

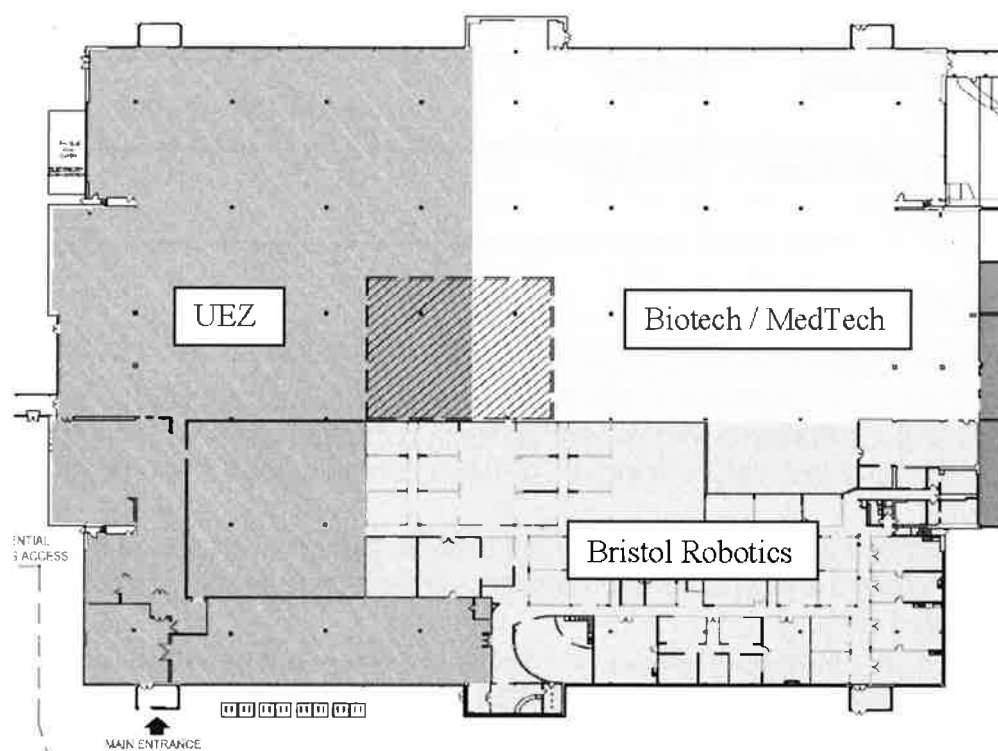


Department for Business, Innovation & Skills

University Enterprise Zones Pilot

Application Form

West of England University Enterprise Zone Pilot



**University of the West of England
University of Bristol
West of England Local Enterprise Partnership**

1. SUMMARY INFORMATION

1.1 Applicant Details

University name	University of the West of England, Bristol (Lead for UEZ and UEZ Bid), University of Bristol (Lead Partner)
Address	Frenchay Campus, Coldharbour Lane, Bristol, BS16 1QY
Lead contact name	
Direct telephone	
E-mail	

1.2 Brief Project Summary

Brief description of project	The West of England University Enterprise Zone proposed by the University of the West of England in partnership with the University of Bristol, with strong support from the West of England LEP, South Gloucestershire Council and other stakeholders, will deliver a 4,000 sq m incubation and grow-on facility to promote business/university collaboration and generate innovation, entrepreneurship, jobs and economic growth.
Total project cost	£16.5m
Amount of funding applied for	£4.0m
Amount of additional co-investment	£12.5m

2. PROJECT PROPOSAL

The West of England University Enterprise Zone proposed by the University of the West of England in partnership with the University of Bristol will deliver a 4,000 sq m (33,000 sq ft) incubation and grow-on facility to promote business/university collaboration and generate innovation, entrepreneurship, jobs and economic growth. It will provide:

- A technology-focused hatchery, incubation and grow-on space for businesses in Robotics and Autonomous Systems (RAS), Biosciences, Health Science and related sectors.
- Synergy between business, academic expertise and networks in the two universities and the wider city-region
- Dedicated support to actively promote university/business interaction
- Access to advanced technical facilities and technical support at the two universities
- Undergraduate and postgraduate placements, projects and graduate recruitment opportunities for businesses in the Zone.
- Business support including enterprise development, finance, skills, marketing and exports from dedicated business development managers, Bristol Business School, the LEP, UKTI and an extensive network of regional support services

- Access to libraries, research publications and repositories, sports and social facilities

The Zone will generate economic growth by facilitating interaction between business, research and clinical and academic communities, supporting enterprise, new business and significant job creation. The proposal is strongly supported by the West of England Local Enterprise Partnership which will provide match-funding from the EU SIF.

The Zone

The Zone is located on the University of the West of England's Frenchay Campus in the economically buoyant north fringe of the Bristol and Bath city-region. It will be housed in an 11,000 sq m former Hewlett Packard R&D and fabrication facility now owned by UWE (see annex). This facility will be refurbished and developed to provide specialist hatchery, incubation and grow-on space including a shared laboratory/biosciences incubator facility and small self-contained wet-labs to support biosciences and related start-ups and small businesses. It will offer a range of accommodation and facilities providing for different stages of business maturity from early stage hatchery and incubation requiring flexible terms and sub-market rates, through to small start-ups and self-contained, serviced grow-on space, and will include bench-space, dry-lab and wet-lab facilities.

Tailored to demand, the UEZ will provide 33,000 sq ft of lettable business premises, with a flexible mix of high quality laboratory and office space, meeting the needs of new and growing businesses. It will provide:

- 7,000 sq ft of shared laboratory facilities, lettable lab space and linked office space (for write-up), on flexible terms to enable early-stage businesses to progress concept work cost effectively and to the highest industry standards with capacity for some 13-15 firms, initially, in two lab spaces)
- 19,000 sq ft of lettable office/workshop space to accommodate up to 56 businesses
- 1,400 sq ft of shared 'Start-up Studio' space where individual entrepreneurs and new-starts/spin-outs with business ideas and concepts rent individual workstations (with broadband and phone) on flexible terms with capacity for around 16 individual users)

A significant proportion of the centre will be devoted to shared space, to position it as a recognised hub for the RAS, bioscience, health and tech communities, promoting collaboration and networking between academics, clinicians, entrepreneurs (including students, graduates and post-doctoral researchers) and existing businesses. This will include:

- Communal networking and meeting space including hot desks, open-access seating and an on-site café: this space will promote informal collaboration, located close to the main entrance, encouraging footfall and accessibility
- Dedicated private meeting rooms: designed to host a range of meetings from board sessions to investor meetings and focused training/seminar activities.

A virtual office facility will enable early stage firms who are not yet ready to take office and laboratory space to use the Zone as a professional address and registered office, access hot-desking facilities in the communal areas, enjoy preferential access to meeting rooms for client meetings, benefit from business planning advice and support with access to finance provided at the facility, and participate in networking and cluster-related activities.

The development will promote innovation and growth by enabling business/university collaboration with Bristol Robotics Laboratory (BRL) (a partnership with the University

of Bristol); biosciences research laboratories at UWE's Frenchay Campus, the Faculties of Engineering, Medical & Veterinary Sciences and Medicine & Dentistry at the University of Bristol and other technology-related facilities in the two universities. There is a particularly high concentration of internationally excellent and world leading research at the two universities in these research areas as evidenced by RAE2008, by submissions to REF2014 (UWE Biosciences research features among the 100 bright ideas which will shape our future, *RCUK*, 2011) and by the Witty report 'heat maps'. RAS and Biosciences have also been identified by the TSB (Delivery Plan 2013-14) and Government industrial strategy (including RAS as one of the 'Eight Great Technologies') as enabling technologies with potentially wide-ranging applications.

The UEZ incubation and grow-on space will be located adjacent to the existing BRL in the former HP building (see business plan in annex 1) – the UEZ proposal relates specifically to the provision of self-contained incubation and grow-on space (see plan in annex). There is provision to house business support as an integral part of the UEZ including the West of England iNet Innovation Hub. Within BRL there is currently a trial incubation facility accommodating 18 entrepreneurs undertaking market testing and proof of concept work for new ventures. This demonstrates demand and will be integrated into the new incubator extending the facilities, support and potential collaboration available.

Access to specialist facilities and support available to businesses in the incubator will include chromatography and spectrometry, bio-sensing, microscopy and imaging, molecular and genetics labs, 3D print, laser-cutting, fabrication and rapid prototyping workshops, motion capture systems, and robotic systems.

UWE are also proposing, again in partnership with the University of Bristol, to develop the remaining part of the HP building, to provide an extensive, newly equipped Biosciences Lab to locate facilities currently housed elsewhere on the Frenchay campus within the same building as the UEZ and BRL – it is proposed to bid for HEFCE Catalyst funds to support this development and as with BRL this will provide joint facilities for researchers and postgraduate students from the two universities.

Building a technology cluster, driving growth

The UEZ will support the development of a cluster of technology-related innovation and business development supported by business-university collaboration. It will complement and provide the basis for synergies and collaboration with Enterprise Areas established by the West of England LEP across an arc from M5 Junction 21 through to Filton Airfield, Bristol & Bath Science Park and Bath Riverside and the Temple Quarter Enterprise Zone (see letters of support). It will be part of an ecology of incubation, business support and grow-on space provided by Engine Shed at Temple Quay (University of Bristol), Bath Innovation Centre (University of Bath) - both part of the SETsquared Partnership network of five Centres, (SETsquared was recently ranked as the equal best University Incubator in Europe and 4th in the world by University Business Incubator Index and awarded UK Business Incubation Champion 2014 by UK Business Incubation), and Bristol & Bath Science Park – the latter in particular will provide commercial grow-on space for more mature businesses.

The proposal builds on the experience of UWE and the University of Bristol in innovation and enterprise development and business networks including: the ERDF-funded SW iNet innovation networks cited in the Witty report as an exemplar of good practice; the University of Bristol SETsquared centre at the Engine Shed on the West of England Enterprise Zone at Temple Quay; extensive industry collaboration with UWE's Centre for Research in Biosciences (CRIB) and Bristol Robotics Laboratory (BRL) the Institute for Biosensing Technology and the ERDF-funded Centre for Alternative Testing and In-Vitro Monitoring (CATIM) at UWE; the BRL's €20m EU

funded ECHORD++ Robotics Innovation Facility and experimental incubator; delivery of Innovation Vouchers in the SW region; and UWE's £4m RGF-funded Innovation for Growth (I4G) project. This proposal and business plan has also been developed with input from Oxford Innovation, the UK's leading operator of innovation and incubation facilities. Oxford Innovation currently manage over 33,000 sq m of space across 21 centres, providing support to over 900 companies in a range of sectors. This proposal draws on their very considerable experience of developing and operating incubation facilities for a wide variety of partners.

As recommended in the Government's response to the Witty Review, the UEZ will be strongly supported by Bristol Business School and by professional teams at the two universities focused on support and development for entrepreneurial high growth businesses – UWE is investing £50m in new premises for the Business School, to be completed in 2016, immediately adjacent to the UEZ. The Business School is also currently applying for a Small Business Charter Award. Dedicated KE Business Development Managers with detailed understanding of expertise and potential in the two universities will be based in the UEZ to facilitate and promote collaboration and engagement between business, the universities and other stakeholders. Other operating costs will be met on a continuing basis from cashflow.

3. PROJECT OBJECTIVES AND DEMAND FOR SERVICES

3.1 Project Objectives

The Government is seeking through University Enterprise Zone pilots to increase long-term innovation and growth through university-business collaboration. Facilitating the growth of technology-based business and the synergy between R&D and applied research and new business growth are central to this. The proposed University Enterprise Zone specifically aims to drive this process.

The UEZ will focus in particular on RAS, Biosciences and related technologies. As such it is strongly aligned with the Government's industrial strategy and assessment of future drivers of growth as initially set out in The Plan for Growth (HM Treasury, 2011) including encouraging growth in healthcare and life sciences and in advanced manufacturing. RAS, and Life Sciences including Biological Sciences are identified among the *Eight Great Technologies* (Policy Exchange, 2013) seen as driving future growth. Technologies identified in *Technology and Innovation Futures* (Government Office for Science, 2012) include areas where the two universities have significant strengths providing the opportunity for application and business development including for example, service robotics, bioenergy, e-health and lab-on-a-chip based bio-sensing and other diagnostic technologies, further developed in *Strategy for UK Life Sciences: one year on* (BIS, 2012). RAS, biosciences and sensors are also specifically identified by the Technology Strategy Board in its latest strategy as key enabling technologies (*Delivery Plan 2013-14*).

Key objectives:

- To work with strategic partners including the Local Enterprise Partnership, Local Authorities and UKTI to drive local growth, innovation and entrepreneurship in the West of England and beyond.
- To become the 'location of choice' for entrepreneurs and innovative companies seeking business premises and innovation services to support their growth and a recognised UK launch pad and source of R&D.
- To stimulate and support university/business collaboration including, in particular, early-stage, small, and innovative businesses.

- To facilitate close collaboration and interchange between business and academic researchers, postgraduate and placement students both in the two universities and through extended academic networks, nationally and internationally.
- To facilitate recruitment of skilled graduates and postgraduate students by businesses in the UEZ.
- To overcome a shortage of private investment in suitable supported office, workshop and laboratory space including wet-labs.
- To provide fitted out laboratory space available on easy-in/easy-out terms, with in-built adaptability to meet the needs of growing firms, while providing direct access to specialised laboratory equipment and technical expertise.
- To make available to start-ups and small businesses, a wide range of advanced technical analysis, fabrication facilities and technical support to offer R&D, test and prototyping of a scale and scope not otherwise accessible to them.
- To provide and facilitate access to business support and development including financial support through dedicated on-site provision, through Bristol Business School and through facilitated access to support networks and infrastructure.
- To stimulate international collaboration and investment through the LEP, UKTI, invest in Bristol and Bath, academic, industry, EU and other networks.
- To evaluate the UEZ pilot as an exemplar and test-bed of university/business engagement and cluster development and derive lessons for future development of equivalent initiatives.

The UEZ will be much more than just a building. It will be the core of a dynamic and innovative cluster drawing on and driven by business/university collaboration, stakeholder support and wide-ranging networks at local, national and international scales.

Economic impact, jobs and GVA

Crucial to success will be engagement with the wider ecosystem. It will form part of a wider ecology of innovation support and development in the West of England including the LEP, local authorities, Enterprise Areas, the Enterprise Zone, Bristol and Bath Science Park, innovation centres at Bath and Temple Quay, Bristol. It will also drive and promote business to business collaboration, innovation and growth locally and beyond. The proposed investment will have significant benefits in terms of jobs and the economy:

- Over its first ten years, it is estimated that the UEZ incubation centre and grow on facilities will create around 520 gross jobs and generate Gross Value Added of over £52 million. This is equivalent to an additional £5.2 million GVA per annum for the regional economy over the first ten years of the centres operation¹.
- At any one time, the Centre will accommodate approximately 56 companies, providing 190 jobs in tenant companies. Employment will also be generated in virtual tenants and in associated on-site staffing. As the Centre drives company creation and growth, scalability and progression to larger premises, vacated space will be filled by new entrants, and additional employment will be created.
- An outline business plan has been developed for the Centre with revenue and operating costs forecasts over a 10 year period, to establish the financial viability of the facility.

¹ Data is discounted by 3.5% in line with Government advice. This excludes additional GVA generated by firms that grow further after graduating from the Centre as the timing of these benefits is uncertain

- The forecast is that the Zone will generate an annual operating profit by year 3 and move into cumulative operating profit by year 6. The Centre will therefore be financially sustainable over the long term.

The UEZ Advisory Board will ensure effective integration of key stakeholders across the city-region. It will be co-chaired by the Pro Vice-Chancellor Research and Business Engagement, UWE and Pro Vice-Chancellor Research at the University of Bristol. Board members will include representatives from the LEP (Project Board and Skills Board), South Gloucestershire Council, the Academic Health Science Network, relevant businesses (2 each from RAS, Biosciences and related areas), Business West (including UKTI), Bristol & Bath Science Park, and SETsquared business centres in Bristol and Bath.

3.2 Demand for services

Locally, within the Bristol & Bath City Region, take-up of incubator and grow on space provision has been rapid. Operators of SETsquared Centres at Temple Quay, Bristol and the Bath Innovation Centre report high occupancy rates and excess demand – both are actively considering second-phase development. The proposed location, however, represents a sub-market, distinct from city centre locations in Bristol and Bath, on the north fringe of Bristol, adjacent to major primes including Rolls Royce Airbus, GKN and MoD Procurement Executive, the M4/M5 interchange and Parkway Station. The mix of provision including wet-lab facilities and the pro-active focus on building university/business interaction further differentiates it from other facilities in the city-region.

Oxford Innovation, with extensive experience of developing and operating incubation and grow-on space in diverse contexts nationally, evidence strong demand, particularly in more economically buoyant parts of southern England such as Bristol. They estimate that the Bristol and Bath city-region is significantly underprovided relative to potential demand. This estimate is based on an analysis of the wider Bristol economy. Data suggests that there is a buoyant business start-up community in Bristol – in the year to December 2013², there were 3,700 new business starts in the City with the greatest numbers in information and communications and professional, scientific and technical sectors.

Oxford Innovation has recently undertaken a wide ranging study looking at business growth and survival in 15 centres across a 10 year period (2003–13). Key findings highlighted that the aspects of incubation that entrepreneurs and early stage businesses find most valuable are:

- Flexibility (easy in/easy out terms)
- Cost effectiveness of the space
- Profile and image
- Networking and collaboration opportunities.

The proposed development draws directly on this research and will provide space for early stage businesses that meets these specific needs. The proposed development moreover offers a unique combination of attributes enabling it to tap into demand not met by conventional incubator and grow-on space. This includes the close co-location and potential for pro-active collaboration with world-leading university research; access to specialist equipment, facilities and technical support; business support and development from a wide range of stakeholders; the range of provision and terms of occupation including wet labs, easy in/easy out bench space, sub-market terms, through to small, self-contained provision.

² Bristol Economic Briefing, March 2014

Co-location will also enable synergies between business and student and graduate entrepreneurship. Recent GEM UK (Global Entrepreneurship Monitor) data reports that there was an increase in entrepreneurial activity amongst 18 to 24 year olds from around 5% in 2008 to 7.5% in 2011. There is a growing need to harness the entrepreneurial nature of these young people, and provide a supportive environment in which they can undertake proof of concept and early market testing of products and ideas. Shared incubation areas in the new development will provide the ideal space to accommodate this. This will be promoted through student placements and projects with businesses in the Zone and will build on learning from 'Basecamp', the University of Bristol's student/graduate business incubator. Bristol Business School also runs an innovative, 3-year 'Team Entrepreneurship' undergraduate programme focused on the development and application of entrepreneurship in practice – with potential to develop a technology-focused pathway.

Case-studies from the pilot incubator attached to BRL reinforce this market assessment. Prof Steve Kitson, founder of Folium Optics, a spin out from Hewlett Packard now with three employees reports:

"We looked hard for premises for our new high tech business - ideally we wanted to be in North Bristol, but we looked throughout Bristol, Bath and surrounding counties. We found it very hard to find suitable premises that would allow us to set up a lab space with a cleanroom and prototyping facilities. It also needed to be suitable for hosting meetings with potential customers from blue chip companies. Access to workspace alongside BRL, specialist equipment and potential employees has been invaluable."

According to Alan Broun, BRL PhD student and founder of Dawn Robotics:

"The BRL incubator supported my transition from PhD student to entrepreneur. After 6 months my business is already supporting me, my first employee and new product development."

These are exactly the sort of businesses that the UEZ will support but on a much larger scale. The private sector is demonstrably unable to provide the unique combination of advantages identified above. As the Government response to the Witty Review observes:

"Many science parks tell us that there is little or no appetite in the private sector to invest in providing this space for small firms ... These firms are important to future economic growth, however and there is a clear argument for public support".

This reflects required rates of return on investment in the commercial property sector and the fact that they cannot mobilise the unique set of assets, access to resources, facilities and expertise that the universities are able to offer through this initiative.

4. FINANCIAL INFORMATION

4.1 Co-investment

BIS funding applied for amounts to £4m. Additional co-investment of £12.5m includes:

- £XXXXm West of England LEP, a ring-fenced allocation from EU SIF (subject to advice from BIS/EU funding team on procurement requirements. This aligns with the Government's response to the Witty Review which recommends that LEPs direct significant funding towards

universities in support of their role in driving economic growth particularly in relation to Industrial Strategy Sectors and the Eight Great Technologies,

- £XXXXm incubator client fees over 5 years, private match,
- £XXXXm UWE to cover the shortfall in funding for the building works *,
- £XXXXm UWE foregone rent of £4000 sq m of the building for 5 years, and
- £XXXXk salary cost of KE Business Development consultants x2 funded from UWE and University of Bristol from private income over 5 years, external to project cash flow.

The build costs are an estimated £10m. These are to be covered with £4m BIS/UEZ, £XXXX m EU SIF/LEP and £XXXX m from UWE.

Match funding more than meets the required 2:1 match funding against BIS contribution, and allows for matching EU SIF funding via the LEP 1:1 with private match.

*4000sqm of the building have recently been assessed for rental value by Alder King, Commercial Property Consultants.

4.2 State Aid Compliance

We have considered the State Aid implication of the UEZ funding and the proposed LEP funding (EU SIF) in respect of: the capital grant benefit to UWE; and start-up companies and SME users of the incubation facility.

- We do not consider the capital grant support to UWE for the creation of the facility distorts the market for services in business incubation sectors either locally or between member states.
- Support for incubation services will be delivered at market rates and are not considered state aid. Services to start-up companies may include potential state aid support but values will not exceed €50,000 to any one business. Such state aid will be monitored and administered under de minimis rules - UWE has relevant experience through its role in administering ERDF-funded innovation networks in the SW.

5. STRATEGIC PARTNERSHIPS AND OBJECTIVES

5.1 Local Enterprise Partnership

The proposed UEZ is strongly supported by the West of England LEP and is fully aligned with and supports the LEPs Strategic Economic Plan and EU SIF Plan (see Chair's letter of support). The LEP has ring-fenced match funding from EU SIF. The LEP vision is of *'A buoyant economy competing internationally, based on investment by innovative, knowledge-based businesses and a high level of graduate and vocational skills.'* The economic strategy is based on 'smart specialisation' focused on 'key enabling technologies': 'We have identified sector-based priorities of particular relevance to the West of England, building on the *'eight great technologies'* the Government's Industrial Strategy Sectors, TSB priorities and technology clusters identified by the Government Office for Science'.

The LEP has welcomed the opportunity provided by UEZ pilots to *'focus resources and deliver growth in the Enterprise Zone and our network of Enterprise Areas'*. It sees development of *'clusters, networks and 'knowledge*

spill-overs' as key and specifically identifies RAS, Biosciences, other High Tech activities and Health and Wellbeing among its priorities. The LEP also sees the city-region Universities, identified in the SIF Plan as '*a major focus for research and collaboration with industry and business*', as a critical in supporting and driving technology-based growth.

There is therefore particularly strong alignment between the plan and the proposal, through the UEZ, to develop a cluster of tech-related innovation and development focused on RAS, biosciences and other tech-related activities, with strong potential for GVA and jobs, driving innovation and growth based on university/business interaction. The Strategic Plan also identifies among its 'indicative interventions' several which build on university alignment with its overall objectives including support for a third phase of iNet innovation networks flagged up in the Witty Review, the National Composites Centre, the Food and Drink Enterprise Centre as well as RAS and Biosciences. The LEP will also support the UEZ through its Investment and Promotion, its Business Support and Skills development activities focused on SMEs.

5.2 Wider strategic plans of the relevant universities

There is a particularly close fit with the strategic plans of both universities which have driven the development of this proposal. *UWE Bristol Strategy 2020* includes in its core workstreams, 'Research with Impact' and 'Strategic Partnerships', including 'Research excellence that is recognised as world-class .. knowledge exchange that maximises the impact and return on investment of our scholarship and research .. productive relations with business will be critical ... Our research impact and the actions detailed are essential to achieve our core purpose and ambition to advance knowledge and enhance the health, sustainability and prosperity of Bristol and the West of England ... working with key regional and national partners in our areas of expertise and leading high impact networks to promote economic growth in the Bristol city-region and beyond.'

The University of Bristol's *Research and Enterprise Strategy 2009-2016* sets out its priorities in enterprise and innovation, emphasising its leading intellectual role in enterprise, knowledge exchange and economic and social impact agendas. A key supporting objective is to 'continue to promote and support business incubators, and to explore other forms of incubators in ideas and innovation in culture and society.' The Research and Enterprise Development service is a catalyst for knowledge exchange, 'facilitating and promoting innovation and enhanced collaboration between both academics and a wider range of sectors in the city and region...'

6. INDICATIVE PLAN AND MILESTONES

6.1 Timetable

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6.2 Predicted spend profile

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7. RISKS AND CONTINGENCIES

No.	Risk	Mitigation
1	Failure to achieve required match funding	Liaison with BIS/CLG on appropriate route to EU SIF funding. Prior valuation of UWE match.
2	Delay in development of design and build brief and project build and/or increase in cost	Management by Project Board with key stage approvals, effective procurement, project management team and professional cost control – UWE has considerable experience of large development projects.
3	Failure to engage relevant stakeholder commitment	Effective leadership and engagement of stakeholders in Advisory Board.
4	Occupancy rate fails to meet target	Prior market assessment including that of Oxford Innovation. Effective, proven marketing and management, use of networks, stakeholder contacts, support for occupants.
5	Failure to secure match funding	LEP has ring-fenced EU SIF, BIS to advise on procurement issues if any. Total match significantly exceeds total requirement.

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.....

