



Department for Business, Innovation & Skills

University Enterprise Zones Pilot

Application Form

**University of Nottingham
Enterprise Zone**

Driving Local Growth Through
Technology Entrepreneurs

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1. SUMMARY INFORMATION

1.1 Applicant Details

University name	University of Nottingham
Address	Sir Colin Campbell Building Triumph Road, Nottingham, NG7 2TU
Lead contact name	
Direct telephone number	
E-mail	

1.2 Brief Project Summary

Brief description of project	<ul style="list-style-type: none"> An application for University Enterprise Zone designation within the University of Nottingham's Jubilee campus; to maximise the University's potential as a driver of local growth and as a magnet for inward investment; and to create a hotbed for entrepreneurship and innovation. With BIS capital funding, create a new Technology Entrepreneurship Centre within the UEZ – an intensive incubation facility where technology-based entrepreneurs will engage with the University's expertise in key sectoral technologies and enterprise education, and link with its significant international connections. For the first time at Nottingham, provide on-campus intensive incubation support to external business start-ups and early-stage SMEs – delivered by Nottingham University Business School, a European leader in enterprise education. The Centre's technology/sector focus will be Big Data & Digital (including Satellite applications), Advanced Manufacturing & Aerospace, and Energy, aligned to national and LEP priorities - exploiting the proximity of existing UK-leading technology centres of excellence and the ready supply of highly-trained postgraduates. The key target will be to assist the creation of 50 new businesses by 2019, generating 350 new jobs and
Total project cost	£8m
Amount of funding applied for	£2.6m
Amount of additional co-investment	£5.4m

2. PROJECT PROPOSAL

The University is seeking:

- **UEZ designation for part of its Jubilee campus, including potential expansion land.** The boundary of the proposed zone is shown in the plan at *Annex A*.
- **£2.6m funding from BIS for the construction of the Technology Entrepreneurship Centre;** its proposed location is shown on the plan at *Annex B*, which also shows images of the existing and planned centres of research and technological excellence on the campus.

The University's Credentials

The University of Nottingham is in the top 1% of all universities worldwide and is one of the UK's leading research universities. Our portfolio of live research projects has a value of some £0.5bn, from which nearly 60% of our 2012/13 income involved collaboration with businesses. We host a number of internationally or nationally leading **research centres** and programmes in disciplines such as Digital Economy, Satellite Applications, Advanced Manufacturing and Energy. We have nationally-recognised postgraduate centres for doctoral training, which produce skilled, technically qualified and entrepreneurial people for future employment. We have strong links to the national Catapults. See *Annex C* for **mapping of the University's research and technology strengths** - and the sector focus for D2N2 LEP and Nottingham City - against national priorities.

We are an international university, with campuses in China and Malaysia. In conjunction with UKTI and local partners we have been working closely to exploit our global connections as a route for inward investment. Playing our part in the growth of the economy in the UK, nationally and locally, is fundamental to our mission as a university. We have extensive **engagement with businesses**, with HEBCIS¹ income growing [REDACTED] in 2012/13. The University has a strong commitment to working with SMEs. Over the past six years, there have been some 700 SME beneficiaries of our ERDF-funded projects; and some 500 SMEs per annum participating in University networking events and knowledge exchange activities.

We run an integrated **programme of business support** that includes: facilitated access to expertise and equipment in technology centres of excellence; providing talent from the University to help businesses find innovative solutions (including the Technology Strategy Board's Knowledge Transfer Partnerships, in which we are one of the UK's leading participants); and presenting opportunities to commercialise the University's intellectual property.

Along with our partner universities in the D2N2 LEP area we are taking a lead in rolling out plans for stepping up the effort to foster innovation and growth in SMEs (see Section 5).

¹ Higher Education Business and Community Interaction Survey

To complete this picture, the University **now needs dedicated space for SME engagement**, a focal point for incubation and support, close to the University's centres of excellence for research and technology. Securing UEZ status, creating the new incubation facilities, and planning for further expansion to create grow-on space and further inward investment are key elements of our growth strategy.

The Proposed UEZ

The **Jubilee campus** has a mix of teaching, doctoral training and research facilities, housing several University centres of excellence (see *Annex D*), and also provides lettable office space for businesses. Business accommodation is managed by the University of Nottingham Innovation Park (UNIP). There are currently 38 SME tenants on the campus, employing over 300 people. UNIP also provides a front-of-house service for a further 20 business tenants (employing over 150 people) across the University's other campuses. UNIP's role and responsibilities will be widened to encompass management of the UEZ, and we would look to re-designate this activity as the University of Nottingham Enterprise Zone (UNEZ).

While occupancy levels in our business accommodation are high, and there are some good examples of business tenants working in collaboration with the University (see case studies at *Annex E*), the proximity of the University's centres of excellence has yet to be fully exploited and we are missing opportunities for SMEs to exploit and commercialise the University's research.

We propose to drive up University-business interaction by establishing intensive **incubation facilities** for technology-based start-ups and early stage SMEs on site, building on the support currently available to University students and graduates. At present, external business tenants are offered light-touch support - such as facilitated connection to academic research activity, access to events and seminars, connection to like-minded businesses, and sign-posting to publicly-funded business growth support activity - rather than closely-managed incubation. The University recognises the value of incubation activity. We were a founding partner in BioCity Nottingham (see Section 3.2), which is now one of the UK's leading bioscience incubators, home to 70 businesses. We now want to reflect some of the learning from this successful development directly within our campus.

There is more University-owned **land ear-marked for development** on the proposed UEZ, offering opportunities for grow-on space for SME tenants and new inward investments, particularly from Asia and specifically exploiting the University's and the City Council's relationships in China.

Technology Entrepreneurship Centre

Against this background, and the potential of the campus as an ideal place for University-business interaction, there is an opportunity for the University to take things to the next level by creating a Technology Entrepreneurship Centre within the UEZ.

The Centre will be an **incubation facility** for up to 50 technology-driven start-up businesses and early-stage SMEs, from the local business community or from within the University. This will be the first time that the University has provided incubation support to external businesses, so it is a significant enhancement to its service offering.

The incubation support will be delivered by the Business School's existing student enterprise support team, which will be relocated to the Centre from within the campus, freeing up grow-on space. Student ventures originating from the Business School's enterprise support activities currently employ 27 people [REDACTED]

[REDACTED] The Business School also has a track record of delivering leadership and management support to SMEs located off campus.

The Centre will be housed in a new circa 2,000m², 3-storey building alongside the iconic Sir Colin Campbell Building, at a cost of £5.2m. The building will provide office-based accommodation for businesses, and will be designed to facilitate interaction between the occupants, with the flexibility to host individuals in both seminar and idea-generation modes. It is anticipated that the specification for the building will be to a minimum standard of BREEAM Excellent.

The available resources within the existing research infrastructure on the campus, such as specialist laboratories and workshops, will be accessible to technology businesses locating within the new incubator and will provide a significant value-added service. Consequently there will be no need to duplicate these resources within the new building, which will reduce the overall construction costs.

The building will be managed by UNIP, as part of the portfolio of existing business accommodation within the University. Rentals will be charged at market rates.

We do not envisage any difficulty in securing **planning permission** for the new building. There is an adopted Masterplan for the campus; the University has developed a number of buildings on the Jubilee campus in recent years, without issue. Nottingham City Council, the local planning authority, has indicated that they are very supportive of the proposal, and we will work with their planning department to ensure we are able to secure planning permission to enable the timeline in Section 7 to be achieved.

The City Council has indicated that, whilst the UEZ will not formally be part of the Government's Enterprise Zones based in Nottingham and Derbyshire (see Section 5), they may be prepared to offer **rate relief to tenants** occupying the UEZ, subject to specific inward investment criteria being met.

It will also be important that the companies 'graduating' from the incubation facilities can move to **grow-on space**, either on the UEZ, if ongoing proximity to the University is critical to the business, or to other sites in the City or the wider D2N2 area. [REDACTED]

[REDACTED] grow-on space from existing tenants and from inward investors that want to locate on the UEZ because of their relationship with the University. The City Council has indicated that they will co-operate to facilitate the development of the expansion land, simplifying planning constraints as appropriate.

The relationship between the UEZ and other enterprise sites in Nottingham and the wider D2N2 area (including existing EZs) is covered in Sections 3.2 and 5.1.

Incubation – The Offer to Business

The goal of the incubator is to increase the chance that a start-up will succeed and achieve growth. It can shorten the time and reduce the cost of establishing and growing the business. It can also help to nurture companies that will significantly add to a region's economic development by creating future wealth and employment.

We will work with partners to identify and target business-starts and early-stage SMEs likely to benefit from access to the University's key areas of expertise and the supply of highly-skilled postgraduates, many with entrepreneurial training. We will build a **pipeline for tenancy** in the incubator, focused on our target sectors, drawn from a variety of sources, for example participants in locally-funded growth programmes, student or alumni entrepreneurs (including the University's students and graduates in Nottingham, China and Malaysia), and inward investors.

All tenant businesses will have access to work-space, according to their needs, as well as full office services and superfast broadband. They will also be able to use the high-quality meeting and conference facilities in the Sir Colin Campbell building.

The business tenants will receive intensive, nurturing support to help them establish and grow their business. This will involve a combination of direct, hands-on advice and facilitating support from other sources.

Features of the **support package** will include:

- **One-to-one advice and surgeries** on start-up and early-stage issues, e.g. business planning, new product development, IP commercialisation – and linkage to the University's SME-support package.
- Hands-on advice on how to access the **local escalator of finance**, including the City Council's RGF-funded N'Tech grants for technology development, the University's Angel Network, early-stage equity investment through our on-campus partner [REDACTED] and the City Council's Foresight Fund for high-growth businesses, backed by Capital for Enterprise.
- Direct access to expertise, facilities and equipment in the University's **specialist research and technology centres** on the UEZ and on other campuses – this will focus in particular (but not exclusively) on three areas of technology in which the University has a national leading capability and which will be key to the UK's growth, i.e. Big Data & Digital (including Satellite applications), Advanced Manufacturing & Aerospace, and Energy (see *Annex D*).
- Walk-in **open access to relevant research** via the University Library, helping to identify routes for the commercialisation of technologies.
- Facilitating contacts and **networking opportunities** – with mentors, peers and potential investors, and with specialist business-led sector and technology-using networks operating in the locality, such as the Nottingham Manufacturing Network.
- Advice on how best to access **national programmes** for innovation and growth (advisers will be encouraged to visit the incubator for surgeries and events, and to use touchdown space in the Centre), including:
 - Growth Accelerator
 - Manufacturing Advisory Service
 - Support programmes from the Technology Strategy Board and access to the national Catapults
 - UKTI's support for exporting, in particular exploiting the University's

- connections with China and Malaysia
- UKTI's Sirius programme for encouraging talented entrepreneurs, including graduates, to relocate to the UK to develop their ideas and ultimately launch a business – we propose that the incubator is adopted by UKTI as an accelerator for placing successful Sirius applicants.
- Helping to identify **grow-on space** at the appropriate stage in the business's life-cycle.

Existing support to **student and graduate enterprises** will be refocused and expanded. For example three national Young Entrepreneurs Schemes - Digital, Space and Engineering - will hold their entrepreneurial training events in the Centre, together with local entrepreneurs and business mentors.

The above support package for business tenants will be further developed in the light of the innovation support programme emerging from D2N2's Strategic Economic Plan (see Section 5).

It is important to note that we will begin to develop the pipeline of potential occupants as soon as UEZ designation has been confirmed, and we will begin to offer the above support package to businesses in the pipeline before they become tenants. Additional outputs will therefore be delivered before completion of the new building. The real and lasting benefits, however, will be realised once the co-location has taken place, as local entrepreneurs, entrepreneurial students, researchers, academics, and professors of practice begin to form a community of technology entrepreneurship.

3. PROJECT OBJECTIVES AND DEMAND FOR SERVICES

3.1 Project Objectives

The University's **vision** for the UEZ is that by 2020:

- It will be recognised as a **national exemplar** of university-business interaction
- It will have become a key UK asset for the attraction of **overseas investment**
- The Technology Entrepreneurship Centre will have spawned **high-growth businesses** in D2N2's priority sectors, which have moved on to grow-on space on the campus, in Nottingham City or elsewhere in the locality, and which have the potential to become major economic players
- It will be fully integrated into the wider D2N2 business accommodation and job creation activities

UEZ designation will **add value** to existing provision by:

- Giving a strong signal to the business community and inward investors that it is a key strategic location for investment
- Doubling the capacity of SME accommodation within the UEZ by 2017
- Enabling the creation of incubation facilities for external technology-driven start-ups and high-growth SMEs
- Increasing the commercialisation of University research by high-growth SMEs and University spin-outs

We propose the following **targets** for the Technology Entrepreneurship Centre and the UEZ:

- Assist the creation of 50 new businesses by 2019, generating 350 new jobs and delivering by 2021
- Maintain the Centre's occupancy at 85%+ from 2019 onwards
- Double the number of business tenants on the campus by 2019
- Secure four new inward investment projects on UEZ expansion land within three years of its development

We propose to use the following additional **indicators** to measure success:

- Number of additional businesses engaging with the University and located on the UEZ
- Extent of research commercialisation through the Centre's tenants
- Amount of equity investment raised by the Centre's tenants
- Number of graduate enterprises created within the Centre
- Number of businesses moving on to grow-on space

The above targets and indicators would be the basis for ongoing monitoring and evaluation.

The proposal is aligned to the **Government's wider objectives**.

- It focuses on the University's and the locality's areas of **technology and sector specialism**, aligned to the 'Eight Great Technologies' identified in the Government's Industrial Strategy. Six of the eleven key sectors identified in the strategy are areas of particular strength in the local economy (Aerospace, Agricultural Technology, Automotive, Construction, Information Economy and Life Sciences).
- It positions **Nottingham University Business School** in a central delivery role, in line with Lord Young's call for business schools to become 'anchor institutions' in helping SMEs to grow. It also complements our Business School's current application for Gold status under the Small Business Charter.
- It addresses the call in the **Wilson and Witty Reviews** for universities to enhance their relationships with business, and to do more to support SMEs with technology expertise, talent and know-how, against the background of the Government's overall objective for higher education institutes to have a greater impact on economic development.
- It aligns with the **Finch Report on Expanding Access to Published Research**.
- It is in line with '**Supporting Local Growth**', positioned clearly within D2N2's priorities for innovation support for businesses in their Strategic Economic Plan. We will continue to work with Nottingham City Council to support the City Deal and Growth Plan.
- It supports the objectives of **UKTI** for attracting high-value inward investment in key sectors and technologies and for developing the export capability of high-growth companies.
- It complements and provides a valuable route to market for the **Government's support programmes** for high-growth SMEs.

3.2 Demand for Services

There is strong demand from businesses for accommodation at the University and particularly on the Jubilee campus, as evidenced by the current [REDACTED] occupancy rate in a relatively depressed property market. Growth on the campus is now **constrained by lack of lettable space** and opportunities are being lost; [REDACTED]

Nottingham City Council has confirmed that the University's plans for the campus are in keeping with the city's development needs, complementing provision on existing local business parks and planned development on the sites within the city's existing Enterprise Zone. We will work closely with D2N2, the City and County Councils, Alliance Boots and BioCity to ensure that there is a **joined-up approach to the escalator of property provision** for local high-growth businesses.

The University's strategy is to focus incubation provision on research strengths at the Jubilee campus, and we have worked carefully with partners to tailor our support to latent demand in sectors where incubation support does not currently exist. We are therefore **working in collaboration with other facilities** and not in competition.

BioCity's success in attracting tenants for incubation space in recent years is a strong indication that the demand for the new incubation facilities will be there, particularly as economic conditions continue to improve. The incubation facilities within the UEZ **will complement those of BioCity**, which has a different area of technology focus. The University will continue to work with BioCity as the primary local provider of incubation space for other elements of its national leading expertise, e.g. Synthetic Biology, Regenerative Medicine and Sustainable Chemistry (see Annex D).

BioCity and MediCity apart, there is a lack of incubation provision for technology-driven businesses in the city and the wider area. The City Council shares our view that the focus on the three areas of University technology/sector specialism will enhance the campus's attraction as a destination for business investment.

As the Government's own reports indicate, there is little or no appetite for the private sector to invest in incubation centres given that the returns do not justify the capital outlay. There is no prospect of a commercial investor taking the risk with our proposed centre, which our financial projections show will deliver an internal rate of return of [REDACTED]

[REDACTED] The proposal is therefore clearly **addressing a market failure**.

None of the support to be provided through the incubator will compete with services available commercially.

4. FINANCIAL INFORMATION

4.1 Co-investment

The University is committing [REDACTED] the capital cost of the building, matching the funding requested from BIS. The remaining [REDACTED] of the £8m project costs will come from:

- [REDACTED] for ongoing business support activity within the new incubator

See *Annex H* for **letters of support** from

We have had positive initial discussions with **UKTI** about the development of the pilot and its relationship to inward investment promotion, export support to incubated business and links to the Sirius programme.

5.2 Wider Strategic Plans

The proposal is **aligned to the University's Strategic Plan 2010-2015**, which has business engagement as a key objective. Since the plan was published, the University has reviewed its approach to Knowledge Exchange, which has been re-positioned as a core underpinning mission of the University, enabling teaching and research to generate maximum impact. The University recognises, in its new Knowledge Exchange Framework, that one of the primary ways in which we can add value through knowledge exchange is in our wider contribution to the development of the economy, not least by enabling the growth of SMEs.

The University's business accommodation strategy specifically identifies a remit to:

- provide businesses with **proximity to University research and technical facilities** as well as nurturing and increasing industrial links and partnerships, with a specific focus on attracting knowledge-intensive and technology-based businesses
- grow the **footprint of business accommodation** within the Jubilee campus and across the University by extending services, support and knowledge exchange opportunities to all relevant businesses seeking co-location within the University estate
- maximise opportunities to draw on external funding and support by delivering **new services to business** aligned with local, regional and national government business growth policies and agendas
- generate new **inward investment** on the Jubilee campus

6. INDICATIVE PLAN AND MILESTONES

6.1 Indicative Plan

The key **milestones** in the project are as follows:

- Begin to develop pipeline of potential tenants: from July 2014
- Planning, design and OJEU tendering process: July 2014 – Jan 2015
- Planning consent granted by January 2015
- Begin to offer support to businesses in pipeline from January 2015
- Appointment of main contractor: Feb 2015
- Main construction phase: March 2015 – Feb 2016
- New Centre open for business: March 2016

- the value of the land [REDACTED]
- a dedicated incubation manager, facilities management team and SME engagement staff, plus building operating costs once the Centre is operational - [REDACTED]

4.2 State Aid Compliance

We have satisfied ourselves that the proposal is compliant with the requirements of State Aid. The two key tests that we have applied are: whether the University is deriving any undue advantage as a channel for the publicly-funded services to businesses; and whether the support to tenant companies complies with State Aid rules. [REDACTED]

[REDACTED] The businesses in the Centre - which will be exclusively SMEs - will be charged market rates for their tenancy, so again it is clear that State Aid rules will not be contravened.

5. STRATEGIC PARTNERSHIPS AND OBJECTIVES

5.1 Local Enterprise Partnership

D2N2, the LEP covering Nottinghamshire and Derbyshire, is strongly supportive of this application.

Innovation is a priority in D2N2's Strategic Economic Plan (SEP), submitted to Government this month. The high-level **objective** is to "increase business competitiveness in the area's economy through investment in the Innovation Ecosystem, particularly in key sectors and high-growth companies, maximising the expertise and facilities in the three universities and in the wider knowledge base".

The University, in partnership with the University of Derby and Nottingham Trent University, are leading the development of an **innovation action plan** underpinning the SEP. Support for SMEs, and development of the innovation infrastructure and the knowledge base are key features of the plan. The three universities are developing a joined-up programme of innovation support to businesses.

The plan will **position the UEZ and the Centre as key assets within the D2N2 area**. The UEZ, alongside BioCity/MediCity and the proposed (RGF-funded) Infinity Park in Derby, are the flagship innovation sites in the area. The facilities in the UEZ and Infinity Park are complementary, with the latter specialising in supply chain development in the Advanced Transport Manufacturing sector. The two sites will be part of a network of incubation and innovation centres across the area – see map at *Annex F* and should be seen as part of this wider offer for promotional purposes.

As noted in Section 3, the proposal is also **in line with Nottingham City Council's Growth Plan** and complements other Government interventions in the City, including the Enterprise Zone. A map of the key sites in Nottingham is at *Annex G*.

6.2 Predicted Spend Profile

<i>All figures in £000s</i>	2014/15	2015/16	2016/17	Total
Construction and fit out of Centre			-	
Staffing and operating costs				
Building management and running costs				
Total spend				

7. RISKS AND CONTINGENCIES

No.	Risk	Mitigation
1	Planning consent is not granted or is delayed	This is highly unlikely as the building would sit within the envelope of the existing and agreed Masterplan. Planning permission has not previously been refused (or unduly delayed) on this site. The City Council has also pledged their support to the project.
2	Delays in construction schedule	The University has a strong track record of delivering construction projects on time and to cost. Extensive experience of developing on the campus demonstrates that there are no hidden problems, despite the site's history of industrial use.
3	Occupancy rates fail to meet expectations	The University's business accommodation brand is growing strongly and there is a good pipeline of interest for the limited accommodation available at present. [REDACTED] [REDACTED] [REDACTED] [REDACTED] The rate relief incentives, if achieved, and support from UKTI will make the location more attractive and the University will have time to market the available space.
4	Prospective tenants cannot meet the cost of market-rate rentals	The University will work in advance with prospective tenants to help them identify sources of finance and investment.
5	Land acquisition risks	None [REDACTED] [REDACTED]

8. DECLARATION

I declare that the information in the application form and accompanying documentation is correct to the best of my knowledge and belief



Signed.....

Name.....

Position.....

Date..... 31st March 2014.....

Now email this application to aez@bis.gov.uk. The deadline for this application to be received by BIS is 5pm on 31 March 2014.