

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Executive Member for Policy and Resources
<b>Date:</b>	25 January 2022
<b>Title:</b>	Investing in Hampshire Fund Bids: Enhanced Catalyst Programme – Supporting Tech Start-Ups in Hampshire
<b>Report From:</b>	Director of Economy, Transport and Environment

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### Purpose of this Report

1. The purpose of this report is to seek approval to continue financial support to the University of Southampton Science Park's Catalyst Programme to the value of £100,000 for part-funding of two Catalyst programme cohorts (£50,000 each) in order to support economic recovery, accelerate investment into more high growth businesses in Hampshire, and help strengthen the region's strategic profile.

### Recommendations

2. That the Executive Member for Policy and Resources gives approval for the award of £100k to the Catalyst Programme 2022/23 from the 2021/22 Investing in Hampshire Fund, subject to further engagement with the Science Park in respect of developing the business model further to ensure scalability, effectiveness, and financial sustainability, including the provision of match funding by the University of Southampton Science Park of £43,000 per cohort.
3. That authority is delegated to the Director of Economy, Transport, and Environment in consultation with the Executive Member for Policy and Resources, and the Executive Lead Member for Economy, Transport, and Environment, to conduct the closer engagement and finalise the funding arrangements in consultation with the Director of Corporate Operations.

### Executive Summary

4. This paper sets out the case for providing additional funds in support of the University of Southampton Science Park's Catalyst Programme, a business accelerator, designed specifically for early-stage innovation-led science and technology companies in Hampshire.

## Contextual information

5. Hampshire County Council is currently providing bold and ambitious leadership to bring Hampshire through economic recovery, including playing a major part in stimulating a greater role in the sub national economic prosperity and growth agenda, expressing early interest in securing a County Deal for the pan-Hampshire area, as well as seeking to collaborate at greater scale on trade, investment and competitiveness to secure a greater part in delivering a strong economic 'powerhouse' for the wider area and the ambitions surrounding 'Global' Britain.
6. In doing so the County Council is aware of its changing role in terms of the future Shared Prosperity Fund and Levelling Up Fund, and aware of the Government's review of Local Enterprise Partnerships, all likely to be announced and outlined in more detail in the imminent Levelling Up White Paper.
7. In view of this context, the County Council is keen not only to continue to intervene to support the economic recovery, but at the same time to accelerate the knowledge intensity of the future Hampshire economy and build on its existing success as a major net contributor to the Exchequer (currently at circa £9bn).
8. By intensifying and accelerating innovation in green, clean and digital businesses and industries, and developing the new technologies and sectors of the future, catalyst programmes have a key role to play, both in terms of supporting and accelerating high growth companies and sectors as well as scaling activities to maximise economic impact and outcomes.
9. The University of Southampton Science Park's Catalyst Programme is one of these programmes - a business accelerator, designed specifically for early-stage, innovation-led science and technology companies in Hampshire.
10. The Catalyst Programme has a good track record for job creation and investment. Since it was established in 2012 the Catalyst Programme has:
  - Accelerated progress for 65 companies
  - Secured over £25m early-stage funding for participant companies
  - Helped create 130 new jobs in Hampshire.
11. While only 40% of UK start-ups survive the first three years of trading, an impressive 80% of Catalyst businesses have exceeded this timeframe and continue to grow.
12. The proposal is focused on the distribution of targeted grant funding to technology businesses with the potential to grow significantly and create new,

high quality, knowledge intensive jobs in Hampshire (estimated at 20 new jobs per cohort of companies supported).

13. The programme supports the University Science Park, which is an important economic asset for Hampshire and home to circa 100 technology orientated businesses, including many scale-ups in high innovation sectors.
14. Although it has been successfully running since 2012, Hampshire County Council became more actively involved after the Executive Member for Policy and Resources awarded £20,000 from the Investing in Hampshire Fund to part-fund the 2021 business cohort of the programme.
15. Following a competitive pitch process, the founders of eight companies were enrolled onto the 2021 Catalyst Programme.
16. The funding from Hampshire County Council has enabled additional investment to support these high growth companies within, primarily, the technology and clean growth sectors.
17. Since completing the programme, four of the eight companies have secured additional grants and investment to support their growth totalling more than £705K.
18. Of the remaining four companies, one is now under the wing of a corporate that will invest and help them grow, one has secured a seven-figure investment (non-disclosed) and another has taken on two additional members of staff.
19. It is anticipated that further growth and investment will occur over the next 1-2 years from the 2021 cohort. Based on an average, the number of jobs companies have created within 1-2 years of completing is 16 new roles.
20. The proposal set out in this report, to fund future Catalyst cohorts to the value of £100K, will support economic recovery, accelerate investment into more high growth businesses in Hampshire, and help strengthen the region's strategic profile.
  - The funding will be used to support the delivery of:
    - A fully funded six-month programme of mentoring and workshop learning
    - High-level one-to-one sessions with world-class business mentors
    - Commercially focused weekly peer group workshops with subject experts
    - A £2.5k funding injection to each participating business
    - Access to the Southampton Science Park (SSP) business facilities
    - Opportunities to network with SSP innovation community
    - The ability to apply to pitch for investment at the Catalyst Investor Showcase
21. The investment would also enable the programme to run twice in 2022, increasing the number of businesses being supported by the catalyst and locating in the Science Park.

22. Based on the success of the 2021 programme, an investment of £100,000 has the potential to support the creation of around 50 new jobs over the next 2-3 years and generate more than £1 million of investment, offering a sizeable investment return for Hampshire.
23. The Catalyst Programme aligns with the Hampshire 2050 Commission of Inquiry, Economy theme, that commits to:
- Capitalising on Hampshire's university capacity to maximise local benefits from spin outs, start-ups, and emerging technologies;
  - Retaining more graduates living and working in Hampshire;
  - Encouraging the development of an effective innovation ecosystem in Hampshire.
24. The Catalyst Programme has some way to go to making a significant contribution to these objectives. Given the current scale of the Catalyst Programme it is nevertheless delivering good value to the County Council given the scale of grant provided and the new investment generated into the region, and importantly, it is creating high-value jobs in innovative tech start-ups from core Hampshire sectors, such as life sciences, clean growth, and digital technology.
25. The challenge moving forward is to seek to realise the synergy between existing Government and public sector funding channels and the pre-existing catalyst business support model that creates the opportunity to provide a step-change in the growth and success of tech start-ups across Hampshire.
26. The technology sector has been leading investment activity since the COVID 19 pandemic began, with the highest levels of investment going to start-ups operating in life sciences, artificial intelligence, digital security and green tech, and by supporting and leveraging this programme the County Council and SSP can improve strategic profiling, building strong and internationally recognised companies. Supporting this programme therefore sits well amongst the wider economic recovery plans and emerging strategy for Hampshire.
27. Additionally, the conditionality on the recommendation of this report about closer engagement, scaling and seeking wider collaboration and funding, is to signal the importance of building on these foundations to secure outcomes that will move this programme from the margins of economic activity into the mainstream and secure more significant impact.

## **Finance**

28. It is proposed to invest a sum of £100k from the Investing in Hampshire Fund, which has sufficient resources to cover this investment, for part-funding of two Catalyst programme cohorts (£50,000 each). It is also proposed that this is made conditional on the provision of match funding by the University of Southampton Science Park of £43,000 per cohort. In addition, all funding needs

to be invoiced by the end of 2022/23 and will only be paid once the evidence has been provided both that the Science Park has incurred these costs as well as their own match funding costs in the running of each of the Catalyst programme cohorts.

## **Performance**

29. Full evaluation and quarterly monitoring and performance review will be undertaken and reported, alongside the Programme.
30. It is suggested in this report that the County Council seeks a wider review of the overall future direction of the Programme, based on its success since its inception. As part of that strategic review, a dialogue with UKRI could be sought on the prospects for scaling and accelerating it. This would of course be subject to a credible business case and competitive bidding opportunities, should the SSP want to explore this option.
31. As part of this review, the proposed award would be conditional on the University of Southampton Science Park working more collaboratively with the County Council, ensuring that it is regularly and more fully informed of the interventions and companies that are being supported so that it can help adjust those interventions in real time to meet wider desirable outcomes as well as realise synergies with other related activities.
32. The review would also look to scale the activities, as well as putting the programme on a more stable financial footing and securing wider partner engagement and co-funding, to extend the support in the way the County Council and Test Valley Council are doing, as well as provide a longer-term approach. Discussions would seek an on-going dialogue and contribution from the University of Southampton Science Park on the County Council's developing innovation strategy as part of its existing economic recovery and strategy work, including the future development of an effective innovation eco system across Hampshire as well as securing more from national government innovation funding opportunities

## **Consultation and Equalities**

33. The County Council has liaised closely with the University of Southampton Science Park and closer engagement is proposed as part of this report. No negative impacts are anticipated for people with protected characteristics, but the beneficial outcomes for the Hampshire economy are expected to benefit the community in general.

## **Climate Change Impact Assessments**

34. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools

provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

35. The proposals set out in this report relate to financial support for a business support scheme with no direct impact on carbon emissions or adaptation. It was therefore not considered necessary to carry out a full assessment. However, it should be noted that the programme predominantly supports business in the digital technology and clean growth sectors.

### **Other Key Issues**

36. In the Autumn Budget the Government announced £20 billion of future funding for Research and Development per annum. This provides a clear signal from national Government of the importance it places on the UK as a 'science superpower' and its intent on accelerating the green and digital 'revolutions' and the central role innovation plays in intensifying knowledge in the economy.
37. This is an enormous opportunity for Hampshire given the existing strengths and knowledge-intensity of its economy. There are many sector-driven catalyst funding opportunities already in place. To maximise these opportunities the County Council is developing a stronger place-based approach to securing sector and new technology application and innovation.
38. The County Council is seeking to develop its approach in collaboration with both its District Authorities as well as neighbouring unitary authorities and other County Councils. As part of this there is an opportunity to build on this Catalyst Programme.
39. The County Council is keen to also explore with the University of Southampton the future strategy for the science park, to ensure that moving forwards it plays a full part as a major asset in the pan-Hampshire economy.
40. As part of the Catalyst Programme, the Science Park will continue to track the progress of each cohort against the milestones agreed. The SSP Senior Management Team will report quarterly to HCC on the key outputs, investment secured, and jobs created over the longer term.

### **Conclusions**

41. The proposals in this report will sustain financial support to a programme that has delivered demonstrable benefits to the Hampshire Economy, including supporting innovation and technological development.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	no
<b>OR</b>	
<b>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:</b>	

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<u>Title</u>	<u>Date</u>
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</u>	<u>Date</u>

<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

The proposals in the report have been assessed for impact on protected characteristics. No negative impacts are anticipated for people with protected characteristics, but the beneficial outcomes for the Hampshire economy are expected to benefit the community in general.



## APPENDIX 1

### **FUNDING CRITERIA FOR INVESTING IN HAMPSHIRE**

The following criteria should be taken into account when considering a request for funding.

1. Assistance will be considered only in response to direct applications from properly constituted organisations seeking assistance for one-off funding only. The application must show that the organisation is properly and legally organised and has its own bank account. Funding would only be awarded if the proposal was to support activity within agreed County Council priorities.
2. Applications will be considered for the items listed below, where these are within agreed priorities and generally only where other substantial funding exists:
  - Specific capital projects for the improvement or maintenance of significant assets or facilities within Hampshire
  - Projects that will support economic development and business growth within Hampshire.
3. Other applications will be considered at the absolute discretion of the Leader where he considers that the award will make a contribution for the wider benefit of Hampshire and its residents.
4. The wider economic and other benefits to the residents of Hampshire should be considered together with any complementary benefits for Hampshire County Council.
5. Awards will not usually be made in respect of applications from the following:
  - Government Institutions
  - Schools
  - Overseas and out of County organisations which have no direct Hampshire involvement
  - Bodies requesting funds for onward distribution to other charities e.g. mayoral appeals, carnivals, fetes, or for their own fundraising events.
6. Apart from exceptional circumstances, the requesting body would be expected to provide their own funding towards the project.
7. As a general rule, grants in excess of £250,000 will not be awarded unless significant benefits and funding are available. In exceptional cases, where the benefits are significant and directly relate to services and functions close to the County Council's key objectives, then an award greater than the level above would be considered.

8. Given the longer-term nature of capital projects, requests can be considered well in advance, but funding will only be released once evidence of capital expenditure has been provided to the County Council or other arrangements made, consistent with the agreement of the Director of Corporate Resources.