Programme Management Group Meeting

11th July 2019

Future Towns Innovation Hub – Item 6a

The Programme Management Group is asked to:

AGREE: A Local Growth Fund grant of £2,940,000 to the University of Southampton to part fund the Future Towns Innovation Hub.

1. Background

1.1 The Future Towns Innovation Hub is about making towns in the Enterprise M3 area happier, healthier and cleaner places to live. The Hub will bring together the excellent research activities of the University of Southampton with local business interests in the Enterprise M3 area to focus on transforming and connecting future towns and small cities along the M3 corridor.

1.2 The Hub itself will be located on the University of Southampton Science Park (USSP), which recently became part of the Enterprise M3 LEP area following the Government's review of LEPs and the change in our boundaries. The aims of the Future Towns Innovation Hub align to several themes in our developing Local Industrial Strategy: Towns, Clean Growth, Digital, Future Mobility, Science & Innovation and Housing.

1.3 As part of the Local Growth Deal, the Enterprise M3 LEP launched a £20 million Growth Fund in December 2018 to back innovators and entrepreneurs who can deliver projects which will drive clean growth, enhance productivity and create jobs across the digital, aerospace, defence, space, transport, med tech and digital health sectors. In response, the University of Southampton submitted an expression of interest (EOI) proposing the Hub. An independent assessment of the EOI judged the project as an "A", meaning it is a well written proposal and responds to the Enterprise M3 SMART objectives across all areas. In March 2019 the PMG gave approval for the applicant to proceed to a full business case. AECOM Ltd. were appointed to carry out a Due Diligence report of that case. That report has now been completed.

2. Details of Project

2.1 The Future Towns Innovation Hub will work with businesses, top academics and the towns/small cities of Enterprise M3 to help transform them into connected centres of smart mobility; sustainable, energy efficient housing; and the circular economy where extraction, disposal and waste is replaced with restoration, regeneration and recycling.

2.2 The Hub itself will be a physical space on the University of Southampton Science Park (USSP), where a culture of creativity, innovation and impact will be nurtured to result in happier, healthier towns. It will enable diverse business, enterprise and civic authorities to work together with world leading expertise, skills and facilities of the University of Southampton, one of the UK's most highly regarded and outstanding engineering groups.

2.3 The Project is due to start as soon as/if Enterprise M3 approves the grant, and is estimated to take between 21 and 24 months to complete. The University therefore expects the building to be completed by July 2021. The scheme proposer would intend to draw down the grant from EM3 across 2 years and by March 2021.The proposed building will have a total floor area of

3,378sq.m. It is rectangular in plan and three storeys high. Primary accommodation comprises the following:

- Specialist laboratory facilities to support a range of sectors such as eco-hydraulics, electronics, transport research, aerospace, energy (generation and storage) and unmanned systems
- General workshop/fabrication areas and high-quality dedicated innovation and creativity engagement space for industrial collaborators, secondees and partners
- Office units offered at standard commercial rates to attract business to integrate and collaborate with researchers as part of long-term ventures

2.4 Official delivery partners to the project include:

- University of Southampton (lead) including its National Infrastructure Laboratory, inter disciplinary work on “Clean Carbon” & sustainable water supply, energy & food security
- USSP (home to 90 tech-based businesses whose work extends up M3 corridor)
- University of Southampton Postgraduate Training Centres in Sustainable infrastructure Energy Storage, Computational modelling & Unmanned systems
- Greentech South / Future South (Tech innovation cluster of c. 250 members)
- SETsquared (business acceleration)
- UKCRIC (UK Collaboratorium for Research & Infrastructure for Cities)
- Connected Places Catapult
- Transport Systems Catapult

2.5 The following is a list of industry stakeholders wanting to engage in the work of the Future Towns Innovation Hub. All have a track record in and continuing commitment to funding research with the University of Southampton in infrastructure sustainability:

- Highways England,
- Atkins (Winchester)
- Mott MacDonald
- VEOLIA
- Southern Water
- Network Rail
- The Environmental Change Institute
- c. 35 EM3 LEP area companies involved in current university initiatives in Future Cities & Energy Storage & integration

2.6 In line with the Enterprise M3 SEP and developing Local Industrial Strategy the creation of the **Hub** will address Clean Growth, New Mobility, and Sustainable Transport in addition to helping develop a pipeline of skills in other relevant areas (e.g. Aerospace and Defence and Digital Health); specific challenges the Hub will address are shown below:

- ***Clean Growth***: Low carbon heating; Renewable energy; Energy efficiency; Smart energy; Transportation revolution; Inefficient recycling and waste management; Environmental degradation; Excessive energy loss from buildings

- ***New Mobility:*** Automated Vehicles; Connected Vehicles; Electric Vehicles; Mobility as a service; reducing air pollution; solving the challenge of increasing obesity and inactivity in the young

- ***Sustainable Transport:*** Enhanced quality; advancing public transport links; solving congestion; increasing access for all; reducing commuter times; improving connectivity and mobility for vulnerable and isolated citizens

- ***Digital Heath:*** Data; Visualisation; Delivery; GP information systems; veterinary-farming interactions.

- ***Aerospace and Defence***: Cluster of excellence (Mini Catapult); Bridge the gap between business, scientists and engineers; Bridge the gap between business, academia and Government; Access to skills; Autonomous systems

3. Project Funding & Outcomes

3.1 **The project is expected to cost £10.3m exc VAT. The break down is as follows:**

Source	Amount	Status of funds
UoS Investment (match funding)	£5,860,000	Business Case states that funds are allocated within UoS Estates Strategy for The Project. (ringfenced see section 4)
Research England Development Fund	£1,500,000	Application for funding submitted on 11 April 2019. Decision was expected end June 2019. Sucessful bid not critical (see section 4)
EM3 funding sought	£2,940,000	Subject of AECOM Due Diligence report and approval by EM3.

3.2 The project's intended benefits and outcomes for the Enterprise M3 area economy are:

- Enable a sustainable £10.3M Capital Project for a Future Towns Innovation Hub to benefit local businesses and enterprise in the EM3 area
- Create 25 new direct jobs with the Hub, and enable 87 new jobs in the incubation space
- Create work for 150 tradespersons at the peak of construction
- In the medium to long term create over 350 jobs across SMEs and large companies involved in the project within the EM3 area
- Retention of graduates and highly-skilled jobs in the EM3 area
- Support the creation of 25 new engineering related businesses
- Deliver 40 new business relationships between EM3 LEP based SMEs and engineering companies
- Draw in over £32.5 M of private sector investment directly to the work of the Hub and the EM3 LEP area before 2029
- Deliver significant productivity gains in the development of new engineering solutions
- Deliver productivity gains in engineering that will place the EM3 area as a leader in engineering innovation, leading to wider productivity benefits through improved environmental outcomes
- Fill identified engineering skills gaps
- Support enterprise skills development for EM3 based SMEs so that they are able take advantage of commercialisation opportunities made possible by the Hub.

4. Outcome of Scrutiny

4.1 The full business case and appendices are available to PMG members on request

4.2 AECOM has reviewed the robustness of this scheme and note the cost of £10.3m excluding VAT to construct the project within the c. two-year timeframe seems viable in principle. AECOM suggests the EM3 grant is approved subject to assurance on a number of issues highlighted by them. Each of those issues have been raised with the scheme proposer and satisfactory responses have been received.

4.3 A summary of these responses is as follows:

- Proof of ownership of the site by the University of Southampton has been received

- Confirmation, signed by the acting Vice Chancellor, has been received that the University will meet unforeseen costs beyond the estimated £10.3m ; cover the shortfall if the Research England bid fails ; ringfence the University's matched contribution ; provide a MOU to ensure the remit of the Future Towns Innovation Hub is delivered by installing world class facilities.

- Forecasts of outcomes have been made using objective and verifiable methods in use in other reputable projects, according to the University.

- Risks associated with planning permission are mitigated by the fact this project will be an updated submission of project which received full permission in 2008. The University plans to submit a new application in July 2019 for this project and longstop dates will be included in the legal agreement to ensure that the timescales set out in this paper are met and that the EM3 grant is invested in the project by March 2021 and the Hub is completed by July 2021.

5. Conclusion/Recommendation

5.1 It is recommended members of PMG approve grant of £2,940,000 to the University of Southampton to part fund the Future Towns Innovation Hub.

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28th June 2019