

Executive Report

“Defining our approach date”: 27th May 2011
Decision to be announced on: 20th June 2011

Development of Innovation Centre: Leicester Innovation and Technology Park

Decision to be taken by: City Mayor
Lead director: Andrew Smith

Useful information

- Ward(s) affected: Abbey/Fosse/ Belgrave
- Report author: Andrew Smith; Director of Planning and Economic Development
- Author contact details: Ext 7201

1. Decision Summary:

1. Acquisition of land from emda at the Leicester Innovation and Technology Park to construct the Innovation Centre.
2. Use of £622,000 from the Working Neighbourhoods Fund and £2,766,000 from the Council's capital resources towards the development of the centre (noting that the detailed source of the capital funding is to be determined).
3. Submission of an ERDF bid for £1,881,000 to part fund the construction costs.
4. Adding the scheme to the Capital Programme, to the capital value of £4.903m.
5. Delegation of detailed approvals on land acquisition, funding agreements and the construction project to the relevant Director in consultation with the City Mayor or designate.

2. Why it is needed:

The Leicester Innovation and Technology Park is located off Abbey Lane (see attached site plan at Appendix A) and has been identified in the City Core Strategy for research, development and technology based businesses.

The Innovation and Technology Park aims to support new technology based and innovative businesses and meet the following key City priorities:

- a. Develop the knowledge economy,
- b. Create higher skill/wage jobs,
- c. Address low graduate retention rates linked to lack of opportunities,
- d. Address shortage of good quality employment land and premises,
- e. Meet demand from small and medium sized businesses.

The Innovation and Technology Park is mostly laid out for development and can be built immediately. The site is commercially attractive, with good access from Abbey Lane, located close to the National Space Centre and riverside and is part of the wider Abbey Meadows regeneration scheme.

The Innovation Centre has potential to create around 150 jobs by 2015 (600 jobs over 15 years) working in 36 small businesses. The facility can support 'spin out' business from local universities and could accommodate a range of business types from emerging green technology companies to advanced manufacturing.

A high technology company (60 jobs) is already well advanced in purchasing an adjacent plot to the proposed Innovation Centre but has held off completing the purchase until other complementary development takes place. They have indicated the development of an Innovation Workspace by the City Council would strongly influence their decision to invest here.

Recent discussions have been held with other potential investors who have noted current or past interest but are also reluctant to invest first on the site.

3. Options:

1. Do nothing/rely on planning powers:

This would leave development of the Innovation and Technology Park entirely to the private sector. All land currently owned by East Midlands Development Agency would be put on the open market. The types of development would be controlled through the planning requirements for research, development and technology based businesses and through legal covenants on parts of the land restricting uses to 'Science' based uses. Evidence to date shows limited direct interest and concerns over being the first occupier on the site.

2. Purchase all land owned by emda:

This would allow greater control over future users and the Council could itself then market the land. As with option 1 the concern would be over the limited interest shown to date and the concerns over being the first occupier.

3. Construct an Innovation Centre on land purchased from emda:

This approach was approved in principle, subject to funding bids at that time, in a report to Cabinet of 4th March 2010. This option would concentrate resources on proactively developing a scheme to attract new businesses in a supported business environment, and provide a clear signal of support from the Council to encourage other growing technology businesses onto the site. The design for the scheme has been informed by research into the needs of target companies. The scheme secured planning consent in December 2010.

Cost estimates (excluding previous development costs) :

- a. Land and construction cost: £4,903,000 (capital cost)
- b. Operating deficit (revenue cost) for first 4 years £366,000 (acknowledges time taken to fill units)
- c. Total funding required £5,269,000

Funding:

Currently £622,000 is allocated to the project from the Working Neighbourhoods Fund. Previous bids have been made for funding from emda (successful but the funding was cut following the current Government's first emergency budget) and the Regional Growth Fund (unsuccessful in face of competition from schemes mainly in the north of the country where public sector job dependency was higher). Other potential funding sources have been explored and European Regional Development Fund grant is considered the best option, but this will only cover part of the cost. If this funding bid is unsuccessful then alternative sources will continue to be investigated. In this scenario the Council would still have a land asset that could be sold.

The proposed approach:

- a. Negotiate and acquire land from emda for the centre,
- b. Apply to the European Regional Development Fund and reserve City Council Capital Programme funds to complete the funding package – Proposed funding package Working Neighbourhoods Fund £622,000 + ERDF £1,881,000 + Council's Capital Programme £2,766,000 = £5,269,000,
- c. Construct the Innovation Workspace,
- d. Work closely with emda and high technology companies to encourage investment in the site, building on confidence created by the Council's scheme.

4. Tell us how this issue has been externally scrutinised as well as internally?

Overview and Scrutiny considered previous reports on the development of the Innovation Workspace on 30th July 2009 and 4th March 2010.

5. Financial, legal and other implications

5.1 Financial implications

1. Whilst the proposed funding from ERDF of £1.88m is not yet confirmed, it is thought the bid has a high chance of success.
2. The £2.77m net funding from the Council's own capital programme resources will need to be found by re-allocating funds from existing schemes or by generating additional capital receipts from asset sales. These will be identified following a review of the existing capital programme and other earmarked reserves. Construction will not commence until 2012, by which time the funds should be identified. If the ERDF bid were not successful then this would obviously significantly increase the contribution required from the Council unless other funds were identified.
3. The construction costs have been estimated based on the current level of design detail, and this cost has been verified by independent review. These costs will need to be market tested before arriving at a final cost. The cost of the land has also been estimated.
4. The early years operating deficit which is to be funded from WNF is a prudent assessment. No additional revenue funding should be required on an ongoing basis.

Martin Judson, Head of Finance, 29 7390

5.2 Legal implications

1. The Council has "first refusal" to purchase the land.
2. This land was sold to emda in 2001 and is subject to a covenant for use for the purposes of a science park.
3. The terms of any funding agreements are to be agreed.
4. In respect of the future development of the centre procurement rules will need to be followed.

5.3 Other Implications

Equal opportunities: the project will provide employment opportunities in local communities, and act as a catalyst for the creation of new jobs for local people on the remainder of the site. The building will be fully accessible.

Sustainable and environmental: the building will achieve an 'excellent' rating for sustainability and will help to develop the City's 'low carbon' economy.

6. Background information and other papers:

Reports to Cabinet on 3rd August 2009 and 8th March 2010.

7. Summary of appendices:

Appendix A: Plan of Innovation and Technology Park site

8. Is this a confidential report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”?

Yes

Appendix A: Plan of Innovation and Technology Park site

