

# CABINET

## Lancaster Science Park 8<sup>th</sup> July 2008

### Report of Head of Economic Development & Tourism

#### PURPOSE OF REPORT

Further to a previous reports to Cabinet on 25th July 2006 and 20th February 2007, to report on progress with project development work for Lancaster Science Park and to confirm that the Council should lead the next stages of project development, including the submission of outline planning application and recruitment of a development partner.

Key Decision

X

Non-Key Decision

Referral from Cabinet  
Member

Date Included in Forward Plan

June 2008

This report is public

#### RECOMMENDATIONS OF COUNCILLOR BRYNING

- (1) That, subject to release of sufficient project development funding from NWDA, the Corporate Director ( Regeneration) is authorised to proceed with the next phases of project development, including the recruitment of a development partner on the basis outlined in this report, and commissioning of relevant specialist consultancy support
- (2) That a further report is made back to Cabinet on the outcome of the developer recruitment and to agree the detailed terms and conditions of the development agreement
- (3) That the Head of Financial Services is authorised to make the appropriate adjustments to the revenue and capital budgets
- (4) That the Corporate Director (Regeneration) is authorised to make any amendments to the Memorandum of Understanding with Lancaster University if these are required to reflect the revised approach to the project, in consultation with the Head of Legal and HR and the Head of Financial Services

## **1.0 Introduction**

On 25<sup>th</sup> July 2006, Cabinet considered a report outlining proposals for development of land at Bailrigg Lane, adjacent to Lancaster University, as a Science Park. The project is a joint initiative between the City Council, Lancaster University, and North West Regional Development Agency (NWDA). Cabinet agreed details of a Memorandum of Understanding (MoU) between the City and University, covering their respective roles in the project, and also that the City Council would act as applicant for NWDA funding for the initial phases of the project, including site acquisition and infrastructure development.

On 20<sup>th</sup> February 2007, Cabinet received a further report which sought authority to proceed with site acquisition and to proceed with further phases of project development, leading up to a full submission to NWDA for funding for the main project, at an estimated cost of around £11 million.

At that time, it was not clear what responsibilities might fall back on the Council for operational management of the science park, and it was resolved that a further report would be needed prior to committing the Council to implementing the main scheme.

Subsequent to that report, the Council has entered into an agreement with the landowners to purchase the land for the science park, which is conditional on obtaining outline planning consent. At the time, the planning application was being progressed directly by Northwest Development Agency

Significant work took place during the latter half of 2007 to progress the project, including the first stage of recruiting a suitable private sector development partner. However the project ran into difficulties in November 2007 when NWDA withdrew the planning application before it went to Planning Committee, due to unresolved highways issues. In essence, these related to an existing problem of peak hour traffic congestion in Galgate, causing queuing back towards M6 junction 33.

A series of meetings have been held at high level between the City and County Councils, University, NWDA, and Highways Agency to seek a solution to this issue, and NWDA have commissioned further specialist highways consultancy work.

Following a meeting on 2<sup>nd</sup> June, there is now agreement between these organisations on a way forward and it will be possible for a revised planning application to be submitted.

This report is to update Cabinet on the position with this key strategic project and to confirm the Council's role in taking it forward.

## **2.0 Proposal Details**

The key elements of the project, as presently envisaged, will be as follows:

- Submission of a revised application for outline planning consent for the science park
- Completion of land acquisition by the City Council (NWDA funded)

- Construction of initial site infrastructure, comprising a new A6 road junction, spine access road, and main services. This will also include structural landscaping around the perimeter of the site and any cycleways or other additional infrastructure that might be required as a condition of the planning consent.
- Implementation of any off-site highways improvements (see below)
- A first phase development comprising an Innovation Centre, likely to be a minimum of 3000 sq m gross floor area. This will provide flexible managed workspace in a range of sizes to suit start-up and early growth businesses. It will play a key role in the formation and development of the science park as a business community, supporting the development of new business enterprises, developing links with facilities and expertise at the University, and providing a focal point for the whole development with meeting rooms and other common facilities.
- Based on experience in other UK science parks, subsequent phases are expected to take the form of further buildings or groups of buildings to provide flexible managed workspace, similar to the Innovation Centre but with larger unit sizes and fewer common facilities, to act primarily as “grow-on” space for businesses moving out of the Innovation Centre or from other off-site locations such as Infolab, CityLab, or elsewhere.
- The rate of development of the grow-on space would be dependent on demand and is expected to take place over several years.
- Additional sites would be made available for larger single user businesses requiring their own “bespoke” premises, subject to demand.

### **Off-site highways improvements**

The work recently undertaken on behalf of NWDA to identify potential solutions to the problem of queuing between Galgate and the M6 has produced two alternative options. One would involve a package of physical measures and traffic signals management within Galgate itself, and the other is a possible longer term solution. Both of these require further work and the outcome will be used to support the re-submitted planning application. NWDA have indicated that they would be prepared to fund the former of these to allow the Science Park to proceed, and it is intended that this will be taken forward and implemented as a separate project by Lancashire County Council.

### **Funding**

NWDA have already stated that they are committed to funding the initial development of the science park (subject to considering a full project application) and that this would cover land acquisition, access roads and core infrastructure, and the development of the Innovation Centre. They have also indicated that they would provide some initial revenue subsidy for the operation of the Innovation Centre whilst it becomes established.

The scheme is also likely to attract European Funding through the new ERDF programme, and this will help the project provide value for money and increase the prospects of an NWDA approval.

It is expected that, once the Innovation Centre becomes established, demand for future phases and grow-on space will be strong enough to be commercially viable for a private developer to finance without further public subsidy.

Whilst NWDA are prepared to fund the capital costs of the Innovation Centre, they require this to be “market tested” through an open competitive developer selection process to minimise the level of public funding required. This will have to take place prior to the full NWDA project application.

The biggest area of potential risk in the project is the management and operation of the Innovation Centre. Once established this is expected to be self-financing through rental income, but there would still be a degree of ongoing risk for whoever has responsibility for owning and managing it.

Whilst initially it had been expected that either the City Council or University might need to take on responsibility for the operation of the Innovation Centre, it is now proposed that this risk is transferred to the private sector development partner. To achieve this, the terms of the developer competition would require them to construct and operate the innovation centre, with a specified minimum level of service, and enforced through an underlying development agreement.

### **Roles and responsibilities**

Over the past few months NWDA have been asking the City and University to review their respective roles in delivery of this project. Specifically, NWDA have asked whether the University could take on the lead role and act as the applicant for NWDA funding. Discussions have taken place to explore this possibility, but have not led to agreement over a suitable structure that would allow this to take place. The University have also commented that it is not part of their core activity to undertake physical development projects outside their main campus, and that they need to concentrate their resources on implementation of their own campus redevelopment (which is also of key significance for the wider economic regeneration of the District).

The conclusion from this work is that the best way of progressing the project is for the City Council to continue to take the lead role, as originally envisaged in the Memorandum of Understanding (MoU) between the City and University. Members should note that this will also now include the re-submission of the outline planning application for the scheme.

As noted above, however, the requirement of the NWDA that the project is fully “market tested” provides the Council with the opportunity to engage with a private sector development partner at an early stage and to effectively transfer much of the risk and responsibility for delivery to them, through a new and revised competitive selection process. (An initial developer competition had commenced last year but had to be suspended due to the withdrawal of the planning application and the uncertainty this would have presented to potential bidders).

This means that the main responsibilities for the Council would be as follows:

- Applying for outline planning consent for the overall development
- Completing land acquisition (this follows automatically from the planning consent and is already funded by NWDA)

- Recruiting a private sector development partner who would:
  - Design and implement the phase 1 infrastructure works on behalf of the Council
  - Construct and operate the Innovation Centre in accordance with an agreed specification
  - Undertake to bring forward further phases of grow-on space as required
  - Manage and maintain all completed phases of the development

This would be underpinned by a formal Development Agreement under which the Council would release land for each phase of development on long term leasehold to the developer.

It is anticipated that the developer selection would be done through a 2 stage OJEU process and the final decision would be brought back to Cabinet.
- Monitoring the performance of the development partner and taking action to deal with any potential default
- In conjunction with the University, establishing a Science Park Management Board which would assist in the above process. This would have advisory status only, but would engage the City, University, and possibly NWDA in overseeing the operation of the development

A critical factor in the success of this approach will be the level of response from the private sector to the developer selection competition. It is therefore proposed that a further report is made back to Cabinet on the outcome of this process. It will also be essential to engage specialist external advice in devising the specification for the competition, evaluating bids, and drafting the subsequent development agreement. These costs will be incorporated in a revised funding proposal to NWDA for the project development work.

### 3.0 Details of Consultation

A separate process of public consultation will be undertaken through the statutory planning process as a result of the outline planning application. This will concern the land use planning issues which are not within the scope of this report, and will be reported to Planning Committee.

### 4.0 Options and Options Analysis (including risk assessment)

| Option  | Advantages | Disadvantages  | Risk assessment  |
|---|------------|--|--|
| 1: Do nothing – do not proceed with the project |            | <p>The opportunity to secure a regionally significant strategic employment site will be lost.</p> <p>Adverse impact on the Council's relationship with NWDA and Lancaster University</p> | <p>The Council would be in default of its funding agreement with NWDA and its contract with the current landowner, and may face action for breach of contract with the latter. (These are primarily reputational issues)</p> |

|   |   |  |   |
|---|---|--|---|
|   |   |  | rather than significant financial ones)   |
| 2: Proceed with the project as outlined in this report, seeking to transfer risk associated with the Innovation Centre to a development partner | Secures a major strategic project for the District, leading to the anticipated release of £10+ million NWDA funding | A private sector operator may take a more commercial approach towards operation of the Innovation Centre and this may reduce the level of advice and support given to tenant businesses compared with a non profit operation | Achieves the strategic benefits from the project whilst minimising ongoing operational costs and risks for the Council<br><br>Possibility that the private sector may not respond             |
| 3: Develop the Innovation Centre as a public sector project and manage it either directly or via the University                                 | May provide the most supportive form of management for tenant businesses  | NWDA would not support this approach unless option (2) has failed to attract developer interest  | Leaves the Council with the risk of meeting any operational deficit in future years. Note this option would need to be the subject of a full appraisal before being considered in any detail. |

## 5.0 Officer Preferred Option

The preferred option is Option 2.

## 6.0 Conclusion

Lancaster Science Park is a key strategic project for the City Council, Lancaster University, Lancashire Sub Region and North West Regional Development Agency. Now that a way forward has been identified for the highways issues, the Council is the most appropriate organisation to take the lead in taking it forward.

It is very much in the Council's interest to secure the involvement of a private sector development partner at an early stage. If successful, this will allow the Council to minimise the operational risks associated with the ongoing operation of the project.

## **RELATIONSHIP TO POLICY FRAMEWORK**

The project will directly contribute to Corporate Plan Priority “To lead the regeneration of our District” and Priority Outcome 12 “Improve economic prosperity throughout Lancaster District”. The Science Park is one of the key activities included in the economic vision and strategy.

## **CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Development of the Science Park will involve the loss of 20 acres of greenfield land adjacent to the University. This is a necessary consequence of this project because there is no alternative site within the existing University campus and it is an essential requirement of the project that the site should be sufficiently close to the campus to allow for commercial/academic interaction to take place.

This will be offset by the aspiration of the project to showcase low carbon / environmentally sound build construction technology, and this is expected to feature strongly in the design of the proposed Innovation Centre.

The development will also promote sustainable modes of transport through access to the cycling and walking network between the city centre and university and through a business travel plan.

## **FINANCIAL IMPLICATIONS**

The City Council's costs in taking this project forward to a full NWDA funding application are being covered 100% by NWDA. A formal funding agreement is already in place covering the cost of land acquisition and initial design work, but this will need to be varied to take account of the additional costs associated with the resubmission of the planning application, and other specialist consultancy that may be required to support the developer recruitment. The 2008/09 revenue and capital budgets will need to be adjusted to reflect both the expenditure and external funding associated with the resubmitted planning application and developer recruitment costs once a revised formal funding proposal has been agreed with NWDA subject to the adjustment having a nil impact on the Council's budget. At this stage it is not possible to comment further on the amounts involved, however, as details of the associated costs have yet to be provided.

A further report will need to be brought back to Cabinet to cover the outcome of the developer competition and to consider any financial implications arising from the proposed development agreement and future management of the scheme.

## **SECTION 151 OFFICER'S COMMENTS**

The s151 officer has been consulted and has no comments to add.

## LEGAL IMPLICATIONS

Legal Services will assist in the negotiating and drafting of the terms of the underlying development agreement with the chosen private sector development partner. The development agreement will be required to incorporate provisions for monitoring the performance of the developer and the ability to grant leases in a phased manner. If deemed appropriate specialist legal advice will be engaged to assist in the preparation of this agreement.

## MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has been consulted and has no further comments.

## BACKGROUND PAPERS

- Previous Cabinet Reports, July 2006 and February 2007
- Innovation centre draft development brief
- Innovation centre architects' "Stage B" report and illustrative site masterplan options, BDP.

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