

CABINET - 18TH MARCH 2010

Report of the Director of Loughborough Regeneration

ITEM 11 WINDMILL ROAD "GREEN HOUSE" LOUGHBOROUGH

Purpose of Report

To report to Cabinet the outcome of an "Expression of Interest" application for ERDF funding for the above project. To ask Cabinet to consider a revised scheme, to commit to further work being carried out on the scheme and to agree to hold that scheme in reserve pending the availability of funding from alternative sources

Recommendations

1. That Cabinet notes the outcome of the "Expression of Interest" application for ERDF funding for this project
2. That Cabinet agrees to hold the scheme as a reserve project for reconsideration should funds become available from either internal or external sources

Reasons

1. So that Cabinet is aware of the current funding position
2. So that the scheme could be brought forward should funding opportunities arise

Policy Context

The Windmill Road site is located in Hastings Ward in East Loughborough, one of the most deprived wards in the Borough and in the County.

The Charnwood Sustainable Community Strategy has a number of Strategic Objectives which the Windmill Road project will address directly. In particular:

- SO1: to reduce social exclusion and deprivation and increase educational attainment particularly in those parts of the Borough identified as areas of relatively higher need, for example the priority neighbourhoods of Loughborough East, Loughborough West, Mountsorrel and South Charnwood.
- SO18: to provide all communities in Charnwood with access to quality jobs and improved standards of life by safeguarding key employment sites and creating opportunities for new high quality employment sites, including a new Science Park at Loughborough.
- SO19: to encourage the local economy towards a higher share of higher value, higher quality, innovative industries and services and ensure labour market balance by providing for a mix of jobs and access to training including those for less skilled members of the community.

The recently approved Charnwood Corporate Plan has a number of Strategic Objectives of direct relevance to the Windmill Road Project. These are:

- Under "Prosperity Matters": To facilitate innovation and economic regeneration in Loughborough and capture the Olympic legacy

- Under “Places Matter”: To achieve sustained improvement in quality of life of those people living in our priority neighbourhoods/communities

Background

At its meeting on 26th March 2009, Cabinet approved the following recommendations in relation to this project.

1. That the recommendations of Focus Consultants in relation to the Windmill Road development are endorsed
2. That authority is given to the Director of Loughborough Regeneration to prepare and submit an Expression of Interest bid for ERDF funding towards the delivery of the Greenhouse Project
3. That authority is given for continued joint working with the identified partners to develop the Windmill Road scheme and to explore the potential for further funding bids as identified in the Focus report
4. That a further report is brought to Cabinet once the outcome of the Expression of Interest is known including recommendations for further funding bids, for making up any identified funding shortfall and for arrangements for the ongoing ownership and management of the development

An Expression of Interest Application was submitted to emda for ERDF funding in July 2009, but unfortunately it was unsuccessful

The feedback we received indicated that the application was 4 points short of the 50% threshold of 30 out of 60. In total schemes totalling £55m were submitted for only £20m worth of funds. 25 schemes got through the Expression of Interest stage but they amounted to £35m, so not all will be approved.

They were concerned that there was no evidence or confirmation of match funding. The advice was that we should have approached our sub-regional partnership to see whether there was single pot funding available. We had not given a clear description of outputs and outcomes and there was felt to be insufficient evidence that we were not duplicating existing activity. The “Strategic Fit” of the project was good but there was insufficient evidence of University collaboration and of getting graduates into SMEs.

On the match funding they were concerned that none of it was secure and that the proposed CBC input was low in relative terms and that SI06 funds were not certain.

Following the rejection of the Expression of Interest in September 2009, Focus consultants have undertaken a complete review of the scheme and its funding and have produced a revised proposal.

The Revised Scheme

The vision for the Greenhouse is:

“A truly inclusive, holistic and innovative Centre which will be a unique focus for environmental enterprise, innovation and entrepreneurship within the East Midlands.”

The Greenhouse will provide a total of approximately 1,589 sq.m. (17,100 sq. ft.) of net lettable space. The accommodation profile will include a range of flexible offices from small starter units of about 15m sq.m. to larger units of about 63 sq. m. It will also provide workshop units of between 50 sq. m. and 71 sq. m. The Centre will also include small and medium sized meeting rooms available for tenants and outside hire. It will link closely with existing workspace provision in the area such as Loughborough University's Innovation Centre, The Loughborough Technology Centre and Charnwood Borough Council's The Ark Business Centre in Loughborough and The Oak Business Centre in Sileby. Through these links a network of environmental businesses will be established providing a supply chain throughout Charnwood and the sub-region for mutual benefit. Indeed the Greenhouse will host a Digital Ecosystem and virtual supply chain for the Borough and the sub-region, encouraging business to business collaboration and trade.

The Greenhouse will complete a spectrum of accommodation within Charnwood that supports cutting edge research ventures, university spin outs, new technology application and supply chain support. Through strong links with Loughborough University and Loughborough College tenants and associated Small and Medium sized Enterprises (SMEs) will have ready access to both the Higher and Further Education sectors, enabling collaboration in the development of new products and services that will improve business performance. The strong education links will also support technology and knowledge transfer, assist with product launches and demonstrations and support graduate entrepreneurship and retention. The lettings policy of the Greenhouse will be founded on innovation and the ability of potential tenants to grow. In sympathy with the cross cutting theme of the Greenhouse the following definition for businesses to be attracted to the facility has been developed:

1. SMEs seeking to operate in a very low carbon environment
2. SMEs wishing to develop 'green'/sustainable technology products or services
3. SMEs wanting to operate in a more environmentally friendly and responsible manner and to improve their business resource efficiency.

The **strategic objectives** are to:

- encourage environmental enterprise and innovation;
- increase awareness of environmental sustainability issues;
- encourage collaboration between businesses and the further and higher education sector;
- promote application of 'green technologies' and encourage 'green' entrepreneurial activity;
- help retain 'green' entrepreneurs within the region;
- contribute to increasing economic activity and business competitiveness;
- increase the stock of innovative and sustainable 'green technology' businesses;
- increase the stock of environmentally responsible businesses;
- contribute to the regeneration and raise the profile of eastern Loughborough.

The Greenhouse will particularly nurture growing and start-up SMEs developing innovative 'green technology' products or services. However, the facility will also enhance the resources available to all businesses located in Charnwood Borough including Loughborough University and Loughborough College graduates, indigenous micro-businesses and inward investors. The Greenhouse will include a Virtual Business element affording access to the facilities and services on offer for those

living remotely, with access difficulties, who may be disadvantaged or who simply wish to keep costs low during early business development.

The **delivery objectives** are to:

- provide a sustainable high quality Innovation Centre on brown field land at Windmill Road, Loughborough;
- establish a comprehensive technical and business support programme for 'green' SMEs throughout the sub-region;
- establish a network of environmental smes within the sub-region that support and encourage each other;
- create new SMEs;
- improve business resource efficiency;
- create new high value jobs and safeguard existing jobs;
- provide a very low carbon facility which encourages responsible utilisation of environmental resources;
- provide an active and attractive waterfront.

Greenhouse will be a major Hub for SMEs seeking access to specific training resources. Having access to the right skills is fundamental to an enterprise culture. This is particularly true in relation to the exploitation of innovative products and services. There is much evidence that a lack of highly skilled technicians is restricting innovative growth and this is specifically true in relation to Level 3 Technicians within the energy and associated industries. There is a growing need and demand for skills in the energy sector in the East Midlands. The East Midlands cannot hope to achieve a low carbon economy without a robust skills base. The region has a shortage of skilled workers in some sectors but has a high number of graduates in the energy field, including those from courses in low energy design and renewable energy generation. With Loughborough University leading research and development in this arena the partners have identified current skills gaps and intend putting in place appropriate training capacity to facilitate the optimum exploitation of opportunities that arise.

The energy sector requires workers with a wide range of skills, from those applicable to large scale generation to suppliers and installers of household energy services, such as boilers or solar water heaters. Emerging technologies are also likely to require new skills, and changing supply and generation capacity may require further development of current skills. The Greenhouse will provide a comprehensive signposting service for 'Green Technology Training' in collaboration with Loughborough University, Loughborough College and other training providers. This will help meet employer needs; supporting links between training, skills provision and enterprise. It will meet the training needs of those SMEs who are both resident and associated with the Greenhouse through sub-regional networks. This creates excellent synergy with the focus on 'Green' SMEs within the Greenhouse and links to Loughborough University's Centre for Renewable Energy Systems Technology (CREST) and Energy Technologies Institute (ETI).

Greenhouse will include a refreshment and social space where the Greenhouse community will be able to interact. This important space is designed to connect the Greenhouse with its surrounding environment including the canal waterfront and it is intended that this valuable resource should draw people in from the external community of Hastings Ward. This will be partly achieved via the inclusion of an access and information point where it is hoped that local people will be encouraged to engage with learning, enterprise and innovation. The Networking Hub/Social Space will be an excellent space for display and information and in sympathy with

the cross cutting theme of the Greenhouse this will include a strong emphasis on environmental issues such as energy efficiency and sustainable resources. It uses resources efficiently, provides a platform for knowledge and ideas exchange, cements the internal community and creates a link with the external community. To underline the cross cutting theme of the Greenhouse, the building will be a very low carbon facility and to emphasise its focus on innovation and enterprise it will also provide iconic design elements.

The proposal is supported by a comprehensive demand analysis and a full assessment of both capital and revenue costs.

The summary capital project budget is as follows:

• Land	£450,000
• Construction	£4,569,000
• Professional Fees	£570,869
• Development Costs	£75,000
• Fixtures, Furniture and Equipment	£160,000
• Non-Recoverable VAT	£0
• Project Contingency	£161,246
TOTAL	£5,986,115

The Greenhouse project will be dependent on securing funding from a number of sources.

Consultation with Prospective Partners

The Leicester and Leicestershire Leadership Board and Prospect Leicestershire have been consulted to establish the extent to which the project supports sub-regional objectives and priorities and to assess the chances of attracting match funding. These discussions are continuing. Prospect Leicestershire is supportive of the concept in principle and has drawn attention to the availability of funds including the recently launched Urban Development Fund. The scheme will also be promoted as part of a wider East Loughborough Regeneration approach in discussion with the Homes and Communities Agency as part of the “single Conversation” on funding streams.

Loughborough College has confirmed its support for the project and its willingness to be involved in providing training support and opportunities in the appropriate fields.

Loughborough University has been supportive of the project and would be looking to develop links in terms of training, advice, research and innovation opportunities.

The revised scheme will form the basis for ongoing discussions with potential partners and funding organisations. Officers will continue to work with private sector partners to secure a site for the location of the project.

Financial Implications

The consultants’ advice, in the light of the ERDF feedback, is that for a funding bid for a revised scheme to be successful, it will need some financial contribution to be made by the Borough Council as the project sponsor.

However, currently there is no capital programme provision for this scheme and no resources available. A Borough Council contribution could only be made if additional capital resources become available or if existing capital schemes fail to come forward. The situation will be kept under review. The Council's contribution could also take the form of land and any capital contribution secured through the planning process as part of a S106 Agreement.

Risk Management

The report does not seek any Council financial contribution at this stage. It recommends continuing work with partners and funding agencies, but it would require further consideration by Cabinet before any scheme could be progressed. There are therefore no significant risks associated with the project at this stage.

Key Decision: Yes

Background Papers:

- Consultancy Reports from Focus including
 - Greenhouse Feasibility Study
 - Funding Bids
 - Hastings Area Development Study
- ERDF Bid

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