

Business Justification Case for Innovation and Investment Hub in London

Version no: 1.1.

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VERSION HISTORY

Version	Date Issued	Brief Summary of Change	Owner's Name
Draft	11.08.15	First draft version	DF
Updated	28.10.15	Updated following property search and further work on scope by project board	DF
Updated following comments	10/11/15	Minor textual changes throughout	DF
Updated following comments	15/1/16	Minor textual changes, removal of budgeting modelling due to award of budget in CSR. New financial modelling info included.	PB
Updated following Meeting of Project Board	25/1/16	Refreshing of property spec, addition of stakeholder views from SCDI event and HIE Questionnaire.	PB

Purpose of this document

This document provides a business case for the development of an Innovation and Investment Hub in London.

Business Justification Case for Innovation and Investment Hub in London

CONTENTS –

1. Executive Summary
2. Strategic context
3. Case for change
4. Available options
5. Preferred option
6. Procurement route
7. Funding and affordability
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9. Recommendation

Innovation and Investment Hub - London

1. Executive Summary

This business justification is required for the decision to create an Innovation and Investment Hub in London. The Hub will provide a single base in London for the Scottish Government and associated organisations, combining the operations of the Scottish Government and Scottish Enterprise, Highlands and Islands Enterprise, Visit Scotland. Other public sector and private sector organisations may also be involved. This is part of a programme of new hubs, with initial hubs created in London, Brussels and Dublin.

The creation of Innovation and Investment Hubs was announced in the 2014/15 Programme for Government, and the 2015/16 Programme confirmed that a presence in London would be developed.

The PfG explained that Hubs would support international collaboration by **piloting Innovation and Investment Hubs** at key global locations. The 2013/14 PfG also said the Scottish Government would **establish One Scotland Partnerships** to set out clear trade and innovation goals for specific international markets and ensure greater collaboration by public and private sector partners to achieve these goals.

This business case identifies the specific requirements and business benefits expected to be delivered by the Hub. The business case then considers various options to achieve these:

- **OPTION ONE (No Change):** Continue with existing organisational structures and locations, using existing provision on the wider UK government estate (Dover House and Gresham Street)
- **OPTION TWO:** Co-locate existing Scottish Government and agency activity into a single location with scope for other Scottish Government, agency, NDPB, public sector and private sector organisations to work from the hub.
- **OPTION THREE:** Option two with the addition of a new business incubator to support Scottish companies establishing themselves in London.

Following a SWOT analysis of the options, the business case identifies option 2 as the preferred option. It concludes that this option achieves the best balance of delivery of benefits and business need against cost and risk.

2.0 Strategic Context

The **2014/15 Programme for Government** announced the Scottish Government's intention to pilot Innovation and Investment Hubs in key global locations. It stated:

"These will be tasked with securing research and innovation partners, investors in Scottish innovation, and build on established exporting and inward investment expertise. The Hubs will provide a focus for Scottish companies or universities needing presence in a country, capital or continent, including links to our network of innovation centres."

Scotland's Economic Strategy 2014 confirmed that:

"These Hubs will play a key role in promoting the research and innovation capacity and capability of Scottish companies and universities, including our network of Innovation Centres, in attracting investment and funding, and in supporting international collaboration which delivers economic benefits and helps address societal and global challenges. The scale, scope and focus of these Hubs will vary depending on the specific opportunities in a particular country or market."

Scotland's Economic Strategy sets out an over-arching framework for how we aim to achieve a more productive, cohesive and fairer Scotland and is supported through a range of partners and programmes including those contained in the One Scotland – Programme for Government 2014 and the EU Action Plan.

The development of One Scotland Partnerships and Innovation and Investment Hubs in strategic international locations is a key component in the Programme for Government.

Similarly, **Scotland's International Framework** (2015) has dual aims of;

- Creating an environment within Scotland that supports a better understanding of international opportunities and a greater appetite and ability to seize them; and
- Influencing the world around us on the issues that matter most in helping Scotland flourish.

The hubs will be a vehicle for delivering these outcomes. This means framing the work of the London Hub to enhance and complement the range of existing activity and support to optimise outcomes in agreed areas of strategic priority for Scotland.

The **2015/16 Programme for Government** provided detailed context for the London Hub, confirming a target opening date for the Hub of June 2016 –

- Innovation and Investment Hubs will provide an enhanced Scottish presence in locations of strategic importance.
- The hubs will use a One Scotland Partnership approach, which will bring together our agencies and partners to promote trade links, strengthen government to government relations, and enable greater collaboration on economic, academic and innovation projects.

3.0 Case for Change

3.1 Business needs

The overall priority is to deliver an Innovation and Investment Hub in London which meets the criteria set out in the strategic context by establishing a presence in London for the Scottish Government and its agencies and associated organisations.

The present combination of Scottish Government access to Dover House (a UK Government building) and temporary premises for Scottish Enterprise do not meet this need:

- (1) the arrangements do not provide an identifiable or sustainable base for Scottish Government activity in London
- (2) Scottish Enterprise's existing temporary facilities do not offer a long term option for that body's presence in London
- (3) present arrangements provide only limited opportunity to coordinate work in London among the Scottish Government and associated organisations

Through the development of a Hub the following strategic gaps will be addressed –

- ability to respond to **opportunities to progress our international trade, investment and innovation agendas with governments, companies, investors and academic, research and policy institutions headquartered and with offices in London.**
- ability to work in tandem with Scottish Enterprise and other agencies of Scottish Government to take advantage of London's status as a 'Global Gateway'.
- ability to enhance the current trade and investment functions of SDI in London, to include development of international collaborations and research partnerships and work to secure funding for innovation and research.
- ability to interact with UK and other governments – including embassies and high commissions – [REDACTED]

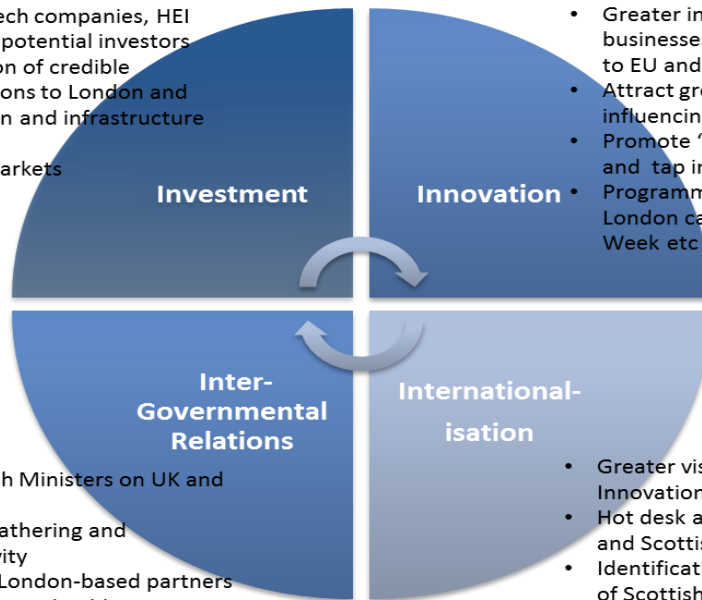
3.2 Benefits

The proposed benefits of the Project to establish an Innovation and Investment Hub in London are overleaf

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LONDON HUB

- Attract investment to Scottish companies through strengthened links with VC networks and other funding institutions;
- Raise profile/showcase young /hi-tech companies, HEI spinouts and Innovation Centres to potential investors
- Planned and co-ordinated promotion of credible public/private investment propositions to London and overseas investors – eg regeneration and infrastructure projects
- Regular engagement with capital markets
- Ministerial promotion of Scotland as place to do business and specific investment propositions



- Raise profile/awareness of Scottish in capacity and capability, including Inn universities
- Greater innovation and R&D collabora businesses and universities, including to EU and others
- Attract greater research funding to Sc influencing RCUK, Research Council s,
- Promote 'CAN DO' approach to intern and tap in to London entrepreneurial
- Programme of innovation events and London calendar – eg Innovate UK Co Week etc

- Base and official support for Scottish Ministers on UK and international relations
- On-going influencing, intelligence gathering and networking on UKG policy and activity
- Regular updates about Scotland to London-based partners
- Identification of opportunities for SG and public sector orgs to cooperate with UK and international counterparts
- Improved profile/contacts with foreign media
- Co-location of SG and SDI provides more and easier opportunities for gov't support to business
- Showcase location for media opportunities and SG/ SDI events
- Gov. to Gov relations on investment, innovation and internationalisation

- Greater visibility of and access to Scot Innovation Centres in London and vice
- Hot desk and meeting facilities for pub and Scottish companies
- Identification of Scottish business exec of Scottish companies
- Focal point for GlobalScots and wider
- Programme of trade missions, events related to London calendar of key trad Financial Services Expo) and events (eg Week)
- VS engagement with tourist operators orgs, events organisers , Embassies et

Objective	Benefits	Indicators of Success
Investment		
<ul style="list-style-type: none"> • Attract investment to Scottish companies through strengthened links with VC networks and other funding institutions; • Raise profile/showcase young /hi-tech companies, HEI spinouts and Innovation Centres to potential investors • Planned and co-ordinated promotion of credible public/private investment propositions to London and overseas investors – eg regeneration and infrastructure projects • Regular engagement with capital markets • Ministerial promotion of Scotland • as place to do business and • specific investment propositions 	<ul style="list-style-type: none"> • Improved inward and outward investment • Delivery of more partnership work with Scottish Enterprise and other SG Agencies and Partners DD 	x
Innovation		

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<ul style="list-style-type: none">• Raise profile/awareness of Scottish innovation and R&D capacity and capability, including Innovation Centres and universities• Greater innovation and R&D collaboration across businesses and universities, including joint funding bids to EU and others• Attract greater research funding to Scotland through influencing RCUK, Research Councils, Wellcome Trust etc• Promote 'CAN DO' approach to international audience and tap in to London entrepreneurial eco-system• Programme of innovation events and activities related to London calendar – eg Innovate UK Conference, Design Week etc		
Internationalisation		

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<ul style="list-style-type: none">• Greater visibility of and access to Scottish companies and Innovation Centres in London and vice versa• Hot desk and meeting facilities for public sector partners and Scottish companies• Identification of Scottish business execs to sit on boards of Scottish companies• Focal point for GlobalScots and wider business diaspora• Programme of trade missions, events and activities related to London calendar of key trade shows (eg Financial Services Expo) and events (eg London Fashion Week)• VS engagement with tourist operators, business tourism orgs, events organisers , Embassies etc•		
Inter-governmental Relations		

Business Justification Case for Innovation and Investment Hub in London

<ul style="list-style-type: none">• Base and official support for Scottish Ministers on UK and international relations• On-going influencing, intelligence gathering and networking on UKG policy and activity• Regular updates about Scotland to London-based partners• Identification of opportunities for SG and public sector orgs to cooperate with UK and international counterparts• Improved profile/contacts with foreign media• Co-location of SG and SDI provides more and easier opportunities for gov't support to business• Showcase location for media opportunities and SG/ SDI events• Gov. to Gov relations on investment, innovation and internationalisation•	<ul style="list-style-type: none">• Enhanced relationships with UK and other Governments• Higher degree of influence over emerging policy agendas	
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3.2.1 Policy Requirements

Generally

The appraisal of the options has been carried out using the decision making criteria outlined in the policies and guidance given by the Scottish Government [Scottish Public Finance Manual](#) and [Asset Management Policy](#).

A Managing Successful Programmes compliant management structure has also been put in place through the establishment of a Senior Officers Programme Board and Project Board for the delivery of the hubs programme and for this project. The SRO for the project is the Director of Culture, Europe and External Affairs.

Specific Policy Requirements

3.2.2 Asset Management

Use of properties should be considered in the following order of priority;

1. Premises already available on your own estate (owned or leased)
2. Scottish Government owned or leased
3. Public sector owned or leased
4. Private Sector purchase or leased

Under each of these headings, the following considerations apply:

- 1, 2: No suitable vacant property in London on estate of Scottish Government or associated organisations
- 3: Existing provision on the wider UK government estate (Dover House) – considered under OPTION ONE
- 4: Scottish Enterprise leased property (Scottish Enterprise offices, Gresham Street, London) - considered under OPTION ONE
- 4: Newly leased premises – considered under OPTIONS TWO and THREE

Although Dover House meets some existing business needs for the SG, it leaves others unmet and does not allow delivery of the benefits and extended business needs set out earlier in section 3.0. In addition, the UK Government has indicated that it is keen to reclaim the accommodation currently used by Scottish Government for its own use at a future date. As a result a full economic and financial appraisal of the costs of OPTION THREE is not necessary in this case.

3.2.3 Environmental efficiency

SG policy requires every public body to work towards targets on environmental efficiency and space usage.

Environmental efficiency is measured using a score on the Energy Performance Certificate which must be supplied by a Landlord or Seller. The score ranks from 1-100 with 0 being zero carbon usage or better and 100 the poorest. It also ranks these scores from A (best) to G (poorest). Compare the EPC ratings for all the options under consideration. A newly procured office would provide the opportunity to improve the current efficiency of having a separate SG space in Dover House and Scottish Enterprise offices in Gresham Street. [3.3](#)

Risks

The main risks are summarised in the project's risk register

4. Available Options

Three principal options for the Hub have been considered

OPTION ONE: Combined SG and SDI office including meeting and event space and offices for Scottish Ministers and supporting officials: This option could be delivered relatively quickly, would meet short term needs and would represent a significant improvement on our existing approach to Ministerial support and UK and international relations. However, it would not fulfil the commitment made in the 2014 Programme for Government in terms of the broader innovation and investment agenda and realising economic opportunities through a presence in London, as the operations could not be sufficiently integrated in the existing spaces of each organisation.

OPTION TWO: As OPTION ONE but with space for permanent and temporary use by staff from other bodies and agencies (eg VisitScotland, universities, innovation centres); for specific programmes or projects; and a touchdown space for use by Scottish companies and other public, private and third sector partners: This option would take longer than OPTION ONE to deliver, but would fulfil the commitment made in the PfG and, as well as providing opportunities to develop inter-governmental relations, would present a 'One Scotland' approach and help realise significant economic opportunities for Scotland over the medium term. Location to be within 2 miles of Westminster

OPTION THREE: As OPTION TWO but with the addition of an incubator or accelerator space for Scottish companies taking first steps in London. This option has wider scope in terms of innovation and investment, but also represents higher cost and risk; and the benefits of incubators for Scottish companies arise from working with counterparts in the same sector, rather than with other Scottish companies per se. Location to be within 2 miles of Westminster

The outcome of initial analysis by the Project Board was that OPTION TWO is the most viable in delivering the policy intention for Hubs as set out in the 2014 Programme for Government and Scotland's Economic Strategy whilst balancing the cost of delivery, risk to the public purse, and need to deliver a Hub without significant delay.

Facilities for External Partners

In analysing the options for accommodation and support which the Hub could provide to external partners – ie organisations without a permanent presence in the Hub – the Project Board identified three broad models:

Co-working Space: Flexible and informal space providing hot-desking, touchdown and meeting facilities, along with administrative support, for a wide range of Scottish organisations on a paid or unpaid membership basis.

Incubator Space: More formal, dedicated space and tailored business support primarily aimed at early stage and start-up companies where there are benefits and synergies from co-locating with others in the same sector or sub-sector, often technology based. Companies tend to remain in-situ for one to five years and therefore enter in to a lease arrangement for accommodation.

Accelerator Space: Similar to incubators but targeted at established or start-up SMEs with potential for rapid growth and therefore, as well as accommodation, provide intensive, tailored support to individual companies. Access to the accelerator is usually by competitive application and for a limited period after which the company is expected to move to alternative space. Companies often have a short-term lease and often receive a small amount of seed investment from the accelerator operator in exchange for a small amount of equity.

Current market provision and appetite for additional space

Scottish Enterprise have identified over 130 co-working, incubator and accelerator spaces across London. There are clusters in in East London and around Old Street, Shoreditch (TechCity), Farringdon and Soho. Furthermore, all of the 40 plus incubators and accelerators are operated by the private sector on some form of revenue generating model. This suggests that there does not appear to be any market failure in the provision of supported business space in London, especially in the area (2 mile radius of Westminster) identified for potential Hub premises where approximately three-quarters of all spaces are located.

Feedback from SE and HIE's discussions with Entrepreneurial Spark, Entrepreneurial Scotland, Informatics Venture and Scottish Financial Enterprise consistently suggested that the provision of incubators and accelerators in London is already well established and competitive with the private sector playing an effective role which meets business needs. In particular, the consensus was that the public sector is likely to find it difficult to compete or differentiate its offering in the incubator and accelerator space, not least as both models are highly people and cash intensive.

Conclusion: Given the above, it is our conclusion that providing incubator or accelerator space within the London Hub offers neither value for money nor a distinct competitive advantage for Scottish companies. This reinforces the Project Board's conclusion that OPTION TWO offers the best value for money approach to delivering the Hub.

Potential Roles for Hub

Although our analysis and consultation strongly suggests that the London Hub should not include incubator or accelerator space, partners felt that the Hub could support companies and add value by:

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- (i) Providing co-working space on an 'as needed' basis to a range of Scottish companies on a paid or unpaid membership basis such as individual corporate membership and/or a 'blanket' organisational membership where membership of, for example, Entrepreneurial Scotland and SCDI automatically entitles an organisation to use the Hub. This co-working space would also be open to Scottish public agencies.
- (ii) Hosting a sustained programme of business and innovation related activities and events, partly structured around key dates in the London and Scottish calendar. This programme, described by Sandy Kennedy of Entrepreneurial Scotland as the Hub's 'heartbeat', could include networking, seminars, master classes, investor showcases, 'meet the buyer' sector activities etc. A number of those consulted expressed interest in managing and delivering such a programme on a contractual basis.
- (iii) Supporting Scottish Enterprise's existing account management function by providing advice and support to companies who might benefit from a more permanent presence in London to help them understand market opportunities or win new business. This would include advice and a 'matching service' on incubator or accelerator space which best meets their needs.

These business-focused activities would complement and add critical mass to core Scottish Government and SE/HIE/SDI functions in the Hub as set out in the benefits diagram for the Hub.

As indicated in previous advice to DFM and reinforced by discussions between SG, SE and HIE and feedback from the SCDI roundtables, a programme of business related support and activity is required to practically realise our business related objectives and to bring the business facing aspects of the Hub to life. Work is underway to specify the outcomes of such a programme and the sort of activities this might involve. Our view is that this would be best delivered by a third party or parties and, subject to the Board's view, we intend to define a spec with a view to procuring such a programme.

Further information on stakeholder/business engagement is provided at Annex A – Note of SCDI hosted roundtable on a London Hub in Glasgow 12 January 2016 and Annex B – Results of HIE questionnaire to businesses regarding the London Hub.

London Property Specification – Headlines

On the basis that OPTION TWO (from Business Justification paper) was the preferred model for the Hub, the Project Board issued a questionnaire to organisations which had expressed interest in becoming partners in the project. The returns from this questionnaire resulted in the development of the following specification for the property search:

Common/Shared facilities

Shared reception/waiting area

A breakout/touch down café style area adjacent to reception is desirable/flexibility for use for small-medium sized receptions, exhibitions or refreshments/lunch ahead of / in margins of meetings in the conference room. This area would provide Wi-Fi and a refreshment point for visitors. A hot desk area for circa 12 desks beside this facility would work well for visiting companies to use to maintain security. A secure access control door can separate this “front of house” public area from the SG/SE work areas (see London & Partners office for working example).

Conference/Meeting Rooms – shared resource

- 1 x 30 person conference room incorporating concertina wall to allow for sub-division to 2 smaller meeting rooms -
- 1 x 8 person meeting room
- 2 x 4 person meeting rooms
- 2 x 2 person quiet rooms
- 1 x commercial grade kitchen to service events

Office Space

Desks required:

SE/Scottish Enterprise: 20 desks in open plan area (14 FTE currently, expected to rise to 17 in 2016/17, with 3 hot desks for visiting colleagues).

A private office for exclusive use by SE Chief Executive and Chairman.

2 dedicated HIE hotdesks.

SG: 10 desks in open plan area (up to 2 FTE for UK Relations, 1 FTE VisitScotland, 7 split between CEEAD & Economic Development).

Two private Ministerial quality/secured offices for exclusive use by Ministers/Permanent Secretary.

Final layout requirements will be defined when preferred property has been selected to create a flexible environment.

Storage

SE has a suite of storage furniture currently stored. Limited storage requirements for other partners/stationary etc. A secure store would be useful for Ministerial use.

IT Facility

SE/SG preference for a secure communications room (4m²) ISIS to confirm if a single comms room for all or separate SG comms required for security.

Ancillary Space

A networked printer/mail and stationary area required for SE.

General Space

Well stocked First Aid kit should suffice for the size of space. (SG policy on defibrillator tbc)

Coat racks should suffice over a cloakroom, cleaner’s store dependent on building/lease.

ICT and Comms

SE requires a fully networked environment for approximately 20/25 staff, possibly VOIP phone system (although currently being phased out and replaced with MS Lync). SE would install a separate Wi-Fi solution for guests and run data cables from the desk to comms room. HIE require access to their systems.

Full access to SG systems including SCOTS (perhaps through docking stations?) for every desk we use including in Ministerial suite. We also need every desk we use (including hot desks) to have a working phone. Quality VC facilities throughout.

[REDACTED]

SG Space Planning

SG space planners have been asked to forecast the floor space requirement to deliver the specifications set out above and have recommended a search for a property in the region of 600-700m² = 6500-7500ft²

Location – Search Instruction

A premises will be sought in central London which seeks to optimise transport links, with SE’s current base in the City and Ministers’ requirement to be within two miles of Westminster significant drivers.

Search parameters for agents:

- Close to good transport links for airports, Westminster and King’s Cross area
- Within a 2-3 mile radius centred on King’s Cross
- 600-700 square meters of grade A office accommodation capable of presentation as the face of Scotland in London
- Ability to fit-out to our needs and have appropriate security, access, flexibility, IT and branding for our discrete suite

That search radius takes in both Westminster and the business districts.

Weighting and Scoring

Given its specified delivery objectives and strategic requirements significant value has been placed on the following factors;

- Quality of the space making positive statement about Scottish Government and Scotland
- Location – proximity to Westminster
- Flexibility of space – to accommodate a range of uses, from Ministerial suites to an innovation hub for use by external stakeholders
- Security/IT – a building which meets the security requirements of all partners and is capable of hosting a SCOTS network is critical to the use of the Hub

The following options were presented following the property search and have been analysed against the above criteria, giving equal weighting to the above factors and scoring 1 if the required criteria are met and 0 if not provides the following scoring;

	Option 1	Option 2	Option 3
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Environmental			
Space Usage			
Weighting criteria			
Total			

5. Preferred Option
To be completed post market search

6. Procurement Route

7. Funding and Affordability

Financial provision will come from a combination of the reallocation of existing budgets and contributions of new budget from each of the core partners (see below). A potential membership model for other users accessing the services or the space provided by the hub will be developed in due course and may provide an opportunity for some costs to be offset in the longer term. .

Budgeted Costs

£3.5m has been committed by the Scottish Government to the establishment of Innovation and Investment Hubs in London, Brussels and Dublin. The Hubs will bring together the Scottish Government and its agencies, with public and private partners, to support trade, investment and innovation and strengthen relations with governmental and institutional stakeholders. Further budget analysis is available separately.

Apportionment of Costs

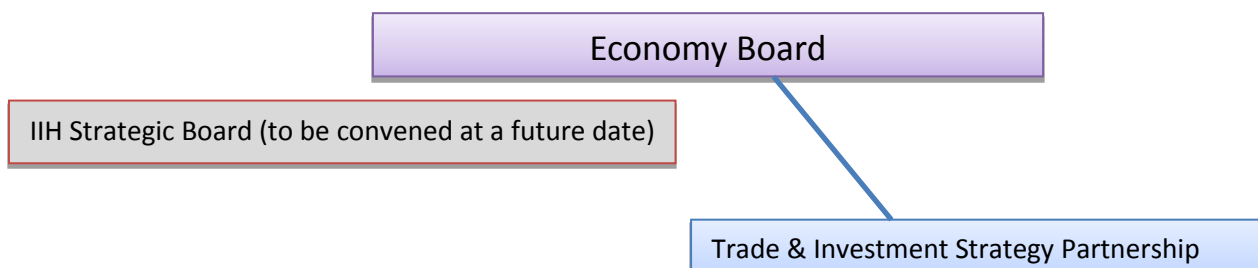
Fixed costs for the hub (rent, rates, utilities, office management, cleaning) will be apportioned across the permanent partners for the Hub (Scottish Government, Scottish Enterprise, Highlands and Islands Enterprise, Visit Scotland). These costs will be apportioned on a per square footage basis for the amount of space occupied by each organisation for their exclusive use. Shared spaces, such as meeting rooms, kitchens and reception space will be shared across all partners on a similar basis.

Programme Management Arrangements

The Programme Sponsor is accountable for ensuring that the programme is governed effectively and delivers its aim, objectives and outcomes. In this case, the Programme Sponsor is accountable to the Scottish Ministers for the successful delivery of the Innovation and Investment Hubs and as such needs to be assured that the programme is being led and managed effectively applying a recognised and robust methodology.

Karen Watt, the Scottish Government’s Director for Culture Europe and External Affairs, and John Mason Director of Economic Development are the Programme Sponsors.

**Trade & Investment Strategy/ Innovation & Investment Hubs
 Governance Arrangements**



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Permanent Programme Board members will be:

- John Mason, Director, Economic Development, Scottish Government (co-chair)
- Karen Watt, Director, Culture, Europe and External Affairs, Scottish Government (co-chair)
- Barbara Allison, Scottish Government
- Linda Hanna, Scottish Enterprise
- Paul Lewis, SDI
- Jane Martin, Scottish Enterprise
- Aileen McKechnie, Scottish Government
- Charlotte Wright, HIE
- Ian Donaldson, SG
- Colin Imrie, SG

At each meeting of the Programme Board, several key documents will be made available to all members in order to focus attention and support effective decision making. The documents are:

- High level progress report on programme delivery
- Progress report on specific project outputs
- Updated risk register (including any requests for new risks)
- Updated issues log (including any risk to issue escalation requests)
- Change Control requests
- Current programme plan

SCDI ROUNDTABLE DISCUSSION ON SCOTTISH GOVERNMENT INNOVATION & INVESTMENT HUBS

Hosted by Pinsent Masons LLP, 141 Bothwell St, Glasgow G2 7EQ
12 January 2016, 09.00 for 9.15 – 11.15

CONFIDENTIAL NOTE OF DISCUSSION

Agenda

- 09.00 for 09.15 Registration & Networking with tea/coffee
- 09.15 – 09.20 Guests seated and welcome – Ross Martin, Chief Executive, SCDI
- 09.20 – 09.40 Background to the Innovation and Investment Hubs and the opportunity in London as a Global City – Scottish Government and Scottish Enterprise
- 09.40 – 11.00 Roundtable discussion chaired by SCDI on the collaborative opportunity and the development of the London Hub
- 11.00 – 11.15 Next steps
- 11.15 Close

Attendees

[REDACTED]- Scottish Government
[REDACTED], Industry Engagement, Industry Funding and Big Data - University of Edinburgh
[REDACTED]Partner - MacRoberts LLP
[REDACTED]The Data Lab
[REDACTED]- University of Dundee
[REDACTED]- Snook
[REDACTED]- University of the West of Scotland
[REDACTED] Scottish Cities Alliance
[REDACTED] Construction Scotland Innovation Centre
[REDACTED], Technology and Innovation Centre - University of Strathclyde
[REDACTED]- Scottish Enterprise
[REDACTED]SCDI
[REDACTED]- Industrial Biotech Innovation Centre
[REDACTED]- Seric Systems
[REDACTED]- SCDI
[REDACTED]- SCDI
[REDACTED]Robertson Group (APOLOGIES)
[REDACTED]- University of Stirling
[REDACTED] International Trade and Investment Policy - Scottish Government
[REDACTED]- Pinsent Masons LLP
[REDACTED]- Diamond Studio
[REDACTED] - Informatics Ventures
[REDACTED] WeAreTheFuture
[REDACTED]- Scottish Government
[REDACTED]- CENSIS (APOLOGIES)

[REDACTED] Scotland Food & Drink

Note of Discussion

Scottish Government and Scottish Enterprise introduction to London Hub

- Brussels Hub - making more of collective resource in Scotland Europa, making more of funds coming out of EU.
- Dublin Hub - export more to Ireland than we do to China. Stepping stone for some exporters. Complementarities with Irish universities. Will provide people and support within Ireland to help connect you to opportunities and collaboration in Ireland.
- London Hub – Opportunities around Innovation, Investment, Internationalisation, Inter-Governmental Relations.
- Bringing together Scottish Government and its agencies presence in London, and in a way that brings together the Scottish business community and innovation community in London.
- Aspiration for London Hub to be a shared space with potentially some support and services attached to this. For example, support to connect with venture capitalists, buyers events, and connecting with networks that already exist in London, for example SCDI's London network.
- Plan to have a building with people in it by June 2016.
- Scottish Enterprise have their largest office outside Scotland in London with 15 staff based there.
- London attracts 60% of inward investment, however 80% of second and third stage investment goes elsewhere in the UK.
- Opportunity for companies to work with multinationals and become international by default.
- Record levels of VC money from the US. Tech companies in London attract 65% of VC money in London - increase chances of funding by being in London.
- Overtaken Silicon Valley as crowdfunding capital.
- London investment community does not know enough about what is happening in Scotland. Want Scottish companies to come to them.
- More Fintech innovation happening in London than the rest of the world combined.
- Many High Commissions and governmental offices in London that want all the same things that Scotland want, and regions upping their activity e.g. Wales and Liverpool – Is Scotland playing catch up?

Existing activity and opportunity in London – summary from those around the table

- Run investor conferences in London. The recent London Stock Exchange event should be something that we are having on a weekly basis and the London Hub would allow this.
- Opened an office in London last year as most of clients are in London.
- One university has opened an office in London and another is actively seeking a space.
- The London Hub could facilitate an innovation hack model.
- There is opportunity in London for Scottish construction companies due to housing.
- Need to a base in London to service capital investors as they won't come to Scotland.

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- Scotland needs to promote itself shamelessly in London in the way that New Zealand and Ireland does internationally.
- Opportunity to have a place where people can convene and land and have access to all the right services, especially people who are not account managed. Can service parts of the market more cost effectively. Welcome base for small companies to use and receive support at the same time.
- The university sector intrinsically international - need to access international market for student recruitment and finance for start ups to grow regional economies. London critical to all of this. Universities also need to be connected to understand the UK government context and compete for research funding.
- Although the talent base is in Scotland, a lot of the market is not.
- Most clients and partners in London.
- It is politically important to get alignment between the Scottish Government and UK Government.
- Rocket Space in Silicon Valley was started by Scottish person who is now looking to develop something in London.
- Different jurisdiction in London that may have impact in some areas.
- Looking about how to build more innovation into sector so would welcome insight into UK innovation funds. The Scottish economy has a large number of SMEs so need to look at inward investment approach and this focus of hub is welcome.
- Keen to partner with other key sectors and London would be a good opportunity for this.

Potential location of the London Hub

- Feedback was that the Hub should be located in central London and near places that Scottish business travel to, e.g. train terminals and airport links.

Collaborative potential of the London Hub

- Collaboration is key and focal point of similar models.
- “Take the CanDo attitude to London”.
- Building plan needs to be open plan and perhaps needs dedicated person/people that look after culture, network and events.
- Need to create something that makes collaboration and networks more likely - practicalities important.
- What qualities would hub need to have to attract us to visit when in London. Needs to be a place to have meetings. Opportunity for 4-7pm evening activity around events and networking.
- Place to take venture capitalists to show them an idea of the activity in Scotland. Not just business but also universities. Permanent displays or temporary exhibitions could be a feature. Footfall and hospitality important.
- Use Scottish brand, incorporate a “taste of home” but add to it through surprising things you may not know to showcase to investors.
- Place should not be just about account managed companies and should provide information about access to funding to all.

Current barriers and challenges

- Trust and partnership working are important - everyone is competing so how do you get collaborative space to work in a way where people feel that they are not losing their competitive advantage. Strengths in scale as well as in diversity. Needs to be about collaborative advantage and creating

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international competitiveness through partnership by putting together things that complement one another.

- Barrier to innovation is time to stop and think about doing something differently.
- Need to buy into the London culture that we are part of it. Biggest challenge to go into this half heartedly without making a noise about it. Need to shout about how good we are in London.
- Has to be about understanding the obstacles we face as organisations and think about how we can overcome this in a way that benefits the Scottish economy and the UK economy. Need to be very sharp about what our key proposition is and show added value of Scotland.
- Should have less of Scottish Government influence in the hub and more of Scottish business community influence.
- There are existing places in London that have business services included. Is there a private sector opportunity to do something similar with a Scottish brand?
- Issues about access to the GlobalScot network however the people on the network are willing to help.
- Important to use the talent in London and opportunity to work with London partners.
- How to help multi office capability and deliverability - keeping jobs and economic growth in Scotland, need to support to help with this. Role for Scottish Enterprise to create back office model and organisational structures to allow an organisation to work in Scotland while being London.

Funding the London Hub

- Scottish Government ringfenced amount of money that will cover rent, service charge and rates for building. Size of building subject to discussions like this to determine private sector need. 3-5000 sq ft incorporating back office and front office.
- Issue with membership model is that once you establish funding model it drives behaviour and makes focus on how to get more members.
- Whatever funding model is chosen it needs to drive the behaviour you want to see.
- Getting private sector funding is critical to the success of the London Hub
- May not be one funding solution. Irish example of not dividing between public and private funding but using all sources that are available.
- London and Partners charge monthly membership fee which includes access to flexible working space and all events. Run on average three events a week.
- Scottish Enterprise see this being focused at early stage companies and survey findings argue this.
- No charge for networking - charge for other things that allows you to do this for free.
- Angel investors to could fund base for innovation.
- Look to Scottish diaspora to help fund this.
- Opportunity in university alumni network and some universities run alumni events in London. Need mapping of collective alumni in London - could be money with strong emotional attachment to Scotland.

Next steps

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- SCDI will take points from the roundtable into discussions with SG, SE and HIE to progress.

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Sample – 16 complete responses and 1 combined response from 3 additional businesses

Question 1 – How significant is London and SE England to your overall business?

Less than 10 % of revenues - 37.5% of responses (6)

Less than 25% of revenues- 25% of responses (4)

Less than 50% of revenues- 12.5% of responses (2)

<75% revenues – 6.25% of responses (1)

>Less than 75% revenues –18.75% of responses (3)

Question 2 - How frequently are you/your colleagues in London for business purposes?

Weekly – 1 (6.25%)

Monthly – 5 (31.25%)

Quarterly – 8 (50%)

Rarely/never – 2 (12.5%)

Question 3 - Do you plan to increase the frequency of your business activities in London?

Yes – 15 (93.75%)

No – 1 (6.25%)

Question 4 - Where do you mainly work from when in London?

our own office – 0 (0%)

serviced office – 2 (12.5%)

hotel – 7 (43.75%)

café/coffeeshop – 2 (12.5%)

hotel & café/coffeeshop – 5 (31.25%)

Question 5 - Approximately how much do you spend annually on office/meeting space in London?

0 – 10 (62.50%)

£100 - £400 – 2 (12.5%)

£1000 – 2 (12.5%)

£3000 – 2 (12.5%)

Question 6 – How useful would it be if you could access competitively priced, flexible host desking space with some limited meeting room facilities in a centrally located hub in London

Very useful – 6 (37.5%)

Somewhat useful – 8 (50%)

Not useful – 2 (12.5%)

Question 7 – How much would you be prepared to pay annually to use such facilities? (e.g annual membership)

free – 5 (31.25%)

Pay per visit – 4 (25%)

£200/on par with IOD system – 1 (6.25%)

£500 - £1000 – 5 (31.25%)

Competitive rate – 1 (6.25%)

Question 8 – In addition to flexible meeting space, what else might the hub provide which would be valuable to your work in London?

“If meet the buyer events could be organised it would be good. The location would be very important but London is so big it would be difficult to find a location that suited everyone.”

“We also use the Satellite Catapult in Harwell where we rent a hot desk for £7.50 per day.”

“Meeting potential distributors, existing customers and showcasing product through tastings, mini events, potential customers press, PR etc.”

“PC and serviced offices i.e. reception/messaging/copying.”

“A showcase for Scottish Creativity and Design.”

“Hot desk facility, comms – phone, internet, coffees/refreshments, secure office environment.”

“An area to showcase our products. As we grow, it might be useful to have some semi-permanent engineers based there who may split their time between our factory in Thurso and the hub in London.”

“Meeting rooms, coffee area.”

“Internet access, comms, maps.”

“Client is not currently in London enough to need office space or any other facilities.”

“It would be useful for meeting multiple customers at once for updates or when presenting new products but this would be very infrequent. On a wider benefit to Scotland and if large enough, it could be a central meeting place for businesses to meet similar people.”

“We would simply meet clients at Heathrow or in a hotel, it would be better for my company to have a negotiated hotel rate than a business hub.”

“Meeting rooms/hot desks/reception areas with coffee breakout/wifi/printing etc”

“Storage facilities”

“Promotional opportunity”

“Meeting space is most important, followed closely by private space for phone calls/webex’s etc”

Response from one of a HIE high growth account manager “ I think that unless the business makes regular visits to London then the flexibility and convenience of high quality office space is not fully appreciated. The value of such a facility however is significant and although no-one wants to pay for it, the appetite from regular users is considerable. I believe that this would provide businesses with significant benefits both in terms of cost savings but also in delivering a professional service.”