

2013

## Business Plan for the Delivery of a Science and Enterprise Park at Loughborough



LOUGHBOROUGH UNIVERSITY CAMPUS VIEWED FROM THE WEST WITH  
THE SCIENCE AND ENTERPRISE PARK IN THE FOREGROUND

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# 1 Introduction

## Background

This business plan (Phase 2 report) for the extension of Loughborough University Science and Enterprise Park (LUSEP) has been produced by Kathrin Peters and Charles Monck between February and May 2013. It follows on from a Phase 1 report commissioned by Charnwood Borough Council (CBC) in November 2012 and completed in January 2013.

The Phase 1 report was commissioned to assist the Council in undertaking a critical review of the case for an extension of LUSEP as input into the Core Strategy in advance of the publication of the Draft Core Strategy. It was designed to assist the Inspector in the consideration of the policy set at the Core Strategy examination.

Our summary assessment from the Phase 1 work was that on the basis of reviewed evidence and with a set of realistic assumptions the development trajectory of LUSEP could be such that over a medium term horizon the site East of Snells Nook Lane could be utilised by LUSEP uses. Moreover, provided the momentum was maintained, there could be a requirement for further development to the West of Snells Nook Lane. Our view was that if land earmarked for LUSEP east or west of Snell's Nook Lane was allocated to other uses, it could seriously constrain the growth of the University and the park in the longer term.

While there was an overall positive message, the Phase 1 work had also identified a number of issues that needed to be in place for LUSEP to grow and achieve its full potential and for the described scenario to be realistic. In particular there were open questions related to organisation, management and marketing of LUSEP. The Phase 1 work also highlighted the need for a close examination of the commercial feasibility of the expansion and sources of funding from the University, owner-occupiers and the public sector.

Following on from the Phase 1 work, this business plan has been commissioned jointly by CBC and Loughborough University to explore these issues further and investigate how they may be addressed.

## Purpose and structure of the business plan

The purpose of the business plan is to provide Loughborough University and CBC with a vision and framework of required actions to ensure that the expansion of LUSEP as envisaged in the Phase 1 report can happen smoothly. The business plan has been designed to highlight issues and options that the University will need to take into account in the preparation of its more detailed strategy and financial plans for LUSEP, currently under preparation.

The plan is structured into the following chapters:

- Development to date
- Vision and objectives
- The market
- Property, land and infrastructure

- Technology and business support
- Marketing
- Staffing
- Funding
- Governance
- Next steps.

The business plan builds on the Phase 1 report which provides background on the historical development of LUSEP referred to in this document.

### **Status of the business plan**

The business plan has been developed by the consultants on the basis of extensive consultations with senior members of the University, CBC and wider stakeholders. There has also been a workshop with senior representatives from CBC, Loughborough University and key stakeholders (Leicestershire County Council, Leicester and Leicestershire Local Enterprise Partnership, Leicestershire Chamber of Commerce) where strong support for the scheme was expressed and commitment to address any hurdles and obstacles was pledged.

Despite this close engagement and wide support, the business plan cannot be anything other than a first expression of what needs to be done to ensure implementation. The business plan should not be seen as a static document but a starting point to put LUSEP on the path of expansion and growth. The plan will need to be adjusted and developed as the expansion of LUSEP takes shape and in the light of changes in the external environment.

## 2 LUSEP development to date

### Summary of LUSEP portfolio and land holdings

LUSEP has developed in a number of phases which comprise developments adjacent to the campus as well as those on the campus itself. A timeline of the park's development, going back to the establishment of Loughborough Technology Centre in 1984, was provided in the Phase 1 report.

At the end of November 2012, LUSEP comprised premises with a gross area of 63,700 sq m (net lettable space of around 42,000 sq m) with around 55 organisations occupying 36,920 sq m of space. Of the net lettable space, 22,000 sq m was occupied by commercial businesses, 12,200 sq m by University related research activities and 2,700 sq m was used as a conference centre.

In addition the County Council's Technology Centre, which in our view would benefit from being seen (and managed) as an integral part of the LUSEP, consisted of a further 3,080 sq m with 20 tenants.

This makes LUSEP one of the largest science parks in the United Kingdom. In comparison:

- The University of Warwick Science Park (excluding satellite incubation centres), has 32,300 sq m of space on 17 ha (42 acres) and 127 tenants.
- The Birmingham Science Park – Aston consists of 42,000 sq m of space and 130 companies on a 9 ha site.
- The main campus in Manchester Science Parks consists of 30,000 sq m of space and 118 tenants.
- Surrey Research Park has developed 66,300 sq m of space, accommodating 108 firms on 22.3 ha of its 28 ha site.

Currently LUSEP generates a total rent of around £2.5m from 39 tenants and a notional rent of around £1.8m from the 15 university occupiers and the Conference Centre (based on a notional rent of £11 per sq ft).

Table 2.1 summarises LUSEP's different property components and their estimated rental streams.

Building	Gross area (sq m)	Net area let to occupiers (sq m)	Number of firms	Number of University tenants	Estimated rent in £'000*
Holywell Building	2,548	1,556	1	1	181
Sir Denis Rooke	3,837	2,725	-	Conference Centre	271
High Pressure Nozzle Building	1,757	828	-	1	96
Charnwood Building	45,351	23,687	24	12	2,978
East and West Michael Pearson	4,424	4,048	2	1	492
SportPark	5,778	4,075	12	-	215
Total	63,695	26,920	39	15	4,279

\* Includes a notional rent of £11 per sq ft (reflecting rent foregone) for space occupied by the University

## The site configuration and buildings

The following images show LUSEP's overall configuration and the style, shape and size of its constituent buildings.

Figure 2.1: LUSEP current configuration



Figure 2.2: LUSEP expansion potential

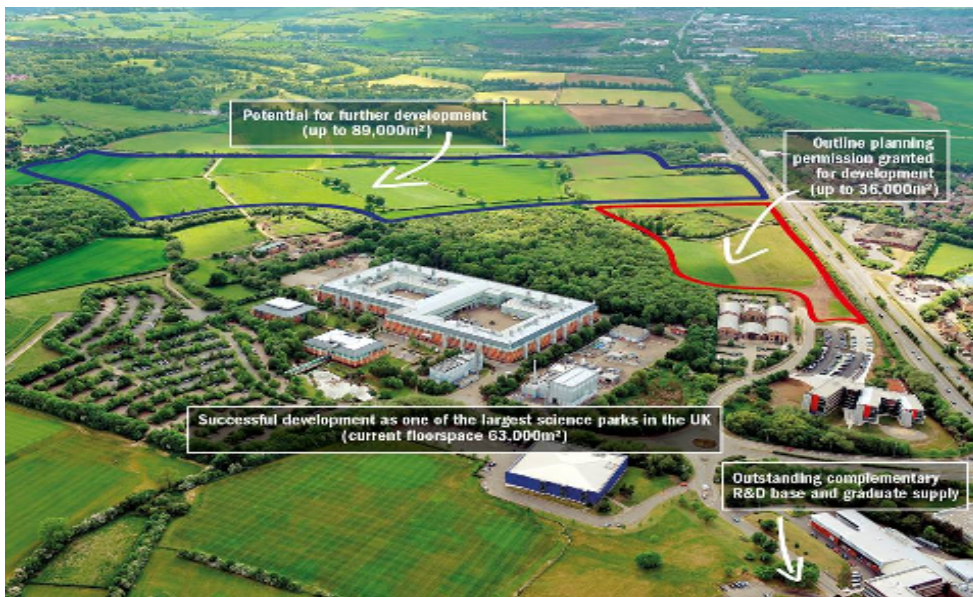


Figure 2.3:



SportPark

## Progress to date

LUSEP is a sizeable science park in national comparison and it has been very successful in seamlessly letting space (some of it big), which was vacated by previous users. However, until very recently a holistic view of the development, marketing, funding and management of the park as a single entity has not been taken. In the period 2007-2010 an integrated team worked to bring forward proposals for phase 2, but these efforts were undermined by the economic climate. The more recent development of an integrated approach spanning all aspects of the park is welcome. Going forward, it will be important for the University to demonstrate its commitment to the development of the park by endorsing the emerging development and funding strategy and operational plans.



The University's ambitious plans for the development of the park are progressing in the context of a very supportive stance taken by local partners and stakeholders. In February 2013, Leicestershire County Council (LCC) and Charnwood Borough Council (CBC) both agreed to support LUSEP's development financially. LCC agreed "the principle of investing up to £1.5 million through a mix of equity investment, grants and loans as appropriate in the next phase of the expansion of the Loughborough University Science and Enterprise Park be approved."<sup>1</sup> In partnership with LCC, CBC also agreed "the principle of contributing £500,000 to establish a capital fund for the next phase of the expansion of Loughborough University Science and Enterprise Park."<sup>2</sup>

In addition to LCC and CBC, other key stakeholders have expressed strong support for LUSEP's expansion and development. In particular this includes the Leicester and Leicestershire Local Enterprise Partnership (LLEP) and the Leicestershire Chamber of Commerce.

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<sup>1</sup> LCC Cabinet 6 February 2013. Loughborough University Science and Enterprise Park. Report of the Chief Executive and Director Corporate Resources.

<sup>2</sup> CBC Cabinet 14 February 2013. Report of the Strategic Director of Housing, Planning and Regeneration and Regulatory Services. Item 11 Loughborough University Science and Enterprise Park.

### 3 Vision and objectives

This chapter outlines the vision for LUSEP and its strategic fit with University strategy, discusses three strategic options to achieve the vision and derives the objectives associated with the vision.

#### Vision and strategic fit

LUSEP will be an integral component of Loughborough University’s plans to be one of the foremost entrepreneurial universities in the United Kingdom. Enterprise in this sense is defined as “academic engagement with business, public and voluntary organisations to create social, cultural and economic impact through knowledge exchange.”<sup>3</sup>

The park will become home to a growing cluster of knowledge-based entrepreneurial activities with strong transfer and exchange links with the University. It will be an integral part of the University, reflecting its focus on engagement with external organisations and commitment to economic social and cultural impact, and will build on the University’s roots as a technical college supporting the knowledge economy, the “instructional factory”, as in the photograph of its original premises off Green Close Lane below.

Green close lane 1919



Source: University archives

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<sup>3</sup> Professor Steve Rothberg: Enterprise Development Plan (2013)

LUSEP will become an innovative environment for a wide range of activities. It will be holistically managed by the University as a tool to ensure the entrepreneurial ambitions of the University as well as a beneficiary of the University’s entrepreneurial achievements.

There is strong senior University management support for LUSEP’s expansion. The benefits are seen to include:

- Fulfilling the University’s responsibility to the regional economy and thereby the expectations of the Higher Education Funding Council for England (HEFCE) for universities to play a full “anchoring” role in their area
- Opportunities for academic engagement on the University’s doorstep, from student work placements to major collaborative research projects
- Provision of a supportive environment to nurture the businesses that the University spins out from research as well as graduates (ultimately providing a financial return)
- Reputational enhancement as a consequence of large scale engagement with business
- A significant income stream that diminishes the University’s dependence on government funds
- The potential to attract significant inward investors, bringing even greater opportunities and reputational enhancement
- Maintaining the supply of high quality jobs (such as those recently lost by the closure of Astra Zeneca) to preserve the status of the town of Loughborough.

## Objectives

LUSEP’s vision will be underpinned by a number of objectives associated with enterprise, technology transfer & commercialisation, property development and funding. In order to be meaningful, these objectives need to be quantified realistically and fully integrated into University strategy and planning.

<b>Objective</b>	<b>Description</b>	<b>Quantification</b>	<b>Comment</b>
Enterprise	<ul style="list-style-type: none"> <li>• LUSEP to become a symbol and focus of the University’s enterprise ambitions</li> <li>• LUSEP to become an integral part of the University’s enterprise targets</li> </ul>	<ul style="list-style-type: none"> <li>• Create a target number of spin-out companies per year</li> <li>• Attract a target number of small start-up businesses per year</li> <li>• Attract a target number of small and medium sized enterprises per year</li> <li>• Attract a target number of major new corporate projects to LUSEP per year by collaborating closely with UKTI and other intermediaries engaged in international networking and marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Quantification of targets need to be aligned with University strategy</li> </ul>
Technology	<ul style="list-style-type: none"> <li>• LUSEP to become a key</li> </ul>	<ul style="list-style-type: none"> <li>• Attract major industry led</li> </ul>	<ul style="list-style-type: none"> <li>• Quantification of</li> </ul>

transfer & commercialisation	<p>conduit for technology transfer and commercialisation activities</p> <ul style="list-style-type: none"> <li>• Increase the breadth and depth with which all academic areas of the University are involved in innovation and knowledge transfer</li> <li>• Increase the number of disclosures that come forward for potential exploitation</li> </ul>	<p>collaborative research institutes to LUSEP</p> <ul style="list-style-type: none"> <li>• Schools to develop their own strategic plans and targets</li> <li>• Increase innovation and transfer related revenues by a target rate per year</li> </ul>	<p>targets need to be aligned with University strategy</p>
Property development	<ul style="list-style-type: none"> <li>• LUSEP’s property offer to develop in line with the vision for the park to become a thriving environment for knowledge-based activities</li> </ul>	<ul style="list-style-type: none"> <li>• Develop LUSEP and the University campus in an integrated way</li> <li>• Ensure that an environment is created which allows new companies to thrive and major industrial partners to benefit from being close to University research groups</li> <li>• Set broad development phases to develop the available site over a medium to long term horizon</li> <li>• Develop a continuous supply of grow on space</li> </ul>	<ul style="list-style-type: none"> <li>• Property targets to be aligned with risk profile of the University and its partners</li> </ul>
Funding	<ul style="list-style-type: none"> <li>• LUSEP to become self-sustaining over the medium term</li> <li>• LUSEP to become a source of revenue over the medium to long term</li> </ul>	<ul style="list-style-type: none"> <li>• Targets for net revenue generation</li> <li>• Targets for increases in valuation</li> </ul>	<ul style="list-style-type: none"> <li>• Financial targets to be aligned with risk appetite</li> </ul>

### Strategic options – risk/reward balance

There are three strategic options to pursue the development of LUSEP, each of them with different risk/rewards balances:

- Option 1: “more of the same” (new property developments dependent on funds from occupiers and the public sector). This option implies that LUSEP development proceeds with the current predominantly responsive strategy whereby development responds to market enquiries and new property development is dependent on funds from occupiers and public sector organisations. This option is very low risk in terms of financial exposure but it is unlikely to generate significant momentum for LUSEP and will therefore achieve only modest contributions to the overall vision
- Option 2: “steady but slowly” (more ambitious targets but property development still predominantly funded by clients; relatively little speculative development). This option requires

a more pro-active approach towards the development and marketing of LUSEP sites and buildings but it still means a relatively low exposure to risk. Consequently, development is likely to happen gradually and slowly and it is unlikely that a sufficiently strong momentum will be developed to take up the available land holdings over the medium term

- Option 3: “accelerated development building up strong momentum”. This option is the most ambitious. It will require a schedule of development where a series of new phases is programmed to be developed over time in line with market demand and funding is achieved through a mixture of borrowing on the market (against existing LUSEP assets and revenue streams) and the sale of sites and buildings.

All three options can contribute to the strategic objectives but Option 1 will have less impact than Option 2 which will in turn have less impact than Option 3.

## 4 The Market

This chapter analyses the market for LUSEP's property and services offer and attempts some demand forecasts.

### Sources of demand

Future demand for space on LUSEP is expected to come from four main sources:

- Start-up companies and very small young businesses. These may have an existing relationship with the University and may even be spin-out companies. However, they might also be young companies from elsewhere looking for a supportive environment
- Existing technology-based companies, predominantly drawn from the Derby, Nottingham and Leicester triangle
- Inward investment projects from elsewhere in the UK or outside the UK, requiring a site to develop their own facilities which could be for R&D activities or to develop a UK headquarter
- New University or public sector facilities for research, development or training.

Broadly, we expect LUSEP to reflect the occupancy profile of other science and technology parks. The most recent survey results from the United Kingdom Science Park Association (UKSPA) of its member parks<sup>4</sup> shows that the majority of tenants are small (79% have less than 15 staff and 69% are in premises of less than 150 sq m). Of the remaining number, 12% are in grow-on space (400-10,000 sq m) and only 2% are in very large premises of more than 10,000 sq m.

In terms of origin, the UKSPA survey indicates that on average, 16% are spin-outs and departments of the University, 31% are drawn from a five mile radius, 32% are from 6-30 miles, 14% are firms from elsewhere in the UK and 8% are foreign firms.

Given its location we would expect Loughborough to have a similar mix of occupants in terms of origin though possibly a higher proportion in larger premises over 150 sq m because of its catchment area.

The following sections discuss the likely market demand from these four categories of tenants on the basis of available evidence.

### Start-up and young knowledge-based companies

Start-up and young knowledge-based companies could have their origins within Loughborough University (as spin-out companies) or other sources of knowledge and research within LUSEP's catchment area. They could also come more generally from within the local economy of Charnwood and the Leicester - Derby - Nottingham triangle.

One method to derive estimates on the likely number small and start-up businesses is on the basis of population data within the catchment area of LUSEP. We define this to include Charnwood itself (167)<sup>5</sup> as well as the Unitary Authorities of Leicester (312k), Derby (247k) and Nottingham (306k) and the districts of Blaby (94k), Gedling (113k), Harborough (84k), Hinckley and Bosworth (106k),

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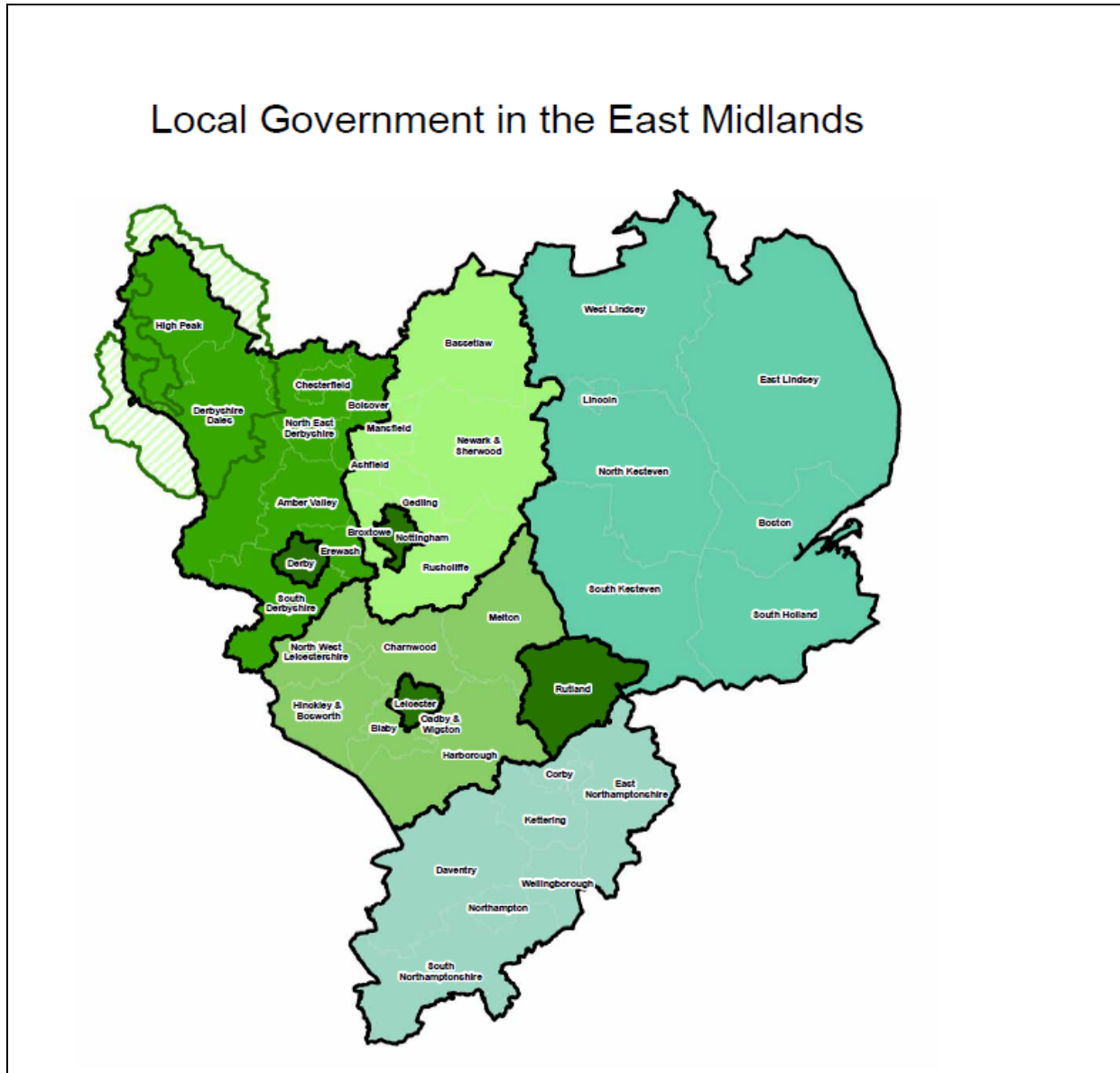
<sup>4</sup> UKSPA Annual Statistics 2009/10

<sup>5</sup> Figures in bracket are '000 population. Office for National Statistics 2010 population data

Melton (49k), North West Leicestershire (92k), Oadby and Wigston (59k), Rushcliffe (113), Rutland (39k) and South Derbyshire (94k). On this basis, the overall population in the catchment area is estimated around 1.88 million people.

The map below shows Charnwood located in the centre of its catchment area.

Figure 3:1: LUSEP's catchment area



Applying an average start-up rate of 25/10,000 population<sup>6</sup>, there are around 4,700 start-ups per year in LUSEP's catchment area<sup>7</sup>. Of those, 18.2%<sup>8</sup> can be expected to operate in high technology and knowledge-based sectors making for a total of 855 high technology start-up companies per year.

<sup>6</sup> Centre for International Competitiveness. UK Competitiveness Index 2010

<sup>7</sup> This is the figure quoted for Charnwood in the UK Competitiveness Index 2010 which is about mid-point between Leicester (29.5) and Nottingham (20.9).

<sup>8</sup> Figure for Charnwood in the UK Competitiveness Index 2010

This calculation is far from 'scientific' but it gives an indication of the scale of this market segment and may also help to target marketing efforts in identifying these businesses, the intermediaries with whom they are in regular contact and ways of selling LUSEP facilities and/or services to them.

Looking specifically at spin-outs, the University has a long track record in creating such companies. It is generating an average of around one spin-out every other year – though there are wide variations between years. In 2006/7, it had established five new firms. At that date there were eight firms, which had been active for more than three years and these firms were employing 25 staff and generating sales of £500,000. By 2011/12, the number of active firms had increased to 14 and these firms were employing 407 people with sales of £4.26m<sup>9</sup>.

Of the 14 spin-outs and subsidiaries<sup>10</sup>, eight are located in Loughborough. The largest firm, Intelligent Energy, employs around 270 staff and is currently located in the Charnwood Wing. CASCAID<sup>11</sup> has 36 staff and occupies 593 sq m in the Michael Pearson West Building. Progressive Sports is based in the Sports Technology Institute. Two smaller companies are in the Innovation Centre and one is in the County Council's Technology Centre. One spin-out has not started trading and one is located elsewhere in Loughborough. The other six companies are based in Nottingham, South Derbyshire, Coventry and Reading (see Table 4.1 below).

Location	No	Number of staff	No
Loughborough	8	1-10	8
Nottingham	2	11-25	4
S Derbyshire	2	26-100	1
Coventry	1	> 100	1
Reading	1	Total employment	406

Source: Loughborough University

Working towards the expansion of LUSEP should give further impetus to attempts by the University and its partners to encourage and support knowledge-based spin-outs from within the University.

In summary, the evidence suggests that there is good scope to attract a steady stream of start-ups and very small technology-based companies requiring small units and shared services. The Loughborough Technology Centre has attracted around two to three new firms each year, and the University's Innovation Centre an average of nine new firms since it was set up in 2002. In both instances, the number of new firms attracted has been limited by the space available. Evidence from other university science parks suggests that whilst a small percentage will require larger self contained grow-on facilities, the majority of these firms will remain small and not wish to relocate. It is therefore realistic to expect that there will be a growing requirement for more small units.

*In summary, we conclude that it should be possible to achieve good occupancy of around five to 10 extra units @ 40 sq m per unit per year. This makes for around 200 – 400 sq m of space required by this category of tenants.*

<sup>9</sup> Document reference A17: HEBIC performance table (1-5) and A20: Analysis of spin-outs

<sup>10</sup> Document Reference A20: Analysis of spin-outs

<sup>11</sup> CASCAID was purchased by the University from Leicester County Council



## Existing technology-based companies

The local economy surrounding LUSEP is relatively diverse and balanced despite the damaging effect of the economic recession. There remains an important manufacturing sector and while job losses in textiles and engineering continue to be a cause for concern, new technology industries are expanding. The local workforce contains a high level of professional and skilled occupations. Charnwood has the highest share of knowledge-based businesses in employment across all Leicestershire districts.<sup>12</sup> Loughborough is the Borough's principal employment centre. In recent years, the town's economy has diversified from the traditional textiles and engineering into more knowledge-based and technology oriented sectors. A key component of the service sector is research and development. However, one of the key contributors to high value jobs (Astra Zeneca) vacated its site at Loughborough Industrial Park in 2011 in the wake of consolidation activities.

Tables 4.2 and 4.3 present an analysis of changes in high technology employment and the number of high technology companies in the period 1999/2008 in LUSEP's catchment area.

	1999	2004	2008	% change		% of total employment		
				1999-2004	2004-2008	1999	2004	2008
<b>Average for catchment area</b>	<b>37,972.0</b>	<b>44,600.0</b>	<b>49,679.0</b>	<b>17.5</b>	<b>11.4</b>	<b>5.0</b>	<b>5.4</b>	<b>5.9</b>
<b>Charnwood</b>	<b>3,661</b>	<b>4,423</b>	<b>5,199</b>	<b>42.0</b>	<b>17.5</b>	<b>6.8</b>	<b>7.4</b>	<b>8.5</b>
Blaby	1,959	1,978	2,677	36.7	35.3	6.2	4.8	5.5
Derby	5,580	7,087	7,975	27.0	12.5	4.7	6.1	6.7
Gedling	888	868	1,239	39.5	42.7	2.9	3.1	3.8
Harborough	1,644	1,997	2,227	35.5	11.5	5.9	6.0	6.3
Hinckley and Bosworth	2,083	2,601	3,061	47.0	17.7	5.7	6.4	8.0
Leicester	6,065	5,525	5,873	-3.2	6.3	4.0	3.5	3.8
Melton	473	720	1,019	115.4	41.5	2.8	4.0	4.9
N West Leicestershire	1,284	1,689	2,413	87.9	42.9	3.5	3.6	4.8
Nottingham	10,749	10,467	10,640	-1.0	1.7	6.2	5.7	5.9
Oadby and Wigston	365	1,273	809	121.6	-36.4	2.0	7.0	4.4
Rushcliffe	1,718	3,659	4,156	141.9	13.6	5.1	9.5	10.4
Rutland	393	547	828	110.7	51.4	3.2	4.4	5.7
South Derbyshire	1,110	1,766	1,563	40.8	-11.5	5.1	6.1	5.5

Source: NOMIS

The analysis shows that:

- There has been a strong rise in employment in technology- and knowledge-based firms between 1999/2005 in the catchment area in total and in Charnwood in particular
- The rise generally has been much higher in the rural districts than the urban centres of Leicester and Nottingham. Derby also lags behind the trend but not as much as the other two urban locations
- By 2008, high technology employment in Charnwood makes for the highest share (8.5%) of overall employment in all catchment locations with the exception of Rushcliffe

Table 4.3 presents the number of enterprises in the knowledge and high technology sectors. The data show that:

<sup>12</sup> See LLEP Economic Growth Plan 2012 – 2020 (document reference B1).

- The growth in the number of firms slows down in the period 2004/2008 compared with the period 1999/2004
- Growth in Charnwood in the first period 1999/2004 was lower than the catchment average while it was higher in the second period 2004/2008
- As with high technology employment, the rural districts are attracting higher levels of high technology companies than the urban centres
- Leicester and Nottingham had a reasonable increase of high technology firms in the first period 1999/2004 but the growth in the second period was significantly lower than in the other areas.

	1999	2004	2008	% of total	% change	
					1999-2004	2004-2008
<b>All districts</b>	<b>4,777</b>	<b>7,155</b>	<b>8,452</b>	<b>100.0</b>	<b>49.8</b>	<b>18.1</b>
<b>Charnwood</b>	<b>476</b>	<b>650</b>	<b>779</b>	<b>9.2</b>	<b>36.6</b>	<b>19.8</b>
Blaby	241	367	431	5.1	52.3	17.4
Derby	556	782	979	11.6	40.6	25.2
Gedling	236	360	400	4.7	52.5	11.1
Harborough	350	579	671	7.9	65.4	15.9
Hinckley and Bosworth	295	439	566	6.7	48.8	28.9
Leicester	553	795	865	10.2	43.8	8.8
Melton	158	245	300	3.5	55.1	22.4
North West Leicestershire	281	483	573	6.8	71.9	18.6
Nottingham	717	965	1,073	12.7	34.6	11.2
Oadby and Wigston	123	195	192	2.3	58.5	-1.5
Rushcliffe	372	675	854	10.1	81.5	26.5
Rutland	193	266	296	3.5	37.8	11.3
South Derbyshire	226	354	473	5.6	56.6	33.6

Source: NOMIS

Table 4.4 summarises the size distribution of high technology enterprises for the total catchment area. The highest number is in the category of very small enterprises (up to ten employees) but the highest growth rate in both periods 1999/2004 and 2004/2008 is in the size band of between 11 and 49 employees.

	1999	2004	2008	% of total	% change	
					1999-2004	2004-2008
Size 1-10 employees	4,418	6,632	7,799	92.3	50.1	17.6
Size 11-49 employees	242	385	503	6.0	59.1	30.6
Size 50-199 employees	78	102	113	1.3	30.8	10.8
Size >200 employees	39	36	37	0.4	-7.7	2.8
All firms	4,777	7,155	8,452	100.0	49.8	18.1

Source: NOMIS

The marketing implications of these data for LUSEP are as follows:

- LUSEP is exceptionally well positioned to benefit from the growth of the high technology sector in the rural districts of its catchment area
- The urban areas of Leicester and Nottingham have not emerged as high technology cluster areas and are therefore not strong competitor locations
- The size brackets of 11-49 companies appears to be very dynamic and of the total of around 500 companies in this bracket, there could be a significant number interested in a LUSEP location.

To date, LUSEP has only attracted a relatively small number of established firms requiring grow-on space. This, we believe, is because there has been a shortage of suitable space available. In particular, the level of awareness amongst technology firms locally and in the region may not be very high, due to the limited attention given to the marketing and promotion of the science park in the past. However, we believe that the underlying package of benefits available makes Loughborough and the LUSEP site at the University a very competitive location for firms based in the Leicester, Derby and Nottingham triangle. This is because of its location close to the M1 offering easier access for owner-managers than the centres of Leicester, Derby or Nottingham. Over the years, a significant number of major technology-based companies, many of which have had strong R&D activities, have been accommodated in Charnwood.

With effective marketing, we expect that LUSEP could attract around six to ten firms per year requiring an average of 250 sq m of space. Some will be firms currently based elsewhere in the region which require larger or better located premises. Whilst there are two science parks and a BioCity in Nottingham, there is little comparable space in Leicester and Derby (though each city has a number of well established and successful business parks). Others will be existing LUSEP tenants requiring larger space.

*In summary this means that there is likely to be demand for around 1,500 to 2,500 sq m of space per year from this category of business.*

### **Larger corporates**

The expansion of LUSEP will create an attractive site for larger corporate investment projects which will relocate to Loughborough from either within the United Kingdom or overseas. Both types of projects are very hard to forecast and require high level networking and effective marketing to secure.

In terms of foreign direct investment (FDI) in the United Kingdom in 2011/12, the Government's inward investment agency United Kingdom Trade and Investment estimated that through FDI 112,659 jobs from 1,406 investment projects were attracted or safeguarded, "underlining its position as a critical engine of growth for the UK economy."<sup>13</sup> Disaggregated by country of origin, the USA were by far the most prolific market (336 projects) followed by Italy (98), China (92), Japan (88) and India (81).

UKTI maintains that "the UK continues to be the top destination for investors looking to establish their European headquarters (EHQ) operations. Over the period covered by this report,

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<sup>13</sup> See UKTI Annual Report 2011/12

headquarters operations represented 20% of all FDI projects. UKTI will be building on the advantage of our improving tax environment and relative stability, compared to the Eurozone, to launch a campaign specifically aimed at EHQ investors in 2012/13.”

In terms of sector distribution, “FDI in the UK manufacturing sector increased by 22% from 2010/11, reinforcing the underlying message that the UK is a strong, value-added manufacturing economy.”<sup>14</sup>

“There were good investment performances across a wide range of sectors. In terms of project numbers, software and advanced engineering remained the two top-performing sectors. Advanced engineering was also the largest single sector for jobs, accounting for 17,379 of them over the year, an impressive increase of 25% on 2010/11. Examples include 200 engineering jobs created by EADS and over 100 by ElementSix. This supports UKTI’s plans to redouble its international campaigning efforts in this sector in 2012/13. Creative & media, environmental technologies and life sciences also performed strongly, supported by initiatives such as Tech city, which have significantly enhanced the UK’s offer for technology and digital media-related investors.”<sup>15</sup>

Key business sectors identified by UKTI include:

- Advanced engineering
- Creative media
- Electronics & communication
- Energy
- Financial & business services
- Food & drink
- IT & software
- Life sciences.

There is a particular match in the fields of advanced engineering, electronics & communication, energy and IT & software between UKTI priority sectors and LUSEP’s offer. Securing some of the future projects to the park will require high level communication with UKTI and LLEP (which employs two inward investment professionals), the production of effective marketing material and participation at key events and conferences. Individual academics working in the target fields need to be engaged to mine their contacts and knowledge for the benefit of marketing LUSEP.

Historically the University has a very good track record of working with and attracting firms from outside the region and multi-national companies. This is reflected by the substantial and growing income for collaborative research with industry, highlighted in chapter 6 of the Phase 1 report.

It is also reflected by the number of major companies who either have or have had operations on the LUSEP. These include British Gas, Motorola, Rolls Royce, BSI, GL Noble Denton and BAE Systems in the industrial and technology area as well as the substantial cluster that has been established in sport technology and administration. In almost all cases, there have been special circumstances that led these firms to have an operation at the park.

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<sup>14</sup> See UKTI Annual Report 2011/12

<sup>15</sup> See UKTI Annual Report 2011/12

Hitherto, our understanding is that the LUSEP was not generally on the regional or national shortlist of sites promoted by UKTI's inward investment teams (or *emda* until its demise). This was because it was not able to offer serviced sites and premises within an acceptable time frame that would be required by mobile investors looking at different options.

On the assumption that the planning, marketing, supply and management issues are resolved, we believe that Loughborough will end up being one of only a limited number of locations in England able to offer a substantial site on a science park. Other comparable sites would be in Cambridge, Harwell, Bristol and Daresbury in Cheshire. The choice between these locations will then be influenced by other factors such as location, technology, skills and cost. Significantly, the other high profile science parks, such as Warwick, Surrey, Aston, Sheffield and Manchester, no longer have the land to accommodate significant R&D related inward investment projects.

*We therefore believe that if properly marketed, Loughborough could end up with an above average number of larger technology related investment projects attracting perhaps one significant project every two years, requiring an average of 5,000 sq m. .*

### **New University facilities**

Loughborough University has been very successful in the past in attracting and encouraging collaborative research projects. Amongst the most important are:

- Loughborough University Sports Technology Institute, £15 million facility housing the Sports Technology Research Group, whose mission is to have a positive global, social and economic impact on sport through excellent engineering research, teaching and enterprise. The Sports Technology Research Group is one of the world's leading research groups of its kind and the largest in the UK. The Group has established an international reputation for its work with global brands including Adidas, Callaway Golf, Canterbury of New Zealand, Dunlop, Head, New Balance, Nike, Reebok, Slazenger, Spalding, Speedo and Umbro on the design, simulation, testing and manufacture of sporting goods. Around 50 academics, research associates, technicians and PhD students carry out wide-ranging research including athletic footwear, technical apparel, protective equipment, balls, bats, clubs, rackets and fitness equipment. As a research hub, the Sports Technology Institute benefits from established relationships with the University's sports scientists, psychologists, biomechanists and human biologists. The researchers have extensive experience of testing with numerous elite athletes and professional sportsmen and women spanning the most diverse array of sports
- The Energy Technologies Institute (ETI) is a public-private partnership between global energy corporate (including BP, Caterpillar, E.ON, Rolls Royce and Shell) and the UK Government. The ETI brings together the collective knowledge, expertise and experience of its diverse members to address future energy challenges. The ETI is not a grant-giving body but makes targeted investments in projects in offshore wind, marine, distributed energy. These projects bridge the gap between laboratory scale research and development and commercial deployment of large scale engineering projects. At present, the ETI is acting in a facilitating and coordinating role. However, it is well possible that over time research projects might require a new physical base and a location on LUSEP might be an excellent option.

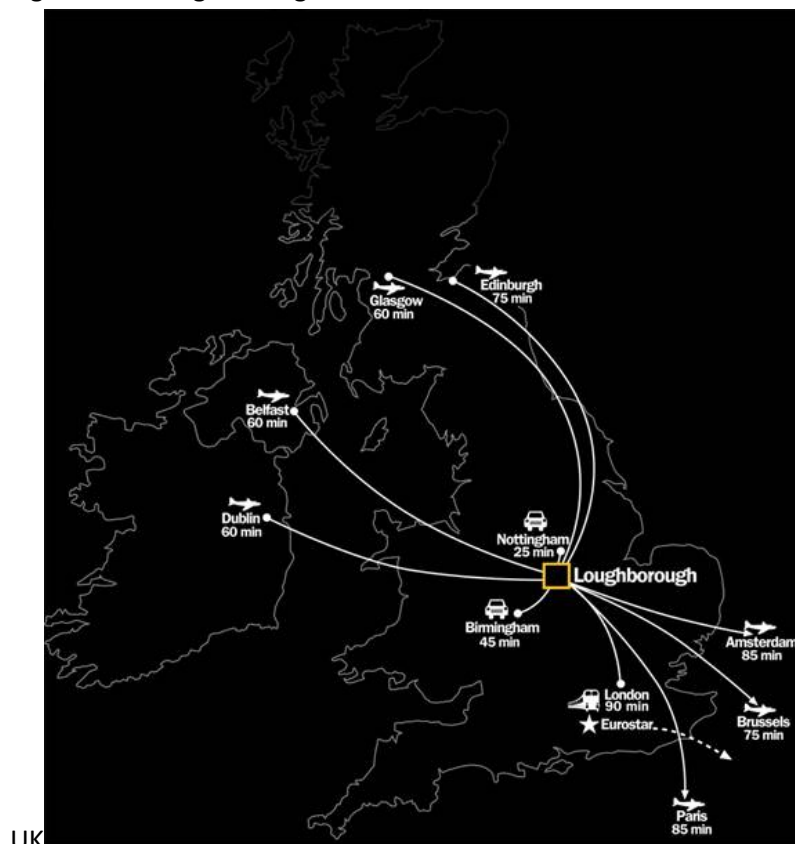
Overall, in the last ten years, there has been an average take-up of space on the LUSEP of around 1,800 sq m per year, predominantly research groups engaged in joint projects (such as the SEIC working with BAE Systems) and research groups requiring large laboratory space that cannot be easily accommodated within the main departments. We believe that this trend will continue due to the growing emphasis nationally on pre-competitive applied research and development to speed up commercialisation. Given the uncertainties of the planning status, it has not yet been possible to factor in significant new University developments on the Park. Once this becomes clearer, we believe that the master plan for the University will increasingly take into account the possibility of new buildings being developed.

*Over time we believe that the uptake of space by the University will rise above the current level of around 1,800 sq m per year. It will require high level strategic awareness and targeted networking and marketing to secure additional projects. However, LUSEP's location, the availability of space for large research projects and the research strengths of the University will enhance the possibility of securing new projects.*

### LUSEP's competitive position

Many locations lay claim to it but LUSEP really is located in the centre of England and the United Kingdom. It benefits from excellent accessibility to the national road and rail networks and is close to the East Midlands International Airport. It is located between the three principal urban centres: Leicester, Nottingham and Derby.

Figure 4.2: Loughborough in the heart of the



Start-ups and very small companies requiring small units in an incubation/ innovation centre will tend to select the facility closest to where they live, unless they positively want to work from a particular centre, due to its services or links to a particular University or other source of knowledge. Otherwise, small firms will only look elsewhere if there is no suitable space or their local centre is perceived to be too expensive. The main cities and towns in the East Midlands are well served by incubators and innovation centres providing a good choice. Loughborough is served by two facilities, the Loughborough Technology Centre and the Innovation Centre on the LUSEP (soon to be relocated to a new building).

However, the incubators in Leicester, Nottingham and Derby are all in inner city locations. In Leicester there is a small centre run by De Montfort University, a virtual incubator run by the University of Leicester and construction of a new innovation centre has just started on the Leicester Science Park, adjacent to the National Space Centre. There are three main technology centres in Nottingham: the Hive is run by Nottingham Trent University, the Enterprise Lab is on the University of Nottingham Innovation Park, and BioCity is in the city centre. In Derby there are four centres linked to the University. Loughborough will continue to be a competitive location for start-ups and small technology firms mainly drawn from Loughborough and people living in the triangle formed by the cities of Leicester, Nottingham and Derby.

For established technology-based firms requiring additional space to expand flexibly over time, we believe that the underlying package of benefits available makes Loughborough and the LUSEP site a very competitive location for firms based in the Leicester – Nottingham- Derby triangle. This is because of its location close to the M1 offering easier access for owner-managers than the centres of Leicester, Nottingham or Derby. Over the years, the Borough of Charnwood has accommodated a significant number of major technology-based companies many of which have had strong R & D activities which reflects this locational strength.

With respect to competing sites, the former Astra Zeneca site, consisting of 124,000 sq m of offices, laboratories and clean room space on a 28 hectare site on the northern edge of Loughborough, is currently being evaluated by the new owner in anticipation of a more structured marketing campaign. It is our view that LUSEP possesses a number of competitive advantages including the potential of linkages with the University and a range of shared amenities as well as reputational benefits. It is also closer to the M1 and offers a more attractive working environment.

The other competing site is the MIRA Technology Park (MTP) on the A5 close to Hinckley. MTP's 335 hectare site's master plan allows for 162,500 sq m of R&D space with a particular focus on the transport sector. The site is built around the specialist laboratories and track facilities operated by MIRA. The site received Enterprise Zone status which means that it can give certain tax advantages to occupants. MIRA is likely to be particularly attractive to companies in transport-related sectors which benefit from access to MIRA's specialist facilities. The site's weakness is its location along the A5 which is not a dual carriageway all along. Moreover, it does not have the attraction of being adjacent to a large research-intensive university.<sup>16</sup>

From our analysis it is clear that for the market for grow-on space there is limited competition from the other science parks in the East and West Midlands because they are too far away from

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<sup>16</sup> For a full list of science parks in a wider catchment area, see the Phase 1 Report.

Loughborough and service a different local catchment area. The main competition will be from the University of Nottingham Innovation Park, in time the Leicester Science Park (albeit a small scheme and not associated with 'technology honeypots') and the MIRA Technology Park. In the mobile investment market, there may be some competition from the Innovation Park in Nottingham and MIRA's Technology Park. Most of the other science parks lack the land to be able to accommodate large projects.

### **Gateway policy**

In order to secure occupants from all market segments, LUSEP's gateway policy needs to be sufficiently open without diluting the strengths and particular appeal of the proposition.

The University's Park Project Board revised the gateway policy at its meeting on 2 November 2012. The revisions relaxed the requirement for links to be agreed upfront which was felt to be unrealistic and inappropriate. It was acknowledged that to work with business partners across the academic portfolio, links need to be developed in areas of genuine need and mutual interest. Such links follow from the development of a relationship rather than being offered at the outset. The new "campus partnership strategy" states that LUSEP tenants should "be engaged in knowledge-based activities that complement the academic activities of the University (or be specialist organisations engaged in the support of such businesses" or "be willing to engage on an on-going basis in discussion of mutually beneficial joint activities across the spectrum of teaching, research and knowledge exchange."

On the assumption that this new policy is suitable in relation to planning requirements, it now needs to be embedded in the development strategy for LUSEP in order to realise the park's market potential.



## 5 Property, land and infrastructure

### Introduction

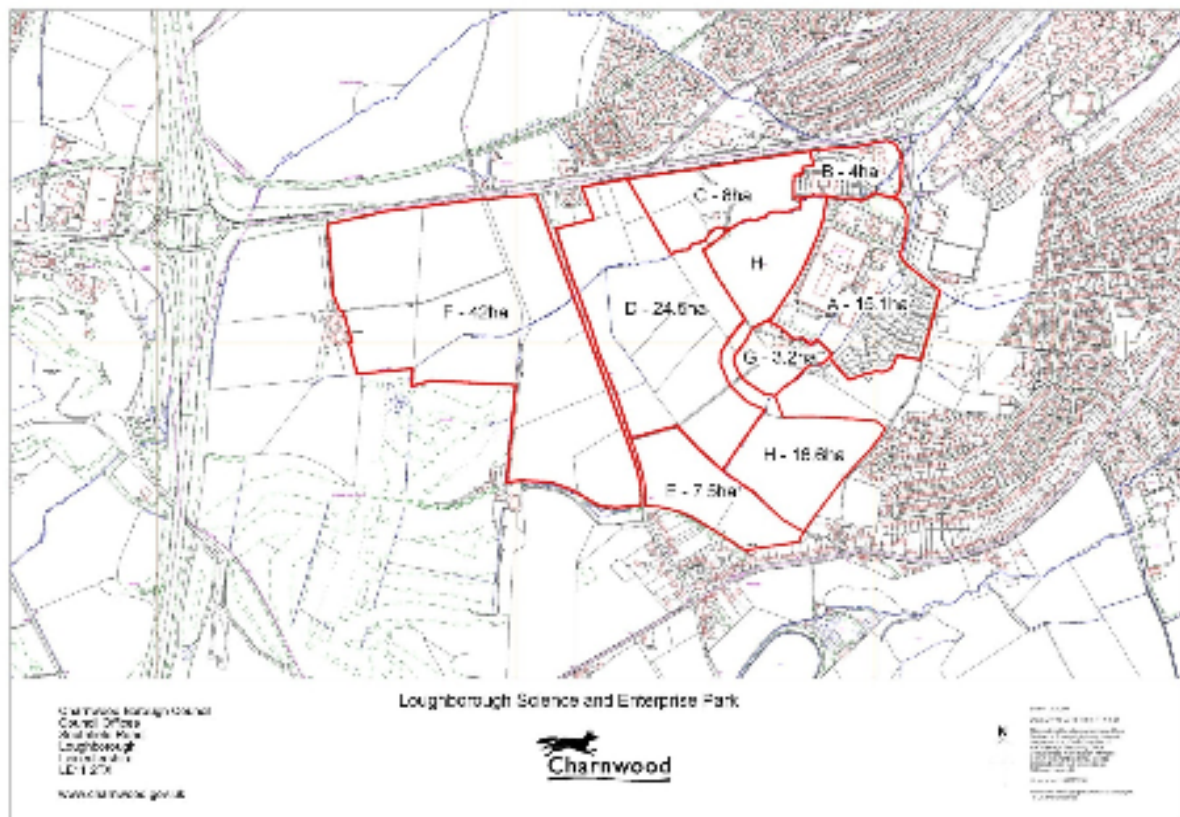
This chapter summarises the main elements of the site and property development programme for the expansion of LUSEP over the next 15 years. The financial implications and viability of this development programme is then reviewed in chapter 9 below.

### Land availability for LUSEP

Currently a total of 35.7 ha (88 acres) in University ownership is available for expansion of the science park. Table 5.1 lists the different plots.

<b>Table 5.1: LUSEP land</b>		
<b>University land</b>		
<b>Plan Ref</b>	<b>Designation</b>	<b>Details</b>
A	LUSEP Phase 1	Holywell Park 15.1 hectares
B	LUSEP Phase 2a	SportPark and Loughborough Park 4.0 hectares
C	LUSEP Phase 2b	Remainder of land with outline planning permission 8 hectares
D	LUSEP Phase 3	The remainder of University land holdings excluding the woodland and Holywell Farm 24.5 hectares
G	Holywell Farm	Holywell Farm area where development is possible but will be subject to special circumstances 3.2 hectares
H	Woodland	Protected woods and linking strip 16.6 hectares
<b>Non University land</b>		
Other areas are designated by the name of the organisation holding options on the land		
<b>Plan Ref</b>	<b>Designation</b>	<b>Details</b>
E	William Davis option	East of Snells Nook Lane, south of University land 7.5 hectares
F	Wilson Bowden option	West of Snells Nook Lane 42 hectares

Figure 5.1: LUSEP site components



Outside of University ownership there is a 7.5 ha (18.5 acres) to the south. The land owner has granted an option to William Davis for the development of housing and the site has therefore not been included within the plans for LUSEP as this stage. On the west of Snells Nook Lane there is a further 42.0 ha (103 acres) where the owner has granted an option to Wilson Bowden for the development of an industrial park. If these sites do not proceed, potentially they might be available for science park uses.

### Development density

The phase 1 report adopted the development densities which had been used in the preparation of the 2006 draft master plan for the site and have since been used by Charnwood Borough Council. This assumed that after allocating 40% of the land for parkland, the remainder would accommodate 1.5 storey buildings on a plot ratio of 0.2, resulting in an overall development density of 1,800 sq m per ha (7,700 sq ft per acre).

Further research has been undertaken to compare development densities on other comparable science parks. The majority of the well established science parks were granted planning permission in the 80's. It would appear that approved development totals at that stage were based on a development density of around 2.500 sq m per ha (around 10,700 sq ft per acre), on the assumption that the majority of the buildings would be one and two storeys.

**Table 5.2: Density comparisons with other science parks (based on planning permissions granted over 20 years ago)**

Science Park	Land area (ha)	Total capacity (sq m)	Density (sq m/ha)	Developed to date (sq m)	% fully developed	Number of tenants
Surrey	28.5	71,970	2,525	60,398	84%	119
Cambridge	63	159,330	2,529	151,500	95%	88
Warwick	17	40,120	2,360	36,270	90%	57

Source: Calculations by the consultants

The majority of buildings now being constructed are more usually two to four storeys. Thus on the basis of buildings averaging 2.5 storeys, it would be possible to increase the development density to around 3,500 sq m per ha and still retain at least 40% of the area for landscaping.

Based on these principles, the overall capacity of the remaining land available for development is summarised in Table 5.3 below.

**Table 5.3: Land and premises for LUSEP**

Site/Building	Land area		Floorspace (sq m)		Floorspace (sq ft)	
	ha	acres	Gross sq m	Net sq m <sup>17</sup>	Gross sq ft	Net sq ft
<b>A</b> Holywell Park	15.10	37.31	53,400	31,389	574,814	331,473
<b>B</b> SportPark	2.00	4.94	6,000	5,776	64,586	61,013
<b>B</b> Loughborough Park	2.00	4.94	4,400	4,810	47,363	50,794
Sub-total current science park	<b>19.10</b>	<b>47.20</b>	<b>63,700</b>	<b>41,975</b>	<b>685,686</b>	<b>443,280</b>
<b>C</b> Phase 2 (with planning)	8.00	19.77	30,980	24,784	333,481	266,785
<b>H</b> Woodland and link – excluded	16.60	41.02	n/a	n/a	n/a	n/a
<b>G</b> Holywell Farm	3.20	7.91	4,800	3,840	51,669	41,335
<b>D</b> Phase 3 (Loughborough University owned)	24.50	60.64	85,750	68,600	923,039	738,431
<b>Sub-total Future LUSEP</b>	<b>35.70</b>	<b>88.22</b>	<b>121,530</b>	<b>97,224</b>	<b>1,308,189</b>	<b>1,046,551</b>
<b>Total University LUSEP</b>	<b>57.16</b>	<b>141.25</b>	<b>185,230</b>	<b>139,199</b>	<b>1,193,874</b>	<b>1,489,831</b>
<b>E</b> Phase 3 (William Davis option)	<b>7.54</b>	<b>18.63</b>	0	0	0	0
<b>F</b> West of Snells Nook Lane (Wilson Bowden option)	<b>42.00</b>	<b>103.78</b>	0	0	0	0

The table is based on the following assumptions:

- Site G – there is no development in the Woodland and link
- Site E – this site has not been included as William Davis has an option with the landowner for the development of houses on this land
- Site F – this has not been included as Wilson Bowden has an option for the development of an industrial park.

<sup>17</sup> Net lettable figures from the analysis carried out by Loughborough University

## Space distribution

The phase 1 report suggested, and the arguments in chapter 4 of this report confirmed, that there is likely to be a demand of between 70,500 and 111,000 sq m of premises over the next 15 years, split between four different market components as described in Table 5.4 below.

Property product	Pessimistic scenario		Optimistic scenario	
	Uptake per year sq m	Total uptake 15 years sq m	Uptake per year sq m	Total uptake 15 years sq m
1. Innovation centre	200	3,000	400	6,000
2. Grow on rented space	1,500	22,500	2,500	37,500
3. Leased sites for own development	1,500	22,500	2,500	37,500
Total Commercial uses	3,200	48,000	5,400	81,000
4. Total University uses	1,500	22,500	2,000	30,000
Total	4,700	70,500	7,400	111,000

The remaining underdeveloped land in University ownership would be able to accommodate an additional 121,500 sq m of space (gross). Whilst this should be sufficient for the next 15 years, it would not allow for occupiers wishing to develop large facilities in excess of 40,000 sq m. Further expansion would only be possible if additional land, currently under option for alternative uses, were to become available.

Predicting demand for premises within the LUSEP is not an exact science. It is particularly difficult to anticipate demand from major potential ‘foot-loose’ inward investors operating within the global market place. The Leicester and Leicestershire HMA Employment Land Study (2013)<sup>18</sup> noted that the purpose of the emerging allocation, particularly in so far as it extended to the west of Snells Nook Lane, included to:

*“Enable businesses which cannot meet the University’s Gateway Policy criteria to locate in close proximity to the established Science Park, recognising that demand from globally foot-loose inward investors is unpredictable but can be significant in scale and requires a favourable and inviting planning regime.”*

<sup>18</sup> The Leicester and Leicestershire HMA Employment Land Study, prepared by PACEC, Lambert Smith Hampton and Warwick Business Management Ltd for Leicester and Leicestershire Local Enterprise Partnership 2012

The subsequent relaxation of the gateway policy reduces one potential area of constraint but the scale of any inward investment of this character continues to require that, “favourable and inviting planning regime”. This would include the allocation and the provision of outline permission of land west of Snells Nook Lane for science park uses enabling large users to be accommodated

There are examples of potential inward investment opportunities having been lost due to the lack of a readily available site. The Manufacturing Technology Centre (MTC), a consortium promoted by four research partners and supported by funding from Advantage West Midlands and the East Midlands Development Agency, was seeking a strategically located site with room for growth. LUSEP at the time had insufficient space with planning permission to accommodate the initial phases of the development while providing also for its projected longer term growth requirements. The project was lost to Ansty Park, Coventry. In the event, MTC is already (within the third year of operation) approaching its business plan projections for 2020.

It is important that the LUSEP should be positioned to take advantage of similar opportunities in the future and to achieve this potential demands a degree of foresight and aspiration in delivering the required planning regime. That approach is reflected in the scope of the Core Strategy allocation.

### **Innovation Centre**

Plans are well advanced for the first phase of a 3,066 sq m Innovation Centre which will provide 2,100 sq m of lettable space – around 50 small units ranging in size from 17 to 87 sq m, for around 35 companies. The net-to-gross proportion would be around 67%, which is normal for this type of building.

Provision is being made for a second phase of up to 3,000 sq m of space to be built next to the planned Innovation Centre at a later date. Much will depend on the proportion of companies in the Innovation Centre that move out to larger grow-on units elsewhere on the park. Experience on other science parks indicates that a proportion of very small businesses will not grow and continue to require small units of less than 100 sq m. Other firms will try and expand within the Innovation Centre by renting additional units. A third group will move out to self-contained grow-on units.

On the assumption that the first phase is completed in 2014 and fully occupied by the end of 2015, we envisage that the second phase of the Innovation Centre could be required by around 2022.

### **Grow-on space**

The future growth of LUSEP will depend, to a considerable degree, on the availability of grow-on space in the range of 150 to 1,000 sq m for rent. Without a steady supply, it will be difficult to attract established businesses and retain businesses that outgrow the Innovation Centre. Therefore, we suggest that a phased development of rentable units is adopted based on the following assumptions:

- The size of each project would be around 5,000 sq m
- There would be around seven development projects over the next 15 years.
- Each phase would be planned, developed and let over a three year period, made up of:
  - ✓ 1 year to plan, design, secure detailed planning permission and put the project out to tender
  - ✓ 1 year to construct and fit out
  - ✓ 1 year to fully let the space created.

To maintain a reasonably steady provision of rentable space, the planning of the next project would be carried out so that the building contract would be placed once at least 50% of the previous project had been let. In practice, the size of each project and the point when it would be contracted would need to reflect the profile of enquiries and the current and expected take up of space.

Thus over a 15 year period, the forecast assumes that 6,000 sq m of space in the Innovation Centre and around 35,000 sq m of grow-on space and one large unit for an owner occupier of 6,000 sq m would be developed.

### **Leased sites for own development**

Larger companies requiring more than 2,000 sq m of space would be encouraged either to purchase a 125 year lease on a plot and construct their own building, or enter into an extended pre-let agreement with the provision that the LUSEP team would design, construct and finance the development. For planning purposes, we have assumed that companies would mainly opt for a long land lease at a cost of around £300,000 per acre (£740,000 per ha). In practice the size and take-up of long leases will be difficult to predict. For planning purposes however, we have assumed that over the next 15 years LUSEP would attract around six to eight large occupiers, each requiring a site of about 1.4 ha, enabling development of around 5,000 sq m of space. Discussions are well advanced for the first development of 6,000 sq m of space on a 1.1 ha site for grow-on space for a successful LUSEP tenant.

### **On site infrastructure**

The University has commissioned a study to determine the full infrastructure requirements and costs to service developments on site C (8.0 ha) and site D (24.5 ha). The results will be available around mid June. The infrastructure costs will be made up of two elements:

- 'standard' costs for the spine road, pavements, lighting and provision of services (electricity, telephone/fibre, water, sewage and gas)
- 'one off' costs to upgrade capacity where required – such as the possible need for an electricity sub station and a balancing pond for the whole site.

### **Offsite infrastructure**

The Charnwood draft Core Strategy includes a number of specific road upgrades to accommodate the additional traffic as a result of the housing and other developments in West Loughborough.<sup>19</sup>

These include:

- A512 dual carriageway between Snells Nook Lane and the M1 at a cost of £5m; timescale 2018-23
- M1 J23 improvements- inclusion of signalisation at roundabout at a cost of £0.75m; timescale 2018-23.

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<sup>19</sup> Charnwood Local Plan 2006-2028 Core Strategy Pre-Submission Draft, Appendix 2 Charnwood Infrastructure Schedule (page 186). May 2013

It is also expected that a new roundabout and traffic lights will be included on the A512, to provide access to the proposed mixed use sustainable urban extension to the north of the Garendon Historic Park.

Access to LUSEP will continue to be via the roundabout to the Loughborough University West entrance. As a result, the University (or the LUSEP) does not expect to make a contribution to the improvements to the A512 and the motorway junction.

# 6 Enterprise, business and technology support

## Introduction

This section outlines the enterprise and technology support activities to be developed by LUSEP in coordination with the University to achieve the Park's enterprise-related and technology transfer objectives.

The LUSEP offer will need to be embedded within the wider business and technology support environment in the East Midlands and the United Kingdom. Close collaboration with other providers of business and technology support including universities (particularly those in Leicester, Nottingham, Coventry and Birmingham) and technology specialists (such as Pera and MIRA) will all help to enhance the LUSEP offer and make it nationally and internationally significant. UK-wide support schemes such as the Business Growth Fund and government schemes such as the Manufacturing Advisory Service (MAS) will enhance the LUSEP offer and will need to be accessed and used to optimum effect.

## Enterprise support

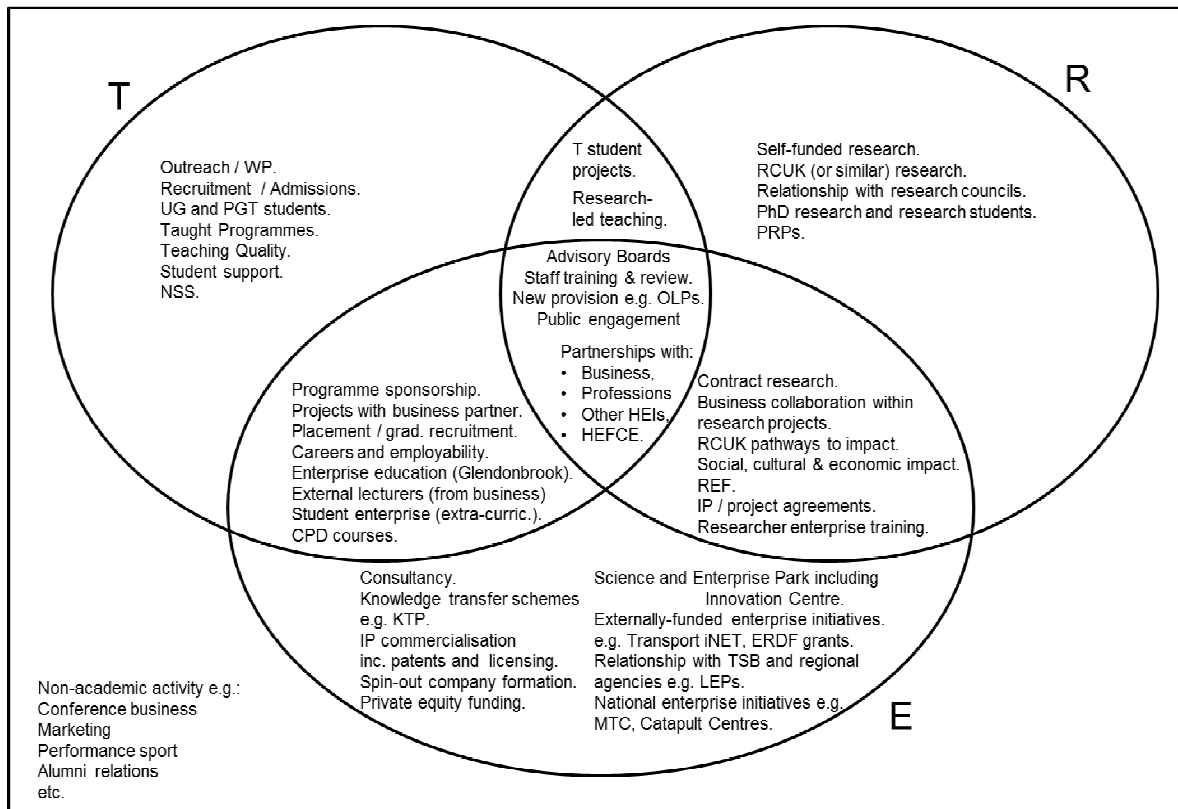
As already highlighted in chapter 3 (vision and objectives), enterprise is defined as “academic engagement with business, public and voluntary organisations to create social, cultural and economic impact through knowledge exchange.”<sup>20</sup> Enterprise in this sense is closely integrated into the teaching and research activities of the University as summarised in Figure 6.1 below.

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<sup>20</sup> Professor Steve Rothberg: Enterprise Development Plan (2013)



**Figure 6.1: Integration of Research, Technology and Enterprise at Loughborough**



Source: Professor Steve Rothberg

Acronyms: CPD: Continuous Professional Development; ERDF: European Regional Development Fund; HEFCE: Higher Education Funding Council for England; HEI: Higher Education Institution; iNet: innovation network; IP: Intellectual Property; LEP: Local Enterprise Partnership; KTP: Knowledge Transfer Partnership; MTC: Manufacturing Technology Centre; NSS: National Student Survey; OLP: Open Language Programmes; PRP: performance related pay; PGT: post graduates (taught); RCUK: Research Council UK; REF: Research Excellence Framework; T: taught; TSB: Technology Strategy Board; UG: undergraduates; WP: Work placements;

The University's Enterprise Development Plan outlines the aims of enterprise development at Loughborough University:

1. To accelerate the creation of social, cultural and economic impact through research-informed knowledge exchange.
2. To be a partner of choice amongst the national and international organisations from the business, public and voluntary sectors with which we engage
3. To be recognised as business-friendly and as a supportive hub within our local economies
4. To develop an enterprise culture on our campuses that is:
  - a. Embraced by staff across all disciplines
  - b. Fundamental to the Loughborough student experience; and
  - c. Enriched by productive engagements with campus partners.
5. In so doing, to enhance the University's:
  - a. Financial sustainability
  - b. Reputation locally, nationally and internationally.

These aims are in line with the objectives for LUSEP and will assist in:

- Generating spin-out companies set up by researchers, graduates and associates
- Forging closer linkages with small and medium sized companies which might ultimately be interested in locating to LUSEP
- Creating interest on the part of larger national and international companies which may want to develop closer linkages with the University which might ultimately lead to them locating research projects.

## **How to link enterprise-related activities between the University and LUSEP**

Within the University, enterprise-related activities are organised centrally as well as disaggregated by Schools.

The central Enterprise Team is headed by Professor Steve Rothberg and managed by Dr Kathryn Walsh (Enterprise Office) and Jon Walker (Director of Enterprise Development). The enterprise team is structured into three functions:

- Business development
  - Knowledge transfer and consultancy
  - Strategic partnerships
  - Sustainability
  - Transport i-Net
  - Midlands Energy Consortium
- Intellectual property
  - Intellectual Property (IP) commercialisation (new technologies and services)
  - Student and graduate enterprise
  - Commercialisation studio
- Business accommodation
  - Science and Enterprise Park
  - Innovation Centre
  - Commercialisation studio.

In addition to the Enterprise Team, all Schools recently appointed Associate Deans (Enterprise) to address the increasing importance given to enterprise within the University strategy. The role of the Enterprise Dean is summarised in line with the overall enterprise remit of the University: “In broad terms to enhance the University’s academic engagement with business, public and voluntary organisations to create social, cultural and economic impact through knowledge exchange. In specific terms to support the Dean of School and Pro Vice-Chancellor (Enterprise) by providing strategic and operational leadership to the School’s enterprise activities and ambitions.”<sup>21</sup>

Once LUSEP’s development gathers pace and grows in scale, decisions will need to be made as to whether the current Enterprise Office is appropriately resourced and configured to take on the additional enterprise-related tasks arising from the Park and/or whether LUSEP takes on further functions.

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<sup>21</sup> Loughborough University: Job Details of Associate Dean (Enterprise)

There are three main options:

- The Enterprise Office takes on all enterprise support responsibility for LUSEP, working in close partnerships with the Associate Deans (Enterprise) of the University’s academic schools
- A new LUSEP team takes over all enterprise-related functions to reflect the importance the University attaches to LUSEP in achieving its enterprise ambitions
- The Enterprise Office keeps some of its enterprise-related functions but some others are given to a newly established LUSEP team, headed by a Science Park Director and in addition any gaps in available enterprise support are filled.

This third option appears to offer the most practical way forward. The division of functions between the Enterprise Office and the LUSEP team would need to be decided in light of existing competencies Table 6.1 below summarises areas that will require consideration.

<b>Table 6.1: Enterprise-related functions and their importance to LUSEP</b>	
<b>Function</b>	<b>Importance to LUSEP</b>
Knowledge transfer and consultancy	Enterprise Office will have a wide range of relationships; LUSEP team will need to be kept apprised about projects that may be interested in LUSEP accommodation
Strategic partnerships	Enterprise Office will have a wide range of relationships; LUSEP team will need to be kept apprised about projects that may be interested in LUSEP accommodation
Sustainability	Enterprise Office will have a wide range of relationships; LUSEP team will need to be kept apprised about projects that may be interested in LUSEP accommodation
Transport i-Net	The Transport i-Net might be hosted within LUSEP to allow maximum marketing benefits. In any case, intensive communication between the Enterprise Office and LUSEP will be essential
Midlands Energy Consortium	The Midlands Energy Consortium might be hosted within LUSEP to allow maximum marketing benefits. In any case, intensive communication between the Enterprise Office and LUSEP will be essential
IP Commercialisation	Enterprise Office will have a wide range of relationships; LUSEP team will need to be kept apprised about projects that may be interested in LUSEP accommodation
Student and graduate enterprise	Student and graduate enterprise could be retained within the Enterprise Office or a case could be made to host it within LUSEP to help with raising the park’s profile and creating leads
Business support to companies	This is an area where the Enterprise Office is not currently well resourced or active and it is a core role which LUSEP could take on for tenants on the park as well as outside companies in the local economy. There could be overlaps between the business support activities between LTC and LUSEP.
Commercialisation studio	The Commercialisation Studio could be retained within the Enterprise Office or a case could be made to host it within LUSEP to help with raising the park’s profile and creating leads
Innovation Centre	The Innovation Centre fits closely with LUSEP’s focus and objectives.

In undertaking any re-organisation of enterprise-related functions, care needs to be taken for it not just to be a re-organisation for the sake of it but the underlying rationale would be:

- To allow functions to be energised and strengthened by giving them increased focus and relevance
- For LUSEP to be able to grow its profile and excellence on the basis of complementary projects.

### Technology linkages

Enterprise support needs to be seen in the wider context of the University's technology transfer achievements and ambitions.

Loughborough University is one of the most active universities with respect to external research linkages. For 2010/11, it was in 10<sup>th</sup> place of all UK universities when ranked by the amount of collaborative research (just over £19 million). The list is topped by Cambridge (£52 million), Edinburgh (just under £ 33 million) and Nottingham (just under £30 million).<sup>22</sup>

While there are many areas of business and community interaction where the University is already performing exceptionally well (in particular with respect to collaborative research), there are others (contract research, consultancy, short courses) where there is an appreciation that there is scope to intensify activities. We understand that intensifying business and community interaction is one of the strategic goals of the University and this is set to have direct and indirect effects on the LUSEP through attracting companies to the Park itself, as recipients of services or through raising the outward facing profile of the University more generally.

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<sup>22</sup> See Higher Education Business Interaction performance tables referenced in the Phase 1 report as document reference 17.

# 7 Marketing

## Introduction

LUSEP will require focused and active marketing in order to attract clients of the desired type and characteristics. Whilst the traditional property agent approach may be appropriate for a standard property offering, it tends not to yield the desired results with a specialist development such as a science park.

There are a number of components of effective marketing:

- Market analysis and identification of target markets
- Promotion
- Selling
- Appropriate resourcing of marketing, promotion and selling
- Regular evaluation of effectiveness.

## Market analysis and identification of target markets

Following on from the market analysis summarised in chapter 4, each market segment will need to be disaggregated further in order to be able to approach and communicate with direct and indirect market targets.

Table 7.1 summarises a possible approach to the market analysis.

<b>Target market component</b>	<b>Nature of lead</b>	<b>How to identify leads</b>
Inward investors in target sectors	<ul style="list-style-type: none"> <li>• Large 'bulky' projects</li> <li>• National and international origin</li> <li>• Most likely reflecting areas of special expertise at Loughborough University such as energy, sport, advanced engineering</li> <li>• Can take years to bring to fruition</li> <li>• Require welcoming attitude on part of all local stakeholders and partners</li> <li>• Highly competitive market segments</li> </ul>	<ul style="list-style-type: none"> <li>• High level networking at national and international events and conferences</li> <li>• Organisational partners such as local authorities and LEP to provide support and contacts</li> <li>• Utilise good will and interest from large corporate players in the local economy and catchment area</li> <li>• Effective use of intermediaries such as UKTI that market the UK in overseas markets</li> <li>• Communicate the vision and offer to academics so that they can become effective ambassadors</li> </ul>
Small and medium sized technology and knowledge-based companies in the catchment area	<ul style="list-style-type: none"> <li>• Larger number of companies</li> <li>• Can be identified through directories and networks</li> <li>• Regular promotion and</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing team to be well networked into key catchment area stakeholders and business intermediaries such</li> </ul>

	<p>communication required to get the message to the market</p> <ul style="list-style-type: none"> <li>• Encourage external bodies to hold business and technology related events at LUSEP</li> </ul>	<p>as chambers of commerce, solicitors, accountants, patent agents etc</p> <ul style="list-style-type: none"> <li>• Agents can play an important role</li> <li>• Effective and steady PR is crucial to get the message out to potential tenants</li> </ul>
Start-up businesses in the catchment area	<ul style="list-style-type: none"> <li>• Larger number of companies</li> <li>• Can be identified through intermediaries</li> <li>• Regular promotion and communication required to get the message to the market</li> </ul>	<ul style="list-style-type: none"> <li>• Key role to be played by intermediaries such as banks, venture capital providers, organisations dedicated to supporting start-up businesses</li> </ul>
University spin-out companies	<ul style="list-style-type: none"> <li>• Small number of companies which should be well known to the marketing team on the basis of effective networks with spin-out support team in University</li> <li>• Help to provide spin-outs with 'ladder of accommodation'</li> <li>• Pipeline of spin-out companies can be influenced by targeted business generation activities</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate effectively with spin-out companies at all stages of their development, starting at ideas conception</li> </ul>

## Promotion

There is a wide range of promotion activities to consider for marketing science and enterprise parks. Not all of them will lead to direct selling but they promote the message to a wide audience and create loyalties and referrals<sup>23</sup>:

- Branding and name which needs to be developed to reflect the strategy and focus of the park
- Launch events at the completion of new buildings or introduction of new service offers; such events can be used to strengthen the relationship with key intermediaries and invite the press to produce editorial coverage of the park
- An effective internet presence. The park's website needs to present the park to a wide range of organisations and individuals including potential tenants and service clients, partners, intermediaries and the general public. It needs to be informative and kept up-to-date and fresh by regular updates and news stories. Some parks link their clients internet presence with the park site to provide a good flavour of the types of companies on site
- Partner engagement. Building a strong partner network with intermediaries and organisations that are active in all areas the park is trying to address including the formation and growth of companies, inward investment, innovation, technology transfer, education and training. Active networking with intermediaries at local, regional and national level and in the public and private spheres helps raise the profile of the park and creates 'social capital' which makes partners recommend the park to others

<sup>23</sup> Some suggestions have been taken from the UKSPA publication "The planning, development and operation of science parks" edited by Malcolm Parry and Peter Russell (2000)

- Encourage others to organise events at the park. At any one time, there tends to be a wide range of events taking place locally, regionally or even nationally. Making the park and associated conference facilities available to others produces a revenue stream as well as promoting park facilities without additional cost. The availability of meeting and conference facilities can also be used as a sponsorship contribution to entice events with strong marketing potential to take place at the park. All of these activities increase footfall to the park which is an essential promotion too
- Press and public relations activity; the successes and innovations of science park tenants make good news stories which can be promoted either through a public relations agency or the internal skills of the science park management team. Targets should be set for a minimum of press releases per months
- In addition to press releases, the management team could produce more considered editorials, articles or 'thought pieces' that comment on development of relevance to their clients, the park or the innovation landscape. Specialist trade journals, for instance those dealing with target industries or business support providers, could be a good medium for such material
- Broadcast media such as local radio or television. Invite journalists to be part of events or launches
- Business plan competitions (not just for tenant companies but for the local economy) that lead to networking events (receptions, dinners) and can be used to bring in journalists for editorial coverage
- Sponsorship at the local, national and international level. There are many possible opportunities for sponsorship including venture capital events, elevator pitches, national business plan competitions, trade missions and conferences. Sponsorship needs to be in line with the branding of the park and its target customers
- Effective use of social media such as Facebook, Twitter and Linked-In. Social media have become very important tools to disseminate information and need to be used effectively
- Active networking amongst the park tenants. Existing tenants can be excellent promoters amongst their own network of suppliers and customers but they need to be informed about the offer and be sympathetic to the need. Regular communication and networking helps to mould a strong park community where members are happy to support the marketing effort
- Advertising and promotional material. Given the importance of electronic channels of communication, hard copy advertising material may be less important than it used to be but it is nevertheless important to have a suite of information material that can be used to generate and follow up enquiries
- Building signage and branding. Building signage needs to be up-to-date and reflect the current branding. External directional signage needs to be consistent with the branding and should be used generously as an added promotional tool
- Ultimately promotion is a people-to-people activity and word to mouth recommendation tends to be one of the most effective tools. The message needs to be clear and consistent and being transported frequently and through as many channels as possible.

## Selling

Selling is concerned with converting interest into occupancy or uptake of services. It is therefore more targeted than promotion where the message is spread more widely. It consists of the following activities:

- If appropriate, appointment of property agent operating in the local/regional and national/international spheres. It is not advisable solely to rely on agents but there will be some business leads which come from property agents and may require professional agency services
- Database of enquiries. This will be an important tool to understand the scale of interest and to track the life cycle of customer contacts
- Up to date information on availability of units and terms and conditions
- Sales collateral which can be handed over to interested parties including floor plans, lay-out options, facilities and their charges, telecommunications and broad band offer and prices, meeting and conference facilities offer and prices, catering offers and prices
- An efficient process of organising viewings and a strategy of organising the sales tour
- Sales training for team members.

### **Resourcing of marketing and selling**

The resourcing of marketing and selling activities needs to reflect the planned promotional activities and the likely load of selling.

In terms of manpower, the park director will play a key role in all activities but there is likely to be a need for additional resources to help with the day-to-day contact. The bigger the park grows the more it may make sense to employ a dedicated marketing team.

In addition to manpower cost, there needs to be allowance for expenses (travelling which may include overseas journeys), promotional materials and sponsorship.

### **Regular evaluation of effectiveness**

Every science park is different and it will be essential to keep track of which channels are more effective than others.

A practical customer relationship management system where contacts are asked how they first heard about the park can reveal interesting insights about channels of communication.



## 8 Staffing and operating costs

### Introduction

Staffing for LUSEP is dependent on the functions and tasks that need to be achieved and the balance between in-house and external delivery.

The key functions include:

- Overall direction and management
- Implementation of the agreed strategy
- Project management
- Property development
- Finance and accounting
- Technology transfer
- Marketing and promotion
- Animation and linkages
- Facilities management
- Landlord functions.

Before discussing options on how to fulfil these different functions, the next section explores whether LUSEP should have a dedicated full time science park director.

### The need for – and profile of - a science park director

So far, LUSEP has been developed without a full-time science park director. Members of the University have taken on different roles such as “enterprise” (Professor Steve Rothberg), project management (Jon Walker) and landlord functions (Tim Walton).

It is our view that LUSEP has reached a stage where it should have a full-time director for a number of reasons:

- Already now – but more importantly once the extension gets under way – there will be a need for a focal point and leader for implementing strategic developments
- To provide clear, consistent and focussed direction and management
- To add skills in commercial property operations
- To develop and implement a pro-active marketing strategy, and generate enquiries and persuade them to locate on the park
- To build a profile and relationships with public and private sector organisations locally, regionally and nationally
- To develop and coordinate business and technology support services
- As the ‘client’ for the new infrastructure and property developments
- As a primary interface with external stakeholders
- To manage service level agreements such as landlord services, facilities management, information and communications services, whether undertaken “in house” or by external providers

- For financial planning, book keeping and accounting of the science park as a separate entity.

The science park manager ought to have elements of the following profiles – although the mixture will vary from person to person and there needs to be some degree of freedom on the mixture of characteristics:

- ‘project manager’ – to get things done according to schedule
- ‘entrepreneur’ – to have commercial instincts and understanding
- ‘embedded’ as well as ‘challenging’ – to understand when the University culture needs respecting and when it needs challenging.
- ‘marketeer’ as the champion and personal face of LUSEP. Firms decide to locate on a science park because they feel appreciated and welcome by a director and staff who really understand technology based businesses.

Once the science park director has been appointed, further decisions on the balance between in-house and subcontracted delivery and the composition of the core team to run the science park can be made.

### List of main science park management functions

The main science park management functions are summarised in Table 8.1 below.

<b>Function</b>	<b>What is involved</b>	<b>Comments</b>
Strategy and annual business plan	<ul style="list-style-type: none"> <li>• Input to, interpretation and implementation of strategy</li> </ul>	Core function
Site and building development	<ul style="list-style-type: none"> <li>• Being an intelligent client for site and building development</li> </ul>	Project manager (part time) representing the client supported by external consultants
Marketing and promotion	<ul style="list-style-type: none"> <li>• Building a profile</li> <li>• Creating linkages with key partners locally, regionally and nationally</li> <li>• Planning and hosting events</li> <li>• Handling enquiries</li> <li>• Securing their commitment to come to the LUSEP</li> </ul>	Core function supplemented by PR support and agency agreements
Book-keeping and finance	<ul style="list-style-type: none"> <li>• Rent &amp; service charges collection</li> <li>• Management and financial accounts</li> </ul>	Core function
Business support	<ul style="list-style-type: none"> <li>• Building relationships with tenants</li> <li>• Facilitating linkages with the University</li> <li>• Engaging with business service professionals</li> </ul>	Core function
Facilities management (FM)	<ul style="list-style-type: none"> <li>• Set up and manage all FM sub contracted services</li> <li>• Liaison between tenants and</li> </ul>	Facilities manager probably with service level agreement with University FM department and

	<p>the service providers</p> <ul style="list-style-type: none"> <li>• Manage the service charge with Finance</li> <li>• Planned maintenance schedule</li> </ul>	<p>contracts with external service providers for services such as cleaning, catering, security, maintenance, IT etc</p>
Innovation Centre management	<ul style="list-style-type: none"> <li>• Reception</li> <li>• Event organisation</li> <li>• Management of meeting rooms</li> <li>• Pre-incubation and incubation support services</li> </ul>	<p>Core function with access to external specialists</p>

# 9 Funding

## Introduction

During the course of the commission discussions have been held with the University exploring the capital implications for the expansion of LUSEP including generic appraisals to assess the financial viability of components within the development. Those exchanges have necessarily involved the sharing of commercially confidential information but have assisted in highlighting the additional work that will need to be undertaken to clarify how the expansion of the park may be financed. The following sections summarise the scale of investment to date and set out the funding options for the future.

## Current position

Based on an analysis of the asset register by the University's Finance Department, the University has invested a total of £76.6m in the development of the park to date. This is made up of £7.6m in land purchases (an average of £212 per ha including the woodland), £56.6m covering the purchase and construction of buildings (around £890 per sq m gross internal area - GIA) and a further £12.4m in building improvements.

## Funding options

There are a number of funding options:

- The University itself might fund the development by borrowing against its assets; the loans could be provided by a commercial bank or a development bank such as the European Investment Bank
- The University might enter a joint venture (JV) arrangement with a developer whereby development is funded through a loan to the JV and the revenue stream flowing from the investment would be shared in proportion to the ownership in the JV. There could also be other JV partners with an interest in the development of the park from an economic development or commercial perspective. The University looked at several models of development via a joint venture partner and concluded that it would wish to retain ownership and control of developments on its land.
- A third option might involve the University entering into long lease agreement (typically 125 years) with a large occupier, wishing to develop their own premises. Importantly the lease agreement would need to include a number of safeguards such as the quality of the building, eligible uses and the conditions under which lease could be sold on.

# 10 Governance

## Introduction

Governance in the context of a science park relates to the structures set up for strategic and operational decision making and the reporting arrangements within them.

Governance sets out answers to a number of questions:

- What is the legal status of the science park
- Who owns the site and its different parcels
- Who funds the development of the sites and buildings
- Who makes strategic decisions
- Who makes operational decisions
- What are the reporting arrangements.

By their nature, these different dimensions of governance issues are interrelated. For example, strategic decision making is linked with ownership and funding and the legal status of the park will reflect ownership and funding.

## What is legal status of the science park

There are a number of options for LUSEP's legal status including:

- a division of the University. Given the wide range of non-core University activities which need to be accomplished, this option is not practical nor desirable
- a fully owned company of the University with an internal board. This option separates the science park legally but keeps it within full University control. It is an arrangement similar to "imago", a wholly owned subsidiary in charge of conferencing and catering
- a fully owned company of the University with an external board. This option goes one step further and keeps the ownership within the University but widens strategic decision-making by opening the board to outside members. External board members could be companies on the park, public sector bodies with an interest in the economic development impact of the park
- a company with wider ownership and a board reflecting this expanded ownership
- a company owned by a third party such as a developer or a financial institution.

Table 10.1 assesses the pros and cons of these different options on a number of criteria:

- control – ultimately the University is progressing LUSEP because it is hoping to address a number of objectives as outlined in chapter 3. It can therefore be expected that it wants to keep some control over the development of the park
- autonomy – in order for the park to achieve its full potential, it needs to be developed and managed in an entrepreneurial way and this will be facilitated by having a fair amount of autonomy vested in the park management, allowing it to make strategic decisions that predominantly serve the interests of the park

- flexibility to respond to the market – LUSEP will operate in a constantly changing market environment which will be influenced by the state of the national and international economy and the availability of particular market opportunities. There will be merit in allowing the park to address opportunities arising quickly and flexibly
- benefits to the University – benefits can be expected to reflect objectives, namely enterprise, technology transfer and financial returns
- harness the competencies of others – partners can play a key role in making a science park a successful venture but in order to bring their competencies to bear, they may want a share in the strategic decision making and maybe even the ownership.

**Table 10.1: Evaluation of different legal models for LUSEP**

Entity	Control	Autonomy	Flexibility	Benefits to the University	Harness competencies of others
Maintained as part of the University's estate	Strong	very weak	Weak	medium	very weak
Distinct division of the University	very strong	weak	Medium	high	weak
Fully owned company with internal board	Strong	strong	High	high	medium
Fully owned company with external board	Strong	strong	High	high	high
Company with wider ownership	Medium	strong	High	medium	high
Company owned by third party	Weak	strong	High	medium	high

In the past, the overall responsibility and strategic direction of LUSEP lay with the Pro Vice Chancellor (Enterprise) (PVC-E). In practice, the Facilities Management team have been largely responsible for day to day operations, covering the development, letting and management of the buildings which form part of the University's overall estate. The active involvement of the current PVC-E has resulted in a more integrated and strategic approach towards the future planning and development of the park. This has led to ambitious plans being developed on how to take LUSEP forwards. The implementation of the emerging strategy will require a dedicated team with a wider set of skills to take forward the different facets of the park, as set out in the previous section.

Up till now the vision and strategy has been developed and championed by the PVC-E. If the emerging strategy is adopted, consideration will need to be given about the most appropriate operating framework to put in place to ensure its implementation over the medium and long term.

On the assumption that the University does not wish to establish a joint venture with an external partner, such as a property developer, there would appear to be two options: maintain the present arrangements or establish a separate entity, either as a division of the University or as a separate legal entity.

### **Maintaining the present arrangements**

The present arrangement of drawing on the facilities management and enterprise development teams, coordinated by the PVC-E has proved to be a low cost way of managing the park but it has not ensured a long-term strategic approach towards its development. The park has not been developed on the basis of a strategic and long term vision but reactively, responding to company enquiries and accessing public funds as and when opportunities arose. Reflecting this lack of long term strategic development vision, there has been limited funding for and engagement in marketing and promotion of the park.

There has also been a lack of premises available for rent. In practice companies who might be interested in moving to LUSEP cannot afford to wait one to two years for premises to be designed and built. As a result the pipeline of serious enquiries has been too limited to justify the development of new space.

Operationally, the present arrangements are not well attuned to meeting the needs of businesses or external stakeholders, both of whom are critical to LUSEP's long term success. Businesses who might be attracted to locate on the park require clear lines of communications and a team able to make decisions and take actions quickly.

### **A separate business unit**

The other option is to establish LUSEP as a separate business unit with its own director, staff and budget. Whether it is set up as another department of the University or as a separate legal entity is a different issue which will largely be determined by legal, tax and funding considerations, taking account of the charitable status of the University and the way LUSEP will be funded going forward.

In those instances where outside partners were involved in the founding and funding of a science park (for example Aston and Warwick), a separate legal entity was established as a self-contained entity with its own board and management. Where the science park was wholly owned by a University (for example Surrey and Southampton), governance arrangements have evolved to reflect differing priorities and views about control and autonomy.

### **Leadership and decision making**

Experience shows that science parks work best when operational decisions are delegated to a clearly designated director, with the authority to build up a team with the skills and capacity to develop and manage the science park and support the tenant portfolio. However, there are likely to be a number of strategic areas where prior approval would be required. These include the overall vision and strategy for the LUSEP and the annual business plan, changes to gateway and letting policies, large lettings, key staff appointments and capital funding decisions etc.

## Reporting lines

Should the director report to a person (or people) within the University or to a properly constituted board? If the director is required to report internally, there are a number of interested parties all of whom may feel that they ought to be involved. This might include the Vice Chancellor, the Pro Vice Chancellor for Enterprise, and the heads of the Enterprise Office, Facilities Management and Finance. The danger is that if too many people get involved, the autonomy and flexibility required to run an effective science park will be lost.

This can be resolved through the setting up of a board which should ideally include people drawn from inside and outside the University with a mix of relevant business, technology, property and financial skills. However, it will be important for the director, between meetings of the board, to maintain a close relationship with key members of the University and they, in turn, take an active interest in key aspects of the LUSEP. Areas where this will be particularly important include the admission and expansion of key tenants, the building up of links with university departments and relationships with key external partners, such as government departments and agencies, the LLEP and the local authorities. Regardless of structure, the University will wish to retain control over the funding of the LUSEP infrastructure and premises development programme, particularly in the early stages until norms have been established about risk, return and the basis for funding.

## A way forward

The decision on changes in the governance of the LUSEP is closely linked with the development of the overall strategy for the long term development of the park and the question of whether to appoint a full time science park director and team.

We suggest that a review will need to be carried out to assess the legal and tax implications of setting up a separate legal entity. It will also be sensible to look at the various internal reporting and decision making arrangements that have been put in place for science parks which are wholly owned by a university.

In the event that a board is a preferred option, consideration will need to be given about the composition of the Board and whether it should include external appointments to secure an appropriate spread of commercial and property skills and expertise.



## 11 Delivery plan

In Table 11.1 below we have summarised some of the most important actions that we anticipate will need to be taken, with indicative timescales, to illustrate how the strategy and plans set out above might be implemented in practice.

1. Short term implementation to develop premises for the Innovation Centre and grow-on space for a specific LUSEP tenant
2. The marketing of the facility to secure tenants for the premises being developed
3. Drawing up and implementing a longer term strategy for the further development of LUSEP
4. Securing planning permission for the extension of LUSEP.

	2013			2014				2015				2016	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Next projects final design and costing													
Contracts and legal agreements													
Design and build programme													
Interim marketing plan													
Active marketing of LUSEP													
Letting of Innovation Centre													
Assess infrastructure and Master Plan													
Development of integrated strategy													
Approval of integrated strategy													
Implement integrated strategy													
Staffing and budget approval													
Establish governance/legal structure													
Appoint LUSEP director													
Implement long term marketing plan													
Plan next projects													

CBC core strategy process	■	■	■	■	■	■	■	□	□	□	□	□	□
Outline planning for LUSEP land	□	□	□	□	■	■	■	□	□	□	□	□	□
Partner engagement and funding	■	■	■	■	■	■	■	■	■	■	■	■	■