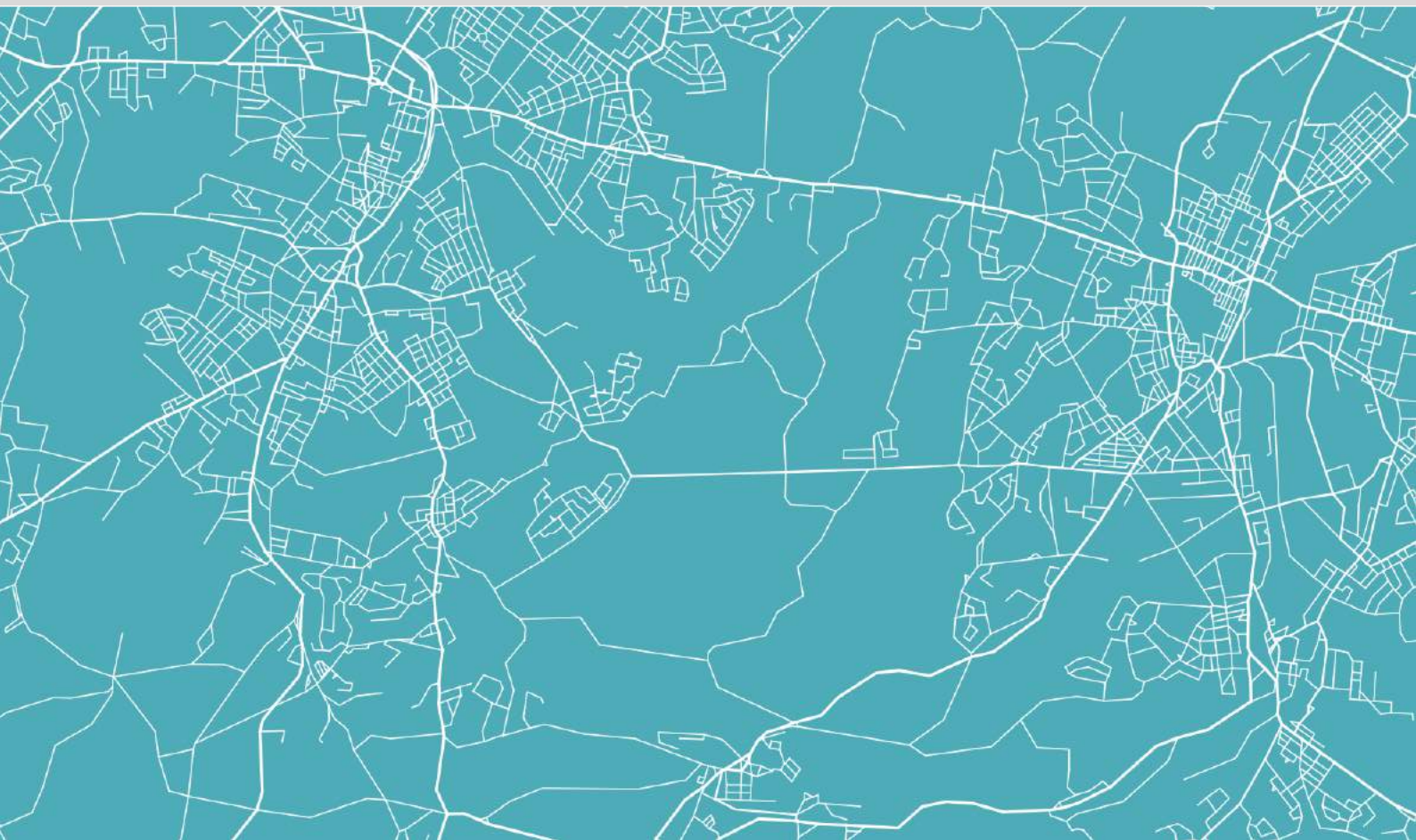
Feasibility Study for a digital incubator in Peterborough

A Metro Dynamics report for Opportunity Peterborough



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Executive summary

Peterborough is a fast-growing city with an increasingly dynamic economy. A centre of advanced manufacturing, the number of jobs in knowledge-intensive businesses has grown faster than in Cambridge in recent years. Towns Fund investments in the city centre and the opening of Anglia Ruskin University Peterborough over the next few years will build towards creating an attractive and affordable city that attracts young people, with the skills facilities to train a new generation of business leaders.

There are, however, persistent skills gaps between Peterborough and the regional and national averages, and high levels of deprivation. Finding ways to connect local people to the skills they need to access decent, well-paid jobs is an important step to continuing Peterborough's development.

This report is a feasibility study on the potential for a digital incubator in Peterborough - one of Peterborough's proposed (though unfunded) Town Deal projects. This report analyses the local market demand for a digital incubator, reviews the quantity and standard of comparable local premises, and explores exemplars. It combines analysis of relevant data with consultations with local educational institutions and workspace providers.

Cambridgeshire and Peterborough is a national hub for digital industries, but most of this activity is concentrated in the Greater Cambridge area. Regional strategy recognises the need to increase growth in Peterborough: while the city's digital economy is growing steadily, it is neither the most mature nor the fastest growing in the region. There is a lack of appropriate small business incubation facilities in Peterborough which could support an increasingly dynamic digital economy in the city.

Nevertheless, there is a major opportunity to retain and develop a pipeline of graduates in Peterborough. ARU Peterborough, alongside Peterborough College and University Centre Peterborough, offer targeted courses in emerging digital specialisms. Supporting these to find employment opportunities through an incubator programme, linking graduates to job opportunities in small firms around the city, or encouraging them to start out on their own, is an appropriate step to building on recent growth.

Next steps:

- **Adopt a pre-accelerator programme**.
- **Continue engagement with partners**.
- **Identify a potential partner for a joint venture, or an operator for a digital incubator space**.
- **Identify a building or site that links with growth aspirations.**
- **Work with the CPCA to align strategy and unlock funding opportunities.**

1 Introduction

This report sets out the findings of a feasibility study on the potential for a digital incubator in Peterborough. Metro Dynamics has undertaken this work on behalf of Opportunity Peterborough, fulfilling a commitment in the Peterborough Town Deal of 2020.

This report:

- analyses the local market demand for a digital incubator in the city (the demand side factors);
- reviews the quantity and standard of local premises (the supply side factors); and
- explores similar operating models of successful digital incubators in order to understand the success criteria which a future investment would need to fulfil.

This is a high-level review, focusing on the feasibility and appropriate fit for a digital incubator in the local economy. The work to inform this report has consisted of a desk-based review of economic and property data in Peterborough, and local and national strategies. Furthermore, we have spoken to stakeholders in Peterborough, including workspace providers to scope the nature of local provision, and education providers to understand the shape of local demand.

2 Demand – Peterborough's digital economy

- Peterborough is growing at a fast pace. There are established strengths in high-tech manufacturing, and the share of jobs in knowledge intensive businesses is growing.
- There are persistent skills gaps between Peterborough and the regional and national averages, and high levels of deprivation.
- Tackling these skills challenges is necessary to creating more good quality jobs in Peterborough.
- Towns fund investment and new higher education provision in the city are opportunities to build momentum.

The Peterborough economy

Peterborough is a fast-growing city with an increasingly dynamic economy. Building on a long industrial history, Peterborough is a centre of advanced manufacturing. 20% of business turnover (revenue) in Peterborough comes from high-tech manufacturing, compared to a 9% UK average.[1]

Alongside this, the local service economy is growing at a fast pace, adding a range of service, financial, and professional companies to the local business base. The share of jobs in knowledge-intensive business services (KIBS) increased by 4% from 2014-18, one of the highest rates of increase in the UK, and in 2021 sat at 17% of all jobs, well above the UK average of 14% and slightly higher even than Cambridge.[2]

Peterborough's low housing costs, fast connections to London and Cambridge, and good schools have made it an affordable location for families and people at the beginning of their careers. For the last decade Peterborough has been one of the fastest growing cities in the country. In the most up-to-date figures, there were 67.6 new businesses per 10,000 population, above a national average of 53.3.[3] A recent report by business experts Bionic ranked Peterborough 13th in the index of best cities for independent businesses, with data showing 511 active businesses per 10,000 population.

There are persistent challenges which constrain this development. Qualification levels are lower than the national average, and Peterborough has traditionally underachieved on educational targets leading to a lower-skilled talent pool. This limits the wages and opportunities for residents to progress in their career. Graduates have tended to leave the

[1] https://investinpeterborough.co.uk/why-peterborough/sectors/manufacturing-and-advanced-engineering/
[2] Centre for Cities, Fast Growth Cities 2021 and beyond, 2021
[3] City factsheet, Peterborough, Centre for Cities.

area for opportunities in other cities; which has in turn dissuaded businesses from relocating to the area.

Table 1. Key Labour Market Indicators[4]

Indicator	Peterborough	East of England	GB
Proportion of 16-64s with no qualifications	7.6%	5.7%	6.4%
Proportion of 16-64s with NVQ 4+[5]	32.1%	39.2%	43.1%
Average Attainment 8[6] score at KS4	46.3	-	50.2
Proportion of employees with jobs in managerial, professional & technical occupations (SOC group 1-3)[7]	42.3%	48.9%	50.2%

In addition to the indicators above, in Peterborough:

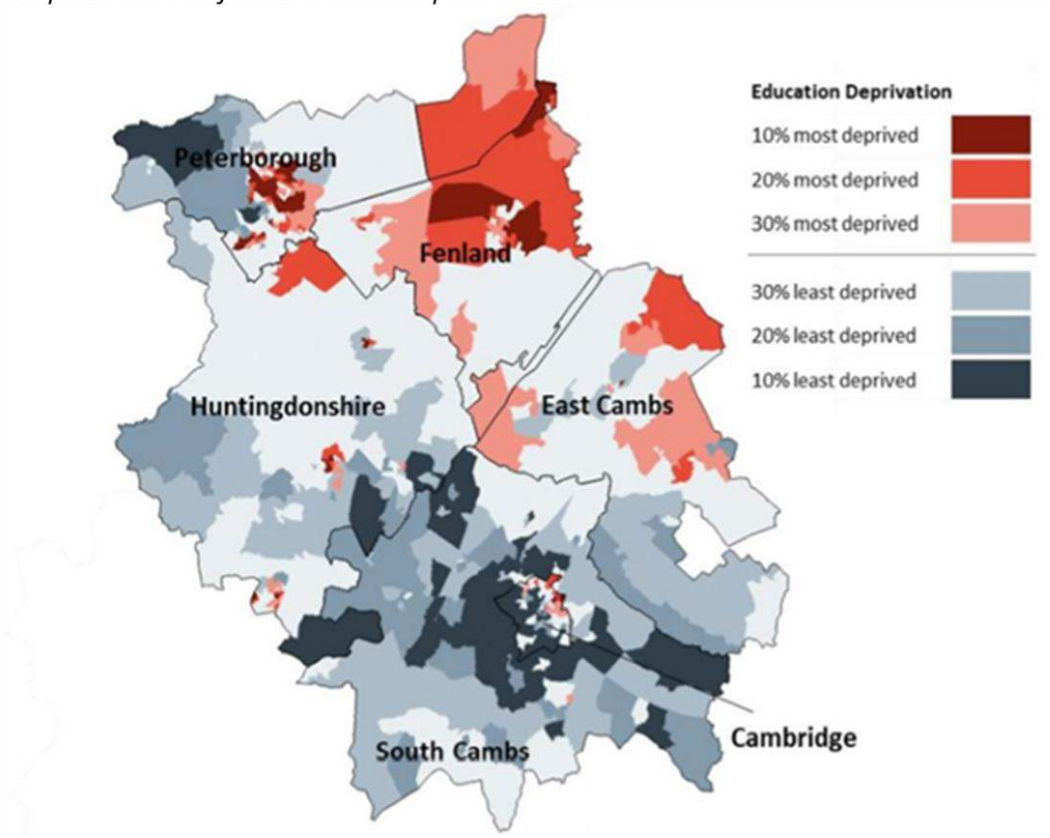
- Wages are 9% lower than the England average.[8]
- Productivity per worker is 11% below the national average.[9]
- 41% of neighbourhoods (LSOAs) within Peterborough rank within the 20% most deprived in the UK.[10]
- Social mobility is low, with Peterborough ranked 191st out of 324 local authority districts.[11]
- Healthy life expectancy is below retirement age in many neighbourhoods, and is declining in the most deprived areas.[12]

Long term structural problems in the labour market appear to have been exacerbated by the pandemic. Rates of Universal Credit claims in the city doubled in the 12 months from March 2020 to rise above 27,000 in a city with a workforce of 120,000.[13]

[4] Metro Dynamics analysis of ONS data
[5] NVQ4+ is a measurement of qualification level which is broadly equivalent to an undergraduate degree.
[6] 'Attainment 8' is a measurement which captures the progress a pupil makes from the end of primary school to the end of secondary school.
[7] Standard Occupation Classification (SOC) groups 1 – 3 are workers in managerial, professional and technical occupations.
[8] ONS (2021) Annual Survey of Hours and Incomes
[9] ONS (2020) Subregional productivity: labour productivity indices by UK NUTS2 and NUTS3 subregions
[10] Indices of Multiple Deprivation (2019).
[11] Social Mobility Index, 2016
[12] ONS Health and Life Expectancies, 2016-2018
[13] https://cambridgeshirepeterborough-ca.gov.uk/what-we-deliver/resilience-2/

Figure 1. Education, skills and training deprivation (IMD decile), 2019, for CPCA

Education, Skills and Training deprivation, IMD, 2019, for CPCA.
One in four LSOAs (neighbourhoods) in Peterborough are ranked in the most deprived decile for education deprivation.



Addressing these challenges while maintaining the promising business growth through its Town Deal, Peterborough will invest in new visitor attractions, the regeneration of its public realm, and skills projects to develop specialisms in future industries. These will build towards creating an attractive and affordable city that attracts young people, with the skills facilities to train a new generation of business leaders.

For many years, Peterborough lacked a higher education institution. The opening of the new Anglia Ruskin University Peterborough in September 2022 will increase access to practical and dynamic courses, many tailored to new technologies. The Green Technology Centre planned by Peterborough College will add to the major education providers in the city offering training in emerging technologies. Organisations such as Opportunity Peterborough, Peterborough Workspace, and Allia are working to create a business environment in Peterborough well suited to start-ups in emerging fields.

This network of education providers and business centres will be key to establishing a more productive innovation ecosystem in Peterborough. An innovation ecosystem refers to the networks and elements which support innovation in a place. More than physical space,

these are based on the interactions between knowledge-intensive organisations, businesses, funders, government, and the market.[14]

In places like Cambridge, collaboration between different sectors has fuelled its fast-growing technology economy over the course of many decades. 60% of the working age population in Cambridge has a degree level qualification, and South Cambridgeshire has 56%, far higher rates than the national average.[15] Cambridge's compact size facilitates networking between people of different disciplines, and specialist investors such as Cambridge Angels guide and nurture early ideas for ventures to succeed. It has led to Cambridge having the highest rate of patent applications in the UK with over 18 times the national average.[16] Peterborough does not yet have a functioning innovation ecosystem, but creating one will stimulate businesses and lead to higher value, good quality jobs in the city.

This feasibility study will assess the nature of the digital economy in Peterborough, providing the evidence for targeted activity to support the growth of digital in the city.

The digital economy

Headlines

- Peterborough's digital economy is growing steadily, but it is neither the most mature nor the fastest growing in the region.
- There are large and established businesses in Peterborough, specialising in broadcasting and computer consultancy.
- Software development and publishing and information services are growing, but remain a small portion of the local digital economy.

Analysis

Peterborough's digital economy is growing steadily. There are mature and successful firms in recording, publishing and broadcasting and computer consultancy, with firms such as BGL, Business Management Software Ltd and Bauer Media employing technical specialists in the city and its surroundings. But despite these local strengths, Peterborough is neither the largest nor the fastest growing digital economy outside of Greater Cambridge.

Data compiled by the Centre for Business Research at the University of Cambridge's Judge Business School provides an accurate and up-to-date view of the local economy. Compiled from a database of over 50,000 locally based companies, this provides data for turnover and

[14] Place Matters, Innovation and Growth in the UK, Bruntwood Scitech, 2020.
[15] Annual Population Survey, 2020, ONS.
[16] Cities Outlook 2017, Centre for Cities

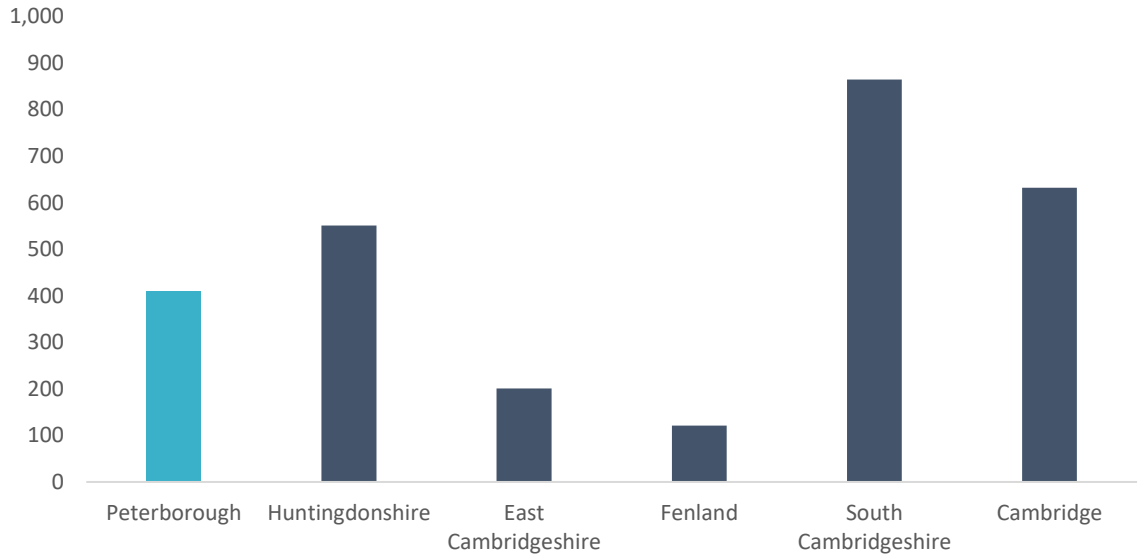
employment. For the purposes of this study, we have used the most up-to-date business draw from 2020-21.

We have supplemented this with Experian data on Peterborough's largest businesses. These are not directly comparable, and Experian's data is dependent on accurate reporting of information – there is normally a level of inaccuracy – despite this, it is useful for naming some of the key businesses in a local area identified in the CBR dataset and understanding their size. To define the digital economy, we have used a range of SIC codes to capture the different areas of specialism within the industry.[17]

In 2020-21, there were 410 businesses in IT and Telecoms in Peterborough and 1,997 jobs, making it the region's fourth largest digital economy. While both employment and turnover have grown over the last six years, this growth has been slower in Peterborough than in most other places in the region. The Greater Cambridge cluster, comprising Cambridge and South Cambridgeshire, remains the largest and fastest growing digital economy.

Peterborough's digital business base is just over a quarter of the size of the Greater Cambridge (South Cambridgeshire and Cambridge) equivalent. Huntingdonshire has over 100 more businesses, but Peterborough has a much larger base than the more rural economies of East Cambridgeshire and Fenland.

Figure 2. Business numbers, IT and Telecoms, Peterborough and comparators, 2020-21

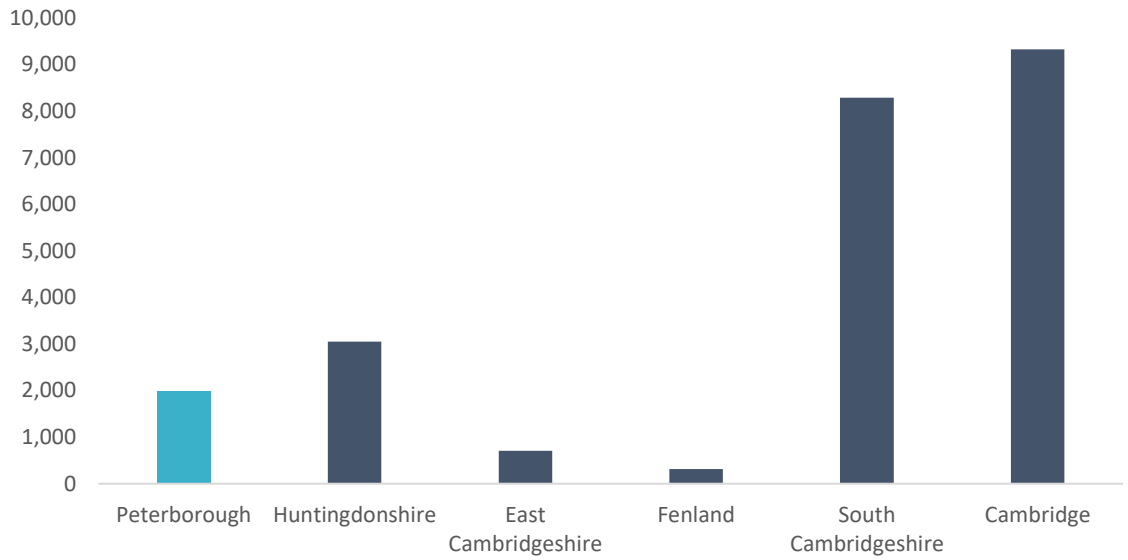


As with the total business numbers, most of the IT and Telecoms employment in the region is concentrated in the Greater Cambridge area, with 17,600 jobs representing three

[17] SIC codes included are: 2611, 2612, 2620, 2630, 26301, 26309, 26309, 2640, 2680, 4651, 4652, 5811, 5812, 5813, 5814, 58141, 58141, 5819, 5821, 5829, 5911, 5912, 5913, 5914, 5920, 6010, 6020, 6110, 6120, 6130, 6190, 6201, 62011, 62012, 6202, 6203, 6209, 6311, 6312, 6391, 6399, 9511, 9512. See http://www.siccodesupport.co.uk/ for a full list of definitions.

quarters of the total employment. Peterborough's share of employment, 8.4%, is much lower at 1,997 jobs, which is over a thousand lower than Huntingdonshire.

Figure 3. Employment, IT and Telecoms, Peterborough and comparators, 2020-21



The digital economy is growing at a slower rate in Peterborough than in other areas in the region. On average, employment grew by 4% and turnover 5% each year between 2014-15 and 2020-21. Only East Cambridgeshire had a lower rate of employment growth, while Fenland is the only place in the region with a lower rate of business growth.

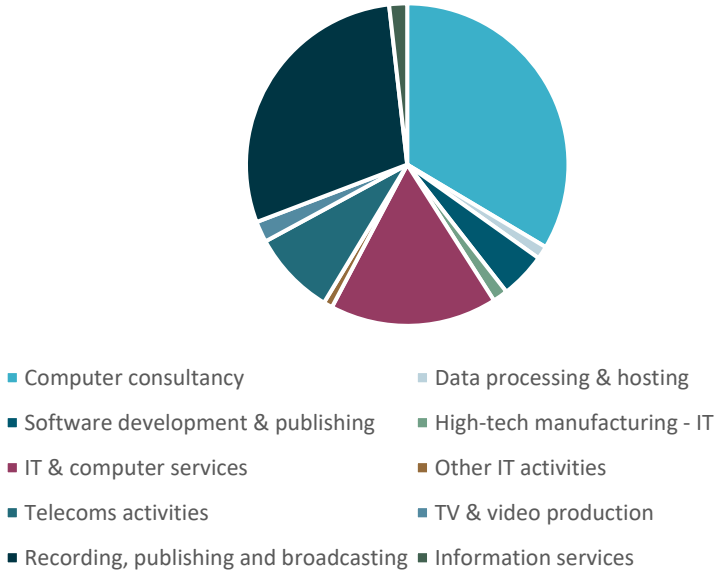
Figure 4. Six-year change p.a, employment and turnover in IT and Telecoms, 2014-15 to 2020-21

Local specialisms

Peterborough's digital economy is mainly comprised of consultancy, media, and support services. Of the nearly 2,000 jobs in IT and Telecoms, computer consultancy (670 jobs); recording, publishing and broadcasting (579); and IT and computer services (335) are the

dominant specialisms. This is a similar story for the business base. Just under half of local businesses are in computer consultancy, 45% of the total, and IT and computer services make up 19%.

Figure 5. Employment, IT and Telecoms sub-specialisms, Peterborough, 2020-21

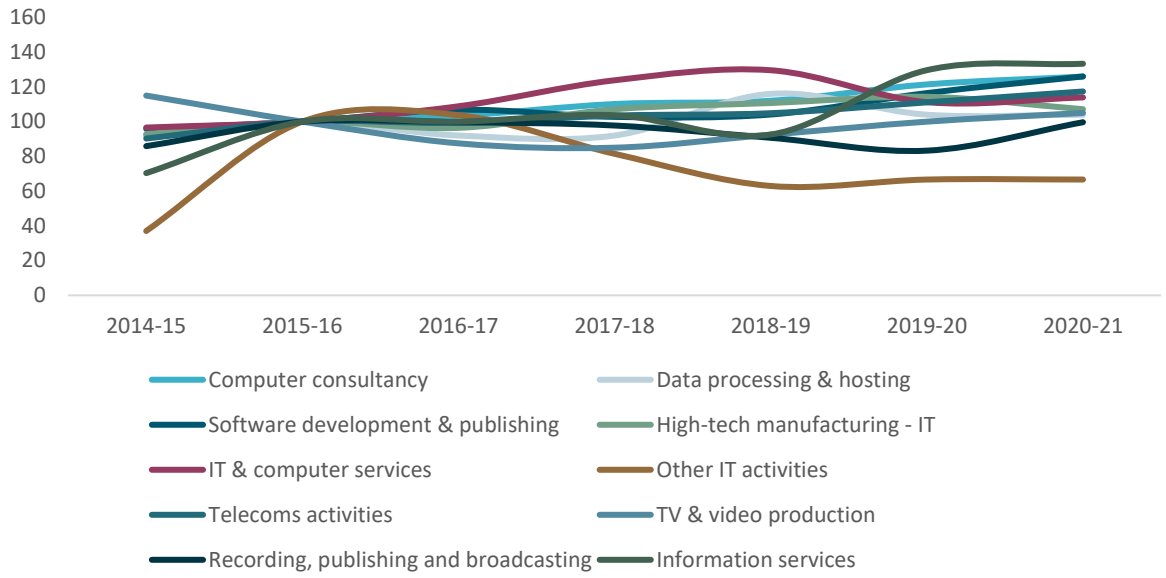


Most turnover is generated by broadcasting and computer consultancy. Recording, publishing and broadcasting generated £196m in turnover in 2020-21, and computer consultancy generated £114m, together representing over 70% of the total turnover for IT and telecoms in Peterborough.

In broadcasting, major firms include CRB Audio Limited and Bauer Consumer Media Limited, which employ 81 and 57 people respectively.[18] Business Management Software Limited and CDD Automation Solutions are large businesses in the systems design and computer consultancy space.

[18] N.B. Data is from Experian, which can be out of date.

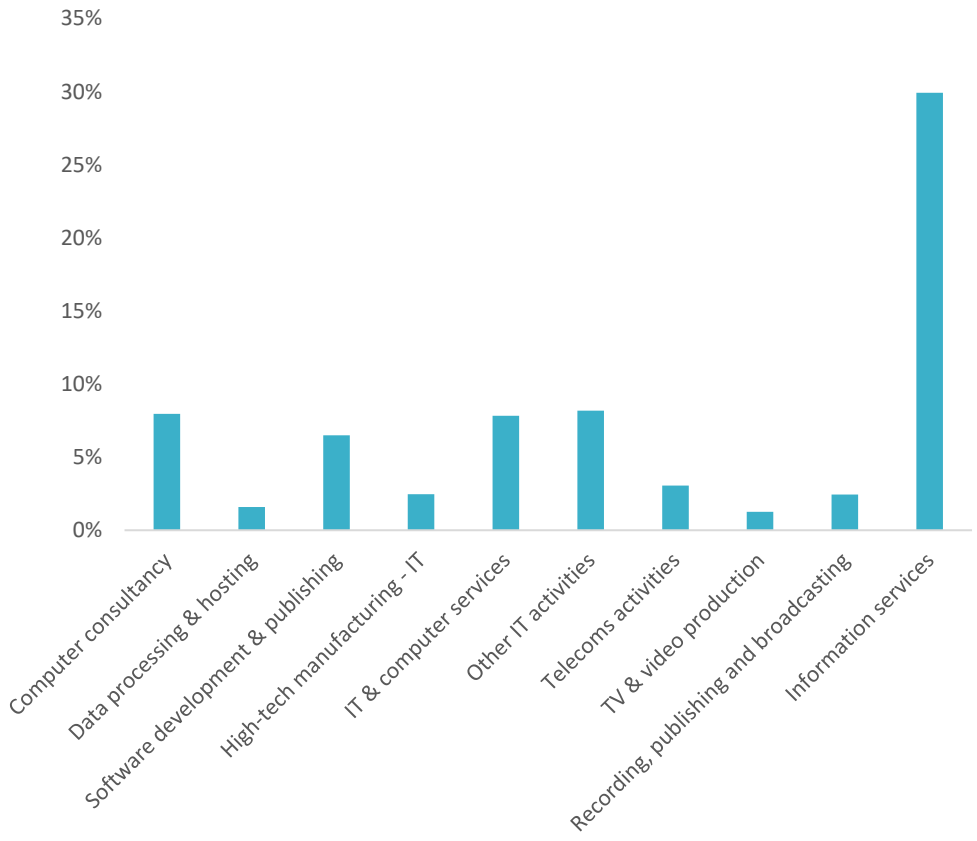
Figure 6. Employment Index, IT and Telecoms industries, Peterborough (2015-16=100)



Over the last five years, employment in these areas has continued to grow. The fastest growing specialisms have been information services, (33%) computer consultancy (26%). software development (26%) and telecoms (17%) also grew quickly, albeit from a lower base. For recording, publishing and broadcasting, one of the main employers, employment growth has remained steady.

This is a different story for turnover, where there has been a dramatic increase in information services. Turnover in the sub-sector grew on average 30% per annum over the last six years.

Figure 7. Total turnover % change pa, IT and Telecoms, 2014-15 to 2020-21

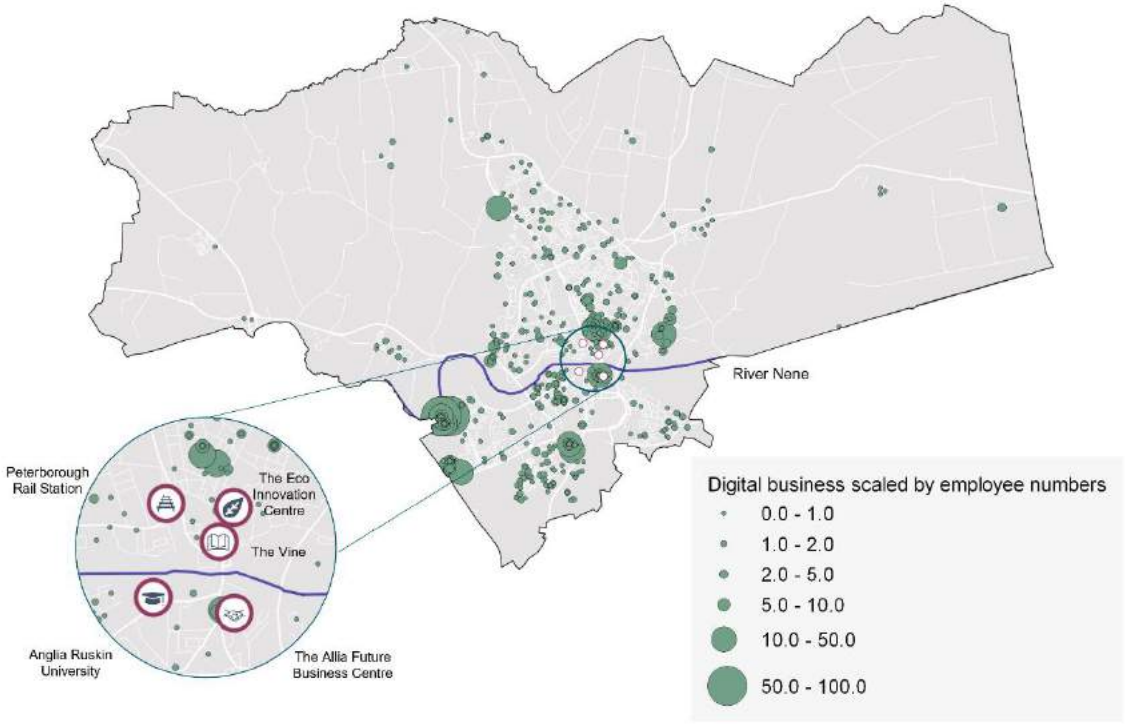


Spatial dynamics

Mapping the main employers in the digital economy across Peterborough reveals three major concentrations of activity – the city centre and its South West fringe. Orton Southgate, to the south west of Peterborough city centre, hosts a number of large offices, the business park environment home to BGL, the Brightfield Business Hub, and others. There is another concentration of large businesses in Hampton, to the south of Peterborough city centre. This business park layout is suitable for larger businesses and is accessible by car.

The city centre is the other major concentration of activity, with smaller businesses on average than in Orton Southgate or Hampton. These are clustered to both the North and South of the river.

Figure 8. Distribution of businesses in the digital sector, Peterborough



Future opportunities

Digital education in Peterborough is set to expand rapidly in the next few years, with the new Anglia Ruskin University Peterborough adding courses in new applied digital specialisms. This will create a pipeline of new talent that, if retained locally, could grow the local digital economy.

Skills levels in Peterborough lag national averages, indicating a general educational underperformance. The local population with degree level qualifications or above in Peterborough, at 30%, is 10% lower than the national average, while the proportion with no formal qualifications is nearly 3 percentage points higher than the national average, at 10.7%. The pass grade for GCSEs, at 55.3%, is 10 percentage points lower than the national average.

A review of existing provision of digital education reveals a relatively limited level of training. Digital Education has been defined as a course (of any level) that is primarily focussed on digital technology and/or business and entrepreneurship.

The following has been noted during project research:

- In-person learning is held at the three educational campuses in the city, University Centre Peterborough, Peterborough College, and City College Peterborough. The city will also have the addition of Anglia Ruskin University Peterborough upon its completion.

- Full and part-time courses at levels 1-3 and apprenticeships are delivered at the colleges. Full and part-time courses at levels 5-6 are delivered at the University Centre.
- Distance learning options are delivered via Growth Works (provided by Purple Beard and Cambridge Regional College) and are relatively simple to access.
- There is limited availability of courses that could be taken by those in full-time work (evenings and weekends).
- Previously there have been business outreach programmes that provide education in primary and secondary schools (code camps etc.) but these have not been available over the last couple of years.
- While there is some availability to learn digital skills remotely, there is no facility where adult-learners can learn more advanced digital skills such as programming.

Training is focused at further education and higher education students, with a clear focus on digital arts and computer science. Providers search for opportunities to provide local mentors for students, but this is limited by the availability of positions, and the inability of many SMEs to spare the time or resources to take on paid work experience.

There is an incoming opportunity to accelerate the growth of the digital economy in Peterborough and develop emerging specialisms in programming and design. ARU Peterborough is set to open its doors for phase 1 in September 2022. The first group of students will be taught on campus at the Embankment site, off campus with blended learning, on company premises and through local outreach centres.

Phase 2 looks to deliver their new Research and Innovation Centre, with space to explore advanced manufacturing and materials research from 2023. Beyond this a further two buildings are proposed for an expanded offering from 2025 onwards, with post-graduate and further curriculum activities proposed.

ARU Peterborough will offer 14 specialist digital courses, ranging from applied computer science to mobile game design and development. By 2030, 7,000 students will be trained at the university each year, providing a steady pipeline of students trained in digital specialisms.

The aim of ARU Peterborough is to work with employers as co-creators in developing and delivering the curriculum, which will be led by student and employer demand. Courses will be delivered by the following faculties:

- Faculty of Business, Innovation and Entrepreneurship
- Faculty of Creative & Digital Arts and Sciences
- Faculty of Engineering, AgriTech and the Environment
- Faculty of Health, Education and Social Care

Peterborough is focused on creating an attractive environment for young people and families – retention of graduates locally from these specialist courses is an opportunity to grow a digital economy specialising in applied computer science and game development. While there is not currently a demonstrable body of businesses in this sector, this pipeline is an opportunity to develop a local specialism over the coming decade.

Peterborough has a supportive business environment, low costs, and available space. Providing the wraparound support new ventures need to succeed is an opportunity to retain graduates and build strength in this area.

3 Supply – Workspace provision in Peterborough

Headlines

- Peterborough has two markets – an active fringe and, until recently, an inactive city centre.
- Peterborough has a large business park office market – until very recently, take up of office space in the city centre has declined.
- Take up of space now appears to be increasing in the city centre, while construction is underway in the fringe.

Peterborough is a growing economy with a base of large businesses in manufacturing and business support. The local office market has been shaped by these characteristics – Peterborough central is a relatively stable but inactive office market, while the fringe of the city has grown, based around business parks where large companies can develop premises without constraint.

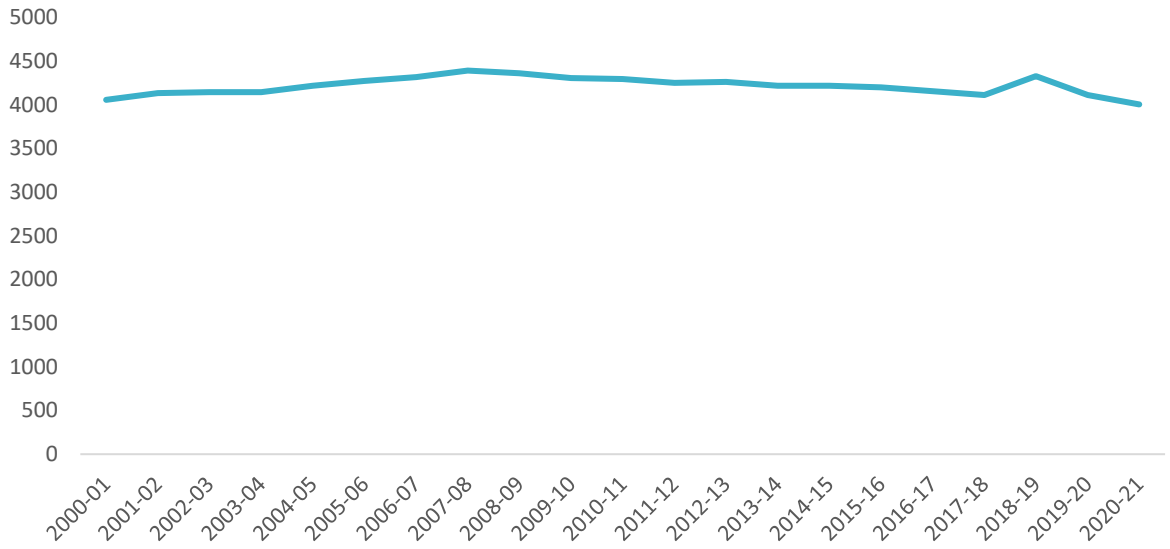
For the purposes of this study, we have used the Valuation Office Agency's data on floorspace in Peterborough, alongside up-to-date commercial property data from CoStar. These datasets are collected using separate methodologies – while they do not align directly, they nevertheless reveal the same general trends.

Focusing on the office market in the two submarkets of Peterborough Central and Peterborough Fringe, this reveals the nature of the local office market over time and the current provision of premises. From this, we have identified the gaps in provision which demonstrates the potential for local targeted provision for digital businesses.

A marginal decline of city-centre office space

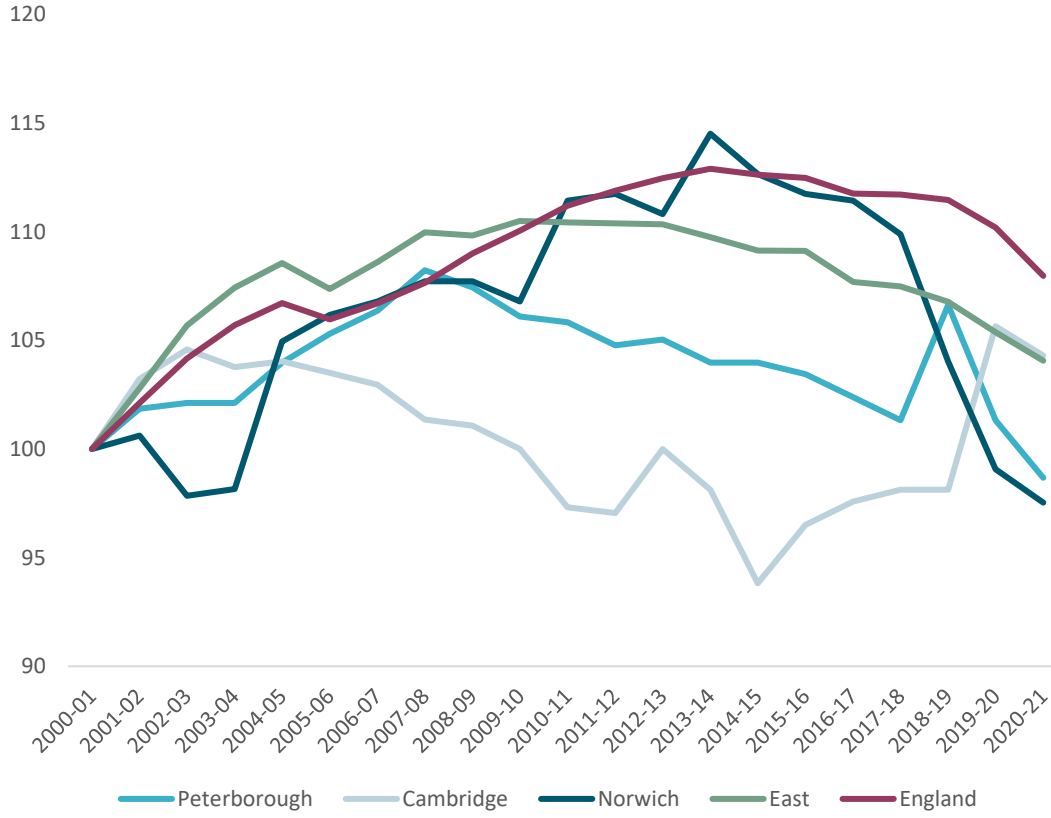
Over the last decade the amount of office space in Peterborough's centre has marginally declined, in line with a national trend. From a highpoint in 2007-8, where there was 4.4 million square feet (sq. ft.) of office floorspace in Peterborough, this has fallen by 9%. This is only 1% lower than the total stock in 2000-01.

Figure 9. Office sector, total floorspace, Peterborough (1,000 sq. ft.), data to 31 March 2021



This pattern is mirrored across the East. Of Cambridge, Norwich, and Peterborough, only Cambridge has increased its inventory of office space since 2007-8, most of this increase coming in recent years.

Figure 10. Office floorspace index (2000-01=100)



Two markets

Peterborough's office market is a story of two markets – a relatively static midsized city centre and a larger and more active fringe. Over the last decade, the amount of space in the centre has shrunk while there have been some large developments on the fringe.

Peterborough central

Peterborough central contains around 1.3 million sq. ft. of office space. Since the mid-2010s the vacancy rate for offices in Peterborough Central has declined significantly, from a high of 23% in 2014 to 7% at the end of 2021. This is marginally above to the average UK vacancy rate of 6.5%.

Over the last five years, more space has been vacated than taken up in Peterborough Central. The amount of office stock has contracted, perhaps driven by permitted development rights and a growing population incentivising the conversion of existing buildings to residential uses.

This does now appear to be changing; net absorption of office space – the net change in occupied space over a given period of time – has risen to 18,000 sq. ft. in the last year. This a reversal of the longer-term trend: on average, each year for the last five years, 13,000 more sq. ft. of office space has been vacated than taken up.

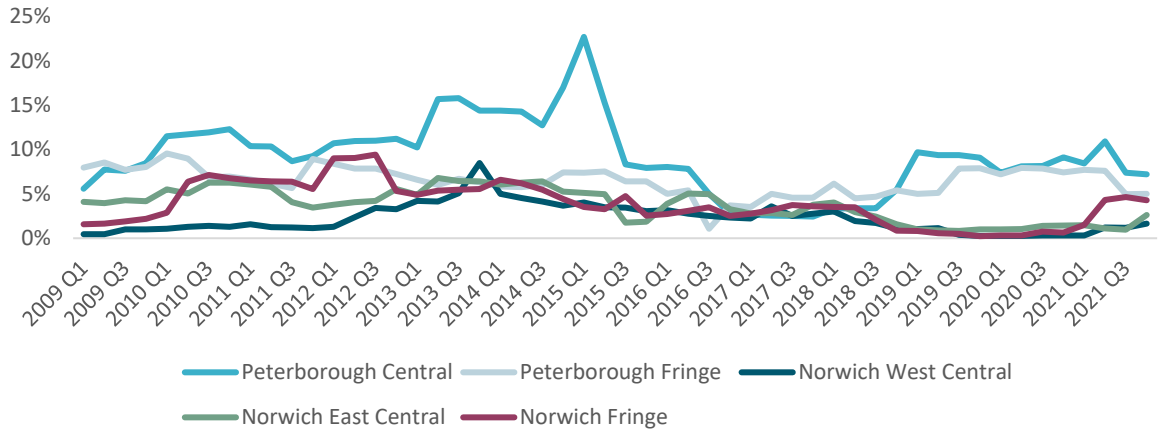
This could indicate an increase in interest in the take up of space in central Peterborough – regardless, as a less active market, there is potential to increase the interest in the city centre, and support the development of a professional economy there.

Peterborough fringe

Peterborough's fringe is a much larger and more active market. With 4 million sq. ft. of space, 5% of office space is vacant, below the UK average. Vacancy rates for both submarkets are higher than the vacancy rates in Norwich, a useful comparator, where the vacancy rate is 3%. These vacancy rates have been consistent over the last decade.

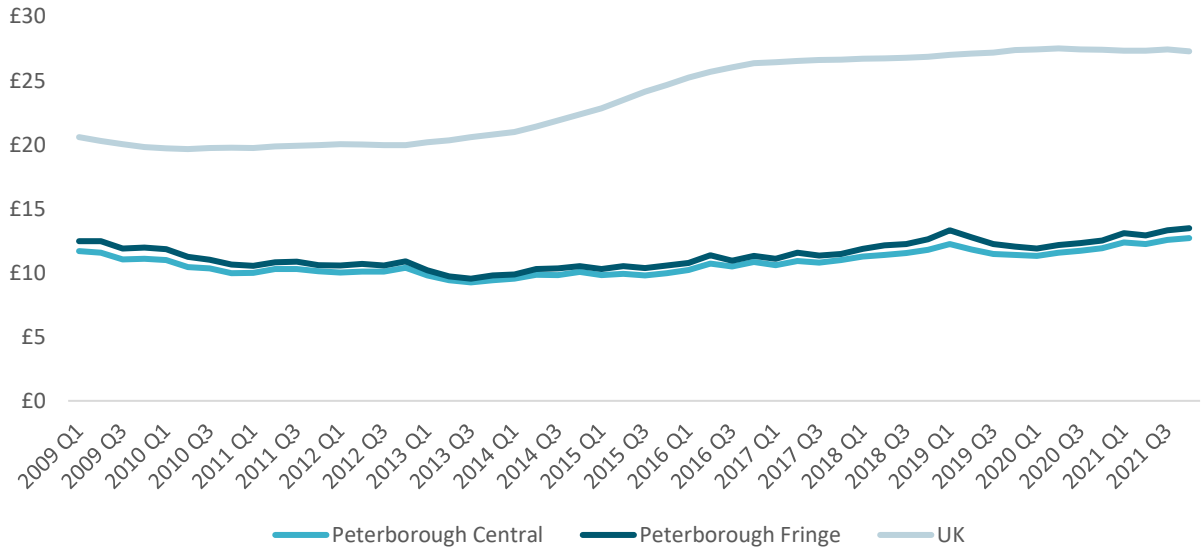
Net absorption over the past year in Peterborough Fringe came in at about 74,000 sq. ft., substantially above the five-year average. There is about 90,000 sq. ft. underway in Peterborough Fringe, the first space under construction in more than three years.

Figure 11. Vacancy rate, Peterborough & comparators, 2009-2021



Both markets are affordable. Market rents per sq. ft. (per annum), at £13 in both Peterborough Central and Peterborough Fringe, are significantly lower than the UK average of £27. These are on an upward trajectory, but largely in line with rents in 2009. In Peterborough Central, rents grew by 3.6% over the past 12 months, easily exceeding the 2.2% average annual change over the past decade.

Figure 12. Market rents per sq. ft., Peterborough, 2009-2021



Ultimately, Peterborough is an affordable location in commercial property terms. The city centre office market has remained static, while the fringe, the more active market, has grown. This suggests that businesses have opted for larger units on business parks, accessible by car rather than foot, over the last decade.

This presents an opportunity for the development of an incubator offer in the city centre, focused on the development of skills and the creation of a community. This would support the development of an innovation ecosystem, aligning with educational developments and Towns Fund investments such as the Vine to create a more active and dynamic city centre.

4 Digital incubators

Headlines

- Incubators have a mixed track record, but the balance of evidence suggests they are important to seeding innovation ecosystems in places.
- Incubators focused on specific sectors are more successful, creating communities of practice – in some cases, they encourage small firms to abandon unviable ideas, and establish the soft skills needed to grow their businesses.
- Affordability and the involvement of existing businesses is a hallmark of successful incubators.
- Virtual pre-accelerator programmes are effective, and can deliver the twin goals of supporting technical digital start-ups while upskilling the existing business base.

Business incubation defines a general set of services and support for small businesses: "a unique and highly flexible combination of business development processes, infrastructure and people, designed to nurture and grow new and small businesses by supporting them through the early stages of development and change."

An incubator is typically a physical space, offered on flexible terms to small businesses and entrepreneurs, with wraparound services to support the growth of that business.[19] A review of incubators in the UK found that all of them offered some form of office / work space.[20] Beyond physical space, incubators support new business to acquire the knowledge and skills to gain a foothold, typically in developing marketable products, reaching customers, networking, and administration.

Business incubation centres have been steadily gaining traction throughout the 2010s. Local Authorities, universities and private companies have set up spaces with low rents; minimising overheads dramatically increases the feasibility of a start-up company. In addition to the physical space, incubators can also offer networking opportunities, funding advice and sometimes may offer funding themselves as part of a Seed Enterprise Investment Scheme (SEIS) or alternative investment scheme.

In 2020, there were over 350,000 business births in the UK.[21] But the volume of those businesses that fail is high. Around 30% of businesses will have collapsed within a year, only 40% will survive past the five-year mark.[22] There is an economic dividend to be won

[19] Overview of the UK Business Incubation Landscape, UKBI, 2013.
[20] Business Incubators and Accelerators: The National Picture, Nesta & the Department of Business Energy and Industrial Strategy, 2017.
[21] The Centre for Entrepreneurs business start-up index, 2021.
[22] ONS Business demography, UK: 2020.

by supporting small businesses through this difficult early period, retaining employment in a place and allowing them to grow.

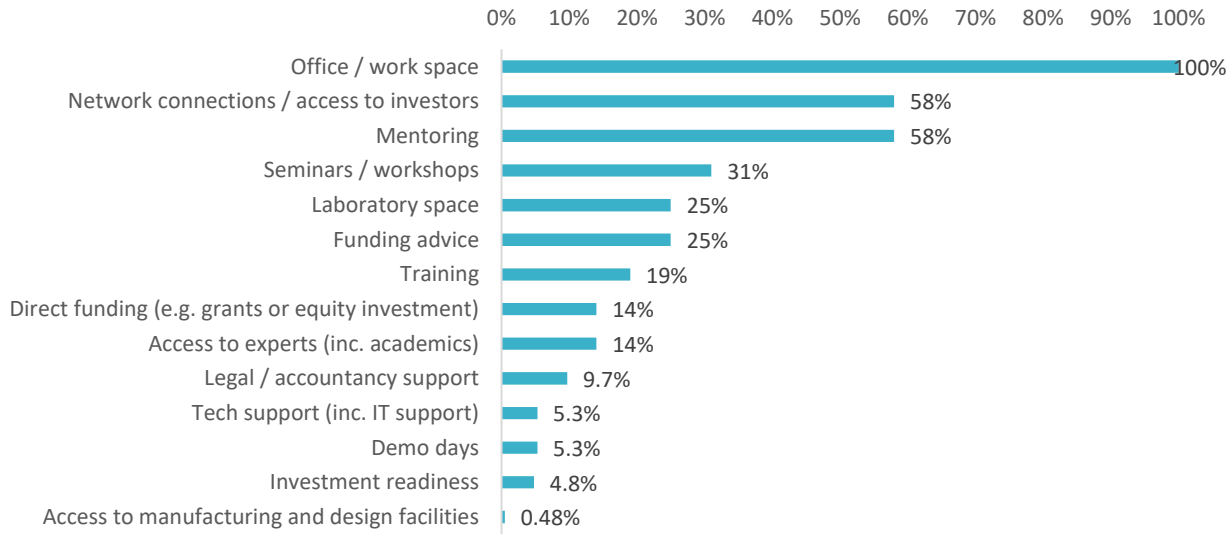
Incubator provision

A review of business incubators and accelerators in the UK, led by Nesta on behalf of the Department for Business, Energy, and Industrial Strategy, revealed that there are 205 active incubators in the UK, supporting around 3,450 new businesses a year, and 6,900 at any one time.[23]

The service offer across these incubators varies. All of them offer some level of office or workspace, their primary purpose being as premises to small businesses. Over half of the incubators offer mentoring connections and access to investors, supporting small businesses through the earliest stages.

Far fewer offer direct funding. Just 14% offer direct funding to entrepreneurs, and only 8% take equity in return for investment. Of the 14% of incubators that provided direct funding to entrepreneurs, the average amount given was just under £25,000. Those incubators that take equity in return for investment reported taking an average 16% share.[24]

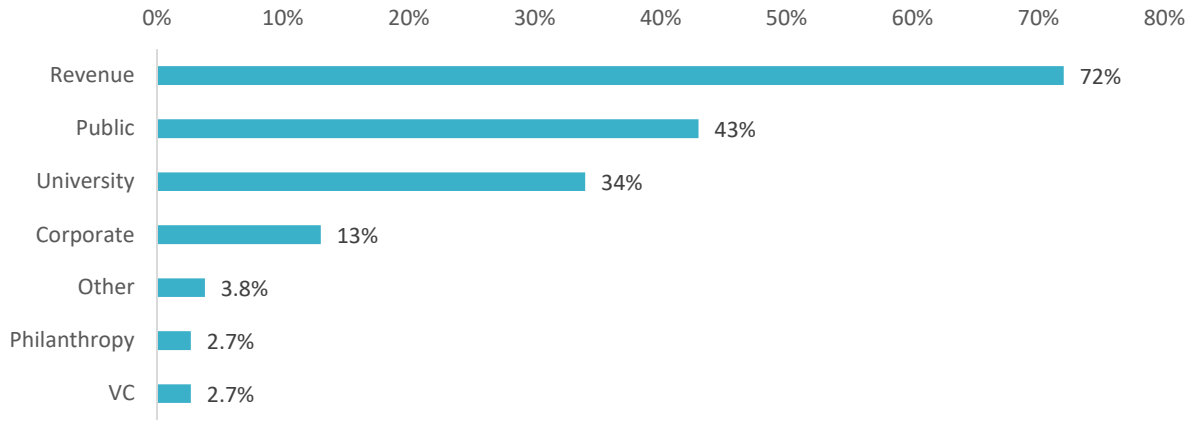
Figure 13. Percentage of UK incubators offering different forms of business support



Their operating model is also varied. The majority of incubators focus on early-stage ventures. While there is not typically a fixed duration for residence in an incubator, the average reported stay is around two years. The majority of incubators are at least partly self-funded through membership fees or rent. 72% of respondents charge fees, ranging from £100 per month per hot desk, to £1,860 for lab and office space, with an average charge of £250 per person per month.[25]

[23] Business Incubators and Accelerators: The National Picture, Nesta & the Department of Business Energy and Industrial Strategy, 2017.
[24] Ibid.
[25] Ibid.

Figure 14. Percentage of incubators receiving funding from different sources



Incubator impact

The evidence on the beneficial impact of incubators is mixed, and relatively inconclusive. While some incubator programmes have demonstrated benefits, evaluations of others reveal no effect. A review of seven evaluations of incubators by the What Works Centre for local economic growth summarises their benefits:

- **Employment:** two studies found positive effects on employment from accelerator and incubator support. Incubated firms tend to four to five more employees than non-incubated firms.
- **Sales.** There is some evidence that incubator participation increases sales. One study of firms leaving accelerators or incubators finds a positive effect on firm sales from participation. Sales revenue was £350,110 higher than in non-incubated or accelerated firms.
- **Firm survival.** There is some evidence that incubator participation reduces firm survival. A study of five incubator programmes in Germany found that three of these had a negative effect on firm survival. This suggests that incubator programmes are able to help entrepreneurs and small business leaders to gauge the quality of their business idea quickly, encouraging them to drop bad ideas at an early stage. This nevertheless demonstrates a productive benefit.

These studies raise considerations of the shape of the offer provided. Ultimately, the evidence of the influence of the operating model of an incubator on firm performance is inconclusive, though this does offer insight in specific areas:

- **Support:** incubators and accelerators that only host firms from a specific sector are more likely to see firm survival. This could be because they provide the structured environment and a community of mentors which supports business growth.
- **Operator.** Studies focused on SMEs incubated in universities find that academic involvement has little effect on revenue, but increases the likelihood of obtaining venture capital funding. Another study found that it may limit the firm's graduation from the

incubator. Another review of incubators however suggests that businesses incubated in universities felt that the level of business support was poor.[26]

- **Time spent.** Time spent in the incubator has a very weak effect on revenues and no effect on survival.

Ultimately, the results of incubator activity are inconclusive.[27] There is inconsistency in the way and quality in which incubators and accelerators operate across the UK, and there is little signposting to help entrepreneurs identify the right support for them. There currently isn't a way to gauge either the quality of support available from incubators, accelerators and start-up hubs or the impact they are having via feedback from former or current participants.[28]

The varied findings of these studies indicates that an offer must be carefully tailored to the nature of the local industry and the deficiencies of the local business base. In Peterborough, with a relatively immature digital start-up culture, steering graduates from digital specialisms towards mentors, and creating a community, is likely to be the first priority, as indicated by conversations with stakeholders.

[26] GLA – Supporting Places of Work: Incubators, Accelerators and Co-working Spaces (IACs)
[27] The above studies were reviewed in a summary article by the What Works Centre for Local Economic Growth.
[28] UK Tech Competitiveness Study

Model incubators

To inform the case for a digital incubator in Peterborough we have reviewed comparators around the country. This demonstrates the nature of their support offer, the facilities, and their market rent. Typically, these incubators offer rents below the local market average, and a range of support for early businesses.

Cambridge has long sustained an active environment for start-ups businesses in the digital economy. Since the 1970s, companies ranging from Jagex and Frontier in video games design to Bango in payments infrastructure have thrived in Cambridge. They are sustained by a business environment which encourages experimentation and knowledge transfer between higher education and business.

The Bradfield Centre in Cambridge is one of the UK's exemplar digital incubators. Serving the Greater Cambridge cluster, but also entrepreneurs across the East looking to access the connections and environment Cambridge offers, the Bradfield Centre offers premises and target support to early-stage businesses. It helps to scale tech and start-ups and support corporate innovation strategies. At the same time, it works with students at the university to engage with tech and entrepreneurship, building a pipeline of potential future tenants. With rents at £22 – 27 p sq. ft., these are lower than the local market average.

Next year, the Canopy will open in Cambridge, focusing on sustainability innovation. Similar to the Bradfield Centre, its purpose is to coach early-stage businesses and entrepreneurs, providing the meeting spaces and programme of events to guide ideas through to business ideas.

In Manchester, the MedTech incubator is a space dedicated to incubating companies to feed into the NHS. A joint venture between the Central Manchester University Hospitals NHS Foundation Trust, Manchester Science Park, and private investors, it facilitates access to the NHS procurement, supporting businesses to identify needs within the system. At £13 – 16 per sq. ft., this is a lower rent level than the Manchester market average.

TechHub and CodeBase, in London and Edinburgh respectively, are specialist digital incubators. Both offer below market rent, and a range of business support. Portsmouth Technopole offers coworking and office space for businesses to develop, whether they are a new start-up or more established.

A full list of these providers, their offer, size, and market rents is set out below.

Name	Description	Offer	NIA (SF)	Rent	Local Market Rent	Owner & Model
Canopy, Cambridge	A new collaborative ecosystem providing space, support and networks for entrepreneurs, start-ups, innovators, and small businesses pioneering sustainability innovation	An inspiring place to work, network and innovate, Canopy offers: A network of 20,000 Business clinics Workshops and roundtables Innovation showrooms Meeting and breakout space Event and exhibition space	32,249	£24 – 30 FRI	£26.78 psf	Owned by the University of Cambridge Part-funded by ERDF

Name	Description	Offer	NIA (SF)	Rent	Local Market Rent	Owner & Model
Bradfield Centre, Cambridge	A premier tech hub serving the Cambridge technology cluster and wider East of England region, scaling tech and start-ups, supporting corporate innovation strategies, and helping students engage with tech and entrepreneurship	A collaborative entrepreneurial community, the Bradfield Centre offers: Flexible work and meeting space Event space Access to exclusive start-up programmes and investors including Microsoft, Google, Nvidia and AWS	53,500	£22 – 27 psf Tiered membership - £99 per person per month for a desk, to £499 per person per month for a 4-person office	£29.50	Owned by Trinity College Cambridge Managed by Mantle Business Centres Part-funded by BEIS
Medtech Incubator, Manchester	A specialist incubator and joint venture, aimed at stimulating growth of successful healthcare technology companies	The incubator, located on Manchester Science Park, offers: Flexible workspace General business support Access to the NHS market Access to the NHS and other public funding	47,000	£13 – 16 FRI £205 (+VAT) per desk per month	£17.74 psf	Joint Venture between the NHS, Central Manchester University Hospitals NHS Foundation Trust, TRUSTECH, Manchester Science Park and private investors Managed by Bruntwood

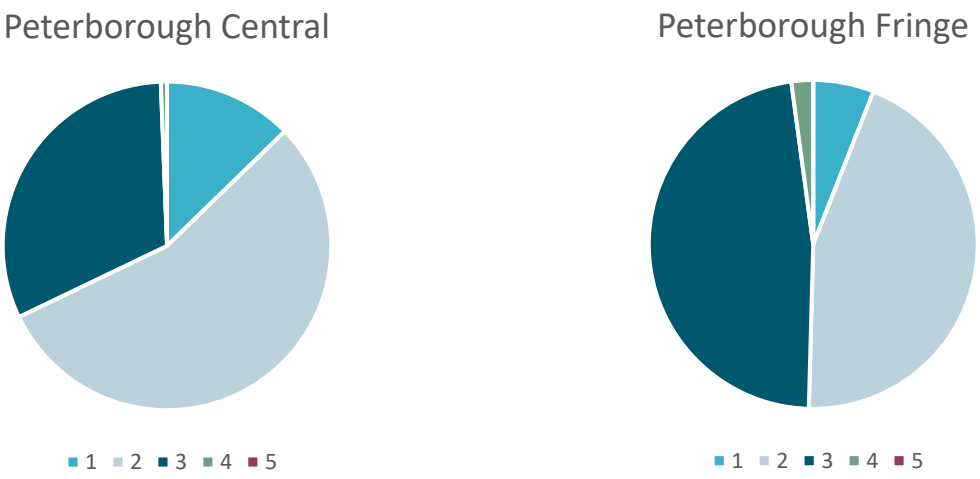
Name	Description	Offer	NIA (SF)	Rent	Local Market Rent	Owner & Model
TechHub	A community for tech entrepreneurs and start-ups, supporting the growth of over 750 companies across the world	Working exclusively with tech product start-ups and scale-ups, TechHub offers: Flexible workspace Community and staff support Local and global networks	89,150	£39.50 psf	£52.25 psf	Owned by Noe Group and private equity investors Funded by membership
CodeBase	The UK's largest technology incubator, working with start-ups, scale-ups, corporate businesses, governments, academia and the third sector	CodeBase aims to make start-ups accessible to everyone, and offers: Flexible incubation space Operator-led mentorship and coaching Peer networking	28,000	£19 – 23 FRI	£22.93	Private equity
Portsmouth Technopole	Coworking and office space for businesses to develop, whether they are a new start-up or more established	Portsmouth Technopole offers: Flexible workspace Event and meeting space	22,852	£14 – 18 FRI	£17.02 psf	Owned by Portsmouth Technopole (Holdings) Ltd Managed by Lambert Smith Hampton Ltd

Existing provision

While Peterborough's overall commercial property market is in a general state of good health, there is a lack of incubator style space targeted at start-ups. There is an uneven distribution of these incubators across the country: over half are based in London. The East of England is comparatively underserved, with 0.48 incubators per 1,000 new businesses, compared to 0.72 in the West Midlands, 0.71 in the East Midlands, and 0.58 in the South East.[29] While Cambridge has a number of successful digital incubators, Peterborough does not have an equivalent offer to the Canopy nor the Bradfield Centre.

The majority of office properties in both Peterborough central and Peterborough fringe are of 3 or 2* quality as rated by CoStar.[30] 3* properties are older but refurbished structures with standard specifications and average market rents, 2* are those in need of refurbishment and with far lower rents.

Figure 15. Office quality



There are a number of workspace providers across Peterborough which offer premises for small businesses. These are varied, in different locations and offering a different level of quality, ranging from affordable warehouse units to serviced space.

A total of nine Peterborough-based operations were reviewed and the following points noted from desktop research and conversations with individual business management:

[29] Business Incubators and Accelerators: The National Picture, Nesta & the Department of Business Energy and Industrial Strategy, 2017.
[30] The CoStar Five-Star Building Rating System provides a benchmark for rating and categorising buildings. Building ratings are based on a combination of building characteristics and the value of the building relative to market averages. For office buildings, the definitions are as follows:
5* & 4*: new or refurbished construction exhibiting the latest trends in office design; prominent in its context; sustainable and energy efficient; high quality materials and systems; efficient floor plates and generous ceiling heights' rents above market averages.
3*: an older structure, but not refurbished; standard ceiling hights with less efficient floor plates; average or near average market rents.
2* & 1*: in need of significant refurbishment, or only suitable for smaller tenants; lowest rents in market.

- The majority of co-working and smaller office spaces (5 employees and under) are currently at capacity across Peterborough Business Hubs.
- A limited support offering is provided (mentoring, guidance to finance etc) at two of the hubs (Allia and Peterborough Workspace).
- The only business incubation offering is provided at the Allia Future Business Centre. A number of schemes are run on a rolling basis and primarily funded via the ERDF and will require a replacement funding provision imminently.
- All business managers spoken to agreed that there was further space in the market for a workspace/incubator/hub in the city centre.
- None of the hubs in Peterborough provide direct funding or grants to start-ups.

Like the rest of the UK, the property market in Peterborough has been heavily impacted by the pandemic. Changes to working patterns and behaviours have been noted across the country, with employees moving towards flexible arrangements and employers looking for spaces that accommodate the move to a flexible model.

Peterborough's commercial property is relatively inexpensive but there is a lack of availability across the market, The Peterborough Employment Land Review conducted by Barnack Estates states that:

- *The SME market demand is for units across a range of tenures, types, sizes and locations and this is simply not available. There is a very real risk that inward investment and business expansion opportunities are being lost to Peterborough with businesses being forced to locate in nearby districts including Huntingdonshire, Fenland and North Northants where there is greater employment land supply.*
- *Provision needs to meet the modern operational needs of businesses in terms of location, format, size, height, appearance, parking provision, services and data connection. Much of Peterborough's vacant stock is old and unsuited to modern tenant needs.*

Whilst some flexible space is available in the city, none of the flexible options are subsidised or particularly affordable when considering the financial constraints of early bootstrapped start-ups.

Business Hub	Cost per person p/m	Cost Serviced Office sq. ft. p/a
Allia Future Business Centre	£180.00	
Brightfield Business Hub	£200.00	£30.00
Co-Foundry	£250.00	

Business Hub	Cost per person p/m	Cost Serviced Office sq. ft. p/a
Eco-Innovation Centre		£45.00
Haatch Desks	£300.00	
Stuart House	£178.00	
The Hackspace	£200.00	

A desktop review of available commercial property in the city centre produced the following results, which should be considered when pulling together the costs of any potential physical incubation space.

Address	Postcode	£ per sq ft	Sq Ft
Unex House, Bourges Boulevard	PE1	£13.50	3,000 - 19,368
96 Bridge Street	PE1	POA	1,978
Trinity Court Trinity Street	PE1	POA	1,218 - 6,411
Gf Suite B, Crescent House, Priestgate	PE1	£11.83	1,014
1st & 2nd Floors, 4-6 Cowgate	PE1	£9.84	1,778 - 2,939
Cross Street Court, Cross Street	PE1	£10.01	974 - 1,432
Northminster House	PE1	POA	65 - 3,250
Broadway	PE1	£9.83	687
St. Martins Mews, St. Martins Street	PE1	£33.23	65 - 3,250

Training offer

Peterborough is below the national averages in skills provision. Business start-up rates are high, but a high proportion of these fail. Providing start-ups with coaching, mentoring, and training, alongside the connections to real business problems is a valuable means to demystify careers in digital industries and provide the confidence to consider starting a business. At the same time, there is a requirement to develop digital skills in existing businesses, increasing their competitiveness and efficiency.

These requirements are distinct, but there are examples of approaches which can support both the establishment of viable digital businesses, and technical training for existing SME base. A review of incubation programmes across the country reveals models which could be replicated by a digital incubator in Peterborough. These include:

- **Pre-accelerator programmes.** Virtual business support and training to guide graduates, entrepreneurs, and small businesses to developing an idea into a marketable commercial product or service. Delivering these online lowers costs for businesses while providing access to essential skills support.
- **Mentorship.** Offering advice from established professionals to support students and graduates to enter a digital career.
- **Employer-matching.** Connecting graduates to employers in digital industries, demystifying technical careers and demonstrating pathways.
- **Digital skills for existing businesses.** Inviting businesses, schools and colleges to engage in workshops, finding digital applications for their existing processes. Barclays Digital Security Hub will provide upskilling programmes to businesses across Greater Manchester, supporting the practical adoption of digital skills.
- **Corporate sponsorship.** Creating a sustainable funding environment, providing access to mentors and technical expertise, and links into employment. Many incubators are supported by corporate sponsorship.

Name	Description	Location and partners	Offer
QUEST[31]	QUEST is a six-month pre-incubator programme for UK university researchers who are looking to commercialise their tech. The focus of the programme will be on the rapid development of new quantum, engineering, and scientific technology companies.	Bristol, based out of the University of Bristol's Quantum Technology Enterprise Centre.	Skills and training designed specifically for the creation of deep tech companies Mentoring Road-mapping sessions with a team of entrepreneurs in residence Investment opportunities with pitch sessions to European angel investors and VCs Entrepreneur network access

[31] https://www.qtecbristol.com/quest

Name	Description	Location and partners	Offer
Amazon Small Business Accelerator[32]	A free online educational programme for anyone who wants to start a new online business or grow an existing one. Open to businesses at all stages with online learning tailored to experience and needs, covering a range of technical and general skills. Content is delivered via 200+ bitesize videos.	Online developed by Enterprise Nation, a representative body for small businesses and Amazon.	Free online training covering website building, selling online, social media, marketing, managing cashflow etc. 1-2-1 advice
CodeBase LevelUp[33]	LevelUP is CodeBase's digital skills strategy for under 18s. It supports the development of digital skills.	Online	Webinars, tutorials and Q&As Coding for All Digital Skills 4 Girls MetaFest Bring Your Own Grown Up

[32] https://sell.amazon.co.uk/amazon-small-business-accelerator
[33] https://www.thisiscodebase.com/levelup

Name	Description	Location and partners	Offer
Barclays Digital Security Hub[34]	DiSH is a new initiative to help drive innovation and growth in Greater Manchester and the wider UK's digital and cyber security sectors, with an aim to support 500 start-ups and create over 1,000 jobs in Greater Manchester. Located in an 11,000 sq ft development, but accessible virtually UK-wide.	Manchester. Collaboration between Barclays Eagle Labs, Plexal, Lancaster University, and the University of Manchester.	Upskilling workshops and seminars Co-working space Partners provide seminars and workshops, upskilling individuals across Greater Manchester, including existing businesses Networking opportunities Business growth programmes Mentoring Cyber and digital skills workshops for local schools, colleges and employers

[34] https://businesscloud.co.uk/news/digital-security-hub-to-create-1000-jobs-in-manchester

Name	Description	Location and partners	Offer
OneTech Employability Incubator[35]	An 8-week Employability Incubator programme to support students to pursue careers in tech. Focusing on language and culture, students are introduced to employers who are looking for interns while developing skills throughout the duration of the course.	London, running in partnership with Camden, Hackney, Islington and Tower Hamlets Councils, with support from the Mayor of London and funding support by sponsors JP Morgan Chase.	Structured online programme Diverse courses – marketing, project management, and product management alongside coding 8 weeks of support with sector experts Networking opportunities Prizes

[35] https://weareonetech.org/employability-incubator/

5 Options appraisal

Headlines

- Following a review of the evidence and stakeholder consultation we have identified and RAG rated options for a digital incubator in Peterborough.
- This demonstrates the appropriateness of an incubator programme in the city – and suggests that an initial virtual incubator programme is a necessary strategic first step.

We have undertaken a stakeholder consultation with workspace providers, education providers – both higher education and further education institutions – to review the findings of this analysis and the options for a digital incubator in Peterborough. This included conversations with representatives from:

- Peterborough College
- University Centre Peterborough
- Anglia Ruskin University Peterborough
- Peterborough Workspace

These discussions uncovered further detail on the digital industry in Peterborough and its requirements:

Theme	Discussion
Digital growth Peterborough	• Local courses will create a pipeline of students trained in cutting edge courses shaped by the needs of businesses – this is a major opportunity to retain talent in Peterborough. • For digital businesses, the biggest barrier is understanding how to reach audiences and market products. • A major barrier to digital SMEs is the ability to scale up – both finding space, but also understanding how to employ multiple people. This requires mentorship and coaching. • Peterborough lacks an ecosystem of digital businesses, and a body of mentors. • Data sources may mask local growth in small businesses. Peterborough's functioning economy realistically sits within a 30-minute drive time, and there has been growth in small businesses in digital industries, from payment technologies to web development
Gaps in provision	• Lack of confidence and experience and are the biggest gaps to young people starting businesses following graduation. Providing these, and communities of practice, would be a necessary first step to increasing start-up rates. • Peterborough lacks a science park or a location for specialist businesses – these can create communities of experts and a body of businesses which encourage the growth of smaller businesses, provide mentors, and show the viability of entrepreneurship. • Larger local companies such as Bauer and the BBC are closely engaged with local education providers. They visit as guest speakers, hire graduates, and have alumni that work there. The gap in engagement comes from the SME base.

Incubator offer	• The shift to working from home following the pandemic has reduced the demand for physical space. A virtual offer may be more affordable and more appropriate. • There is a need to provide a network of mentors to demonstrate the viability of starting a business, and supporting underconfident graduates in the early years. • Many students in Peterborough come from disadvantaged backgrounds. • Successful examples of incubator programmes provide workshops, mentorship, and small capital injections. This funding can be recycled into the programme by successful graduates of the scheme, allowing it to become self-sustaining. • Small and medium sized businesses in Peterborough in many sectors require skilled people to support their digital needs – e.g., building websites or providing digital marketing. However, few have the time or resource to hire. A pooled resource model for multiple businesses, which offers paid work-experience to students or recent graduates, would be an effective offer, and allow them to utilise digital skills for their most pressing needs. This should work in collaboration with education providers, who can access the talent. • An incubator offer should be a competitive process, with a minimum entry requirement, encouraging serious applicants and increasing the chances of success. • Education providers would support a digital incubator and contribute to its development – both Peterborough College and ARU Peterborough have missions which align and a student body which would benefit. • An incubator offer could be delivered virtually, but this would be less beneficial to recent graduates, particularly from University Centre Peterborough or Peterborough College, who would benefit from the understanding of a workplace, the experience and the confidence it would provide. Many have technical skills, but lack the inter-personal skills to succeed.

This stakeholder conversation built on the conclusions from the research and analysis, and helped to inform the options appraisal below. The following options and models are proposed for further detailed investigation:

Option	Detail	Positives	Negatives	RAG rating
DO NOTHING/BAU	Given the current financial pressures and lack of certainty of future working patterns/future investment.	• Allows potential funding to be used for alternative uses.	• Fails to address need for innovation support in Peterborough.	
LIGHT TOUCH	Resource and minimal financial support provided to do more to advertise the existing services available to businesses in Peterborough. A virtual digital incubator offer would seek to bring together existing networks, advertise events, funding, and educational opportunities. Alternatively, meanwhile uses could be found in existing buildings. This could be wrapped into existing services provided by Peterborough City Council (PCC), Opportunity Peterborough, Cambridgeshire and Peterborough Combined Authority, and Growthworks.	• Minimal Costs. • Inspires private sector collaboration and leadership.	• Unlikely to deliver a new digitally focussed facility. • Fails to maximise the opportunity to bring more businesses to Peterborough city centre. • Shared spaces unlikely to be readily applicable to digital uses.	

Option	Detail	Positives	Negatives	RAG rating
EDUCATION MODEL	Investigate whether a PCC or CPCA supported venture could work with University Centre Peterborough and/or Anglia Ruskin University Peterborough. Potential to pool SME resources to offer a sustainable skills matching programme, funding short work experience opportunities for students to local business needs.	• Ready-made pipeline of applicants through business and entrepreneurship students. • Greater access to grants via education routes. • Potential access to university or college space for training / seminars. • Engaged partners with networks and resources. • Digital courses offered by education providers are already tailored to employer needs.	• Would require PCC/CPCA finance (via grants or otherwise). • Focus on students – networks to businesses would likely need to be widened.	

Option	Detail	Positives	Negatives	RAG rating
JOINT VENTURE	Explore options available for joint venture, with private investors and/or specialist incubator operators. This can incorporate upskilling for local businesses.	• Prestige with access to industry finance and expert advice. • Mentorship opportunities. • Private resource enables faster scaling.	• Would require significant PCC/CPCA finance (via grants or otherwise) and ongoing revenue contribution. • Would likely require use of a council owned property asset.	
PRE-ACCELERATOR	Use local education institutions to develop a programme of support workshops, mentorship, and training sessions, guiding graduates and entrepreneurs through the crucial early stages of starting a business. This could be delivered virtually, providing training content, an online community, and practical advice to students and small businesses across the area .	• Affordable • Leverages expertise of local education providers. • Connects to student and graduate base. • Potential funding route via revenue funding from UKSPF. • Ease of engagement with employers due to light touch requirements.	• Does not provide a physical focal point. • Requires engagement with businesses. • Less visible to students. • Fails to maximise the opportunity to bring more businesses to Peterborough city centre.	

Option	Detail	Positives	Negatives	RAG rating
OWNER OPERATOR	Invite owner/operator firms to propose a privately funded solution.	• Prestige with access to industry finance and expert advice. • Provides physical space to support businesses and establish a community.	• No involvement of council, so no control of targets or benefits. • Alignment with local strategy and needs contingent on well-connected and supportive provider.	

6 Strategic alignment

Headlines

- Supporting the development of Peterborough's digital economy aligns closely with the priorities of regional and national strategy.
- The UK government is focused on supporting businesses to innovate and invest in new technologies and processes. Investment programmes incentivise partnerships between business and education providers, pooling resources and creating collaborative environments for innovation.
- The UK Shared Prosperity Fund identifies networking and collaboration and knowledge-sharing across sectors as a priority.
- Regional strategy targets the development of the digital economy outside of the Greater Cambridge cluster, and advocates continued support for incubator and accelerator programmes.

As the country begins to recover from the shock of the COVID-19 pandemic, the UK government has identified both the digital and creative economies as priorities for growth.

National

Digital Strategy

The UK Digital Strategy identified digital skills and inclusion as one of its key pillars for the development of the digital economy. Within 2 decades, 90% of roles will require some element of digital skills: the strategy targets three strands to training the future workforce and upskilling the current one:

1. Ensuring that we continue to tackle the root causes of digital exclusion and that everyone can increase their digital capability to make the most of the digital world.
2. Developing the full range of digital skills that individuals and companies across the country need in an increasingly digital economy and supporting people to up-skill and re-skill throughout their working lives.
3. Strong collaboration between the public, private and third sector to tackle the digital skills gap in a co-ordinated and coherent way, so the sum is greater than the parts and everyone everywhere has better access to the training they want.

A digital incubator in Peterborough will help to provide the second and third strands of this strategy, providing a supportive environment for small firms and entrepreneurs to develop viable business ideas in the digital economy, and supporting them through the early years of growth. By providing a physical location where firms and third sector organisations can

collaborate, it will create a hub for digital businesses within Peterborough, attracting both entrepreneurs and investors.

Build Back Better

The national Build Back Better plan for growth describes digital and creative industry sectors as "a major success story for the UK, and a critical driver of innovation and growth". It states the government's ambition to growing more creative businesses through nurturing the digital economy, encouraging the application of technologies such as AI and virtual reality creating new products and increasing the productivity of businesses in the sector.

The expansion of digital education in emerging specialisms at ARU Peterborough will create a pipeline of graduates with the potential to start and grow new businesses in Peterborough. Providing specialist incubation facilities in Peterborough will support more of these businesses to survive through the early years.

Levelling Up White Paper

The Levelling Up White Paper identifies six determinants of spatial success; physical, human, intangible, financial, social, and institutional capital, which perpetuate themselves in virtuous or vicious cycles, and four fields of intervention with which to replenish those stores of capital; boosting productivity through private sector; spreading opportunity through public services; restore sense of community; and empowering local leadership.

As part of these ambitions, Government is investing additional funding in high streets and culture and heritage outside of London. Building capacity for the emerging industries in towns across the UK is a strategic priority of the fund, a means to replenish social capital and generate new forms of wealth in formerly industrial places. A Digital Incubator in Peterborough is a means to develop its digital economy, supporting new specialisms.

UK Shared Prosperity Fund

The UK Shared Prosperity Fund is the replacement for EU Structural Funding, providing non-competitive funding to support the government's Levelling Up ambitions in places around the UK. These will be empowered to identify and build on their own strengths, submitting evidence-based investment plans to demonstrate how they will invest their funding allocation.

The UKSPF should support the delivery of the following levelling up objectives:

- Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging
- Spread opportunities and improve public services, especially in those places where they are weakest
- Restore a sense of community, local pride and belonging, especially in those places where they have been lost
- Empower local leaders and communities, especially in those places lacking local agency

There are three investment priorities for the fund: community and place, supporting local business, and people and skills. A digital incubator in Peterborough would directly support the latter two.

- **Supporting local business:** promoting networking and collaboration, bringing businesses and partners to share knowledge, expertise and resources, and stimulate innovation and growth.
- **People and skills:** supporting local areas to fund gaps in local skills provision to support people to progress in work, delivering provision through a wider range of routes or enabling more intensive / innovation provision.

A predominantly revenue fund, UKSPF is a potential route for the establishment of a virtual incubator programme in Peterborough.

Regional

A Digital Strategy for Cambridgeshire & Peterborough

The Cambridgeshire and Peterborough Digital Strategy sets a path to developing the digital economy in the local area. Recognising its importance, the digital sector is a clear local specialism, with twice the employment in digitally intensive sectors in the region compared to the rest of the country. The strategy sets complementary goals: achieving a globally competitive digital economy in Cambridgeshire and Peterborough and distributing the activity more evenly across the region – currently, the majority of activity is concentrated in Greater Cambridge, with much less in Peterborough.

To achieve this second objective, the strategy targets areas outside of the Greater Cambridge Cluster for improvement. It recommends locally targeted interventions, government activity in places without networks or information to stimulate activity. It recommends the further establishment of incubators to support this growth, and in Peterborough, a digital incubator will support the development of new graduates and entrepreneurs.

Policy Alignment

Strategy	Objectives / recommendations	Project Contribution
A Digital Strategy for Cambridgeshire & Peterborough - 2019	• Continue co-funding in accelerator, launchpads and incubator programs run by universities, charities, private organisations, and companies.	• Digital incubator will support the development of new graduates and entrepreneurs outside of the Greater Cambridge cluster.

Strategy	Objectives / recommendations	Project Contribution
UK Digital Strategy	• Developing the full range of digital skills that individuals and companies across the country. • Strong collaboration between the public, private and third sector to tackle the digital skills gap.	• Supporting the development of young digital businesses and providing a focal point for the digital economy in Peterborough, using public support to guide emerging specialisms.
HM Treasury – Build Back Better – Plan for Growth	• Support small and medium-sized enterprises (SMEs) to grow through two new schemes to boost productivity.	• A digital incubator in Peterborough will provide facilities for emerging specialisms to support the city's economic recovery.
Levelling Up white paper	• Generate new specialisms in formerly industrial places.	• Put an anchor for emerging specialisms in Peterborough city centre, drawing footfall and alternative economic activity.
UK Shared Prosperity Fund	• Support local business. • People and skills.	• Provide alternative skills provision, drawing cross-sectoral partners together to support the establishment of an innovation ecosystem in Peterborough.

7 Conclusions

Peterborough is an affordable, well connected, and growing location. The digital economy is growing, but until now the local sector is dominated by larger institutional firms with particular concentrations in recording, publishing and broadcasting and computer consultancy. These have not required incubation services, and are unlikely to do so – instead, a pipeline of students from local universities and colleges, trained in emerging specialisms and creative digital disciplines could be retained.

Peterborough lacks the innovation ecosystem to support the growth of new digital businesses, or an appropriate facility in which to incubate them. There are locations which could, if adapted, host such an offer – this should be a location which can encourage innovation and the creative collaboration which supports new businesses in this space.

Market rents in Peterborough are low, and there is a good supply of traditional office space, but the current provision of space does not offer the combination of services and culture that many small businesses require from incubators. There is not currently a specialist incubator in Peterborough to serve small and growing digital businesses.

While there are small business space providers, there isn't an offer that focuses both on the digital sector and which provides the wraparound services required by early-stage businesses. Comparator offers elsewhere demonstrate a clear focus on business coaching, networking, and offer access to investment.

Peterborough would benefit from an incubator, a means to galvanise students with technical specialisms, providing them with the 'soft skills' needed to develop business ideas, learn how to manage finances and engage with customers. This would be appropriate either as a programme or as a physical space – the benefit of the programme approach would be affordability and the ability to adapt services following initial learnings. It could later develop to become a physical space, a hub for activity and a means to stimulate collaboration. The incubator will take advantage of new specialist education provision and support the growth of small and innovative businesses in the city centre.

This could be a combination offer, providing incubation to digital specialists, but also has the potential to upskill businesses in the local area. Comparable offers, many delivered online, demonstrate the viability of this approach. An incubation programme would be affordable and an opportunity to experiment and learn from different approaches.

Next steps

- **Adopt a pre-accelerator programme** as an appropriate and affordable first step. Delivered virtually or using existing space on a temporary basis for workshops and training sessions, this would support students, entrepreneurs, and small businesses to develop the skills to start a business. This would allow partners to scope demand for

incubation services and build up a track record, increasing demand for physical space.

Peterborough's focus should be on creating a community of practitioners, providing a space with wraparound services, mentoring, and the opportunity to collaborate which can sustain small businesses through risky early years. UKSPF revenue funding offers a route to seeding some of this activity, in partnership with a corporate sponsor. Exemplar incubators from elsewhere which have leveraged sponsorship have provided marketable skills to local providers, and combined support for technical start-ups with guidance for existing businesses requiring support with digital literacy.

- **Continue engagement with partners**. There is an opportunity to engage education providers, especially ARU Peterborough, whose vision is clearly aligned, but also digital businesses and local networks to build a coalition that will support this. As part of this, partners in a digital incubator should scope the local economy to identify initial customer groups and discuss options for pooling resource or participation. A targeted and affordable small business incubator, focusing on wraparound services and community and investor access, could retain these students, provide space for new entrepreneurs, and through it act as an anchor for emerging specialisms.
- **Identify a potential partner for a joint venture, or an operator for a digital incubator space**. There are interested parties across Peterborough, and a body of mature businesses in digital industries that may be interested in engaging in such an offer. Partners should scope interest and identifying a mutually beneficial model to take forward, focusing on the appeal of the talent pipeline and empathising the opportunity of the fast-growing Peterborough economy.
- **Identify a building or site that links with growth aspirations.** Areas of the city centre which are currently experiencing growth e.g., the Station Quarter or Waterfront, would be fitting locations. With Towns Fund investment Peterborough City Centre will develop flagship public realm improvements and new spaces that should make the city a more attractive environment for residents and businesses. Peterborough, with its low costs and fast-growing economy is an underdeveloped location. Building on this momentum and establishing a digital incubator would increase the dynamism and pull of the city centre.
- **Work with the CPCA to align strategy and unlock funding opportunities.** Developing a digital incubator, as a programme or development, aligns with a regional strategy which aims to expand the digital economy outside of the Greater Cambridge cluster.