



Leicester  
City Council

**WARDS AFFECTED:  
ABBEY WARD  
BELGRAVE WARD**

**OVERVIEW & SCRUTINY MANAGEMENT BOARD  
CABINET**

**30<sup>th</sup> July 2009  
3<sup>rd</sup> August 2009**

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## **Leicester Science Park Innovation Workspace**

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### **Report of the Director, Planning & Economic Development**

#### **1. Purpose of Report**

This report seeks Member's approval to the delivery strategy for the Leicester Science Park (LSP) Innovation Workspace project, and seeks approval to progress further project development.

#### **2. Summary**

- 2.1 'One Leicester' makes a commitment to "complete the development of the Science Park around the National Space Centre and continue efforts to attract hi-tech businesses into the Leicester economy." There is also a commitment to improving business infrastructure and ensuring that there are enough suitable premises in Leicester for businesses at all stages of their lifecycle.
- 2.2 The economic downturn places greater emphasis on the need to invest in sectors of the economy that exhibit the greatest potential to drive economic growth. It is also important that the city creates a climate for innovation and the commercialisation of this innovation.
- 2.3 The development of an Innovation Workspace at Leicester Science Park (see attached plan) will deliver the following regeneration outcomes:
- Create new employment space on a brownfield site
  - Create new high value jobs
  - Support existing businesses in knowledge based sectors
  - Stimulate new business start ups, particularly those emerging from University research activity
  - Support graduate retention
  - Ensure that regeneration benefits flow to the adjacent community in Belgrave, creating jobs, retaining generated wealth locally and raising confidence in the area as a business location
  - Kick-start the development of the wider Science Park
- 2.4 This report proposes that the Council will:
- Acquire the freehold of the site from Emda, likely at a peppercorn (subject to negotiation)

- Act as Accountable body for the funding package, and lead applicant for project funding applications
- Lead the development of the design specification, construction procurement and capital delivery
- Work with project partners to position the Innovation Workspace as a natural extension to the spinout, commercialisation and incubation activities of local Universities
- Develop proposals for ongoing operational management of the completed scheme

### **3. Recommendations**

3.1 Cabinet is recommended to note project progress of the proposed Leicester Science Park Innovation Workspace project and to:

- (i) Approve the overall vision for the Innovation Workspace as outlined in the report
- (ii) Approve the Council assuming lead responsibility for delivery.
- (iii) Authorise the negotiation of terms with East Midlands Development Agency (Emda) to acquire any freehold or leasehold land to deliver the project.
- (iv) Approve project design and development work at a cost of up to £500,000.
- (v) Note the potential funding package for the scheme, with the Council acting as Accountable body, and authorise the submission of funding applications as follows:
  - Emda sub-regional funding for further project development outlined in (iv) above
  - Emda regional funding
  - European Regional Development Fund (ERDF)
  - Working Neighbourhood Fund (WNF)
  - Prudential borrowing as required.

Note that the overall funding package would be subject to a further report when further project development work has been completed.

### **4. Report**

#### **The vision**

- 4.1 The proposed Innovation Workspace will establish Leicester Science Park as a high quality location for knowledge-based businesses. The project will provide serviced accommodation to knowledge based SMEs, including a mix of incubation and grow on space, and a mix of office and workshop spaces.
- 4.2 The scheme is being developed in collaboration with Leicester and De Montfort universities, building on research strengths and related support programmes, and complementing plans for capital programmes on the respective campuses. The aim is to position the Innovation Workspace as a natural extension to the Universities spinout, commercialisation and incubation activities.
- 4.3 There will be a focus on growing, knowledge based, sectors in which the city can develop a competitive advantage. Work has been commissioned by Prospect Leicestershire to define the University areas with the greatest

potential synergy with an Innovation Workspace at Leicester Science Park. It is anticipated that target sectors will include emerging technologies such as low carbon/ environmental, space and biotechnology. Flowing from the existing development of Phoenix Square, and again working in close collaboration with local Universities, there may also be potential to further extend the city's support to digital media, creative technology and design businesses.

- 4.4 Clients will need to access specialist scientific and technical support services, as well as more generic business support, and it is important that the LSP Innovation Workspace can deliver business support services to help tenant companies to grow. Complementary business development programmes will be required to support the delivery of funding outputs to regeneration funders, delivered directly and in partnership.

#### **Design proposals**

- 4.5 A design brief is currently being developed with project partners and potential end users. Given the need to establish confidence in Leicester Science Park as a business location, and its proximity to the National Space Centre, the quality and distinctiveness of the architecture will be important. Emda have indicated that they would expect the scheme to be considered by the East Midlands Design Review Panel/ CABE. A design competition approach will be considered for the scheme.

- 4.6 The final design brief for the building will include the following requirements:
- To deliver an inspirational, progressive and confident design that sets the tone for the development of the rest of the Leicester Science Park.
  - To provide a “visible and inspirational exemplar of zero carbon construction”, in line with the aspirations of One Leicester
  - To provide a total lettable area of between 25,000 and 40,000 square feet
  - To incorporate a range of facilities appropriate to the needs of companies in target sectors, with a mix of incubation and grow on facilities, with flexible office and workshop spaces
  - To minimise the long-term maintenance, energy usage and asset management cost
  - To provide sufficient space to deliver funding outputs and ensure long term financial viability
  - To provide a core of common services, including reception, administration and meeting facilities and spaces to encourage both informal and formal networking, and the delivery of specialist training and support by partner organisations
  - To provide leading edge broadband and telephone services
  - To provide ‘Excellence Demonstrator’ spaces for the showcasing of new products and research outputs emerging from Leicester and De Montfort Universities. There are indications that providing these spaces would encourage University participation in the project.
  - To ensure the finished scheme complements the proposed adjacent pedestrian/ cycleway which will link to the proposed new landmark bridge connecting to Wolsey Island.

#### **Demand and business planning**

- 4.7 Demand, particularly for new workspace schemes, is difficult to predict with certainty. This is further complicated by the uncertain impact of the recession on the demand for workspace. Current intelligence indicates that during the recession, companies are migrating to premises that offer good value accommodation alongside appropriate facilities and support.
- 4.8 Several studies have been undertaken in previous years in relation to the LSP Innovation Workspace, and these all provide useful evidence of potential demand for the scheme and to inform the definition and specification of the services and facilities.
- 4.9 To minimise the risk of not meeting occupancy targets, emphasis is being placed on
- Developing a design specification that meets the needs of target sectors
  - Ensuring that pricing is competitive, but set at a level that ensures long term financial sustainability
  - Building effective partnerships with relevant support organisations, particularly Universities, and aligning the Innovation Workspace with any existing support programmes (for example, the Incubating Graduate Business project)
  - Investigating strategic partnerships with Universities and other intermediary organisations, to provide an element of major pre-let accommodation within the scheme.
  - Developing proposals for ongoing operational management of the completed scheme

#### **Delivery Route**

- 4.10 The proposed delivery route is for the Council to act as lead developer for the scheme, including acting as Accountable body for the funding package.
- 4.11 It is proposed that the Council will purchase the site freehold from Emda. Discussions with Emda have indicated that it may be possible to transfer the land to the Council at a peppercorn, as the scheme needs a large public subsidy to be developed and restrictions on the use of the land will be in place. This is subject to further detailed clarification and negotiation with Emda. Emda will retain the remainder of the Science Park site for development.
- 4.12 As lead developer, it is proposed that the Council will manage procurement and project delivery. The Council's project management team recommends using existing framework contracts to appoint a construction contractor. This procurement option meets the suggested timescale for project delivery. This approach also removes the need for an OJEU process and promotes early contractor engagement, which in turn improves the deliverability of the overall scheme.
- 4.13 Emda have agreed to this proposed delivery route with the Council as lead developer, but this is clearly subject to further negotiation around the terms of the land purchase.

### **Timetable**

4.14 There is a time-limited opportunity to access sub regional and regional funding to deliver the project. The project timeframe could see the Innovation Workspace opening for business in mid 2011.

4.15 The current anticipated development timetable is as follows:

#### **ERDF funding**

12 June 2009: ERDF Priority Axis 1 prospectus launched

31 July 2009: ERDF Expression of Interest

September 2009: ERDF Full application

December 2009: ERDF funding decision

#### **EMDA funding**

26 June 2009: Leadership Board - sub regional funding for development work considered

December 2009: Target date for Emda regional funding decision

#### **WNF funding**

Sept/ Oct 2009: Funding application submitted

December 2009: Target date for WNF funding decision

#### **Design development and construction**

July to December 2009: Design development to RIBA Stage D/ planning

July to December 2009: Procurement of construction contractor

Mid 2010: Start on site

Mid 2011: Building completion

### **Capital Funding Overview**

4.16 Assuming a build cost of £6 million, the potential funding package is as follows:

**Table 1 – Proposed Capital Funding Package for Leicester Science Park Innovation Workspace**

<b>Source of funding</b>	<b>£m</b>
European Regional Development Fund (ERDF)	2.4
EMDA regional	2.0
EMDA sub regional	0.5
Working Neighbourhoods Fund/ City Council prudential borrowing	1.1
<b>Total</b>	<b>6.0</b>

4.17 The latest Priority Axis 1 call for ERDF was launched on 12<sup>th</sup> June 2009, and is a regional call that seeks to create a high value-added economy by supporting innovation and sustainable business practice. Proposals for the LSP Innovation Workspace appear to fit well within the objectives of the call.

- 4.18 Emda funding: the mix of regional and sub-regional funding is to be determined. Emda is looking for evidence of both sub-regional prioritisation and commitment. A request for sub regional funding of £500,000 for further development work has been submitted, and this was approved by the Sub-Regional Leadership Board on 26<sup>th</sup> June 2009.
- 4.19 Funding from the Working Neighbourhoods Fund (WNF) is being explored, as the scheme will contribute to increasing the availability of business premises. It is important that any regeneration benefits of the scheme flow to the adjacent community in Abbey and Belgrave Wards, both in terms of job creation, retaining generated wealth locally and raising confidence in the area as a business location.
- 4.20 City Council Prudential Borrowing: Initial calculations indicate that the scheme could support the level of repayments against prudential borrowing, but this is subject to further detailed analysis during project development.

## **5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **5.1. Financial Implications**

- 5.1.1 Further detailed work will be carried out on the viability of the business plan during the feasibility stage. This will include an assessment of how losses during the project start up period will be funded and the ability of the project to service the debt associated with any prudential borrowing which may be required.
- 5.1.2 The estimate of costs for the feasibility stage is £500k which should be funded by the sub-regional plan funding for 2009/10. This will be confirmed in June.
- 5.1.3 The £500k includes professional fees, survey fees, legal costs, planning permission, building regulations, project management and a contingency as included in paragraph 3.1(iv).

*Martin Judson, Head of Finance, Extn. 297390*

### **5.2 Legal Implications**

#### **5.2.1 Property Legal Implications**

The land was originally sold by the Council to EMDA in 2001. The purchase of the land will result in the Council acquiring the freehold, though it is unclear at the present time as to the terms and conditions that EMDA will require to be imposed on the disposal of land for a nominal consideration. It is possible that these may include the potential for clawback of the value of the land by EMDA in the event that it is not used for the purpose for which the land is acquired by the Council. These will need to be considered and advice provided to officers once the terms of the proposed disposal are known.

*John McIvor: Extn. 297035*

#### **5.2.2 Legal Implications relating to Contracts and Procurement**

As lead developer and landowner, the Council will be the contracting authority in relation to any development and construction on the land. As the report

identifies, the Council will assume responsibility over the procurement and contracts relating to any works and services. If the further project development work described in paragraph 3.1 (iv) above is externalised this is likely to be subject to procurement rules. The Council should ensure compliance with Contract Procedure Rules and EU rules as they apply and legal advice sought as this development progresses.

In addition legal advice should be taken in relation to the terms and conditions of the various funding.

The report identifies potential working with project partners. It is assumed this may be the two Universities and EMDA. Dependant upon the nature of the joint working, thought may need to be given as to whether this requires any formal agreement to regulate any joint working. Once officers have identified what this work will comprise and consist of, legal advice may be taken to consider whether this needs to be formalised.

*Beena Adatia: Extn. 296378*

## 6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph Within the report	References
Equal Opportunities	No		
Policy	No		
Sustainable and Environmental	Yes	A sustainable and environmentally acceptable design will be major considerations in the assessment of the preferred developer scheme.	
Crime and Disorder	Yes	It is envisaged that the development will incorporate Secure by Design Principles.	
Human Rights Act	No		
Elderly/People on Low Income	No		

## 7. Risk Assessment Matrix

Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/ appropriate)
That the proposed new delivery strategy fails to produce the anticipated outcomes.	M	M	Further project development before scheme approved
Funding package cannot	M	H	All funding options

be assembled			being explored to maximise funding package
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**8. Background Papers – Local Government Act 1972**

None.

**9. Consultations**

Brendan McGarry, Acting Manager Regeneration Team, Resources

Andrew Smith, Director, Planning and Economic Development

John McIvor, Legal Services

Beena Adatia, Legal Services

Martin Judson, Head of Resources, Regeneration and Culture

Nick Booth, Principal Accountant, Resources

Mike Rose, Economic Regeneration

Ian Wallace, Project Management

John Edwards, Project Management

Stanislav Andryszewski, Prospect Leicestershire

**10. Report Author**

Peter Chandler

Creative Workspace Manager

Extn. 2616 800

[peter.chandler@leicester.gov.uk](mailto:peter.chandler@leicester.gov.uk)

<b>Key Decision</b>	No
<b>Reason</b>	N/A
<b>Appeared in Forward Plan</b>	N/A
<b>Executive or Council Decision</b>	Executive (Cabinet)



# LEICESTER SCIENCE PARK - INCUBATOR SITE

NORTH



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DRAWN BY .....RE..... PLAN No .....Cttee 164 NOT TO  
 CHECKED BY .....BMG..... DATE 19/06/2009 SCALE

LYNN CAVE, DIRECTOR OF STRATEGIC ASSET MANAGEMENT LEICESTER CITY COUNCIL