



CABINET – 1 APRIL 2014

**SUPPLEMENTARY REPORT OF THE CHIEF EXECUTIVE AND
DIRECTOR OF CORPORATE RESOURCES**

**LEICESTER AND LEICESTERSHIRE CITY DEAL: LOUGHBOROUGH
UNIVERSITY SCIENCE AND ENTERPRISE PARKS**

Purpose of Report

1. To provide the Cabinet with an update on the signing of the Leicester and Leicestershire City Deal on 24 March 2014 and to seek approval for a contribution of £450,000 towards a package of funding of £7.4m to secure the development of an Advanced Innovation Technology Centre (ATIC) and associated infrastructure at Loughborough University Science and Enterprise Parks (LUSEP).
2. Reporting on this issue through a supplementary report, to that of the substantive item 4 on the agenda, has been necessary as the final contents of the City Deal were embargoed until 24 March after the publication of the papers for this meeting.

Recommendations

3. That the signing of the City Deal, and its final contents, be noted;
4. That £450,000 be provided from funds allocated within the County Council's Capital Programme as the Council's financial contribution towards a package that includes the provision of an Advanced Technology Innovation Centre and associated infrastructure at Loughborough University Science and Enterprise Parks; and
5. That delegated authority be given to the Chief Executive, following consultation with the Leader, to finalise and agree the terms under which the funding is provided.

Reasons for Recommendations

6. To ensure the Cabinet is aware of the latest position regarding the signing of the City Deal;
7. To enable the financing of the development of an ATIC and associated infrastructure at LUSEP; and

8. To ensure that the Council receives appropriate outcomes in return for its financial contribution.

Policy Framework and Previous Decisions

9. See paragraphs 5 to 12 of the main City Deal report on the agenda.

Resource Implications

10. The City Deal includes £2m of Government funding towards the expansion of Loughborough University Science and Enterprise Parks (LUSEP), as part of a wider funding package including a proposed contribution of £450,000 from the County Council. Provision has previously been made in the MTFS Capital Programme, approved by the County Council on 19 February 2014, for £1.5m to be utilised to support expansion of LUSEP.
11. The Director of Corporate Resources has been consulted on the contents of this report.

Circulation under Local Issues Alert Procedure

A copy of this report has been sent to all Members of the Council via the Members' News in Brief.

Officers to Contact

Tom Purnell, Acting Assistant Chief Executive
0116 305 7019 tom.purnell@leics.gov.uk

Elisabeth Carter, Strategic Property Manager
0116 305 6926 Elisabeth.Carter@leics.gov.uk

PART B

The Leicester and Leicestershire City Deal

12. The City Deal was formally signed between Government and local partners (including the Leader of the County Council) on 24 March 2014. The full City Deal document can be viewed at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/295280/Leicester_and_Leicestershire_City_Deal_Document.pdf
13. The City Deal includes proposals for a Leicester and Leicestershire 'to work' programme which will:
- establish a case work support service that will provide personalised help for young people to give them the help they need to improve their education, seek training, secure an apprenticeship or get a job;
 - set up an Employment and Apprenticeship Hub that will drive up demand in local businesses for apprenticeships, traineeships and other national employment schemes;
 - create an innovative new employment and training scheme that will help 200 young offenders into work; and
 - establish local youth employment schemes that complement national programmes.
14. In addition it:
- provides funding to support the expansion of LUSEP;
 - provides for a range of tailored business support programmes that will help grow small and medium enterprises; and
 - establishes a new pan-Midlands supply chain initiative that will support the growth of manufacturing and engineering small and medium enterprises.
15. The Government funding for LUSEP is £2m towards the provision of infrastructure to unlock 8 hectares of employment land alongside the development of an Advanced Technology Innovation Centre (ATIC). This forms part of a wider funding package including a proposed contribution from the County Council of £450,000. The following sections provide more detail on the proposal.

Loughborough University Science and Enterprise Parks

16. Loughborough University Science and Enterprise Parks (LUSEP) provides an exceptional opportunity for the Leicestershire (and UK) economy to develop an internationally significant centre for knowledge based employment. The Park is already one of the largest developments of its kind, with 63,000 sq m of high quality space. Additional University land holdings provide the opportunity to increase this space by 200%, creating as many as 4,000 additional jobs on site and investment (mostly private) of up to £200m. Planning permission is already

in place for 8 hectares of this land and a further 27 hectares is allocated in the emerging Charnwood Local Plan, where LUSEP is included as Policy CS 23.

17. The LUSEP vision is of a substantial and growing high quality facility, with clusters of knowledge based businesses in a range of sectors highly relevant to the UK, Midlands and Leicestershire economies, acting as powerful driver of growth and prosperity.
18. The expansion of LUSEP will support a range of national and local strategies and policy priorities. At national level, the need to build a knowledge-intensive and Research and Development led renewal of UK industry is well recognised. Whilst LUSEP will not in itself be a significant manufacturing base, recent developments highlight that future manufacturing locations may be clustered around knowledge centres. The attraction of locations of the very highest quality, like LUSEP, is recognised in relation to highly mobile research-led activities.
19. LUSEP will be attractive to activities that are either spun-out from the University or “spin-in” attracted by a location adjacent to the research and skills/workforce resources it provides. Intelligent Energy is a good example of a successful spin out, with approaching 300 staff and extensive lab facilities on LUSEP, and the Energy Technologies Institute’s choice of Loughborough for its HQ illustrates the type of high quality activity attracted to such a site.
20. At sub-regional level, the development of LUSEP will make a major contribution to the realisation of the LLEP’s Strategic Economic Plan (within which LUSEP is identified as a transformational priority) and the County Council’s Economic Growth Priorities. The Park also features in the emerging Charnwood Local Plan as a key site for future economic growth.
21. The current University Strategy, Towards 2016, includes a clear statement of intent to develop LUSEP and to realise its full potential. It is anticipated that LUSEP will be one of the main priorities of the new University Strategy which will be launched on 7th April 2014.
22. The development of the Park can be seen in three phases:-

Phase One: The initial development in 1992 was a stand-alone commercial development for British Gas with no University ownership or management. The University purchased the site in 2002 and began a process to develop a multi-occupancy Science and Enterprise Park, including both commercial and University uses.

Phase Two: This relates to an additional 12 hectares of land secured in 2006 and 2007, including one existing development (4,000 sq m). A subsequent development of 6,000 sq m was opened in 2010. This development focussed on the business of sport, housing many national governing bodies, and more than 500 people are now employed at this site. Outline planning permission is in place for a further 8 hectares of development, and it is this land which will be unlocked and developed by the funding package associated with the City Deal and proposed County Council funding.

Phase Three: A further 27 hectares of University owned land is provisionally allocated for Science and Enterprise Park and university uses in the emerging Local Plan. This opens up opportunities for major inward investment. Additional land not in University ownership is also allocated for science and enterprise activities in the emerging Charnwood Local Plan, which will provide still greater opportunities for growth and further phases of development.

23. The development has reached a critical point and to achieve further development the next phase of the Park needs to be opened up. This presents significant cost challenges in terms of:(a) the advance provision of essential infrastructure, where up-front public investment is urgently needed to release the potential of the site; (b) developing a purpose-built innovation centre for new and high growth advanced technology businesses; and (c) being able to continue investment in the medium term as the need for “grow-on” space develops and opportunities for pre-let and inward investment developments arise.
24. The proposal is for a strategic investment that will both secure and accelerate the further development of the Park. The County Council’s contribution will form an essential component within a funding package that will provide infrastructure to open up 8 hectares of employment land, creating a number of “development ready sites”. This will have a transformational impact on the speed of development at LUSEP, and is a critical step towards creating up to 750 new jobs by 2020.
25. The overall package of funding will enable the construction of the Advanced Technology Innovation Centre (ATIC) with ERDF support which will bring forward opportunities for business growth and private sector employment that leverage the research and skills base of one of the UK’s leading Universities, and other higher education institutions, harnessing the UK knowledge base to increase competitiveness. This will lead to the creation of 3,000 sq m of employment space for more than 225 people, including 150 new jobs. Building the Advanced Technology Innovation Centre will also be a critical step in creating the pipeline of growing businesses that will populate LUSEP in future years.
26. The investment will also catalyse substantial future investment in further infrastructure developments and in the investment needed for grow on space. These are major investments (more than £50m by 2020, and in excess of £100m by 2025) that will lead to significant longer term outputs including more than 2,000 jobs by 2025. This illustrates that the package of funding is intended to act as a catalyst for further developments, with very significant economic and innovation benefits in the next five years and beyond.
27. The financial package for the project is:

<u>Costs</u>	
Innovation Centre	£4,916,000
Infrastructure developments	£2,600,000
Total Cost	£7,516,000

<u>Funding</u>	
University	£2,950,000
ERDF	£1,966,000
Leicestershire CC	£450,000
Charnwood BC	£150,000
City Deal	£2,000,000
Total Funding	£7,516,000

28. This package of expenditure will result in significant short, medium and long term benefits focussed around the growth of an outstanding centre for the development of R&D intensive businesses. In just five years the package of funding is forecast to have generated additional GVA of more than £58m (based on a recent independent report on the economic impact of the University and LUSEP), a multiplier of more than 3 on all investment and more than 7 on the additional cost of accelerating the programme.
29. Should Cabinet approve this proposal a funding agreement will be drawn up, setting out the terms and conditions upon which the funding from the Council would be provided. As part of that process the Council would ensure that compliance with state aid regulations and any other regulatory requirements are dealt with appropriately.

Equal Opportunities Implications

30. The City Deal seeks to strengthen the local economy to improve the economic and social wellbeing of residents. It will particularly seek to improve the employment prospects of those currently out of work and this is likely to benefit groups who are disproportionately affected by unemployment and worklessness.

Partnership Working and Associated Issues

31. Successful delivery of programmes and projects to support economic growth is dependent on collaborative partnership working across the functional economic area of Leicester and Leicestershire. This work is co-ordinated through the LLEP, within which the County Council is an active partner. LUSEP is a particular example of effective partnership working involving central and local government and higher education.