Tech North[53] and a number identified through GMCA's own research. The complete list can be found in Annex 1.

14. In all, an additional 52 IAC's were identified in the region, giving an overall total of 92 IACs in the North West.

15. This suggests that that IACs are more prevalent in the North West than reflected in the research for BEIS[54], although some of the additions may reflect accelerator programmes that have launched since the research for BEIS was completed. The vast majority of additional workspaces identified were co-working spaces.

16. The map shows that most IACs tend to be located in large urban centres, but there are examples of smaller geographic locations highlighted too. The majority of IACs are located in the cities of Manchester and Liverpool, although there are several in Preston, Lancaster Carlisle, Chester and Warrington and several rural workspaces in Cumbria. These findings support evidence from the literature review which suggested that IACs tended to locate close to employment and transport hubs and existing clusters.

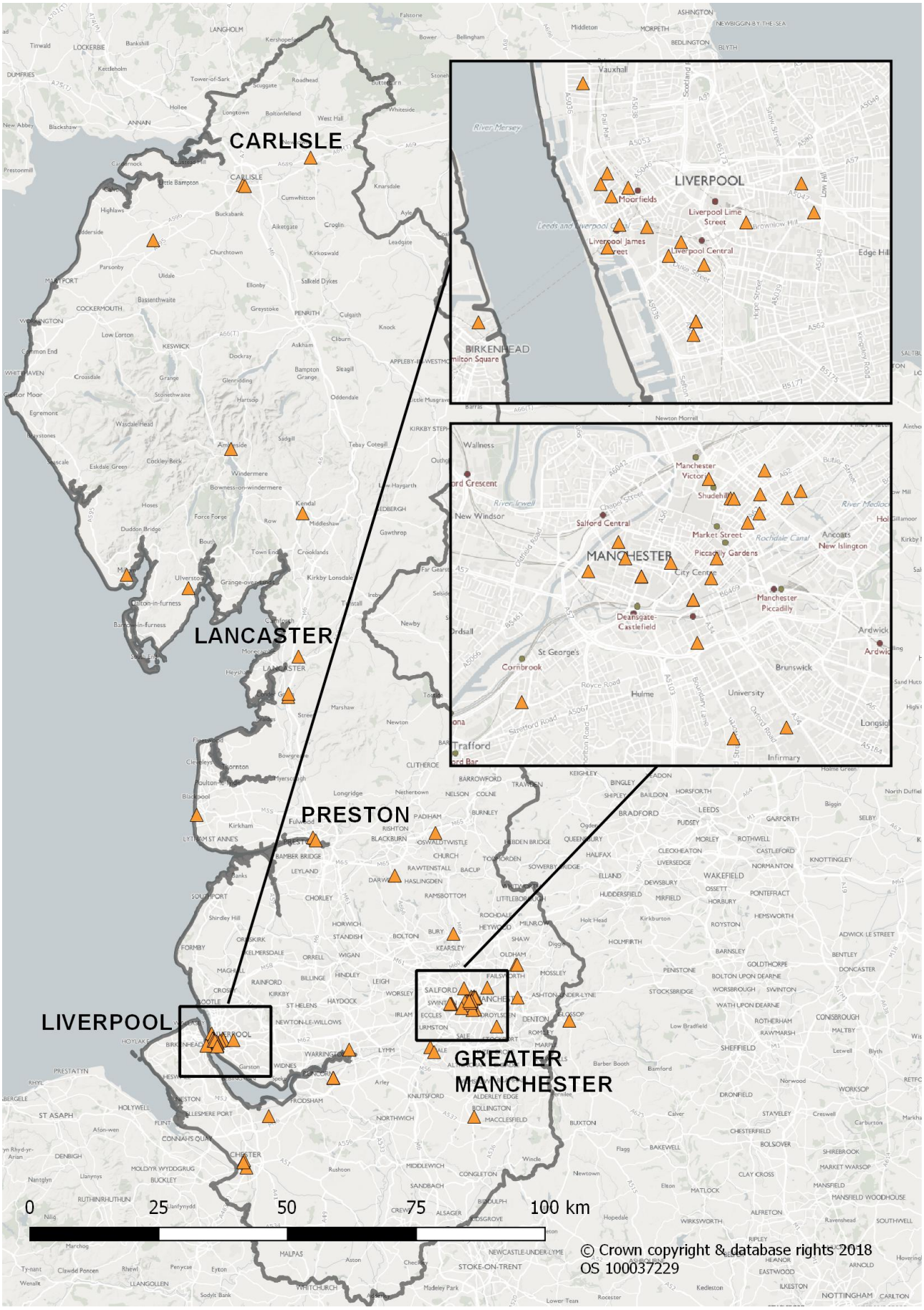
17. The largest number of additional IACs was found in Greater Manchester (25, comprising 3 incubators, 2 accelerators and 20 co-working spaces) followed by Liverpool City Region (12, comprising 1 incubator and 11 co-working spaces), Cumbria (7 co-working spaces), Lancashire (6, comprising 1 social impact accelerator and 5 co-working spaces) and Cheshire and Warrington (2 co-working spaces).

[53] Available at: https://technorthhq.com/ecosystem/ecosystem-map-project/

[54] Some of the additions may reflect accelerator programmes that have launched since the research for BEIS was completed.

Figure 6: Map of Incubators, Accelerators and co-working spaces in the North West[55]

[55] Note that in areas of high IAC density triangles may overlap and individual IACs are not distinguishable


CARLISLE
LANCASTER
PRESTON
LIVERPOOL
GREATER MANCHESTER
LIVERPOOL
BIRKENHEAD
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25
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4.Opportunities and challenges for IACs in the NW

4.1. This chapter summarises the key findings from the interviews with IACs across the North West[56], highlighting the opportunities and challenges for IACs in the region. It also provides a deeper understanding of these workspaces, including their business model and how they work. The case studies covered a range of models, sectors and geographical locations throughout the region.

4.2. GMCA also interviewed TechNorth and a number of workspaces in London which offered further insight, including issues that could be deterring IACs from locating in the North West and opportunities that could boost the number of IACs in the region.

Methodology

4.3. Interviews were held with 15 IACs in the North West, with each sub-region represented. The majority of workspaces interviewed were co-working spaces, though seven of these also offered incubator facilities (including Riverside Innovation Park in Chester and Info Lab 21 in Lancashire). Two accelerator programmes were identified (J D Works, which run one programme per year through L Marks and the Bio Hub based at Alderley park).

Reasons for set up

4.4. The majority of IACs had been set up within the last five years, although several had been established longer (e.g. Millom in Cumbria and InfoLab21 were established 12 years ago and Baltic Creative 8 years ago). Four had opened within the last 12 months (Accelerate Places, Ashton Old Baths and We Work in Greater Manchester and Sensor city in Liverpool). Most of the IACs interviewed were private sector run.

4.5. The interviews revealed that IACs may be established for a number of reasons:

- To fill a gap in the market
- To support the regeneration of an area / help community grow
- To tap into growing number of digital, creative and tech businesses (particularly in Manchester)
- Business / University collaboration

Why firms use IACs

4.6. IACs highlighted a number of key features that attracted firms to these workspaces including:

- A central, accessible location with plenty of parking
- Cost effective office /lab space with meeting rooms / breakout space
- Attractive/impressive workspaces - firms are happy to bring clients in for meetings
- Flexible terms - no long term leases

[56] A full list of interview questions and the IACs interviewed can be found in Annex 2. A summary of each interview is available on request.

- 24/7 access - allows firms to create a work routine that suits their lifestyle
- Access to investors
- Sense of community and the opportunity to work with others in the same industry and in other industries.
- Close proximity to world leading academics (and opportunity for universities to keep up to date with latest ideas / thinking etc) or like-minded firms / cluster
- Address / location (city centre location or linked to highly regarded university and having a professional address rather than a home address)
- Access to tech they wouldn't otherwise have access to, e.g. The Landing
- Community focus (Halton Mills and also Baltic Creative through its Community Interest Company)

16. The workspaces interviewed also cited a number of unique features that enhanced their offer, including:

- Physical buildings of some IACs were sometimes unique or iconic e.g. Ashton Old Baths, and this made it an attractive option for firms
- University / business collaboration was a unique model (e.g. InfoLab21), although more common now. Incubators significantly benefit from links with academic institutions that support their drive and vision
- MediaCity:UK cluster is unique – difficult to replicate in other areas
- 97% renewable energy (Community-supported hydro electric plant; solar panels – Halton Mills)

17. Workspaces located in cities (Liverpool and Manchester) highlighted a vibrant cultural heritage, an established and desirable business location and good and improving infrastructure as a key reason for locating there. Manchester International airport was particularly attractive to We Work, given its international presence and this was a further reason for the establishment of its two new offices in Manchester.

Case study: Baltic Creative Community Interest Company (CIC)
Baltic Creative CIC was formed in 2009 with the help of an ERDF and NWDA grant, used to purchase and refurbish 18 warehouses in a semi-derelict area of Liverpool known as the Baltic Triangle. Baltic Creative sits at the centre of the Baltic Triangle and provides workspace for digital, creative and tech companies. It is close to the Albert Dock and Liverpool One and this central location is part of its appeal. The CIC means that all profits are reinvested back into the buildings, tenants and sector itself and commits Baltic Creative to support the growth of the digital and creative sector in the city region. They currently manage 120,000sqft of workspace which will increase to 160,000sqft in 3 years. This accounts for around 1/30th of the Baltic Triangle space. The development has played a major role in the regeneration of the area. Factors contributing to its success include: access to investors, business support, an environment for clustering, a central location and wider investment in the area. A new long term plan to be released in 2018 will provide reassurance for investors. The property is fully let and currently has 130 enquiries for space, which gives them confidence that the demand is there and plans for growth are informed and sustainable. 70% of tenants collaborate including shared

Size, scope and operation

4.7. There were significant differences in the size, scope and operation of the IACs interviewed and these differed between areas. For example, in Cumbria, workspaces tended to be smaller and provide fewer services. They also often operated in quite an informal way (e.g. Marl, Cumbria which also highlighted its open tenant/landlord relationship). IACs in the cities of Liverpool and Manchester tended to occupy larger premises and provide a wider range of support services. Some were part of bigger developments or clusters of like-minded organisations (e.g. Baltic Creative, part of the Baltic Triangle in Liverpool and The Landing, part of MediaCity:UK in Greater Manchester) and had played a key role in the redevelopment of the areas in which they were located. We Work was by far the largest provider interviewed, with office spaces across the world, including the UK, with two sites recently opened in Manchester. Several IACs were backed by universities (e.g. 3 at University of Chester, InfoLab21 at University of Lancaster and Sensor City at University of Liverpool and LJM University). One of the spaces (Halton Mills) operated as a cooperative, providing live/work space, with many residents working from the mill located next door to a development of 41 eco homes.

4.8. The majority of IACs provide space for companies ranging from start-ups to companies with up to 20 employees and most firms tended to use the workspaces as their permanent base. A broad range of firms use these spaces, both within the public sector and private sector. Users ranged from large enterprise companies such as banks and law firms to start ups and freelance artists, designers, writers, app-developers etc. Most IAC's required tenants to either work in the relevant sector (where applicable) or have a good fit with their aims and ambitions. The Universities tended to let space to firms whose business marries with the research that is being undertaken by the University and who were interested in collaborating and working with students. Most of the workspaces interviewed were full or near full, with the exception of the two that had opened in the last 12 months (Accelerate Places which is 60% full and Sensor City which was 25% full on opening and hopes to be 50% full by summer 2018).

4.9. Several IACs cited the rise in interest from corporates leasing workspace (e.g. LMarks, We Work). This aligns with national research which found that companies including Microsoft, Barclays and Telefonica UK have entered the market in the last three years[57]. Corporates are attracted to the flexible, cost efficient, space and the access they gain to a creative community. The co-locating of start-ups and corporates enables start-ups to benefit from corporates' expertise, and corporates to benefit from the ideas and technology being developed by the start-ups. Notably, the London based IACs interviewed by GMCA placed a strong emphasis on connecting corporates or investors with start-ups to drive innovation and further research also suggests this is a critical element of a successful ecosystem[58].

Services provided

4.10. The IACs interviewed provided a wide range of services though this varied between workspaces. The most common services provided included:

[57] O2, op cit

[58] ibid

- Office space/lab space (including meeting rooms, video conference facilities, IT support)
- Hot desking space
- Access to investors
- Business support
- Training
- Mentoring
- Access to academic expertise (where linked to University)
- Events / workshops / talks
- Networking

Demand for space

4.11. Demand for workspace varied significantly between locations, though it also depended on the business model in place. Well established, centrally located workspaces such as MediaCity:UK and Baltic Creative in Liverpool experienced a high demand for space (Baltic Creative in Liverpool has a waiting list). By comparison, both of the case studies in Cumbria stated that whilst they try to ensure firms have a good fit to their aims the main aim is to fill the space in order to ensure their survival - there was a need to 'break even'. This would seem to support evidence which has shown that it is more difficult for IACs to survive in rural areas. Incubators that were based at universities (e.g. those based at Chester and Lancaster) seemed to experience significant demand and a key reason for this was thought to be the access they offered to academic expertise.

Funding

4.12. The vast majority of IACs GMCA spoke to had received public funding – ERDF and RDA funding featured heavily in initial set up of many of these workspaces. Several mentioned they were aiming to become more sustainable going forward. Only We Work, Accelerate Places and J D Works had not received any public funding.

Sectors

4.13. The vast majority of IACs were focused on digital, creative and tech businesses - of the 15 IACs interviewed by GMCA, 9 were focused on the digital / tech sector. A range of other sectors were also represented including: Food science and innovation, Engineering, Advanced Manufacturing, Energy, Automotive and Environment / eco focus.

Outputs

4.15 The most common outputs cited by IACs included jobs safeguarded, jobs created, companies created, business support provided and a rise in company profits. Increased graduate retention was also cited as an output where firms had taken on students based at Universities.

Criteria for success / opportunities

4.20 IACs cited a number of factors that were considered to make workspaces successful:

Case study: The Landing, MediaCity UK, Salford Quays
The Landing supports start-ups in the digital and creative sector, providing managed office space, lab space and an incubator programme that runs every quarter. It's primarily funded by Salford City Council and ERDF. Rents are subsidised by the Council as start-ups cannot afford typical MC:UK rents but benefit from being part of the MC:UK cluster. It has space for 120 businesses over 7 floors and 50,000 sq ft. Companies can stay for up to two years and range in size from 1–20 people. The Landing is a unique space - particularly with the MC:UK cluster, which allows start-ups to work alongside more established media and tech companies. It has a global appeal, including interest from India and China who are keen to learn how this ecosystem was created and how to replicate it. The last few years has seen a greater focus on engaging with companies based there - making introductions and encouraging collaboration - and also building links with the local community. 'Arrive' was recently set up and provides move on space for those firms that have outgrown The Landing within the MC:UK cluster. The key factors that make it successful include: the fact that it is private sector run and has a CEO, who champion's The Landing and the MediaCity:UK story (also a dedicated person in London), its location, business support / networking opportunities and introductions to investors /other firms. In 2015, an economic impact report revealed that activities at The Landing, and at companies that have

- An overall key finding was that in order to be successful these workspaces needed to provide more than just a space to work: it is the ecosystem and social infrastructure (including investors, corporates and mentors) that make these spaces successful.
- Having an experienced private sector company to run the workspace (as is the case with the public sector owned Ashton Old Baths). A key ingredient in the success of IACs is the entrepreneurial drive and vision of their founders and management teams, which is often a difficult ingredient to replicate. The view from IACs that were privately run was that the public sector cannot adequately fulfil this role. Further evidence also suggests that it is best for the public sector to focus on ways to facilitate the activities of IAC providers rather than becoming direct providers[59].
- Having someone act as a broker who knows every member and makes the relevant connections for them, introduces companies to one another, to the universities, investors etc seemed to be a successful strategy – several IACs had appointed people in this role (e.g. The Landing, Accelerate Places, We Work and also L Marks who run the J D Works programme and Sensor City).
- Having similar / like-minded businesses under the same roof / in vicinity aids collaboration / creates networks / innovation
- Providing the right environment for clustering (Baltic Creative, MC:UK)
- Space for informal collaboration: All spaces recognised the value of having a café / tea stations as a means for informal collaboration. The majority of IACs interviewed had a café or were planning to have one.
- Connecting IACs / offices in different locations: We Work members are able to connect with 200,000 members worldwide through their app. Rise (Barclays) has someone who acts as a broker / connects firms to other firms in other countries, which makes it easier for firms to make linkages.
- A key point made by IACs in London was the need for areas to build on their individual and collective strengths / what is already there (e.g. nuclear / wind / energy sector in

[59] GLA, op cit

Cumbria and Advanced Manufacturing across the region) and follow the market/ entrepreneurs, rather than try to replicate something that works elsewhere.

- Several of the London based IACs felt there was more of an opportunity in the NW for the public sector to support/facilitate corporate engagement with the start-up community. The public sector could make the engagement less risky - part funded / match funded.
- IACs in London felt that there was an opportunity for IACs to support regeneration / town centre re-purposing but again reinforced the point that it is not just about providing the physical space, but rather creating an ecosystem with investors, corporates and mentors.

4.21 Overall, the majority of those interviewed felt that it was the combination of the support services provided, the networking opportunities offered, mentoring, access to investors and a good 'mix' of firms that contributed to the success of a workspace. Research by Tech North also supports this, finding that affordable co-working spaces, experienced mentors and networking that IACs enable is hugely important to the growth and success of digital businesses[60]. Most IACs are keen to encourage / support collaboration between firms and organise events / dinners to aid this. Many said that collaboration does occur organically anyway. This could be collaboration over shared space, shared services, joint pitching, shared buying etc. The level of collaboration varies significantly (e.g. both We Work and Baltic Creative said 70% of firms collaborate in some way whilst others such as InfoLab21 said that there was not always the crossover between firms for collaboration to occur). InfoLab21 flagged that firms that do collaborate / engage pay reduced rent so this is an incentive.

Barriers facing IACs

16. The biggest issue facing the IAC's interviewed was a lack of move on / 'grow on' space. This is potentially a market failure as firms are continuing to rent this cheap space, preventing real start-ups from moving in. Recent research undertaken in Lancashire supports this finding, identifying a lack of grow on space for digital firms specifically as a significant issue[61]. Several IAC's (e.g. Marl in Cumbria, and InfoLab21 in Lancashire) had the space to accommodate growing firms but needed additional funding to allow them to develop other workspace on the same site. Other IACs would support tenants to find alternative space in the sub region. Some firms moved to other parts of the NW but most workspaces didn't deem this an issue if they remained within the region.

17. Other issues flagged included the need to:

- Increase efforts to attract VCs and angel investors who can provide vital funding for start-ups and make it easier for start-ups to access these VCs / investors. Currently, the majority of angel investors are concentrated in London or the South East (57%) with only

[60] Available at: https://technation.techcityuk.com/ecosystem/

[61] Nowhere to grow: Office space for digital and tech companies in Lancaster Survey Results and Report (2018) Digital Lancashire

7% in the North. Increasing the number of business angels offers a potential solution to address regional differences in the availability of equity finance[62].

- Address the lack of corporate offer. London based IACs in particular felt that the North didn't currently have the corporate offer that would attract IACs.
- Affiliate with workspaces in different cities to offer the flexibility to work between different offices. London IACs flagged the need for IACs in the NW to have better links with the Capital or a London base if they are to attract the big investors (located in London)
- Better coordination between IACs and growth hubs – including joining up hubs in rural areas and linking rural hubs with urban hubs
- Solve problems that the market faces and remove barriers to growth - cost is a major factor for start-ups so subsidising rents would help significantly
- Educate firms as to what accelerator programmes can offer / the value they add
- Adequately prepare companies to operate in the private sector (some firms still struggle despite support from being sheltered during incubation)
- Address lack of parking on site / access issues (distance from train station etc)
- Create an easy / accessible way for start-ups to find commercial opportunities and bid for public sector contracts
- Develop supporting infrastructure e.g. re-opening of railway station within Baltic Triangle

18. In Greater Manchester, several partners voiced concerns about the impact that the opening of the We Work sites could have to the existing workspace offer in Manchester. Further feedback from the inward investment agency in Greater Manchester suggests that there is a need to address the lack of accelerators if the sub-region is to fulfil its ambitions of becoming a start-up hub. It cited an example of an accelerator that was offered funding to locate in GM but still went to London, further highlighting the significant pull of the Capital.

5. Policy recommendations for the North West

6.1 This report has provided detailed analysis and insight into the incubator, accelerator and co-working space landscape in the UK and NW, including the opportunities and challenges for IACs. A key finding has been that it is not just the space itself but rather the ecosystem and social infrastructure that make IACs successful.

6.2 Overall, the North West has a relatively high number of IACs compared to other regions, suggesting that it does possess many of the ingredients required to create a successful workspace ecosystem. However, activity is still overwhelmingly concentrated in London and the analysis has flagged a number of issues that need to be addressed to better support the ecosystem in the North West. This will ensure that the region is able to fully realise the benefits of these workspaces and the innovation that occurs within them to boost productivity and economic growth. A key part of this work is to understand the different offers that each sub-region might choose to follow. This final chapter presents a set of policy recommendations for NW sub regions to take forward based on the findings presented in this report.

Policy recommendations

[62] Small Business Finance Markets 2017/18, The British Business Bank

- ***North West sub regions should develop models and programmes for public sector investment in the provision/support of IAC-related activities and buildings that address market failure.*** In particular NW sub regions should consider the scope to fund new workspaces in areas which are currently underserved by the open workspace market but that with investment would benefit from workspace growth. Sub regions should also support the development of clusters in different areas, an ambition set out in the industrial strategy and the northern powerhouse independent economic review. It should also support efforts to create incubators and co-working spaces in communities beyond the major city centres, a key recommendation of the NPP report. Specifically sub regions should seek to:

    - ***Explore how the public sector can help address the gap in the provision of move on space for growing companies.*** This could include assistance with provision of suitable low-cost spaces for entrepreneurs; tracking the length of leases remaining on public property, and marketing and granting short term leases to IAC operators where suitable space is vacant. As part of this, ***NW sub regions should explore opportunities to bring derelict buildings back into use as innovative workspaces as part of the regeneration and transformation of localities, including the re-purposing of town centres*** (supporting infrastructure should also be developed in line with developments). In particular, there is a need to re-purpose existing assets, such as mills, as identified in a recent NPP report[63]. In addition, ***sub regions should encourage workspaces to have a clear path for how they can support firms once they have grown beyond the space they offer.*** Incubators may benefit from additional support in relocating to move on space (second stage incubator space where firms are supported to adjust to working in private sector) and sub regions should encourage providers to offer this. Ensuring that there is sufficient space for firms to grow is also something that areas should consider as part of their spatial planning.

    - ***Explore how the public sector can support firms post-IAC***, perhaps through a second IAC stage and explore how it might ***establish spaces/programmes for firms in the early growth stage (links to MOUs below)***

    - ***Work with developers and partners to ensure developments include open workspaces in areas that would benefit from workspace growth.*** This recognises that some of the most effective spaces are commercially led, therefore facilitating and enabling this is a big part of the process (i.e. NW is open for business mentality).

- ***NW sub regions need to increase efforts to attract investors / business angels*** who can provide vital funding for start-ups and make it easier for start-ups to access these investors. This could include **developing a proposition to share with potential investors and better promotion of the NW offer.** NW sub regions should also ensure that they maximise the benefit of the NPH Investment Fund, which will enable more small businesses to access finance and the British Business Bank, which is appointing new Regional Managers to ensure businesses know how to access investment. Evidence and

[63] NPP, op cit

feedback from some case studies suggests that a lack of investors is inhibiting development in regions outside London[64].

- Linked to this, NW sub regions need to **better promote the value of these workspaces through increased marketing of the region's offer and its sector strengths**, particularly digital/tech, science and advanced manufacturing. This in turn could help the region to **attract more corporate support for IACs.** In particular the NW needs to maximise its strengths in the finance hubs of Manchester and Liverpool. As part of an increased marketing effort, NW sub regions should also **encourage improved coordination between IACs, including potentially through affiliation and the use of MoU's.** This could, for example, be an opportunity to share information and best practice between hubs and run joint events that would facilitate greater collaboration between firms. Affiliation with workspaces in different cities would also offer the flexibility to work between different offices. This may also be a way to address the lack of move on space if affiliated workspaces each offered space for businesses of different sizes (e.g. 1-2 employees, 2-5 employees, 6-10, 11+ etc). In addition, there is an opportunity to explore opportunities to connect rural hubs, and also potentially connect rural hubs with those based in urban centres as this may help to retain them in the local area and enable them to benefit from more opportunities (collaboration, networking etc).

- ***The North West, through the RLB, should collectively seek urgent clarification from Government regarding future funding arrangements for those IACs that are heavily reliant on ERDF,*** which will cease shortly after the UK leaves the EU.

6. Annex 1 – List of IACS in the North West

Incubation Type	Programme name	Organisation name (if different)
Cheshire and Warrington		
Accelerator	North of England Life Science Accelerator	BioCity Group
Incubator	Riverside Innovation Centre	University of Chester
Incubator	NoWFOOD Centre	University of Chester

[64] Including for example, research previously cited by O2 and the British Business Bank

Incubator	High Growth Centre	University of Chester
Incubator	I-TAC Labs	Science and Technology Facilities Council
Incubator	STFC CERN Business Incubation Centre	n/a
Incubator	STEP Space Business Incubation	Daresbury Laboratory
Incubator	Sci-Tech Daresbury	Science and Technology Facilities Council
Coworking space	Industry Chester Coworking	
Coworking space	The Base	
Cumbria		
Coworking space plus	Ambleside Rural Growth Hub	University of Cumbria
Coworking space	Carlisle Business Interaction Centre	University of Cumbria
Coworking space	Millom Network Centre	
Coworking space	Mintworks	
Coworking space	MARL Business Hub	
Coworking space	Britains Energy Coast Business Cluster	Britain's Energy Coast
Coworking space	Brampton Business Hub	Brampton Community Centre
Coworking space	Cumbria Business Growth Hub	
Greater Manchester		
Accelerator	Ignite Accelerator (Manchester)	Ignite
Accelerator	JD Works 2017	LMArks
Accelerator	Dotforge Impact (Manchester)	Dotforge
Accelerator	Manchester Hatchery / Entrepreneurial Spark	NatWest
Accelerator	Excelerate Labs	The Women's Organisation

Accelerator	MadLab Arts & Tech Accelerator	n/a
Accelerator	Open Future_ North	Wayra UK
Accelerator	Beautiful Ideas (Salford)	Hub Launchpad
Accelerator	Pioneer 10	Stockport Business & Innovation Centre
Accelerator	Up Accelerator	Up Ventures Group
Coworking space	Atlantic Business Centre, Altrincham	Bizspace Ltd
Coworking space plus	Rise Barclays (Manchester)	n/a
Incubator	Manchester Incubator Building	University of Manchester
Incubator	Innospace	Manchester Metropolitan University
Incubator	MedTech Incubator	Manchester Science Park
Incubator	Origin	University of Salford (Spark Studio)
Incubator	Stockport Business Innovation Centre	N/A
Incubator	Ashton Old Baths Innovation Centre	N/A
Other	Business Growth Hub	Manchester Growth Company
Other	SLP Manchester	
Accelerator	Ignite Pre Accelerator (Manchester)	Ignite
Coworking space	The Federation	The Federation
Incubator	The Landing	
Coworking space	Accelerate Places / Tech North	Accelerate Places
Coworking space	SpacePortX	
Coworking space	WeWork No. 1 Spinningfields	WeWork
Coworking space	WeWork St Peter's Square	WeWork
Coworking space	Sharp Project	

Coworking space	Central Working	
Coworking space	Ziferblat, Manchester	
Coworking space	Ziferblat, MediaCity	
Coworking space	Assembly MCR	
Coworking space	Beehive Lofts	
Coworking space	OGS Works	Old Granada Studios
Coworking space	Space Studios Manchester	
Coworking space	AltSpace	
Coworking space	Newtons Of Bury Coworking	Red Frog Group
Coworking space	Glossop Gasworks	
Coworking space	BizSpace	Bizspace Ltd
Coworking space	Colony Coworking	
Coworking space	Bruntwood Office Space Neo	
Coworking space	Workplace	
Coworking space	Headspace	
Accelerator	Wayra, Oldham	
Accelerator	Ignite 300	
Incubator	My Idea	
Incubator	espark (RBS)	
Lancashire		
Incubator	The Northern Lights Business Incubation Unit	University of Central Lancashire
Other	Social Impact Accelerator	FSE Group

Coworking space	Society 1	
Coworking space	InfoLab21	Lancaster Uni
Coworking space	cTAP	Lancaster Uni
Coworking space	Halton Mill	
Coworking space	Work at Over Darwen House	
Coworking space	EC2 Office Services	Blackpool Unlimited
Liverpool City Region		
Accelerator	Beautiful Ideas (Liverpool)	Hub Launchpad
Accelerator	Excelerate Labs	The Women's Organisation
Incubator	Women's International Centre for Economic Development (WICED) / 54 St James Street	The Womens Organisation
Incubator	Liverpool Life Sciences Accelerator	Liverpool Health Campus / Mersey BIO
Incubator	MerseyBIO Business Incubator	University of Liverpool
Incubator	SparkUp	n/a
Incubator	Launch22 (Liverpool)	Catch22
Coworking space	Ziferblat	Ziferblat
Coworking space	Sensor City	
Coworking space	Liverpool Innovation Park	
Coworking space	DoES Liverpool	
Coworking space	Avenue HQ	The Avenue Group
Coworking space	Signature Works (the bling building)	
Coworking space	Signature Works (old hall street)	

Coworking space	Signature Works (arthouse)	
Coworking space	The Sheds at Pacific Road	
Coworking space	CoWorkz	
Incubator	Santander Incubator	Santander
Coworking space	Basecamp Liverpool	

7. Annex 2 – IACs interviewed and interview questions

IACs interviewed

A list of IACs interviewed as part of this research is provided below. A wider list of those IACs approached for interview is available on request.

Cheshire and Warrington
BioHub at Alderley Park

Riverside Innovation Centre
NOW Food
The High Growth Centre
Cumbria
Millom Network Centre
MARL Business Hub
Greater Manchester
The Landing
Accelerate Places
J D Works 2017
Ashton Old Baths
WeWork Manchester
Lancashire
InfoLab21, Lancaster University
Halton Mill, Halton, nr Lancaster
Liverpool City Region
Baltic Creative
Sensor City
London
Bakery
Geovation
Innovation Warehouse
Tech North

Interview questions

1. When was it set up? What does it look like?
    - How big is the workspace sqm
    - No of people / seats

2. How is the workspace run? Business model?
    - Private?
    - ‘Subsidised’ by prime users?
    - Publicly funded?
    - Social/community enterprise

3. Who uses the workspace?
    - Individuals? Small firms?
    - What industries?

4. Why do they use the workspace?
    - Is it because it is cost effective/an easy option?
    - Is it for the opportunity to work alongside others?
        i. In the same industry?
        ii. In different industries?

5. How do they use the workspace?
    - As a permanent location?
    - As a part-time location?
        i. If so, do they use other, similar locations?
    - As an occasional location? (i.e. for meetings/overspill)

6. How do they interact with other users?
    - Formal? (i.e. do they use shared workspaces like any other office space)
    - Semi-formal? (i.e. regular meetings with a number of other users)
    - Casual? (i.e. in the coffee/break room areas, etc.)

7. Examples of outputs/outcomes from using the workspace
    - New contacts that will add value to work
    - Demonstrable – new ideas, led to commercialisation of ideas, led to funding of ideas, other

8. Why has this space been successful?

9. What makes this space different? (e.g. unique features)

10. Does using shared workspace have any limitations?
    - Confidentiality/secrecy issues
    - Limited opportunities for networking (i.e. same people, few spaces for meetings, etc.)
    - Narrow group of users (i.e. same industries, etc.)