

**City Deal and Growth Deal Programme Board**

**Keele Science and Innovation Park**

**Smart Innovation Hub - Business Case**

**1. Project title and proposing organisation(s)**

Keele Science and Innovation Park Smart Innovation Hub – University of Keele

**2. Decision Date/Key Milestones**

<b>Group/Element</b>	<b>Timescale</b>
Programme Management Board	27 <sup>th</sup> June 2017
LEP Executive	20 <sup>th</sup> July 2017
Heads of Terms	August 2017
Grant Funding Agreement (signed no later than)	10 <sup>th</sup> September 2017
Award Main Works Contract	14 <sup>th</sup> September 2017

**3. Decision Summary: Recommendation etc.**

- To approve £1m of Single Local Growth Fund (SLGF) (Round Three) investment to the Keele Science and Innovation Park Smart Innovation Hub led by Keele University.

3.1 The Stoke-on-Trent and Staffordshire Local Enterprise Partnership (SSLEP) considered and approved the business case for this project (at that point entitled the Mercia Centre for Innovation Leadership (MCIL)) at the Programme Board (October 2016) and the LEP Executive (December 2016). The approval obtained at that date was utilising the project to assist with under investment in 2016/17. The SSLEP was however able to reach the pre-requisite level of investment in 2016/17 without placing reliance on this project.

**4. Is the decision exempt from being publically reported by the LEP (if so please specify the reasons why)**

4.1 The decision is not exempt from being publically reported by the LEP.

## 5. Project Executive Summary

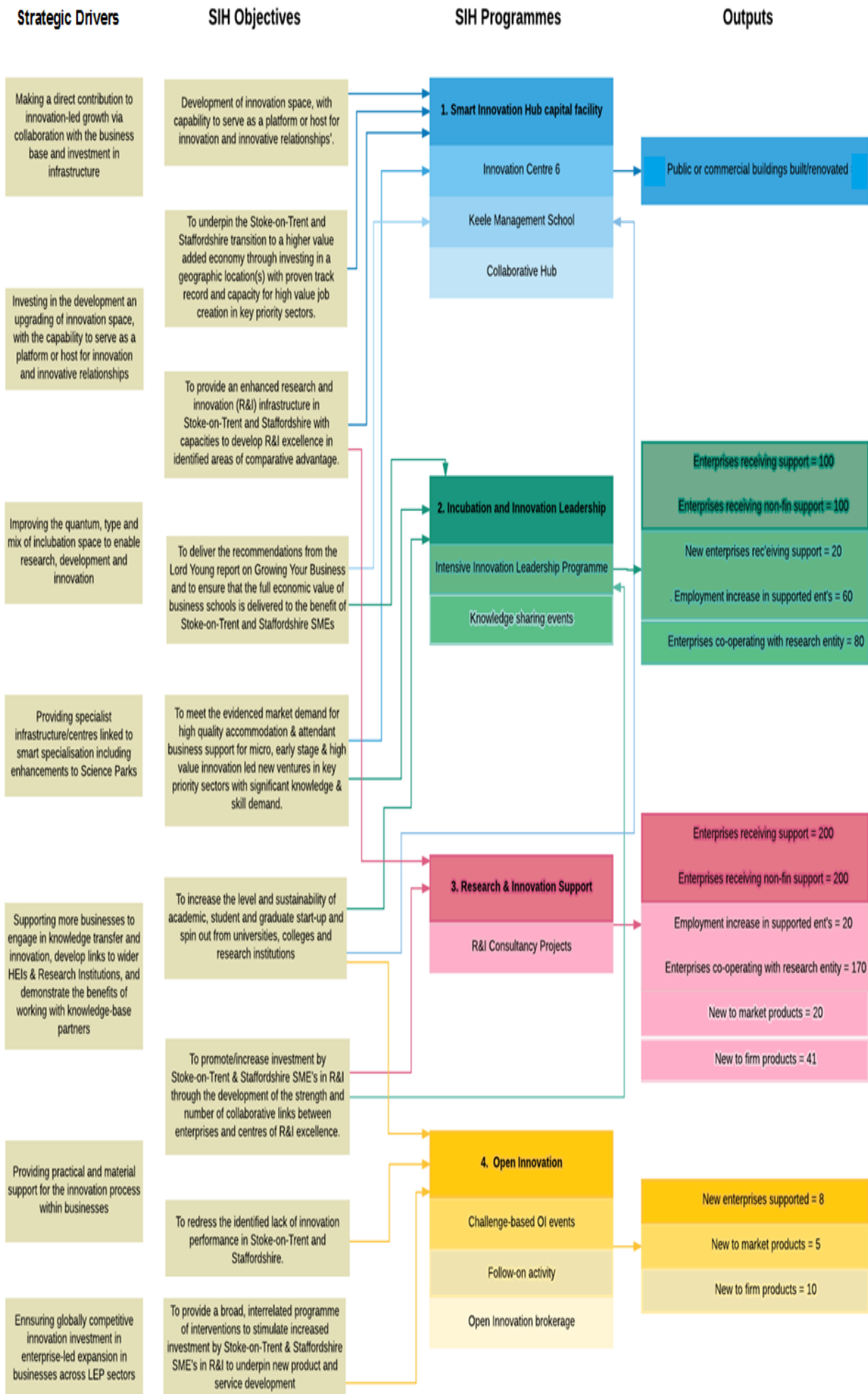


The £17.5m Keele Science and Innovation Park Smart Innovation Hub project will be led by Keele University. Its key elements are:

- The creation of a purpose-built BREEAM excellent smart innovation facility in Keele University's Science and Innovation Park, to provide (a) incubation and grow-on space for innovation-led SMEs; (b) a Hub for business-university interactions and open innovation, and (c) a home for Keele Management School in the heart of the Stoke-on-Trent and Staffordshire Local Enterprise Partnership (SSLEP's) Innovation-led business community.
- An intensive Incubation and Innovation Programme, and associated events, to develop the capabilities of SMEs to successfully form, commercialise innovation, transition into new technologies and invest in further research and innovation.
- Significant capacity for joint research and innovation projects to accelerate the commercialisation of scientific and technological innovations.
- Support for Open Innovation through challenge themed events and brokerage.

The project will:

- Redress the low level of start-up and growth rates of high-tech, high-value start-ups and established businesses by developing the unique leadership and management skills required to start, grow and sustain high-tech, high growth businesses, based on innovative product and service development, underpinned by R&D.
- Redress exceptionally low levels of GVA by creating more jobs with higher GVA
- Redress the lack of both private and public sector investment in research and development by stimulating businesses investment in R&D to bring it closer to the LEP average.



# Economic Case and Options Appraisal

## Introduction

5.1 The Economic Case sets out the range of options that have been considered for addressing the project objectives, and appraises the costs and benefits of the shortlisted options.

## Objectives

5.2 A set of investment objectives for the project has been developed by the project team at Keele University. These are as follows:

- **Objective 1:** To provide an enhanced research and innovation (R&I) infrastructure in Stoke-on-Trent and Staffordshire with capacities to develop R&I excellence in identified areas of comparative advantage.
- **Objective 2:** To promote and increase investment by Stoke-on-Trent and Staffordshire Small to Medium Sized Enterprises (SME) in R&I through the development of the strength and number of collaborative links between enterprises and centres of R&I excellence.
- **Objective 3:** To improve the innovation performance of SMEs in Stoke-on-Trent and Staffordshire.
- **Objective 4:** To underpin the Stoke-on-Trent and Staffordshire transition to a higher value added economy through investing in a geographic location(s) with proven track record and capacity for high value job creation in key priority sectors.
- **Objective 5:** To provide a broad, interrelated programme of interventions to stimulate increased investment by Stoke-on-Trent and Staffordshire SMEs in R&I to underpin new product and service development, including provision of services and infrastructure to support: (i) technology transfer; (ii) social innovation; (iii) eco- innovation; (iv) public service applications; (iv) demand stimulation; (v) business to business and business to academic networking among existing/growth potential knowledge intensive SMEs and; (vi) open innovation in partnership with larger corporates, public sector commissioners and subject experts.
- **Objective 6:** In line with an indicative action of the investment priority 'development of innovation space, with capability to serve as a platform or host for innovation and innovative relationships'.
- **Objective 7:** To meet the evidenced market demand for high quality accommodation and attendant research and innovation support for micro, early stage and high value innovation led new ventures in key priority sectors with significant knowledge and skill demand.
- **Objective 8:** To increase the level and sustainability of academic, student and graduate start-up and spin out from universities, colleges and research institutions.
- **Objective 9:** To deliver the recommendations from the Lord Young report on Growing Your Business and to ensure that the full economic value of business schools is delivered to the benefit of Stoke-on-Trent and Staffordshire SME's through innovation leadership.
- **Objective 10:** To deliver Value for Money & the recommendations of the European Court of Auditors report on development of business incubators

5.3 The options analysis was undertaken in a two-stage process. Firstly, considering the different combination of the capital components of the project. Secondly to consider the nature of the research and innovation business support.

5.4 The project team and consultants established six main capital options:

1. No new building or refurbishment of existing space
2. A standalone incubation facility only (IC6 only)
3. A single building incorporating an incubation facility alongside collaborative facilities (IC6 and collaborative facilities)
4. A single building incorporating IC6, collaborative facilities and co-location of the Keele Management School (the preferred option)
5. A single building incorporating a larger IC6, collaborative facilities and co-location of the Keele Management School
6. refurbishment of existing facilities, distributed across the Science Park and wider campus

5.5 Each of the capital options were considered with two revenue options:

- (A) With dedicated research and innovation support
- (B) Without dedicated research and innovation support

5.6 These variables outlined above have been combined to create a long list of 12 options. A description of each of these options is provided in the table below.

Option	Description
A. Do minimum – no new building or refurbishment and no programme of support (baseline option)	The baseline position would see no capital investment in a new facility, modest support for collaborative research and innovation between SMEs and the University, the cessation of the Innovation Leadership programme for incubator tenants, other SMEs, graduate start-ups and academic spin-outs, and no capacity to support facilitated open innovation. It would enable a modest number of innovation-focussed events, and support for a small number of UK-funded Knowledge Transfer Partnerships,
B. Programme of research and innovation support (no new building)	This option would see revenue investment in the Research and Innovation Support Programme to stimulate early stage research and innovation relationships between the University and SMEs and an Innovation Leadership Programme enabling incubation support and leadership development for SMEs, graduate start-ups and university spin-outs. However, space to accommodate enterprises on the Science Park would be limited to the current very small scale Nova Centre and any future commercial investment on the Science Park could not produce micro-units on this scale on a commercially viable basis. The programme of open innovation events would commence. However, space to deliver programmes would be severely constrained, and it would not be possible to deliver any of the open innovation programmes.



Option	Description
C. Single Building (IC6 only) no research and innovation support	This option would replicate the current model of incubation on the Science Park in a 6 <sup>th</sup> Innovation Centre. As such it would include accommodation for businesses, but no shared space for innovation interactions between businesses, or between businesses and the university. No on-site incubation support would be offered other than minimal student and graduate start-up support, referral into basic practical support and mentoring from other partners in the SSLEP area.
D. Single Building (IC6 and Shared Hub Facilities) no research and innovation support	This option would include incubation space for businesses as well as space for informal interactions between businesses, and between businesses and academic researchers. However, only minimal administrative resources would be available through the Science Park to support this (e.g. room booking). No support would be in place to organise early stage research and innovation relationships between SMEs and academic researchers, no innovation leadership programme would be in place to support SMEs in the incubator, other start-ups or innovation-led SMEs in the wider area.
E. Single Building (IC6, Shared Hub and KMS) no research and innovation support	This option would see all three of the proposed facilities co-located in the building, enabling some level of interaction between businesses and Keele Management School, and providing space for informal interactions between SMEs, and between businesses and academic researchers. However, revenue-funded support would be limited to minimal administration and account management through the Science Park team. This would severely limit effective use of the Hub Space to support innovative relationships, as no dedicated capacity would be in place to scale-up business: university research and innovation. Nor would sufficient resources be available for Keele Management School to deliver the Innovation Leadership programme or Facilitated Open innovation. Limited business Innovation events could be delivered through Keele Management School where these also meet mainstream education priorities.
F. Single Building (Large IC6, Shared Hub and KMS) no research and innovation support	This would be similar to option 5, but would see increased lettable space available in IC6. This would provide the potential to house a greater number of innovation-led SMEs, graduate start-ups, spin-outs. Whilst this option provides increased income from rents and service charges, this makes little or no impact on the significant revenue gap for the scheme or the ERDF revenue request. As with option 5, the capacity available to support SMEs or facilitate effective use of the Hub Space to support innovation would be very limited, and as such would have minimal impact on addressing the low levels of innovation in the SSLEP area.
G. Dispersed facilities, no research and innovation support	This option assumes investment in improved facilities, including incubation space for micros, equivalent Hub space and improved facilities for KMS, but without co-location on the Science Park. The assumption here is that the three elements of the facility would be

Option	Description
	dispersed, with some or all of the IC6 accommodation elsewhere in the SSLEP.
H. Single Building (IC6 only) research and innovation support	This option would see a similar capital investment to option 3, introducing incubation and grow-on space onto the Science Park through IC6, but without the Hub Space or co-location with KMS. Unlike option 3, this option would have revenue investment in research and innovation support. However, scope to utilise this for the benefit of SMEs in the facility would be somewhat limited. Whilst individual support would be possible, collective programmes such as Innovation Leadership, Open Innovation and knowledge diffusion would be difficult if not impossible. Graduate start-up and university spin-outs could potentially be facilitated through the research and innovation support capacity, but capturing businesses in IC6 would potentially be more difficult without the awareness created through co-location with the Hub and KMS.
I. Single Building (IC6 and Shared Hub) research and innovation support	In common with option 4, this would include incubation space for businesses as well as space for informal interactions between businesses, and between businesses and academic researchers. However, there would be no co-location with Keele Management School or the RISP and ILP teams sitting within it (this would be elsewhere on University campus). Unlike option 4, research and innovation support would in place to provide incubation support, develop RD&I relationships and management capacities for innovation. However, the full potential of the building to deliver graduate start-ups and serendipitous innovation relationships would be limited.
J. Single Building (IC6, Shared Hub and KMS) research and innovation support (Preferred option)	This is the option presented for investment. It sees IC6 and KMS co-located around a Hub Space, and research and innovation support in place to develop research and innovation relationships, support innovation leadership, graduate start-ups and university spinouts.
K. Single Building (Large IC6, Shared Hub and KMS) research and innovation support	As with option 6 this includes increased floor-space for IC6 under a full Hub model, including co-location with KMS.
L. Dispersed facilities and research and innovation support	In common with option 7, this option assumes investment in improved facilities, including incubation space for micros, equivalent Hub spaces and improved facilities for KMS, but without co-location on the Science Park.

## Shortlisting the Options

- 5.7 As a means of shortlisting the options for the cost-benefit analysis, the long list of options were subjected to a qualitative assessment via a scoring process against the investment objectives.
- 5.8 Scores were assigned to each of the options on the basis of their ability to deliver each of investment objectives, with points awarded as follows: **5 points**: fully meets the objectives; **3 points**: partially meets the objective; and **1 point**: does not meet the objective. The investment objectives were not assigned weightings.
- 5.9 The 'Do minimum' baseline option (Option A) failed to support any of the objectives. However, for the purpose of the cost-benefit analysis this option has been carried forward as the counterfactual option.
- 5.10 All of the options lacking research and innovation support (Options C-G) failed to meet at least half of the strategic objectives, and all of these options failed to deliver on (2) increased SME investment in research and development; (3) redressing SSLEP's poor performance on innovation; (5) delivery of a broad interrelated programme to stimulate the development of an innovation eco-system; (9) Lord Young's recommendations on the role of Business Schools in driving growth; and (10) the recommendations on the European Court of Auditors (ECA) on VFM/the quality of business incubation.
- 5.11 Whilst the two options offering research and innovation support, but with dispersed accommodation or no additional accommodation (Options B and L) fully met the ECA recommendations on business incubation and were potentially able to deliver a broad range of interrelated interventions, each failed to deliver on at least 3 objectives, including the key programme level objective to create space capable of serving as a platform for innovative relationships and the development of innovation networks.



## Scoring of Each of the Project Options

Objective: Option:	1 – Enhanced R&I Infrastructure	2 – Increase Stoke/Staffs SME R&I Investment	3 – Improve Stoke/Staffs Innovation Performance	4 – Higher Value Added Economy	5 – Broad Interrelated Programme of Intervention	6 – Space as platform for innovative relationships	7 – Meets Market Demand	8 – Increase Start Ups & Spin-Outs	9 – Delivers Lord Young Report	10 – VFM & European Court of Auditors	Total
A. Do minimum	1	1	1	1	1	1	1	1	1	1	10
B. Programme of research and innovation support	3	3	3	1	3	1	1	1	3	5	24
C. Single Building (IC6 only) no research and innovation support	3	1	1	3	1	3	5	1	1	1	20
D. Single Building (IC6 and Hub) no research and innovation support	3	1	1	3	1	5	5	1	1	1	22
E. Single Building (IC6, Hub and KMS) no research and innovation support	3	1	1	3	1	5	5	3	1	1	24
F. Single Building (Large IC6, Hub and KMS) no research and innovation support	3	1	1	3	1	5	5	3	1	1	24
G. Dispersed facilities no research and innovation support	3	1	1	5	1	1	5	1	1	1	20
H. Single Building (IC6 only) research and innovation support	3	3	3	3	5	3	5	1	1	5	32
I. Single Building (IC6 and Hub) research and innovation support	5	3	3	3	5	5	5	1	1	5	36
J. Single Building (IC6, Hub and KMS) research and innovation support	5	5	5	3	5	5	5	5	5	5	48
K. Single Building (Large IC6, Hub and KMS) research and innovation support	5	5	5	3	5	5	3	5	5	3	44
L. Dispersed facilities and research and innovation support	3	3	3	3	5	1	3	1	1	5	28

## 5.12 Ranked Scored Options

Option/Objective	Total
J. Single Building (IC6, Hub and KMS) research and innovation support	48
K. Single Building (Large IC6, Hub and KMS) research and innovation support	44
I. Single Building (IC6 and Hub) research and innovation support	36
H. Single Building (IC6 only) research and innovation support	32
L. Dispersed facilities and research and innovation support	28
B. Programme of research and innovation support	24
F. Single Building (Large IC6, Hub and KMS) no research and innovation support	24
E. Single Building (IC6, Hub and KMS) no research and innovation support	24
D. Single Building (IC6 and Hub) no research and innovation support	22
C. Single Building (IC6 only) no research and innovation support	20
G. Dispersed facilities no research and innovation support	20
A. Do minimum	10

### The short list

## 5.13 The shortlisted options are:

- Option 0 (A): Do minimum (included as the counterfactual)
- Option 1 (J): Single Building (IC6, Hub and KMS) research and innovation support
- Option 2 (K): Single Building (Large IC6, Hub and KMS) research and innovation support
- Option 3 (I): Single Building (IC6 and Hub) research and innovation support
- Option 4 (H): Single Building (IC6 only) research and innovation support

## 5.14 Cost-Benefit Analysis

### Costs

#### Capital Costs

5.15 Details of the capital costs of the building are set out in the financial case section of this Business Case.

#### Revenue Costs

5.16 All of the options are expected to have the same revenue costs. There are three sources of revenue costs associated with the project during the period 2019-21

- Building related costs, estimated at £263,000 per annum from 2021
- The costs of delivering the business support between 2019-21 estimated at £1,005,000 per annum from 2021
- Project Delivery costs of £84,000 per annum in 2021

5.17 In addition, building refurbishment costs will be incurred in the period beyond 2021 per the table below:

Project Revenue Costs (current prices)			
	2019	2020	2021
Building related costs	£181,000	£252,900	£262,800
Business support cost (salaries)	£971,000	£1,037,800	£1,047,000
Project delivery costs	£102,000	£66,000	£84,000

#### 5.18 Benefits

5.19 The benefits that have been considered include the rental income from tenanted businesses in the incubator and the benefits to the SMEs (both tenants and others) receiving business support including the additional jobs created within these businesses.

5.20 We have estimated of the number of companies the project can work with over the period of 2019-2021, with or without different components of the capital investment.

## 5.21 Tenant Businesses

5.22 The building IC6 which is included in Options 1-4 will have capacity for total of 41 businesses and around 97 people in each of the options, with the exception of Option 2 which will have capacity for twice the number of tenants. It has been assumed that under Options 1, 3 and 4, the building will achieve a 20% occupancy in Year 1 increasing to an average 85% occupancy by Year 3 and beyond.

5.23 Prudently it has been assumed that none of the additional space provided under Option 2 would be occupied within the first two years, but that we would reach 20% by the end of year 4 increasing to 85% by year 6.

5.24 This level of occupancy equates to 35 tenants and c.80 employees across all options by 2021. This level of occupancy is assumed to remain constant over the 15 years across Options 1,3 and 4.

5.25 Option 2 would achieve 70 tenants by 2024 and beyond.

## 5.26 Rent and Service Charge Income

5.27 The tenant businesses will pay a rental income, which is expected to increase to £155k per annum by 2021.

## 5.28 Business Support

5.29 The following table sets out the estimated number of SMEs that will receive the business support delivered through the project over the period 2019-21. The presence of the KMS within the building is important in delivering the business support, with Option 3 and 4 expected to achieve a significantly lower number of business supports without KMS.

5.30 Likewise, the innovation hub is an important factor in the delivery of the Research and Innovation Support Programme (RISP), with Option 4 illustrating that only tenanted businesses will receive the business support.

Number of SME receiving business support 2019-21	Option 0	Option 1	Option 2	Option 3	Option 4
RISP	-	200	200	100	30
ILP	-	100	100	30	30
<b>Total 2019-21</b>	-	<b>300</b>	<b>300</b>	<b>130</b>	<b>60</b>
<b>Businesses supported 2022-33 p.a.</b>	-	<b>50</b>	<b>50</b>	<b>25</b>	<b>15</b>

5.31 The Innovation Leadership Programme (ILP) will help to develop the leadership skills of the business leaders of the SMEs involved. At least one employee from each of the tenant businesses is expected to receive the ILP business support. Therefore, to avoid double counting the employment growth associated with the overall support has been calculated based on the businesses support metrics.

5.32 Beyond 2021, we anticipate that 50 businesses per annum will receive business support under Options 1 & 2.

### 5.33 Collaborative R&D projects

5.34 As well as providing innovation support, RISP will work with each SME to provide the support to deliver a collaborative R&D project.

Element	Option 0	Option1	Option2	Option 3	Option 4
Collaborative R&D projects 2019-21	-	200	200	100	30

### 5.35 Employment Created

5.36 In order to estimate the likely job creation from the programmes of research and innovation support which are possible with differing combinations of capital investment, we have used evaluative evidence from a range of similar research and innovation support programmes, particularly those relating to university-business engagement, which take place, with and without the use of capital facilities.

5.37 These are presented in the table overleaf. As outlined above, the different components of the capital investment enable support to beneficiary SMEs in different ways. It has therefore been possible to estimate to some extent how each component of the facility enables support to be provided to SMEs (e.g. Innovation Centre 6 provides accommodation for businesses; whereas the university-business collaborative facilities enable participation in open innovation programmes). The impact in terms of the numbers of SMEs which can be supported by each component of the capital investment is then reflected in job creation estimates for each of the four options.

Nature of intervention	Published evaluative evidence used	Evaluation of jobs created per intervention
Business Incubation	Nesta (2011) A review of the impact of business incubation on new ventures with high growth potential.	6.2
Growth Accelerator	BIS (2014) Interim evaluation of the Growth Accelerator	4.6
KTP Programme	Regeneris Consulting (2010) Strategic Review of Knowledge Transfer Partnerships.	2.3-5.5
Sustained (long-term) intervention to increase R&D with similar financial value	PACEU (2009) evaluation of the DTI SMART award scheme.	2
Shorter R&D Collaboration	Ecorys (2010) evaluation of the Advantage West Midlands Innovation Voucher Scheme.	0.8
Business mentoring	SQW (2010) evaluation of 2 NESTA funded business mentoring schemes.	0.1-0.9



- 5.38 On the basis that we prudently assume only 10% of beneficiary companies realise employment growth as a result of intervention, and those achieving growth do so close to the mean of the employment growth exhibited by the selected benchmark interventions (and their evaluated employment impact). Therefore we have assumed an average of 2.7 additional employees for businesses that achieve employment growth.
- 5.39 In addition to the employment created during the initial period 2019-21, to give an indication of the likely scale of longer term economic impacts that could be achieved, we have also used the same evaluative benchmarks (over a 15 year reference period) to estimate total project impact on job creation (to 2033). This assumes that each year an additional 50 SMEs receive research and innovation support over this period (2022-2033).

Element	Option 0	Option 1	Option 2	Option 3	Option 4
Additional Jobs created (2021)	-	80	80	35	16
Additional Jobs created (2033)	-	240	240	115	60

### 5.34 Gross Value Added

- 5.35 Applying the Stoke on Trent & Staffordshire average GVA per FTE job (£54,800) we estimate that the overall likely scale of GVA impact by 2021 as a result of an additional 80 jobs created will be £4.4m p.a.
- 5.36 Assuming that the benefits persist for 5 years, the cumulative GVA impact of the project by 2033, would be more than £50m for Option 1 and 2. A return on investment of close to £3 for every £1 invested in the preferred option.

Element	Option 0	Option 1	Option 2	Option 3	Option 4
Additional GVA created (2021)	-	£4.4m	£4.4m	£1.9m	£0.9m
Cumulative GVA created (by 2033)	-	£58.5m	£37.3m	£17.8m	£10.4m

### 5.37 Cost-Benefits Analysis of the Shortlisted Options

Element	Option 0: Do minimum	Option 1 (J)	Option 2 (K)	Option 3 (I)	Option 4 (H)
Option outline	No new building or refurbishment or research and innovation support	Single Building (IC6, Hub and KMS) research and innovation support	Single Building (Large IC6 - twice the size, Hub and KMS) research and innovation support	Single Building (IC6 and Hub) research and innovation support	Single Building (IC6 only) research and innovation support
Estimated capital costs	£-	£17.5m	£22.2m	£11.7m	£4.7m
Capital cost assumptions	n/a	RIBA Stage 2 costs	As for 1 with 100% increase in IC6	As for one, less 33% (costs for KMS)	IC6 costs (27% total)
ERDF Eligible capital £	n/a	£11.2m	£15.9m	£11.7m	£4.7m
ERDF Eligible revenue £	n/a	£4.9m	£4.9m	£4.9m	£4.9m
Total ERDF £ (estimate)	n/a	£9.7m	£12.5m	£9.6m	£5.7m
Total SMEs supported	0-	300	300	130	60
<i>ERDF £/SME (2021)</i>	0-	<i>£32,000</i>	<i>£42,000</i>	<i>£73,846</i>	<i>£95,000</i>
+/- (benchmark cost) <sup>1</sup>	n/a	At benchmark	30% above benchmark	230% above benchmark	300% above benchmark
Jobs created to 2021	-	80	80	35	16
<i>ERDF £/Job created (2021)</i>	<i>n/a</i>	<i>£121,000</i>	<i>£156,000</i>	<i>£274,000</i>	<i>£356,000</i>
Jobs created to 2033	-	240	240	115	60
ERDF £/Job created (2033)	n/a	£40,000	£52,000	£83,000	£95,000

NB The above analysis has been completed on the basis of the economic deliverables for the ERDF application.

<sup>1</sup> Regeneris (2013) England ERDF Programme 2014-20: Output Unit Costs and Definitions.

### 5.38 Appraisal Summary

- 5.39 Option 1 (J - the preferred option) provides the best benefit to cost ratio in terms of both SMEs assisted and estimated jobs created. The cost per job (in terms of ERDF) provides a value equivalent to the average cost per SME assisted in the last operational programme.
- 5.40 Option 2 provides the same level of economic output to option 1, on the basis that the level of demand required from businesses and pre-starts receptive to innovation-led growth is unlikely to be realised. The resultant increased costs of a larger Innovation Centre 6 facility, increase the cost per SME and job to over 100% of that provided for by option 1 (and 122% above the average unit cost per company supported in the last operational programme).
- 5.41 Options 3 and 4 (K and I) demonstrate the significant impact of not realising capital investment in either the collaborative university-business space (and the ability to deliver the full RISP programme) and the loss of support from Keele Management School in the delivery of both the ILP and RISP programmes – and the resulting reduction in the number of SMEs supported and the consequent employment impacts.
- 5.42 Option 4 (H) highlights the limited impact of the research and innovation support programmes, without the presence of a university-business collaborative facility and facilities for the Keele Management School.
- 5.43 While the costs relating to activities within the Keele Management School considered as ineligible for funding support from ERDF, the options appraisal demonstrates how the presence of these facilities (and their use in the delivery of the programmes of research and innovation support) deliver significant benefit (relative to the overall ERDF investment costs).

## 6. Strategic Case

### Need, Market Failure and Demand

#### The national and EU landscape: SME markets failure to innovate

- 6.1 The project aims to redress specific barriers to research and innovation activities in SMEs and how this underpins business growth and productivity. The contributors to these market failures are well understood, and include externalities (the benefits of investing in innovation being accrued elsewhere), information asymmetries (e.g. lack of awareness of technologies or market potential), institutional deficiencies (e.g. ineffective governance or organisational arrangements), and co-ordination failures (the lack of appropriate mechanisms for collecting, sharing and analysing information<sup>2</sup>.
- 6.2 R&D is broadly defined as any planned activity aimed at seeking new knowledge, whether this addresses natural or human dominated concerns for the business, or the interface between them, and can encompass the natural world, technology, human behaviour or organisational themes (i) Innovation is defined as the implementation of a new or significantly improved product, process, marketing or in-businesses practices, workplace organisation or external relations<sup>3</sup>.
- 6.3 Analysis commissioned by the European Commission points to clear evidence of a positive correlation between private sector research and development (R&D) intensity and multi-factor growth<sup>4</sup>. The research also identifies a correlation between R&D intensity and technology success in global competition.
- 6.4 In the UK as a whole there is strong evidence of market failure in investing in R&D. Although spending on R&D increased by 37% between 1995 and 2011, UK business spending on R&D is concentrated in a small number of larger companies, and UK spending on R&D relative to Gross Domestic Product is ranked around the middle compared to other countries in the OECD area<sup>5</sup>. The UK is one of four EU states where business R&D activity is disproportionately low compared to research excellence, the others being Switzerland, the Netherlands and Denmark<sup>4</sup>.
- 6.5 UK business R&D activity is also concentrated in particular regions, with the West Midlands ranked 5th out of 12 Regions in the UK. A recently published sub-national index placed Shropshire and Staffordshire 18th out of 37 areas on R&D and technology<sup>5</sup>.

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<sup>2</sup> BIS (2013) Analysis Paper no. 2: SMEs: The key enablers of business success and the economic rationale for intervention.

<sup>3</sup> OECD (2005) Oslo Manual : Guidelines for collecting and interpreting innovation data.

<sup>4</sup> European Commission (2013) European Union Competitiveness Report.

<sup>5</sup> National Audit Office (2013) Research and Development Funding for Science and Technology in the UK.

- 6.6 Only 18% of SMEs achieved product innovation in the UK in the three years to 2012, of which only 44% involved new to market products. Only 10% achieved process innovation, of which only 23% are new to industry. Although the proportion of SMEs engaged in innovation activities increased from 37% to 45% in the period from the previous survey, the gap in performance relative to larger businesses widened.
- 6.7 A number of studies have cited the importance of human capital in the firm to generate demand for research and innovation in the business sector<sup>6</sup> as well as supplying the skills to deliver it. Strong evidence exists that graduates and post-graduates play a particularly important role in using their problem-solving skills to improve productivity, increase the demand for innovation and encourage its exploitation and diffusion. The lack of human capital to manage relationships is also the most commonly cited constraint on business in interacting with HEIs<sup>7</sup>.
- 6.8 A second factor identified in the literature, is information asymmetries. Information sources around research and innovation for UK companies are very limited. Whereas 50% make use of information from within their firm, only 2% make use of information from HEIs<sup>6</sup> effectively cutting out an important dimension of any local innovation ecosystem – HEIs being able to contribute technical, scientific and organisational expertise (eg through Management Schools) as well as the human capital of graduates.

## Barriers

- 6.9 The main limiting factor considered critical to successful university-business partnerships is the absorptive capacity of SMEs. This is the ability of an SME to assimilate and manage knowledge in order to improve innovation performance and competitive advantage. It is commonly contended that greater absorptive capacity results in higher levels of intra-firm and inter-firm knowledge spill-overs, where the latter also includes the transmission of knowledge between firms and other institutions such as universities and public research institutes. In a 2008 DIUS Report 'Absorptive capacity and regional patterns of innovation', the authors recognised that a firm's ability to assimilate and exploit external knowledge relies not only on R&D expenditures but also on prior knowledge embodied in human capital and individual skills. This observation has been critical in establishing the particular approach proposed by the project.
- 6.10 Similar barriers to effective collaboration can also be seen in universities. In its 2009 report 'Knowledge Exchange Between Academic and the Business, Public and third Sectors' the UK Innovation Research Centre reported the results of a piece of research to understand the emerging models and barriers to effective collaboration with business and other external organisations. In considering the main barriers to effective relationships, academic institutions cited both the availability of time and lack of recognition in academic reward structures as two significant barriers to effective collaboration. A number of schemes to encourage greater levels of collaboration between universities and SMEs focus on the

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<sup>6</sup> BIS (2014) First findings from the UK Innovation Survey 2014.

<sup>7</sup> Kitson, M and Hughes, Alan (2013) Connecting with the Ivory Tower: Business Perspectives on Knowledge Exchange in the UK, UK Innovation Research Centre.



provision of financial resources to undertake collaborative research and have not considered the ability to use these resources in a way which is compatible with the absorptive capacity of both the SME and university partner.

- 6.11 The project is directly informed by the former Council for Industry and Higher Education (CIHE), now the National Centre for Universities & Business (NCUB), publication *Absorbing Research: the role of university research in business and market innovation*, (May 2010). The NCUB is one of the delivery bodies for the smart specialisation hub, which will be launched in 2016. The report details the finding of a study across a range of sectors and reveals a range of inhibitors in the contribution that university research makes to company innovation. These range from high transaction costs, the lack of speed in the responsiveness of universities, to the lack of capability within firms to absorb, embed and use the research. These issues were emphasised by companies with short innovation cycles, and by SMEs that are often without dedicated R&D capability. For small firms, managing the innovation process was seen to compete for time with managing the business. For those less experienced in working with universities, the transactions costs involved were perceived to outweigh the possible benefits. In addressing these limiting factors the research emphasised the performance of the “gatekeeping” role by boundary spanning academics in liaising with company “gatekeepers” to work collaboratively to overcome these issues. By “gatekeepers” the report described these roles as individuals who are embedded in academic or business environments and act as ‘intermediators of contacts and knowledge’, understanding the university and business ‘life-worlds’, maintaining informal ties with researchers and translating the results from research in ways that has meaning and is disseminated throughout their organisations. The research teams proposed by the project (which includes members of academic staff) will provide these essential ‘boundary spanning’ roles the report cites as key to realising university-business partnerships, particularly in SMEs.
- 6.12 The research findings of the report highlighted the importance of absorptive capacity in companies as a key requirement for working with universities to achieve successful market innovation. Company engagement is clearly affected by their propensity and capability to engage and to absorb, to translate and exploit knowledge. The case studies forming the basis to the research found that the practice of collaboration itself, even informal knowledge exchange, increased the ability and propensity of companies to continue collaborating with universities. The report concluded that companies require dedicated capacity to understand and value how academic knowledge could benefit them and highlighted the criticality of people who can visit and operate in the world and language of academia and can see the potential from working on equal terms and not solely in a formal contractual relationship with academics. These observations have informed the design of the project, particularly with respect to delivering the overall objective of Priority 1 to increase levels of R&D expenditure by SMEs. By providing the ‘first taste’ experience for SMEs locally, we aim to encourage longer term investment in R&I, both locally, and nationally, including engagement with national initiatives such as Catapult Centres.

6.13 Whilst there is increasing evidence of the value of *open innovation* (OI) to small and medium-sized enterprises, the population of firms and in particular small firms undertaking innovation remains very small, and the degree of openness remains well below optimal level.<sup>8</sup> Three areas of market failure have been identified in recent studies.<sup>9</sup> Firstly a lack of understanding about the benefits of open innovation, secondly the lack of info about potential partners in open innovation (with consequent search costs for SMEs), and thirdly difficulties Ext Ante of assessing the motives and trustworthiness of potential partners. These provide the rationale for public intervention to encourage firms to invest in open innovation.

### Local Failures

6.14 The project aims to address the low levels of R&D and innovation investment by SMEs in the Stoke on Trent & Staffordshire area.

6.15 R&D investment intensity in the UK remains below other leading knowledge-based countries and by some estimates may be sub-optimal for a developed country. This has been comprehensively mapped by the former Department for Business Innovation & Skills in 2012. The report identifies that the local area exhibits the lowest level of innovation expenditure relative to turnover of any LEP in England. In addition with only 6.5% of turnover in companies being generated by innovative goods and services, against a national range of 3.8-18.9 %, the LEP ranks 33rd out of 39 LEP areas. This is mirrored by the low levels of business expenditure in R&D (BERD) at £155m per annum (within a national range of £19m to £1,332m), with a low % share of national BERD relative to % share of FTE employment nationally; and BERD of £422 per FTE (within a national range of £114 to £3,063). This places the LEP area 31st out of 39 LEP areas in terms of the total amount of Innovate UK funding received by organisations in a LEP area. This reflects the static levels of patenting locally, and the low levels of income/academic FTE from collaborative activities between universities with business (£14,841) within a range of £0 to £41,487 across England. Less than 10% of total companies in the local area were reported as innovation active in 2012 (placing the LEP 36th out of 39 LEP areas).

6.16 The above levels of lagging performance are most readily visible in the rate of new business creation, this a net business birth and death rate of -0.2% in 2012, placing the LEP area 26th out of 39 LEPs for business growth, with a hourly GVA of £23.92 per FTE in 2012, 38th out of 39 LEP areas.

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<sup>8</sup> Vahter et al (2014) 'Openness and Innovation performance: are small firms different?' in Industry and Innovation 2014

<sup>9</sup> Hewitt-Dundas, N and Roper, S (2017) 'Exploring market failure in open innovation' International Small Business Journal

## Local Evidenced Demand

- 6.17 A separate study undertook a market demand assessment for the project (available upon request). This was undertaken as part of the work to establish the initial number of options for the project in earlier planning stages before preparation of this full business case. Here we present salient conclusions from that report.
- 6.18 The perception amongst the economic development officers and property advisors locally is that the office needs of start-ups and small growing businesses are not entirely being met due to a lack of high quality flexible offices with easy-in easy-out terms. The existing managed workspace schemes that do exist locally are proving very popular with few available units, suggesting high demand levels.
- 6.19 There is a perception that the local LEP area is currently losing out to Birmingham and Manchester as a preferred location for graduates, entrepreneurs and start-ups. Having an incubation facility in the area will help to retain graduate led start-ups in particular, as well as nurturing innovative and high value business ideas.
- 6.20 The lack of incubation facilities in the area at the moment could mean latent demand for innovative start-up space. The nature of the project presents an opportunity to tap into this, especially with the accompanying research and innovation support services offered by Keele University
- 6.21 Messages from consultations suggest there is strong demand for incubation and grow-on space, although some of this is latent demand given the limited supply of this type of space currently. It is seen as an important part of the offer to innovative start-ups, if it is to succeed in driving innovation and start-up performance locally.
- 6.22 University-based incubation facilities are not currently available within the LEP area, and there is a danger that start-ups, especially graduate entrepreneurs, leave the area for the cities such as Birmingham or Manchester which can offer better facilities and networking opportunities. While it is likely there are other contributing push and pull factors affecting decisions to relocate (such as housing, cultural amenities and infrastructure for example), an incubator can play a role in retaining start-ups, particularly graduate entrepreneurs. The study concludes that the University is ideally placed to promote this interaction and integration between workspace and the related research and innovation support that is vital to successful incubation.
- 6.23 Demand evidence is also linked to low levels of high quality flexible office provision suitable for start-ups and initial growth businesses. The existing facilities that do offer new or refurbished office spaces with flexible terms and all-inclusive services tend to be popular, with low vacancy rates. The demand is particularly high for small offices able to accommodate around two people. This

is an important consideration for the proposed facility and the incubation space element with two-person offices.

- 6.24 Overall, the assessment suggests there is fairly strong demand for the incubation and grow-on space, although part of this demand is latent and difficult to directly observe. As such facilities are not on offer at the moment, it is difficult to accurately predict how responsive the local business base will be to such provision. But where managed workspace is available it has proved very popular with start-ups and SMEs.
- 6.25 The Smart Innovation Hub is a distinct offer which needs to be marketed effectively. It is important to emphasise how distinct the Smart Innovation Hub property offer is compared to other workspace supplied in the area. It should be promoted as a package of services which workspace is a part of. Accessing the services is a crucial element of the proposed incubator, which sets it apart from any other workspace provided in SSLEP at the moment.
- 6.26 The nature of the proposed Smart Innovation Hub means the University needs to be selective in its letting policy, which will help to ensure the benefits are maximised. The assessment suggests that there should be sufficient demand from suitable start-ups to do this, but it will need to be further market tested once the facility is up and running (and refined if necessary).
- 6.27 From a simple analysis of the business base in the Stoke on Trent and Staffordshire LEP area shows there are 11,800 businesses with a high propensity to engage with the University and those revenue activities associated with the project and a further 14,300 businesses categorised as having medium propensity to engage.

## Strategic Context

### Keele University

#### The University's Research Profile

- 6.28 Founded in 1949, the University of Keele is based in the heart of the UK, in Staffordshire. It is the UK's largest campus university, set in 600 acres, hosting 12,000 people and 2.2 million square feet of built environment. As such, it contains a range of uses, including academic, business, commercial, retail, leisure and residential.
- 6.29 Keele is a research led institution with 97% of research deemed world-leading or of international importance<sup>10</sup>.
- 6.30 Keele's REF2014<sup>8</sup> performance confirmed its status as a research-led university: 97% of its research was at least 2\*, with 71% 3\* and 4\*, with world leading research in all 17 units of assessments submitted across all three Faculties: Medicine & Health Sciences, Natural Sciences and Humanities & Social Sciences. The University submitted 60% of staff.
- 6.31 Keele's external research income has more than doubled in the last 8 years, with 10% year on year increases, and research student numbers have increased by more than 70% over a shorter period of time, significantly enhancing the research culture and environment. Keele is part of four RCUK Doctoral Training Centres (AHRC, ESRC, EPSRC, NERC), as well as having an STFC Consolidated Grant in Astrophysics which funds both PDRAs and PhD students, leads a Wellcome Trust Clinical Doctoral Centre for Primary Care, and has recently obtained EU funding to establish a new University-SME collaborative research and innovation centre associated with its new Smart Energy Network Demonstrator (SEND).
- 6.32 The Faculty of Medicine and Health Sciences has three focused research institutes; Primary Care and Health Sciences (IPHS), Institute of Science and Technology in Medicine (ISTM) and Institute for Applied Clinical Science (IACS), each undertaking internationally-leading research. The IPHS hosts the Arthritis Research UK Primary Care Centre of Excellence and is one of nine universities in the NIHR School of Primary Care Research, and undertakes world-leading research on musculoskeletal pain and stratified care, osteoarthritis and inflammatory conditions. The institute's research was ranked 3rd nationally in REF 2014, and equal first for impact, with four 4\* case studies. In recent years it has diversified to develop research expertise in mental health, including mental health in international contexts. The Institute is developing exciting interdisciplinary research in the field of Global Health, with a distinctive, world-leading focus on primary care. Keele leads the Wellcome Trust Clinical Doctoral Centre for primary care physicians, in collaboration with Cambridge, Oxford and Southampton.

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<sup>10</sup> 2014 Research Excellence Framework



- 6.33 ISTM and IACS carry out internationally-leading research in biomedical engineering, regenerative medicine, therapeutics, imaging and diagnostics, healthcare technologies, kidney failure and stroke research, supported by significant MRC, EPSRC, BBSRC, EU, NIHR and charity funding. ISTM, in partnership with Loughborough and Nottingham, hosts an EPSRC collaborative doctoral training centre for Regenerative Medicine, as well as two EU initial training networks, and is a partner with Cambridge, Aberdeen, Newcastle and York in the Arthritis Research UK Tissue Engineering Centre.
- 6.34 The Faculty of Natural Sciences at Keele University has strengths across all areas including applied entomology and parasitology, neuroscience, structural biology and biophysics, materials chemistry and sustainable technology, smart energy, geoscience and environmental science, astrophysics, applied and engineering mathematics, data analytics and intelligent systems, software engineering, social geography and health, social and cognitive psychology.
- 6.35 The Keele Astrophysics Research Group holds a large STFC Consolidated grant, STFC funded PhD students, two STFC and an ERC Fellowship and several other significant STFC and EU grants, colleagues in geoscience are part of NERC's Oil and Gas CDT, whilst colleagues in Life sciences have recently secured several major funding successes through EU, BBSRC and RCUK's Global Challenge Fund. The Faculty is also providing the academic leadership for the collaborative research, development and innovation programme associated with the new £15m EU and UK government funded Smart Energy Network Demonstrator (SEND).
- 6.36 The Faculty of Humanities and Social Sciences has particular research strengths in Social Policy, Law, Politics and International Studies, and across the Humanities, with research funding from ESRC, AHRC, Leverhulme and the Police Knowledge Fund. Keele is a full partner in both the AHRC and ESRC North West Consortia Doctoral Training Partnership. An ambitious new research institute for Social Inclusion, bringing together colleagues from across the Faculty, will shortly be launched. The Faculty also hosts the Community Animation and Social Innovation Centre, which delivers innovative research and impact through knowledge co-creation and community engagement, the Keele Centre for Ageing Research, building on Keele's long expertise in social gerontology and, with Natural Sciences, the Keele Policing Academic Collaboration, a new initiative which brings together one of the UK's most significant academic policing research collaborations with regional, national and international policing partners.

### **The Role of Keele University Locally**

- 6.37 REF2014<sup>8</sup>, established Keele University, as Stoke on Trent and Staffordshire's 'research-led' university. The assessment identified Keele University as responsible locally for:
- 87% of research rated as internationally-leading or world-leading
  - 91% of funding allocated in response to this assessment
  - 90% of the external research income from the public and private sector
  - 80% of the areas research staff submitted for assessment

- 6.38 The assessment was the first to specifically assess the wider societal, cultural and economic impact of the research carried out by universities and reward this financially, resulting in Keele University receiving 86% of those funds awarded locally. This award, formed part of a wider substantial increase in research funding from government to support its future research programmes as a result of the assessment exercise, with Keele University receiving the third largest increase in funding amongst traditional research-intensive/led universities in the UK.
- 6.39 The University has ambitious plans to deliver local growth and maximise its position as an economic anchor in the area. To deliver the scale of ambition planned, the University is working pro-actively with local partners and stakeholders to deliver a number of transformational projects (including the project presented here). This forms the core of a programme of proposed and co-ordinated investment by the University in partnership with the Stoke-on-Trent and Staffordshire Local Enterprise Partnership, Staffordshire County Council, Stoke on Trent City Council, The University Hospitals of the North Midlands and Newcastle Under Lyme Borough Council. This partnership is known as the **New Keele Deal**.

### **The New Keele Deal**

- 6.40 The New Keele Deal is a plan for £70 million of investment to be secured jointly by Keele University, Staffordshire County Council, Stoke-on-Trent City Council, Newcastle-under-Lyme Borough Council, University Hospitals of North Midlands NHS Trust and the Stoke-on-Trent and Staffordshire Local Enterprise Partnership to exploit the potential of Keele University's world-leading research and facilities.
- 6.41 Through the New Keele Deal, this investment will help to tackle low productivity and grow a positive culture of innovation and research within the region, delivering a significant number of higher value jobs for the next 20 years, improve local health and healthcare, and inject innovation into the heart of the local business community to allow them to be more globally competitive.
- 6.42 To guide this ambitious plan the partners have identified 8 key delivery priorities: (1) Enhanced business access to the skills and resources at Keele University; (2) Interventions to increase the capacity of the regional business base to lead innovation led growth; (3) the use of the campus to demonstrate at scale smart energy network technology deployment to stimulate a new UK supply-chain; (4) a new industry-NHS-university partnership to deliver innovation in health and social care; (5) a programme to harness the global reach of Keele University; (6) establishment as a strategic site in the Northern Gateway Development Zone; (7) Higher level skills provision for priority local sectors; and (8) a spatial masterplan for the University campus and local area to support it.

6.43 In the last 12 months the partnership have secured over £17m of collective investment. Future investment of up to an additional £12m includes proposed investment in the project forming the basis of this business plan.

6.44 Initial estimates of the economic impact of this programme include:

- £150m in GVA by 2023, rising to £215m by 2036;
- (Over 700 new jobs by 2023 across Stoke-on-Trent and Staffordshire; and
- A return on investment of £70m of 2:1 by 2023, rising to >3:1 by 2036.

### **Keele University Science & Innovation Park**

6.45 Established for over 30 years, the Park has been home to over 60 companies and has provided over 1,200 high-value jobs to the local economy, with one-third of all companies a result of foreign direct investment. Now in University ownership, the Park is home to five Innovation Centres, two high-tech manufacturing facilities (for Alliance Medical Radiopharmacy Ltd and Cobra Biologics Ltd) and a small Incubation Centre the Nova Centre (with eight desk spaces).

6.46 The Park currently provides around 150,000 square feet of commercial mixed-use accommodation for inwardly-investing businesses, alongside road and site infrastructure for a further 70 acres of future development, as one of six key strategic investment sites prioritised by the Stoke on Trent & Staffordshire Local Enterprise Partnership. This makes it one of the largest Science Parks of its kind in the Midlands Engine area and a key investment focus for the Constellation Partnership (formally the Northern Gateway Development Zone).

6.47 The new development site is home to the fifth Innovation Centre and will be the new location for Caudwell Children's Centre for Childhood Disability. The Park is home to international, national and local brands including Siemens, Navman Wireless, Cobra Biologics, Alliance Medical, Adecco, Biocomposites, Dermal Technology Ltd, Uniting Ambition and Internet Central and is home to Stoke-on-Trent and Staffordshire's Medical Technology Sector, one of seven key sectors targeted for growth by the LEP.

### **6.48 A World-Leading Site for at Scale Smart Energy Network Demonstration**

6.49 Enabled by £15m of the University's own and government investment (via BEIS and ERDF), the Keele Smart Energy Network Demonstrator (SEND) will be a world class facility for smart energy research, development and innovation (RD&I), enabling businesses to develop, test and evaluate new energy technologies, and allied services, on a smart energy network demonstration system, in order to assess their efficiencies in terms of system integration, energy reduction, cost and greenhouse gas emissions. The investment will fund: capital equipment, facilities and plant to convert an existing energy supply network into a smart energy network demonstrator facility; a supply chain development programme for smart energy technologies and services; and a collaborative research, development and innovation product development

programme with eligible companies and universities to support the development and commercialisation of new SMART energy products and services using the SEND facility. This collaborative centre with industry will be strengthened by the establishment of a new collaborative research and development centre with local industry.

### **Sector Leading Educational Experience**

- 6.50 Keele University also has a well-established track record as a leading university in the area of student experience. The University has been first in the National Students Survey for an unprecedented three years running, 2014, 2015 and 2016; The Times and Sunday Times Good University Guide 2017 awarded Keele the title University of the Year for Student Experience; In the HESA Destination of Leavers Survey 2016 the University was 1st with 97.5% employability; The Guardian League table 2017 positioned Keele 1st for Student Satisfaction and most recently Keele achieved a top 10 position in the Times Higher Education Student Experience Survey 2017, for the second year running.
- 6.51 The University's Faculty of Medicine and Health Sciences is a major cornerstone of the University's education success by developing excellent clinicians in Medicine, Nursing & Midwifery, Pharmacy, and Physiotherapy & Rehabilitation. In national subject rankings for teaching, all four schools are in the top 10 of every league table. Employment within 6 months of graduation from the faculty is 100%.

### **Wider Strategic Context**

#### **Delivery of National priorities: The proposed Industrial Strategy**

- 6.52 The UK Government, prior to the dissolution of Parliament in May 2017, published a Green Paper on 'building our industrial strategy' in January 2017. While the outcome of the 2017 General Election in June 2017 will determine the future of this Green paper, its priorities and proposed policy emphasis, provide a useful rubric against which to assess the project in terms of delivery of national and sub-national priorities.
- 6.53 Pillar 1 of the strategy identifies the central role of investment in science, research and innovation Investing in science, research and innovation, and specifically recognises that such investment is 'not just about a few people in labs making breakthroughs, but about adopting new and more productive ways of working. To become a more innovative'.
- 6.54 The strategy recognises that historically, the UK has not been as successful at commercialisation and development as it has been at basic research, often being slower than competitors to take up and deploy existing technologies. UK competitors are seen to grow their investment in research and development more successful than in the UK, with investment of 1.7 percent of GDP in private and public funds on research and development, below the OECD average of 2.4 per cent and substantially below the leading backers of innovation such as South Korea, Israel, Japan, Sweden, Finland and Denmark which contribute over 3 per cent of their GDP to this.

- 6.55 The Green paper also recognises the significant regional disparities in how the public sector and companies spend money on research and innovation, with UK public R&D funding heavily focused on the 'golden triangle' of Oxford, Cambridge and London. The pillar therefore provides the strong national and sub-national policy context for investment in the project, by stating the the proposed policy commitment to 'continuing to unleash the excellence of institutions, we need to build on the excellence in research and innovation that exists in other parts of the country too, and ensure that capital, institutional influence and government attention is targeted there effectively'.
- 6.56 In confirming investment in an additional £4.7 billion by 2020-21 in R&D funding, and consulting on how to invest this funding, including investment in local science and innovation strengths, and increased support for commercialisation, the paper also provides reassurance on the technology focus of the proposed project, with respect to proposed themes of the Industrial Strategy Challenge Fund on: smart and clean energy and leading edge healthcare and medicine.
- 6.57 Pillar 2 recognises the central role of skills and the development of the skills and competencies needed to drive a more productive economy, consistent with the research and innovation support programmes the project proposes to deliver from new facilities, particularly with respect to policy commitments to help more people retrain in new skills, and in doing so renew communities affected by economic
- 6.58 Pillar 3 outlines the need to continue to invest and upgrade our infrastructure. This being reflected through the allocation of Growth Deal Funding (Round 3) forming this Business Case.
- 6.59 Pillar 4 focuses specifically on the objective of the project in supporting businesses to start and grow. The paper recognises the regional disparity in growth rates and a policy commitment to ensuring that firms across the whole country can get the finance they need to grow. The paper recognises that while the UK ranks third for start-ups, it places drops to 13th for the number of businesses that successfully scale up according to OECD research.
- 6.60 Pillar 5 of the paper provides an important 'open innovation driver' to the proposed programmes of research and innovation support in the project. The research and innovation support programmes will frame innovation opportunities in the context of the total public sector spend of £268 billion per year, to encourage innovation, competition, and investment by local SMEs. In doing so they will build on high profile examples such as the Defence Advanced Research Projects Agency (DARPA), and Small Business Innovation Research programmes (SBRI), driving innovation and the creation of new technology businesses.
- 6.61 Pillar 6 in encouraging trade and inward investment and specifically how the promotion of inward investment links up with local areas, where there are sectors in the UK which could benefit from specific support and more strategic approach to targeting inward investment. With more than 30% of the companies on the Keele University Science & Innovation Park in foreign ownership, a University



with a global brand and reach (and increasing presence in SE Asia) this pillar provides an important policy focus for the project in enabling the delivery of its objectives at a local level.

- 6.62 Pillar 7 underpins one of the established technology foci for the project on delivering affordable energy and clean growth. The Smart Energy Network Demonstrator (see above) will enable the project to provide unrivalled access to the key area of local comparative advantage and enable Government to meet the stated policy objective of ensuring we secure the economic benefits of the transition to a low-carbon and resource-efficient economy by making sure next generation technologies are created and harnessed in the United Kingdom.
- 6.63 Pillar 8 validates the proposed projects of aligning to key priority sectors, including those establishing as targets for investment by the Industrial Challenge Fund forming part of pillar 1 (see above). The potential for a 'Sector Deal' focusing specifically on the Ceramics sector locally, also offers an important policy objective for which the project is considered to an way to be able to support the creation and growth of new businesses harnessing on technical ceramics technology which has underpinned the growth and development of companies on the Science Park site, including Biocomposites Ltd.
- 6.64 Pillar 9 provides the policy priority to rebalancing the economy across the UK and enabling local areas to invest in local infrastructure– and the overall driving rationale for the project, including secured investment from the Local Growth fund. Pillar 9 confirms the need to enable infrastructure decisions to be matched more effectively with local economic plans, tackle historic underinvestment and; in doing so, consider local interventions including, new schemes to support the retention and attraction of graduates and use of the additional R&D investment set out in pillar 1 to back world-class research and innovation, supporting local economies. New funding streams, such as the Industrial Strategy Challenge Fund, would also Government to invest in the innovation strengths of different areas, including those proposed in the project, and including a policy priority to enable investment in universities to achieve this, including the expansion of existing funding streams to supporting universities' commercialisation activity to allow them to do more for their local economy and support more local small businesses.

### **Delivery of Local Priorities: The Stoke-on-Trent and Staffordshire Local Economic Plan**

- 6.65 The Local Economic strategy identifies the economic performance of Stoke on Trent and Staffordshire and outlines the key priorities and targets to deliver increased productivity and growth to 2020. The strategy specifically informs the LEPs priorities for investment from a range of public funds, including Local Growth Funds and the European Structural and Investment Fund (ESIF) programme. A separate strategy to inform ESIF investment is informed by the local economic plan. This strategy includes a specific commitment to consider investment in the project forming the basis of this business case.

- 6.66 The LEP have allocated €25.9m towards the innovation priority of the ESIF programme and a commitment to adhere to a number of EU and national priorities including Smart Specialisation Strategy in term of the requirement for investment to focus innovation investment on research and innovation themes where there are competitive advantages in terms of local sector assets and knowledge base assets.
- 6.67 The local economic strategy and ESIF strategy recognises the value and opportunity to exploit the existing high profile businesses undertaking innovative and research based activities such as JCB and Zyttec/Continental, the presence of three strong research institutions, including Keele University and the potential to build on these assets as the basis for knowledge based networking and collaboration.
- 6.68 The local strategies acknowledge: the evidence of low levels of innovation within the overall business base; limitations in the current support offers for SMEs wishing to partake in innovative activities and networks; challenges relating to the supply of higher level skills from the local labour market which can constrain growth; and most specifically (with respect to the project) the lack of dedicated innovation infrastructure within the area.
- 6.69 The local strategies, and specifically the ESIF strategy (revised in 2016) identifies the strategic investment priority to ensure appropriate facilities are in place (and exploited) to increase R&D and innovation activity, and hence maximise high value potential in key sectors such as advanced materials and low energy technology and the need to bring forward investment in sector based innovation hubs.

## 7. Commercial Case

### 7.1 Procurement Strategy

7.2 Keele University is classified as a Contracting Authority under the Public Contracts Regulations and with co-investment from ERDF acknowledges the prominence to be placed on procurement. The purchase of goods, works and services in ERDF co-funded projects is subject to rigorous audits to confirm that the selection processes comply with: (i) Public Procurement Law and; (ii) the Treaty Principles.

7.3 For this project Keele has developed a procurement strategy so that it has fully considered and planned how it will be able to demonstrate compliance with Public Procurement Law and the Treaty Principles in selecting the suppliers of goods, works or services part funded through the project. This plan includes:

- Consideration of the range of procurement methods and the degree to which early consultation with the supply side is required
- How the principles of open and fair competition and non-discrimination will be applied to the procurement(s) irrespective of value and to take account of design specification in a generic form
- How compliance with the Treaty Principles of: (i) equal treatment, (ii) transparency, (iii) non-discrimination, (iv) mutual recognition, and (v) proportionality when purchasing goods, works or services which are part funded by ERDF will be demonstrated
- The six stages of the procurement(s): (i) Preparation and planning, (ii) Invitation to bid, (iii) Submission and selection of bids, (iv) Evaluation of bids, (v) Awarding the contract, (vi) Contract implementation
- The timescales for each stage of the process for each procurement
- Identification of the person who will be responsible for the day to day delivery of the procurement
- Identification of the person who will be responsible for carrying out gateway checks at the end of each stage of the procurement.

7.4 Advertising contract opportunities to the market will be achieved as follows:

- Contracts above the thresholds set out in the Public Contracts Regulations 2015 will be advertised in the Official Journal of the European Union and additionally on contracts finder and Keele's website.
- Contracts above £25,000 for Sub-Central Contracting Authorities but below the thresholds will be advertised in accordance with Part 4 of the Public Contracts Regulations 2015.

7.5 One of the most significant components of the procurement plan has been the consideration of the choice of procurement method, for which four award procedures are provided for in the Regulations:

1. The **open procedure** under which all those interested may respond to the OJEU advertisement in by tendering for the contract;
2. The **restricted procedure** under which a selection is made of those who respond to the advertisement and only they are invited to submit a tender for the contract.
3. The **competitive dialogue procedure** through which following an OJEU contract notice and a selection process, the university would then enter into a dialogue with potential bidders to develop one or more suitable solutions for its requirements and on which chosen bidders would be invited to tender;
4. The **negotiated procedure** under which the university may select one or more potential bidders with whom to negotiate the terms of the contract.

7.6 All tenders will be evaluated in an open transparent and non-discriminatory manner with the assessment of the Award Criteria made on the basis of either: (i) lowest price, or (ii) Most Economically Advantageous Tender (MEAT). Where the award will be made via the MEAT process, the criteria, sub-criteria and weightings to be applied will be disclosed in the OJEU notice or in the invitation to tender documents. The award criteria will be objective, relate to the subject matter of the contract, be proportionate and transparent.

## Procurement Management Plan

### Overview

- 7.7 The Procurement Management Plan sets the procurement framework for the project. It will serve as a guide for managing procurement throughout the life of the project. It identifies and defines the items to be procured, the contract approval process, and decision criteria, the importance of coordinating procurement activities, establishing firm contract deliverables, and ensuring consultation with all internal interested parties. Other items include: procurement risks and risk management considerations; how costs will be determined; how standard procurement documentation will be used; and procurement constraints.
- 7.8 The table overleaf lists the goods and services to be procured and that have been determined to be essential for project completion and success.
- 7.9 All items and services to be procured for this project will be solicited under firm-fixed price contracts, noting that the NEC form of contract will be used for the main works contract, which does allow for target pricing and compensation events. The project team will work with the procurement team to define the item types, quantities, services and required delivery dates.
- 7.10 Keele University is a public contracting authority, and as such the procurement route chosen will follow both the Public Contract Regulations 2015 and the ERDF procurement guidance for the ESIF 2014-2020 programme (ESIF-GN-1-001). Where any conflicting limits or rules are encountered between any University Regulations, Public Contract Regulations 2015 and the ERDF requirements, the most stringent rule will be adopted to ensure compliance to all regulation bodies.
- 7.11 Keele University uses the In-tend e-Tendering module which provides efficient and complete management of any sourcing exercise, regardless of size or complexity, the module will streamline the activity, push compliance to internal and external requirements and ensure procurement is as transparent and fair as possible.
- 7.12 The e-Tendering module is currently the number 1 choice of software for over two thirds of the UK University market sector, over 200 Further Education Colleges and implemented across a number of Local Government authorities, NHS Trusts and Housing Associations.

Total Value of the contract (Exc VAT)	Name of supplier	Description of works, supplies or services provided under the contract	Process used to select supplier e.g. OJEU	Method of advertising
Confidential - Information redacted		Works: Main works contract.	OJEU Full Works	OJEU, In Tend Portal & Keele Website
		Supplies: Furniture, fittings and equipment within Keele University Science and Innovation Park Smart Innovation Hub	OJEU Supplies	OJEU, In Tend Portal & Keele Website
		Services: Hub Design Team - Architectural Services	OJEU	OJEU, In Tend Portal & Keele Website
		Supplies: Information Technology for use within Keele University Science and Innovation Park Smart Innovation Hub	OJEU.	OJEU, In Tend Portal & Keele Website
		Services: Hub Design Team – Quantity Surveyor	OJEU	OJEU, In Tend Portal & Keele Website
		Clerk of works and aftercare professional services	Tender	In Tend Portal & Keele Website
		Services: Hub Design Team – Mechanical and Electrical Engineering	OJEU	OJEU, In Tend Portal & Keele Website
		Supplies: Audio Visual within Keele University Science and Innovation Park Smart Innovation Hub	Full tender process	In Tend Portal & Keele Website
		Services: Procurement of specialist advisors/innovation experts for delivery of Keele University Science and Innovation Park Smart Innovation Hub revenue programmes.	Full tender process	In Tend Portal & Keele Website
		Services: Hub Design Team – Structural and Civil Engineering	OJEU	OJEU, In Tend Portal & Keele Website
		Services: Procurement of marketing for delivery of Keele University Science and Innovation Park Smart Innovation Hub revenue programmes.	Full tender process	In Tend Portal & Keele Website
		Services: Procurement of equipment for direct delivery staff for delivery of Keele University Science and Innovation Park Smart Innovation Hub revenue programmes.	Full tender process	In Tend Portal & Keele Website
		Services: Procurement of evaluation for delivery of Keele University Science and Innovation Park Smart Innovation Hub revenue programmes.	Three Quotes/ Full tender process (TBC)	In Tend Portal & Keele Website



## Cost Determination

- 7.13 The expected cost of each procurement will be established by the project procurement team using a combination of experience, knowledge of the market place, recommended prices and/or specialist advice where necessary. The required procurement route will then be chosen in compliance with the Public Contract Regulations 2015 and the ERDF procurement guidance as previously mentioned.
- 7.14 Where it is conceivable that the value of any procurement may fall between two value limits, the more rigorous higher route will be taken. Additionally we may choose to adopt any higher level route than may be required for compliance for the value of procurement, if it is felt that a better price or quality may be gained by following the higher option. For example, a procurement with an estimated value of £23,000 may follow a formal tender route in the place of the minimum of 3 quotes from suppliers.

## Standard Procurement Documentation

- 7.15 The procurement management process consists of many steps as well as ongoing management of all procurement activities and contracts. In this dynamic and sensitive environment, our goal must be to simplify procurement management by all necessary means in order to facilitate successful completion of our contracts and project. To aid in simplifying these tasks, we will use standard documentation for all steps of the procurement management process. These standard documents have been developed and revised in an effort to continually improve procurement efforts. They provide adequate levels of detail which allows for easier comparison of proposals, more accurate pricing, more detailed responses, and more effective management of contracts and suppliers.

## Risk Transfer

- 7.16 Through the approach to risk management (as identified within the Management Case) the project team have considered how the service risks (design, build funding and operational) may be apportioned between the public and private sectors. The governing principle adopted has been that risk should be allocated to the party best able to manage it, subject to the relative cost. Therefore, the optimal allocation of risk, rather than the maximising of risk transfer has/is the prime objective in order that the optimal solution is reached.
- 7.17 The following table identifies the proposed allocation of risk between Keele and the contractor (private)/business users together with those risks that would be shared. As the project and its procurement strategy develops further the allocation of risk where shared will be developed further to illustrate the proportionate percentage of risk borne by separate parties.

## Proposed Risk Allocation

Risk Category	Proposed Allocation		
	Keele	Contractor	Shared
Design risk	Confidential - Information redacted		
Construction and development risk			
Transition and implementation risk			
Availability and performance risk			
Operating risk			
Variability of revenue risks			
Termination risks			
Control risks			
Residual value risks			
Financing risks			
Legislative risks			
Other project risks			

7.18 All procurement activities carry some potential for risk which must be managed to ensure: (i) project success; (ii) compliance; and (iii) value for money for the public purse. Specific risks which pertain specifically to procurement which must be considered are:

- Unrealistic schedule and cost expectations for suppliers
- Questionable past performance for suppliers
- Potential that final product/service does not meet required specifications
- Non-compliance to ESIF Procurement Rules

7.19 These risks are not all-inclusive and the standard risk management process of identifying, documenting, analysing, mitigating, and managing risks will be used in accordance with the institutional risk management approach.

## Procurement Risk Management Plan

7.20 Procurement risks will be managed in accordance with the project's risk register. However, for risks related specifically to procurement, there must be additional consideration and involvement. Because of the multi-faceted disciplines required to ensure robust procurement, the project procurement team will include, or consult with, the Project Manager, Procurement (Senior Category) Manager, Programme Co-ordination Officer, and where appropriate a designated representative from the contracting department in all project meetings and status reviews where procurement activities are planned, in process, or are an on-going activity.

## Key Contractual Arrangements

- 7.21 The envisaged contractual arrangements for the project between the interested parties are as follows:

### **1. Growth Deal Funding Agreement (1):**

There is an aggregate level Growth Deal Agreement between the Department for Business, Energy, Innovation and Skills and Staffordshire County Council who perform the function of accountable body on behalf of the Stoke-on-Trent and Staffordshire Local Enterprise Partnership (SSLEP). This agreement sets out the precedent terms and conditions for transfer of the Growth Deal investment to Staffordshire County Council.

### **2. Growth Deal Funding Agreement (2):**

This is a project specific Growth Deal Grant Agreement between Staffordshire County Council and Keele University which is in effect a back to back grant agreement reflecting the precedent terms and conditions for transfer of the Growth Deal investment from Staffordshire County Council to Keele University. This agreement also identifies the specific monitoring and reporting provisions for Keele University in order for the organisation to reclaim the grant (against defrayed expenditure) from Staffordshire County Council.

### **3. ERDF Grant Agreement:**

There will be an ERDF grant agreement, covering both the capital and revenue aspects of the project between the Department for Communities and Local Government as the Managing Authority for the European Regional Development Fund (ERDF) and Keele University. This agreement will set out/include: (i) the project specific conditions, (ii) the expenditure profiles schedule, (iii) the targets schedule, and (iv) the methodology for addressing any underperformance. A back to back agreement with KUSBPL will be entered into between Keele University and KUSBPL.

### **4. Grant Agreement from Staffordshire County Council:**

Staffordshire County Council have agreed to provide their investment in the project in the form of a grant. This grant will form the basis of a head lease agreement on the space available for rent within the new facility. This lease arrangement will enable Staffordshire County Council to reserve the right to refuse a sub-lease to any company, on the basis of likely economic impact with regard to job creation.

### **5. Procured Services, Supplies Works Contracts:**

Following conclusion of agreements 1-4 identified above Keele will proceed to procure, in line with the procurement strategy cited previously the necessary works, supplies and services to implement and operate the project. These contracts will include:

- The duration of the contract and any break clauses
- The provider's and Keele's respective roles and responsibilities in relation to the proposed deal
- The payment – or charging – mechanism
- Change control (for new requirements and updated services)
- The remedies in the event of failure on the part of the service provider to deliver the contracted services
- The treatment of intellectual property rights
- Compliance with appropriate regulations
- The operational and contract administration elements of the terms and conditions of service
- Arrangements for the resolution of disputes and disagreements between the parties
- The agreed allocation of risk
- Any options at the end of the contract

### Beneficiary Agreements

7.22 For the purposes of the research, innovation and knowledge exchange activity there will be a collaboration agreement/memorandum of understanding between Keele University and the beneficiary business. The formal agreement will explain what each party's role is in the collaboration, including shared objective and aims.

### Accountancy Treatment

7.23 The project will be subject to Financial Reporting Standard (FRS) 102 which is the FRS applicable in the UK and is an accounting standard. It is issued by the Financial Reporting Council (FRC) in respect of its application in the United Kingdom. The FRC's overriding objective in setting accounting standards is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.

7.24 An appraisal and analysis of FRS 102 with direct respect to the project has been undertaken which highlights specifically the accounting treatment to be undertaken under Section 24 Government Grants. For the purposes of FRS a government grant is defined as assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with specified conditions relating to the operating activities of the entity.

7.25 The following table highlights the relevant area of the FRS and the specific accounting treatment required:

Area	Relevance	Accounting requirement under FRS 102
<b>Income</b>		
Capital grant income	Grant income to be received from Growth Deal, Staffordshire County Council and ERDF	All capital grant income (regardless of source) will be accounted for using performance conditions. For this specific project, Keele will equate the performance condition to mean the full operational capability of the project. All of the grant monies would be held on the balance sheet as deferred income until the Network was fully operational, at which point the whole grant income would be recognised as Income.
Revenue grant income	Grant income to be received from ERDF	The University has chosen to use the Accruals method, which allows the income to be held on the balance sheet and to be released in line with the expenditure incurred. So, the income and expenditure are matched off.
<b>Expenditure</b>		
Capital – Construction, Plant and Fees	Capital expenditure would be a Fixed asset and sit on the Balance Sheet	All capital expenditure will be accounted for as a fixed asset, and will be held on the balance sheet and depreciated over the useful economic life of the asset(s) noting the potential for different classes of asset.
Revenue – Employment costs	There will be a mix of new posts specifically for the project and current colleagues utilising their time directly on the project	Where the University specifically recruits solely to assist with project delivery then these costs will be capitalised whilst the capital implementation phase for the project is taking place conditional upon the costs being directly attributable.
Revenue – Non-Employment costs	Charged to revenue costs as incurred	The costs would be accounted for as incurred and matched off against the revenue grant income.

## 8. Financial Case

### Capital Costs

#### Breakdown of Capital Costs

8.1 The estimated total cost of the capital facility is £17.47m per the following table:

Cost Element	Amount (£m)
Main Works Contract	Confidential - Information redacted
IT/AV/Fixtures, Fittings and Equipment	
Professional Fees	
Land	
Value Added Tax	
<b>Total</b>	<b>17,467,955</b>

8.2 The main works contract of £12.6m is the estimated works value from SDA Consulting LLP the OJEU procured quantity surveyors for the project working in conjunction with the wider project design team. The £12.6m estimate includes the known professional fees for the design team disciplines that will be novated to the main works contractor.

8.3 The IT/AV and FFE estimated supplies value is derived from SDA Consulting LLP the OJEU procured quantity surveyors for the project working in conjunction with the wider project design team.

8.4 The professional fees relate principally to the design team fees for the project and includes the cost of; (i) the disciplines that will remain in the employment of the University throughout the capital phase; (ii) the disciplines that will be novated to the main works contractor in September 2017 and; (iii) the clerk of works/aftercare which will be provided via a services contract.

8.5 The land has been valued at £223,260 per the independent land valuation report produced by Butters John Bee. Due to the development site, upon which the Hub will be built, having been developed utilising Regional Development Agency (RDA) investment there is overage on the site. The term of this overage is that 75% of the land value has to be paid upon disposal. Following the abolition of RDA's and in accordance with the RDA Assets and Liabilities Transition Plan the overage transferred to the Homes and Communities Agency (HCA). Accordingly 75% of the land value equating to £167,445 (£223,260 x 75%) is included as a cost to the project.

8.6 The irrecoverable value added tax associated with the main works, IT/AV/Fixtures and Fittings and Professional Fees is identified separately and is a function of these costs.

## Project Financing

- 8.7 The project is to be funded from four principal sources: (i) Keele University; (ii) Staffordshire County Council; (iii) Single Local Growth Fund and; (v) ERDF. The funding composition is as follows:

<b>Funding Source</b>	<b>Total (£m)</b>
Keele University	<b>7,200,573</b>
Keele University (Land)	<b>167,445</b>
Staffordshire County Council	<b>2,370,000</b>
Single Local Growth Fund	<b>1,000,000</b>
ERDF	<b>6,729,937</b>
<b>Total</b>	<b>17,467,955</b>

## Project Funding Profile

- 8.8 With respect to an ability to meet the financial profile presented overleaf the main works contract is currently out to procurement via an OJEU works procurement. Subject to SLGF and ERDF approval the contract with the preferred tenderer will be entered into in September 2017 with contractor mobilisation in October 2017. Whilst it is likely that the initial contractor requests for payment and associated quantity surveyor certificates will be presented and paid prior to the 31<sup>st</sup> December 2017 a prudent nil value in respect to the main works contract cost has been inserted into the financial profile. The payment of retention in accordance with the New Engineering Contract (NEC) Three contract is reflected in 2019.
- 8.9 The workstreams in relation to the IT/AV/Fixtures and Fittings procurements has commenced already with the procurement exercises scheduled to take place in Quarter Four of 2018 (calendar year) leading to appointments late 2018/early 2019 and the supplies delivered and installed in Quarter One 2019 (calendar year) to coincide with practical completion in March 2019. Accordingly the costs of these supplies is profiled to occur between Quarter One and Quarter Three 2019 (calendar year).
- 8.10 The professional fees relate to the OJEU appointed design team that will not be novated the main works contractor. The profile of investment is based upon their work schedules and fee plan.
- 8.11 The irrecoverable value added tax associated with the main works, IT/AV/Fixtures and Fittings and Professional Fees is included with the respective cost heading as a function of these costs.



## Investment costs (£) and Financing Sources for the Smart Innovation Hub

Element	2016/17	2017/18					2018/19					2019/20					2020/21					Grand Total
		Qtr1	Qtr2	Qtr3	Qtr4	Total	Qtr1	Qtr2	Qtr3	Qtr4	Total	Qtr1	Qtr2	Qtr3	Qtr4	Total	Qtr1	Qtr2	Qtr3	Qtr4	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Main works	Confidential - Information redacted																					
IT/AV/FFE																						
Professional fees																						
Land cost																						
<b>Total</b>																						
<b>Financed by</b>																						
Keele University																						
Keele University (Land)																						
Staffs County Council																						
Local Growth Fund																						
ERDF																						
<b>Total</b>																						

## **Revenue Income**

### **Revenue income relating to rented space**

- 8.13 The revenue generated from the project is derived from three types of occupancy/space: (i) incubation/start up spaces for companies; (ii) open plan space to be used by individuals (pre-and post-start up) and; (iii) space for expanding companies (grow on space).

### **Projected Occupancy Levels**

- 8.14 In accordance with the market demand assessment and the 20 year record of occupancy rates on the existing science and innovation park site and its innovation centres, it is possible to accurately estimate predicted levels of occupancy for each type of space have been identified. This approach is consistent with the European Commission's expectation that market research will be undertaken to establish the expected revenue streams and costs and the University notes that the European Commission allows a 10% margin on the understanding that precise figures will not be possible.
- 8.15 The business plan assumes that occupancy levels relating to both incubation and start up space and grow on space are 20% in 2019, 40% in 2020 and 85% by 2021, after which, occupancy levels do not increase.
- 8.16 The business plan assumes that occupancy levels relating to open plan space is 0% in 2019, 30% in 2020 and 55% in 2021 and 85% in 2022, after which, occupancy levels do not increase.

### **Rental income**

- 8.17 The rental values for each of the space types (excluding irrecoverable VAT) have been determined through the market demand assessment, consultation with local property experts and benchmarking of other comparable facilities (outside of the Stoke-on-Trent and Staffordshire area due to no-such facility existing in the SSLEP area). The proposed market value rentals will be: (1) £172 per m<sup>2</sup> for incubation and grow on space; and (2) £118 per m<sup>2</sup> for grow-on space.
- 8.18 The market rent values included within the scope of the business plan include inflation at 3.1% per annum.

### **Service Charge, Insurance and Utility Recharge Income**

- 8.19 A detailed costing exercise has been undertaken to determine the service and utility charge that will be due to the University from occupiers of the facility. The costing exercise has drawn upon; (i) the life cycle costings produced by the project's quantity surveyor (SDA Consulting LLP) and; and (ii) empirical information benchmarked over a suitable time horizon of the cost of operating Innovation Centres 1-5 on the Keele Science and Innovation Park (noting that this facility is not directly comparable).

- 8.20 Service (e.g. cleaning) and utilities charges have been established for the whole building (by SDA Consulting at RIBA Stage 2) and the estimated recovery from those renting space established on a gross floor area basis. An estimated operational cost of c.£32 m<sup>2</sup> has been established using SDA Stage 2 report estimates and combined with projected occupancy levels for each of the three types of rented space. This includes cleaning costs at £16.3 m<sup>2</sup> and utility costs of £15.4 m<sup>2</sup>. The total services charge cost of £108 m<sup>2</sup> have been established on the basis of SDA Consulting Stage 2 reports and used within the financial business plan.

### **Total Revenue Generation**

- 8.21 The total revenue forecast to be generated via the project is calculated by combining the rent with the service charge, insurance and utility charges and adding the irrecoverable VAT where applicable. This identifies that before the substantial operating costs are accounted for that the Hub generates £3.15m of revenue over the 15 year (reference) period. The table overleaf outlines the total projected income from rental (Table A), associated services (Table b) and total revenues including VAT (Table 3).

## Revenue Income from Rented Facilities forming part of the Smart Innovation Hub

### Income from the Rental of Space in the Innovation Centre 6 component of the Smart Innovation Hub (Table A)

Year/Space Type	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Start Up space	9,275	24,732	56,059	56,059	59,563	59,563	61,409	63,313	65,276	67,300	69,386	71,537	73,755	76,041	78,398	<b>891,666</b>
Open Plan	-	4,562	8,623	13,740	14,166	14,605	15,058	15,525	16,006	16,502	17,014	17,541	18,085	18,646	19,224	<b>209,297</b>
Grow-On	4,190	12,569	25,323	25,323	26,906	26,906	27,740	28,600	29,487	30,401	31,343	32,315	33,317	34,350	35,415	<b>404,184</b>
<b>Total</b>	<b>13,464</b>	<b>41,863</b>	<b>90,006</b>	<b>95,122</b>	<b>100,635</b>	<b>101,074</b>	<b>104,207</b>	<b>107,438</b>	<b>110,769</b>	<b>114,203</b>	<b>117,743</b>	<b>121,393</b>	<b>125,157</b>	<b>129,037</b>	<b>133,037</b>	<b>1,505,147</b>
<b>Income from insurance and utilities recharging, service charges and insurance (Table B)</b>																
Year/Space Type	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Start Up space	534	1,050	2,113	2,272	2,489	2,566	2,646	2,728	2,812	2,900	2,989	3,082	3,178	3,276	3,378	<b>38,012</b>
Open Plan	2,153	7,213	15,064	16,711	17,229	17,763	18,314	18,882	19,467	20,070	20,693	21,334	21,995	22,677	23,380	<b>262,946</b>
Grow-On	8,204	27,589	57,273	63,466	65,433	67,462	69,553	71,709	73,932	76,224	78,587	81,023	83,535	86,124	88,794	<b>998,908</b>
<b>Total</b>	<b>10,891</b>	<b>35,852</b>	<b>74,450</b>	<b>82,448</b>	<b>85,151</b>	<b>87,791</b>	<b>90,513</b>	<b>93,319</b>	<b>96,211</b>	<b>99,194</b>	<b>102,269</b>	<b>105,439</b>	<b>108,708</b>	<b>112,078</b>	<b>115,552</b>	<b>1,299,867</b>
<b>Total income from Innovation 6 related revenue incomes (Table C)</b>																
Year/Space Type	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Total rental	13,464	41,863	90,006	95,122	100,635	101,074	104,207	107,438	110,769	114,203	117,743	121,393	125,157	129,037	133,037	<b>1,505,147</b>
Total services	10,891	35,852	74,450	82,448	85,151	87,791	90,513	93,319	96,211	99,194	102,269	105,439	108,708	112,078	115,552	<b>1,299,867</b>
VAT	3,123	9,814	21,015	22,367	23,573	23,768	24,505	25,264	26,047	26,854	27,687	28,545	29,430	30,342	31,284	<b>353,619</b>
<b>Total</b>	<b>27,478</b>	<b>87,529</b>	<b>185,470</b>	<b>199,938</b>	<b>209,359</b>	<b>212,633</b>	<b>219,224</b>	<b>226,021</b>	<b>233,027</b>	<b>240,251</b>	<b>247,699</b>	<b>255,377</b>	<b>263,295</b>	<b>271,457</b>	<b>279,873</b>	<b>3,158,633</b>

## Revenue costs

### Building related costs

- 8.22 The table overleaf identifies those costs relating to the operation of the total building. Cost estimates are derived either from the Stage 2 report on life-cycle analysis costs as part of the RIBA Stage 2 report (provided by SDA Consulting costs consultants) and where appropriate, also informed by 20 year cost records associated with the operation of Innovation Centre 1-5 on the Keele University Science and Innovation Park.
- 8.23 The cost estimates also include periodic major refurbishment costs in 2024, 2028, 2030 and 2033 estimated by SDA Consulting.
- 8.24 Costs relating to legal, audit, (bank) charges, letting and marketing relate to those costs specifically associated to the rental of space within IC6. These costs are based on those currently incurred for similar service provision in the existing Innovation Centres.

### Building Income and Expenditure

- 8.25 The table overleaf presents total income and expenditure relating to the building and the overall deficit of operations over the 15 year period. Over the period, the facility costs c.£7.4m to operate, the costs of which are offset by c.£3.2m of income. The overall operating deficit of £4.2m over the period (c. £280,000 per annum) will be consolidated into the overall operations of the University (accounting for a c.£150m turnover in 2016/17) and offset by increased surplus generation in other, non-related areas of the University. The facility and its operation is therefore considered to be able to operate sustainably.

### Sensitivity Analysis

- 8.26 Three scenarios in addition to baseline (actual) scenario have also been calculated to consider the effect of variable levels of income on the overall operating deficit of the building facility. The scenarios are: (1) 50% reduction in occupancy and rental income, relative to the baseline; (2) 90% reduction in occupancy, relative to the baseline; and (3) 10% increase in occupancy (to 95% at steady state) relative to baseline. No concomitant reductions (efficiencies) in expenditure at lower levels of occupancy are assumed. These are presented in the income and expenditure tables overleaf and summarised here:

Scenario	Income (£)	Expenditure (£)	Deficit (£)	£/year
Scenario 1 (baseline)	3,158,633	7,368,645	4,210,011	280,667
Scenario 2 (50% reduction)	1,579,317	7,368,645	5,789,328	385,955
Scenario 3 ((90% reduction)	315,863	7,368,645	7,052,781	470,185
Scenario 4 (10% increase)	3,474,497	7,368,645	3,894,148	259,609

- 8.27 The overall operating deficit range of £259,609 to £470,185 is considered as within tolerable limits to consolidate into the University's ongoing operations, particularly with the ability to offset these total deficits by increased surplus generation in other, non-related areas of the University. The facility and its operation is therefore considered to be able to operate sustainably within a wide range of occupancy levels.

## Total Building Related Costs relating to the Smart Innovation Hub

Year/cost	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Cleaning	51,736	71,120	73,325	75,598	77,941	80,358	82,849	85,417	88,065	90,795	93,609	96,511	99,503	102,588	105,768	<b>1,275,183</b>
Utilities	49,832	68,502	70,626	72,815	75,072	77,400	79,799	82,273	84,823	87,453	90,164	92,959	95,841	98,812	101,875	<b>1,228,244</b>
VAT	20,314	35,034	38,563	39,758	40,991	42,261	43,571	44,922	46,315	47,751	49,231	50,757	52,330	53,953	55,625	<b>661,375</b>
Insurance	2,004	2,672	2,755	2,840	2,928	3,019	3,113	3,209	3,309	3,411	3,517	3,626	3,738	3,854	3,974	<b>47,970</b>
Refurb	-	-	-	-	-	110,655	-	-	-	442,817	-	621,025	-	-	1,022,673	<b>2,197,169</b>
VAT	-	-	-	-	-	22,131	-	-	-	88,563	-	124,205	-	-	204,535	<b>439,434</b>
Rates	31,159	26,998	26,067	25,610	26,404	27,222	28,066	28,936	29,833	30,758	31,711	32,695	33,708	34,753	35,830	<b>449,751</b>
Letting	10,000	5,000	5,155	5,315	5,480	5,650	5,825	6,006	6,192	6,384	6,582	6,786	6,996	7,213	7,437	<b>96,021</b>
Audit	3,900	4,017	4,138	4,262	4,389	4,521	4,657	4,797	4,940	5,089	5,241	5,399	5,560	5,727	5,899	<b>72,536</b>
Legal	8,000	6,000	3,200	2,800	2,500	2,500	2,578	2,657	2,740	2,825	2,912	3,003	3,096	3,192	3,291	<b>51,292</b>
Repair	-	35,546	48,863	50,378	51,940	53,550	55,210	56,921	58,686	60,505	62,381	64,315	66,308	68,364	70,483	<b>803,450</b>
Charges	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	<b>2,250</b>
VAT	4,380	3,003	2,499	2,475	2,474	2,534	2,612	2,692	2,774	2,859	2,947	3,037	3,130	3,226	3,325	<b>43,970</b>
<b>Total</b>	<b>181,475</b>	<b>258,041</b>	<b>275,340</b>	<b>282,001</b>	<b>290,269</b>	<b>431,951</b>	<b>308,429</b>	<b>317,980</b>	<b>327,827</b>	<b>869,359</b>	<b>348,446</b>	<b>1,104,467</b>	<b>370,362</b>	<b>381,832</b>	<b>1,620,865</b>	<b>7,368,645</b>



## Total building income and expenditure (and sensitivity impacts)

### Baseline Scenario (actual)

Year/cost	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Income	27,479	87,529	185,470	199,938	209,359	212,633	219,224	226,021	233,027	240,251	247,699	255,377	263,295	271,457	279,873	3,158,633
Expenditure	181,475	258,041	275,340	282,001	290,269	431,951	308,429	317,980	327,827	869,359	348,446	1,104,467	370,362	381,832	1,620,865	7,368,645
<b>Deficit</b>	<b>153,996</b>	<b>170,512</b>	<b>89,870</b>	<b>82,063</b>	<b>80,910</b>	<b>219,318</b>	<b>89,204</b>	<b>91,960</b>	<b>94,800</b>	<b>629,108</b>	<b>100,747</b>	<b>849,090</b>	<b>107,066</b>	<b>110,374</b>	<b>1,340,992</b>	<b>4,210,011</b>

### Scenario 1 (50% reduction in income)

Year/cost	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Income	13,739	43,765	92,735	99,969	104,680	106,316	109,612	113,010	116,514	120,126	123,850	127,689	131,648	135,729	139,937	1,579,317
Expenditure	181,475	258,041	275,340	282,001	290,269	431,951	308,429	317,980	327,827	869,359	348,446	1,104,467	370,362	381,832	1,620,865	7,368,645
<b>Deficit</b>	<b>167,736</b>	<b>214,277</b>	<b>182,605</b>	<b>182,032</b>	<b>185,590</b>	<b>325,635</b>	<b>198,817</b>	<b>204,970</b>	<b>211,314</b>	<b>749,234</b>	<b>224,597</b>	<b>976,778</b>	<b>238,714</b>	<b>246,103</b>	<b>1,480,928</b>	<b>5,789,328</b>

### Scenario 2 (90% reduction in income)

Year/cost	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Income	2,748	8,753	18,547	19,994	20,936	21,263	21,922	22,602	23,303	24,025	24,770	25,538	26,330	27,146	27,987	315,863
Expenditure	181,475	258,041	275,340	282,001	290,269	431,951	308,429	317,980	327,827	869,359	348,446	1,104,467	370,362	381,832	1,620,865	7,368,645
<b>Deficit</b>	<b>178,727</b>	<b>249,288</b>	<b>256,793</b>	<b>262,007</b>	<b>269,334</b>	<b>410,688</b>	<b>286,506</b>	<b>295,378</b>	<b>304,525</b>	<b>845,334</b>	<b>323,676</b>	<b>1,078,929</b>	<b>344,032</b>	<b>354,686</b>	<b>1,592,878</b>	<b>7,052,781</b>

### Scenario 3 (10% increase in income)

Year/cost	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Income	30,227	96,282	204,017	219,931	230,295	233,896	241,147	248,623	256,330	264,276	272,469	280,915	289,625	298,603	307,861	3,474,497
Expenditure	181,475	258,041	275,340	282,001	290,269	431,951	308,429	317,980	327,827	869,359	348,446	1,104,467	370,362	381,832	1,620,865	7,368,645
<b>Deficit</b>	<b>151,248</b>	<b>161,759</b>	<b>71,323</b>	<b>62,070</b>	<b>59,974</b>	<b>198,055</b>	<b>67,282</b>	<b>69,358</b>	<b>71,497</b>	<b>605,083</b>	<b>75,977</b>	<b>823,552</b>	<b>80,737</b>	<b>83,229</b>	<b>1,313,004</b>	<b>3,894,148</b>

## Research and Innovation Support Revenue Costs

- 8.27 The revenue costs associated to the research and innovation support programmes are proposed to be part funded by ERDF and matched with funding from Keele University. The table overleaf identifies each of the costs and their projected values over the 15 year business plan period.
- 8.28 Salary costs are incremented within established pay-grades operating at Keele University (as part of a national pay scheme) within the prescribed grade for each role. Further increases related to projected inflationary rises of 3.1% per annum only. Where salary costs relate to direct delivery staff not working wholly on the project, the values stated have been calculated by reference to the precedent hourly rate in that period.
- 8.29 By 2020 the annual revenue costs relating to the programmes of research and innovation support to be provided by the project are c.£1.6m. Over the first three years of the project, the funding of these costs will be provided by Keele University (by secondment of staff into project roles) and funding from ERDF.
- 8.30 In the longer term, the University can continue to make available an ongoing level of resource commitment as made in the first three years of the project. These costs will be met by other incomes, including government funding for business engagement, provided to the University via the Higher Education Innovation Fund (HEIF). The University currently receives c. £780,000 of funding per year from this fund.

## Revenue Costs of the Research and Innovation Programme

Payroll cost	2019	2021	2022	15 year period
<b>Total payroll costs</b>	<b>1,021,739</b>	<b>1,286,697</b>	<b>1,323,535</b>	<b>20,429,372</b>
Travel and subsistence	10,000	15,000	10,000	182,154
Consultancy	25,000	25,000	25,000	442,885
Marketing	20,000	15,000	15,000	270,731
Equipment	30,000	-	-	125,696
Evaluation	-	-	20,000	20,000
Irrecoverable VAT	17,000	11,000	14,000	208,293
<b>Total non-payroll costs</b>	<b>102,000</b>	<b>66,000</b>	<b>84,000</b>	<b>1,249,759</b>
<b>GRAND TOTAL</b>	<b>1,305,214</b>	<b>1,610,738</b>	<b>1,682,875</b>	<b>29,047,775</b>
<b>Funding</b>				
Keele University	525,082	680,136	719,237	26,373,403
ERDF	780,132	930,602	963,638	2,674,372
<b>Total</b>	<b>1,305,214</b>	<b>1,610,738</b>	<b>1,682,875</b>	<b>29,047,775</b>

## Income and Expenditure Reserves

- 8.31 Before accounting for the pension liability, the balance on the University's consolidated income and expenditure reserve as at 31<sup>st</sup> July 2015 was £36m, which demonstrates a substantial improvement over the last five to six years. The medium term commitment included in the University's 2010 to 2015 Strategic Plan was to have discretionary reserves of at least 20% of income by 31st July 2016. Discretionary reserves at 31st July 2015 were 28%, in excess of the established target.

## Taxation

- 8.32 The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 to the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University, but not its subsidiary companies, is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 of the Corporation Tax Act 2009 and sections 471 and 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.
- 8.33 The University group receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs in the income and expenditure account. Any irrecoverable VAT allocated to tangible fixed assets is included in their costs.

## Treasury Management

- 8.34 Treasury management responsibility for the University and the project will be undertaken by the Treasury Accounting team who are chiefly responsible for the monitoring of the university's cashflow position, loan facilities and investments, as well as the recording and reconciliation of all transactions through the University's bank accounts.

## Depreciation

- 8.35 Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated from the date of completion over their expected useful lives of 60 years and expenditure on furniture and equipment capitalised as part of new capital projects, together with minor renovation work on buildings, is depreciated from the date of purchase on a straight-line basis over 10 years.
- 8.36 Depreciation in relation to equipment and furniture is provided on a straight-line basis from the month of purchase at the rates of 4 – 10 years on cost. Equipment and furniture costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All equipment and furniture costing more than £10,000 is capitalised at cost and depreciated over its expected useful life from the month of purchase.

## Statement of Financial Position

- 8.37 The Financial Statements comprise the consolidated results of the University and its wholly owned subsidiary companies. With effect from the 2015/16 financial year, the Higher Education sector has adopted a new accounting convention. A new Financial Reporting Standard (FRS) 102 and an updated HE Statement of Recommended Practice apply to all Universities from 1 August 2015. The comparative figures for the year ended 31 July 2015 have also been revised in accordance with the new convention. The introduction of the new convention has resulted in significant changes to the financial statements. The Statement of Comprehensive Income and Expenditure ("SOCI") results for the year to 31 July 2016, together with the revised 2014/15 comparisons, are summarised below:

Element	2015/16	2014/15
	£'000	£'000
Total Income	148,576	141,056
Total Expenditure, before pension interest and actuarial adjustments	(140,545)	(136,603)
<b>Surplus before other gains and losses and before pension interest and actuarial adjustments</b>	<b>8,031</b>	<b>4,453</b>
Pension interest and actuarial adjustments	(3,659)	(11,131)
<b>Surplus / (deficit) before other gains and losses</b>	<b>4,372</b>	<b>(6,678)</b>
Loss on disposal of fixed assets	-	(404)
Gain on investments	1,379	1,432
Taxation	(58)	(469)
Unrealised surplus on revaluation of heritage assets	6,505	-
Losses in respect of pension schemes	(8,286)	(4,393)
<b>Total comprehensive income and expenditure for the year</b>	<b>3,912</b>	<b>(10,512)</b>

## Management Case

- 9.0 This section sets out arrangements for managing the project successfully, both through the construction period and the initial years of delivery of research and innovation support from the new facility.

### Strategic Governance

- 9.1 Governance of the project sits within and relates to a broader governance framework for the University, with key strategic decisions escalated to the appropriate level in accordance with the University's Schedule of Delegation. <https://www.keele.ac.uk/media/keeleuniversity/paa/governancedocs/Schedule%20of%20Delegation%20v5.8.pdf>
- 9.12 **The University Executive Committee (UEC)** comprises the Senior Management Team of the University and ensures the efficient and effective operation of the institution. Its remit with respect to SIH is to ensure that the Project Executive Group (PEG – see Project Governance) is effectively managing the project and to satisfy itself that any recommendation(s) to and approvals sought from University Council for the project contributes towards the overall strategy, academic growth and financial sustainability of the university.
- 9.13 The **University Council** is the supreme governing body of the University. It has a collective responsibility to promote the University's well-being and, in particular, for the proper management and financial solvency of the institution. Major investment and policy decisions, as well as corporate strategy, are subject to its approval
- 9.14 The **City Deal/Growth Deal Programme Board** undertake the programme management of the SSLEP City Deal and Growth Deal investments and provide strategic challenge, approval, monitoring and management of the projects within their remit. The Board receive regular updates on the progress of key strategic projects. Amongst its responsibilities are:
- Establishing and keeping up to date a high level programme plan for City Deal/Growth Deal, including identifying interdependencies between workstreams and feeding into plans which sit beneath this; Establishing and maintaining common standards and methodologies including PPM management tools;
  - Formal reporting to the LEP Chair, Executive and Partnership Board on programme wide achievements, issues, risks, finance, assurance activity and progress against plans through monthly progress reports and dashboards;
  - Establishing and managing a risk and issue management strategy and managing the risk and issue management process on behalf of the LEP Chair;
  - Creating and managing an information management and document control process for the City Deal/Growth Deals;
  - Liaising with City/Growth Deal project teams in the management of the programme and reporting of issues risks and progress against plans.

- 9.15 Both the City Deal/Growth Deal Programme Board (and European Structural Investment Fund (ESIF) Committee sit within the overall governance structure of the **SSLEP** reporting to the **Executive/Partnership Board**. The Executive/Partnership Board receive at the aggregate level performance and management information on the delivery of both ESIF and City Deal/Growth Deal investment.
- 9.16 The **Department for Business, Energy, Innovation and Skills** (BEIS) are the main conduit for dialogue between the SSLEP and central government. BEIS also undertake the programme/project contract management role for the City Deal/Growth Deal investment and will release investment for SIH on the basis of grant claims.
- 9.17 The **ESIF Committee** provides advice to the Managing Authorities (see 10 below) throughout the cycle of ERDF programme implementation and its role is principally: (i) in identifying local development needs; (ii) setting these out in the SSLEP European Strategy and; (iii) advising on the strategic fit of proposals which come forward seeking approval and investment. To date the SSLEP ESIF Committee has endorsed the SIH project at outline application stage for strategic fit and current indications are that it will also be endorsed the SIH project at full application stage for strategic fit.
- 9.18 The **Department for Communities and Local Government (DCLG) Investment Decision Group (IDG) and Growth Delivery Teams (GDT)** operate on a decentralised structure across England. The Midlands IDG comprised of the senior leadership team from the GDT will appraise and approve the SIH project at ERDF outline and full application stage (in conjunction with endorsement of strategic fit from the ESIF Committee (see 9 above) in their capacity as the Managing Authority for ERDF in England. The GDT will assign a projects and contracts manager to work with the SIH project team in respect to monitoring, reporting and management of the grant funding agreement (and any subsequent variations).
- 9.19 The **National Programme Board** is the Programme Monitoring Committee (PMC) for both the ERDF and the European Social Fund (ESF) Operational Programmes in England. The PMC: (i) approve certain aspects of the ERDF and ESF; (ii) review, examine and give its opinion on the implementation of ERDF and ESIF; (iii) monitor the delivery of programme results and achievement against targets at a national level; (iv) help to maximise the impact of the European growth programme and; (v) provide strategic advice to help the Managing Authorities align with other local growth programmes and to promote co-ordination with other European Funds. The PMC will receive aggregate performance information on the SSLEP ESIF performance which will include that related to the SIH project.

## Project Governance

### Construction Phase

9.20 The project governance arrangements for the construction phase will be in place between May 2017 and April 2019, shortly after handover. They consist of:

- **The SIH Project Executive Group (PEG).** Chaired by the Deputy Vice Chancellor, the PEG will meet monthly, providing strategic leadership, oversight and assurance on all aspects of the project. With membership from the University's Executive (including the Directors of Engagement and Partnerships, Property Services, Finance and the Dean of the Faculty of Humanities and Social Sciences) the PEG manages all strategic risks associated with the project, including funding, financial performance, reputation management and strategic stakeholder engagement.
- **SIH Capital Projects Team (CPT)** convened by Estates and Development Project Manager meeting at least weekly, bringing together client-side engineers, procurement and finance personnel, the Clerk of Works, architect and aftercare personnel as required, along with construction partner representatives from their appointment in September 2017. The Capital Projects Team is responsible for managing the construction contract, ensuring construction progress is on schedule, build quality is satisfactory and meets the specification, as well as managing and monitoring spend against the cost profile.
- The CPT manages all aspects of the relationship with the construction partner, and is the primary forum for problem solving on technical construction issues, escalating any implications for materials or design to the Development Group. The CPT own the institution's risks on construction, procurement and financial management during the construction phase, as well as any off-site health and safety risks not held by the construction partner. The CPT develop and agreeing the construction risk register with the construction partner (with escalation to the Director of Property Services on behalf of the PEG, who will also sign off the initial risk register).
- **SIH Development and Management Group (DMG)** is jointly convened by the Head of Partnership Development (HumSS) and the Head of the Science Park. It includes the Estates and Development Project Manager, Science Park Operations Manager, the KMS School Manager, along with the Architect, Welcome Services and Security Services, ILP Director and RISP and ILP Project Managers as required.
- Its' , role is to manage any aspects of building occupation during the construction phase, including specification of AV, IT and furnishings, pipeline development and marketing, scheduling of occupation, and letting arrangements for SMEs. It will receive progress reports from the Estates and Development Project Manager and take the lead on internal and external communications for the project.



- The Development Group own the reputational, marketing, research and innovation support, beneficiary recruitment, non-construction procurement, relocation, HR and recruitment, and other operational risks associated with the new facility. Sign-off of the risk register and escalation of decisions or high-level risks is to the Director of Engagement and Partnerships and the Dean of the Faculty of Humanities and Social Sciences on behalf of the PEG. The Development and Management Group will develop and seek approval for an Operational **Management Plan** for the new facility (in October 2018) and will evolve into an **SIH Management Group** once the new facility is handed over for occupation.

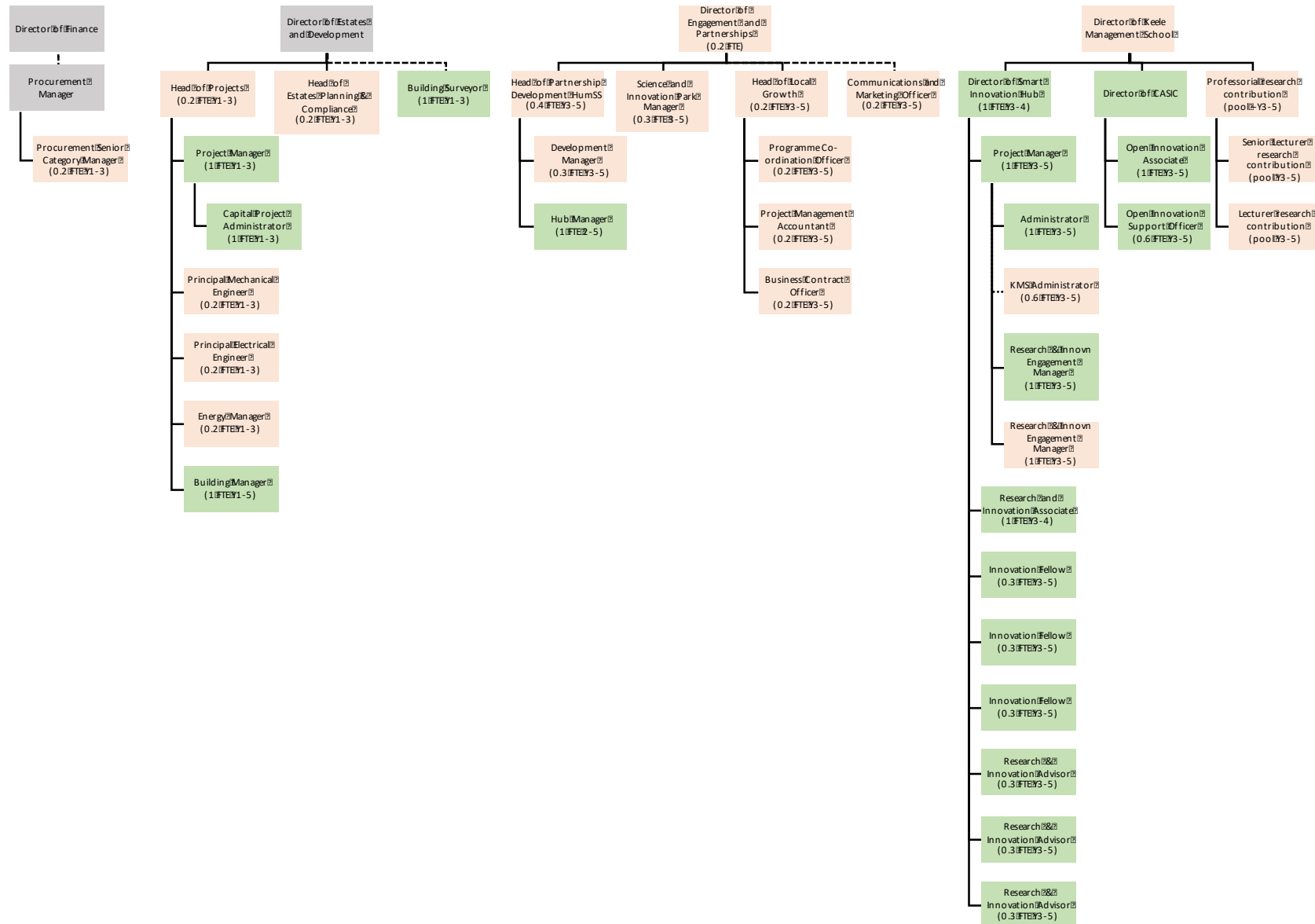
### Delivery Phase

- 9.21 The **Project Executive Group** will continue to meet to oversee project delivery and hold the teams delivering SIH programmes to account for performance on contracted outputs and spend, as well as playing a role in supporting the longer term delivery of the SIH's ambitions, and owning and managing of the strategic risks associated with the project.
- 9.22 The **SIH Management Group**, will take on responsibility for delivery of the funded programmes and management of the facility. This will entail a light-touch review of its Terms of Reference and membership, and it is likely that much will be maintained from the arrangements put in place for the construction phase. The SIH will implement the management plan and manage the associated risk register developed by DMG.

### Delivery Capacity

- 9.23 An organogram showing the full project team is set out overleaf. This can be broadly divided into two teams, the first responsible for the construction phase of the project, and the second the delivery of research and innovation and the running of the facility. There is a small degree of overlap linked to specific posts. The team has been assembled to ensure a project of this ambition, scale and complexity can be delivered successfully.

## Smart Innovation Hub Project Team



## 10. Resource and VFM Analysis

- 10.1 As identified within the Economic Case assuming that the benefits persist for 5 years, the cumulative GVA impact of the project by 2033, would be more than £50m with a return on investment of close to £3 for every £1 invested.
- 10.2 The jobs that will be created as a result of the Smart Innovation Hub will be higher value added jobs assisting in the transition of the Stoke-on-Trent and Staffordshire economy. With respect to value for money the economic outputs proposed to be delivered through the scheme either exceed, meet or are in a very small tolerance of nationally derived benchmarks.
- 10.3 As identified in the Financial Case the status of the £17.5m investment is as follows:

Funding Source	Total (£m)	Status
Keele University	7,200,573	Secured
Keele University (Land)	167,445	Secured
Staffordshire County Council	2,370,000	Secured
Single Local Growth Fund	1,000,000	July 2017
ERDF	6,729,937	August 2017
<b>Total</b>	<b>17,467,955</b>	

- 10.4 As articulated in the Financial Case the financial costings have been robustly prepared and will form the basis of a deed of a collateral warranty which the Quantity Surveyor will provide.
- 10.5 The infrastructure proposed is a business infrastructure which will adhere to cutting edge sustainable development principles and will be independently certified as such by way of a BREEAM excellent rating.

## 11. Consultation Process

- 11.1 Effective stakeholder engagement is fundamental to the successful delivery of the vision for SIH.
- 11.2 Keele University launched the concept of the Smart Innovation Hub in 2015, alongside its original funding partner Staffordshire County Council. Architects BDP were appointed to develop the Strategic Brief, which was undertaken with significant stakeholder engagement, alongside the design of the revenue-funded programmes.
- 11.3 Those engaged in or consulted on the project to date include:
- Stoke-on-Trent and Staffordshire Local Enterprise Partnership
  - Newcastle Borough Council
  - Stoke on Trent and Staffordshire Chamber of Commerce
  - SSLEP Growth Hub
  - HEFCE
  - Keele Science and Innovation Park businesses
  - Keele University Academics, Employees and Students
  - Keele Parish Council
- 11.4 Keele University maintains a Customer Relationship Management (CRM) database as a record of its stakeholder engagement. Engagement at community level is carried out through a range of techniques, building on experience in delivering significant projects historically, including Community Forums and Planning Forums and information events linked to formal consultation exercises.

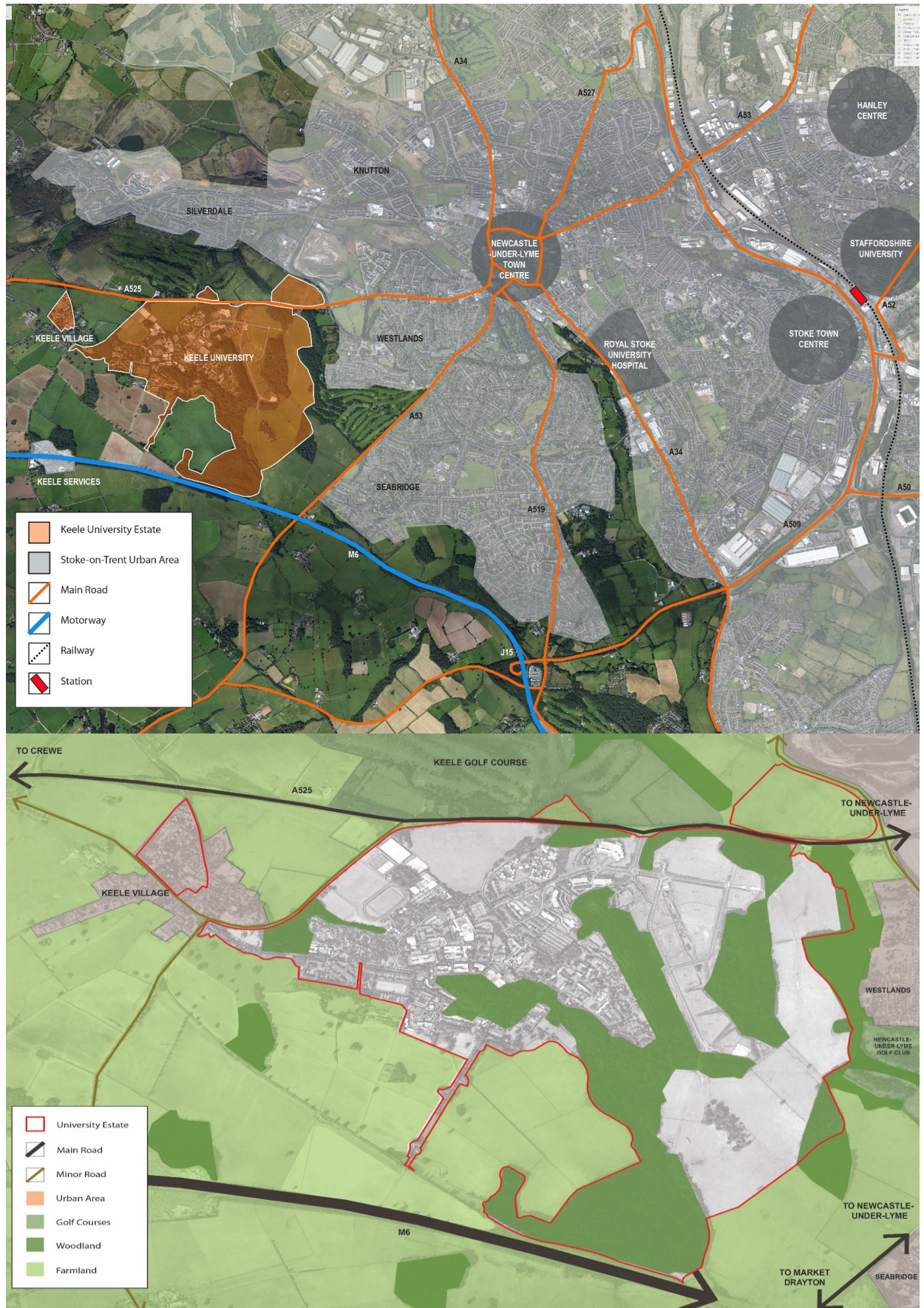
### Communication

- 11.5 The project will comply with the Department for Business, Energy and Industrial Strategy (BEIS) European Commission's publicity requirements and the national European Structural Investment Funds requirements with effect from the project's start date to help promote and publicise the activities and impact of the England 2014-2020 ESIF Growth Programme.
- 11.6 Developed following approval of the full investment, the project will have a marketing and communications strategy which will set out fully when and how the project will be publicised throughout its lifetime. At present the following is envisaged:
- **Logo** – The ERDF and City Deal/BEIS logo will be used and applied correctly, prominently and consistently on Keele's website, publicity materials and documentation produced by the project.
  - **Print and Publications** - All printed documents and publications produced by the project will acknowledge and reference the funding received by displaying the correct logo(s) and ensuring it is visible in a prominent position.
  - **Electronic Materials** - All electronic materials produced by the project will acknowledge and reference the funding received by displaying the appropriate logo(s).

- **Media and PR Activity** – In order to derive maximum benefit for the project and public purse, the project will seek to use cost effective ways to promote the project such as through the local media and trade press. To facilitate this, the project team will develop press releases for the launch of the project, and subsequently to announce key milestones and achievements.
- **Billboard** - Billboards will be erected at the start of the works on campus to maximise the opportunities for it/them to be seen by the public.
- **Plaque** – Permanent plaques will be placed in a location readily visible to the general public, no later than three months after completion of the project.
- **Events, Conferences, Seminars and Workshops** - All materials and documents produced for an event in advance, on the day and after the event including invitations, tickets, press releases, exhibition stands, and presentation slides will acknowledge and reference the funding received by displaying the appropriate logo(s). The project will also notify the local communications representatives within BEIS and DCLG about the event in order to give them a chance to attend and/or provide programme exhibition stands.
- **Project Beneficiaries** - All participants who are taking part in activities associated with the project will be informed about the support from BEIS and ERDF/European Union at the start of their activity.



## 11. Location of Proposal









## 13. Risk Management

- 13.1 The delivery of the SIH project on time, to quality and to budget is subject to a number of external and internal factors. These uncertainties (risks), can present both threats, but also opportunities. It is important that Keele manage these threats to reduce the likelihood and impact of these occurring and to exploit any opportunities that may arise.
- 13.2 Risk and issue management is an essential part of Keele's project management. It allows the university to:
- Have increased confidence in its ability to achieve its objectives
  - Effectively constrain threats to acceptable levels and/ or take informed decisions about exploiting opportunities
  - Provide assurance internally and externally to organisations such as the LEP, DCLG and BEIS that risks and issues are being actively managed, and
  - Allow stakeholders to have increased confidence in the project's governance and our ability to deliver.
- 13.3 The senior management team of Keele promote a 'no surprise, no blame' culture, where well managed risk taking is encouraged and managers lead by example in encouraging the right behaviours. These include:
- Being open and honest about the risks a work area faces
  - Recognising the importance of risk management and taking time to consider risks
  - Taking responsibility for work undertaken, including using empirical knowledge as to how/when risks associated with it need to be escalated
  - Encouraging good risk and issue management, embedded into day to day working
  - Using the risk processes in place to identify, assess and address risk
  - Listening and providing feedback on risks including any mitigating action planned, and
  - Talking to others who may be affected by a risk or who are impacted by an issue.
- 13.4 All risks and issues are entered on to and updated using the templates/registers that exist within the Keele. These are kept on the shared drive accessible to all staff involved in the project. To ensure an accurate month by month or week by week record is kept, registers are updated using version control. This also enables a return to a previous version should anything go wrong with the current version.
- 13.5 Keele follows a best practice approach to risk management (based heavily on the OGC Management of Risk now within the remit of Cabinet Office) utilising the four stages in the risk management process: (1) Identifying the risk; (2) Assessing the risk – appraising the likelihood of the risk materialising and the impact this could have; (3) Addressing the risk – through minimising the threats or taking advantage of the opportunity through existing controls in place and through planned mitigation; and (4) Reviewing and reporting risk – through individual risk registers and where appropriate escalating risks upwards through the project governance structures.

**Identifying the Risk** - Risks are identified from a range of sources, these can include from the external environment an operationally through Keele's capacity and capability to achieve its' priorities against targets.

**Assessing the Risk** - All risks have a designated owner, recorded on the risk register and are assessed for the 'inherent' likelihood and impact.

**Addressing the Risk** - The response to a risk will vary on a case by case basis and depends on the risk appetite in managing it. There are four approaches Keele employs to address risk, namely: (i) tolerate; (ii) treat; (iii) transfer or; (terminate). Risks can of course also generate opportunities. In such cases, consideration will be given as to whether and how such opportunities could be exploited.

**Reviewing and Reporting risk** - Within Keele Directors have been delegated responsibility for managing risks within their work areas and for any Project Boards and/or working groups for which they are responsible. The summary level risk register for the project is discussed at the Project Executive Group as a standard agenda item with any risks worthy of further escalation reported into the City Deal/Growth Deal Programme Board. It is also of note that the key risks associated with the SIH project are reflected within the overall risk register for the City Deal/Growth Deal Programme Board.

- 13.6 By ensuring risks and issues are reviewed regularly it allows the project team, university and stakeholders to have a higher level of confidence that the project can achieve its' objectives, provide assurance that threats are being managed, opportunities are being exploited and issues are being actively managed.

Untreated risk profile										
Ref.	Risk	Potential implications for project	Likelihood	Impact	Untreated risk score	Agreed treatment	Residual risk	Owner	Current Review period	Review body/officer
1. Strategic										
1a	Construction procurement process deemed non-compliant	This would put £9.7m in ERDF funding at risk through clawback after contractual and financial commitments have been made.	High	High	A1	(i) Specialist procurement staff appointed with experience in managing high value ERDF-compliant procurement; (ii) review of all procurement processes and documentation by Operational Support Unit; (iii) Specific protocols in place for all clearance and decision-points.	B3	DoEP	Monthly	PEG
1b	Insufficient funding to commence construction, including inaccurate assessment ERDF eligibility in building uses	This would (i) delay construction start, shift back the spend profile and as a result put ERDF-funding at risk.	Medium	High	A2	(i) Continued engagement with LEP to capture any uncommitted Growth Deal funds (ii) internal and external review of ERDF cost apportionment methodology (iii) continue to seek funding from other sources.	B3	DoEP	Monthly	PEG
1c	Facility fails to realise full potential as strategically significant and Research and Innovation Hub	Although this would be unlikely to have an effect on contracted outputs for the ERDF programme, it would impede the structural impact on the density of innovation active SMEs in the SSLEP area.	Medium	High	A2	(i) Internal review of programme design (ii) articulate clear strategic objectives in management plan and personnel recruitment.	B3	DoEP & ED HumSS	Quarterly	PEG

2. Construction										
2a	Construction costs exceed available budget	The procurement process does not allow for negotiation on price with the preferred the main works contractor. As a result, additional funding would need to be sought from some or all of the existing funders or elsewhere. This would delay the construction start, and put some of the ERDF funding at risk. If prolonged, it could mean the procurement process would need to be rerun.	Medium	Medium	B2	(i) Cost Plans have been produced by suitably qualified cost consultants based on national and regional benchmarks, and these have been independently reviewed by a construction sector panel. (2) Cost consultants will sign a Deed of Collateral Warranty in favour of the University and the Department of Communities and Local Government. Early discussions with the LEP and within the University would be required.	B3	DoED	Monthly (more frequently if required)	PEG
2b	Variation from agreed cashflow forecast	Depending on the nature of the variance, this could put funding at risk if significant spend occurs beyond the point when Britain leaves the EU.	Medium	Medium	B2	(i) Continue to seek commitments from the UK Government to honour the ERDF contribution to the project beyond Britain's exit from the EU. (ii) Modulation of the intervention rate to ensure ERDF can be drawn down within the period ERDF is available.	C3	DoED	Monthly	PEG
2c	Significant delays in procurement of main works contractor, including difficulties securing contractual agreement.	This would delay construction start and put some or all of the ERDF funding at risk. It would risk construction partners withdrawing from the process and lead to reputational damage for the University. It could also delay or create additional costs for the innovation support programmes.	Low	Medium	B3	(i) Effective governance and risk management arrangements through the Project Executive Group are already in place. (ii) Specialist procurement staff with significant experience of construction procurement have been employed. (iii) Regular reviews of progress by OSU and DEP.	C3	DoF	Monthly	PEG

2e	Financial failure of main works contractor and/or novated design team	This would lead to significant delays on the project, and would put ERDF and Growth Deal funding at risk, as a new procurement process would need to be run to secure a construction partner to complete the building. Subject to the amount of work to be undertaken, this could be require a full OJEU process.	Medium	High	B1	(i) SQ process includes financial due diligence, including an assessment of turnover in relation to contract value. (ii) Financial status will continue to be monitored through the construction period.	C3	DoF	Monthly	PEG
2f	Significant health and safety event during construction period	This could lead to construction delays, and depending on the nature and location of the event create reputational, legal and financial risks for either the Construction partner or the University, or both.	Low	Medium	C2	(i) Quality of site management, health and safety record and specific safe systems of work for the scheme to be assessed as part of the procurement process. (ii) Site management plan to be agreed with the construction partner including controls for logistics outside the site, and co-ordination with other construction activities. (iii) Regular inspection of site perimeter and access routes.	C3	PMED	Monthly	DoED
2g	Unforeseen site conditions impede construction progress	This risk lies with the construction partner following the sharing of site investigation reports. However events of this nature would lead to construction delays, and depending on the nature and location of the event create reputational, legal and financial risks for either the Construction partner or the University, or both.	Medium	Medium	B2	Little if any further treatment of this risk can be undertaken, other than (i) effective liaison and information sharing arrangements with the construction partner once they start on site, and (ii) assurance that the construction programme can accommodate any changes required should adverse conditions or events arise, mitigating any delays to completion.	B2	DoED	Monthly	PEG

2h	Serious deficits in quality of build and fit-out	With the exception of AV, IT and FFE, this risk lies with the construction partner, as standards on these are set out in detail in the construction specification. However, any serious issues could incur additional costs and affect the functioning and safety of the building and delay occupation by SMEs, KMS and the delivery of innovation support programmes from the building.	Low	Medium	C2	The remaining treatment is to (i) address this through fee stage inspections by the QS. (ii) Should there be a lack of clarity on the specification, the contractor would raise a compensation event to be negotiated.	C3	DoED	Quarterly	PEG
2i	Building users dissatisfied with design and/or build quality	This would be unlikely to have a serious operational impact as the building has been designed with significant input from building users. However, any dissatisfaction could lead to reputational risks for the Smart Innovation Hub.	Medium	Low	B3	(i) Establish a building user group to enable the Science Park Manager, Hub Manager and the Aftercare Manager to address any concerns during the snagging period. (ii) Provide additional responses needed through management and maintenance of the facility.	C3	DoEP	Quarterly	PEG
2j	Poor operational co-ordination with other construction projects on the Science Park and wider University campus.	This could create financial risks through compensation events, and delays in the construction process.	Medium	Low	B3	(i) Establish a contractor forum to enable the co-ordination of key construction activities. (ii) Establish effective activity mapping to identify key difficulties and points of conflict to be resolved.	C3	PMED	Quarterly	DoED

## Issue Management

- 13.7 Issues can arise either out of the blue or from risks materialising. As with risks, the management of issues has been delegated to the Project Executive Group and to Directors to manage. It follows an agreed process whereby team members record issues on the issue register using an agreed RAG rating system.
- 13.8 In completing the issue register, care is taken to ensure the description is clear and concise, enabling someone not working in the team, to be able to understand easily what has happened. Each issue:
- Sets out concisely what the issue is and the potential impact
  - Outlines the action in hand to deal with the issue and a date for resolution
  - Is RAG rated using agreed criteria
  - Identifies if the issue needs escalation within the agreed governance structure for the project
  - Outlines whether the issue is currently open or closed.
- 13.9 Depending on the timing of escalation, issues can be also incorporated into the monthly progress reports to the Project Executive Group and City Deal/Growth Deal Programme Board or through a standalone item on the agenda.

## Monitoring and Evaluation

- 13.10 Defining clear performance measures that will enable performance and resource consumption to be monitored is highlighted within the benefit realisation section. Ensuring that reliable, complete and timely information to underpin monitoring will be available to all stakeholders, forms an integral part of the project design as is setting out the arrangements for holding those responsible for implementation to account on a regular and timely basis.
- 13.11 Keele is establishing an effective framework for monitoring and evaluating performance of the Hub so that timely action can be taken to remedy problems and make sure that desired outcomes are achieved. At present the following monitoring information will be produced:

Audience	Monitoring Information	Frequency
Department for Communities and Local Government (ERDF Investment)	Financial profile. Economic output profile. Procurement schedule. Financial expenditure in period. Economic outputs in period. Risk and issue log. Project progress update. Key milestones update.	Quarterly
Department for Business, Energy and Industrial Strategy	Financial profile. Economic output profile. Financial expenditure in period. Economic outputs in period. Risk and issue log. Project progress update. Key milestones update.	Quarterly
Project Executive Group/ City Deal/Growth Deal Board/ External Advisory Board	Financial profile. Economic output profile. Financial expenditure in period. Risk and issue log. Project progress update. Key milestones update.	Monthly

Audience	Monitoring Information	Frequency
Stoke-on-Trent and Staffordshire Local Enterprise Partnership and Staffordshire County Council	Occupancy rates Sector analysis Financial performance Economic output performance	Monthly/Quarterly

13.12 In addition to the monitoring information the project will have third party econometric evaluation of undertaken, this will be both; (i) mid-term, formative in nature and used to assess achievements half-way through the project and to derive lessons for implementation and; (ii) final - performed shortly before the end of the project (to ensure evaluation capacity) to determine the extent to which planned and unplanned objectives and outcomes were achieved, to identify the factors of success or failure, to assess the sustainability of the benefits generated, and to draw conclusions that may inform future projects and overall organisational learning.



## 14. Legal Analysis

- 14.1 A full independent report on title has been produced by Knights Solicitors which demonstrates that Keele University has full legal title to the land upon which the Smart Innovation Hub will be constructed.
- 14.2 An independent state aid advice for the project has been produced by DWF Law LLP. The state aid advice identifies the option appraisal utilised for the consideration of aid to the University and to final beneficiary SME's. At the summary level: (i) for the University the flow through principle will be utilised and; (ii) for final beneficiaries Article 28(4) of the GBER will be utilised for the research and innovation programme and the de minimis regulation will be utilised for any property related state aid (for example any initial rent free period).
- 14.3 The University's core mission and Strategic Plan are strongly underpinned by the University's core values as a diverse, inclusive and professional academic community that respects individuals and enables them to strive for success in order to contribute positively and sustainably to the local region, wider society and the national economy. In supporting these values, the University is committed to:
- Encouraging the integration of equality into the structures, behaviours and culture of the University.
  - Providing a means of demonstrating how, in carrying out its functions, the University is promoting equality.
  - Encouraging everyone to take responsibility for equality and diversity.
  - Mainstreaming as a more effective use of resources in the delivery of the equality and diversity agenda, and is part of a long term, sustainable approach.

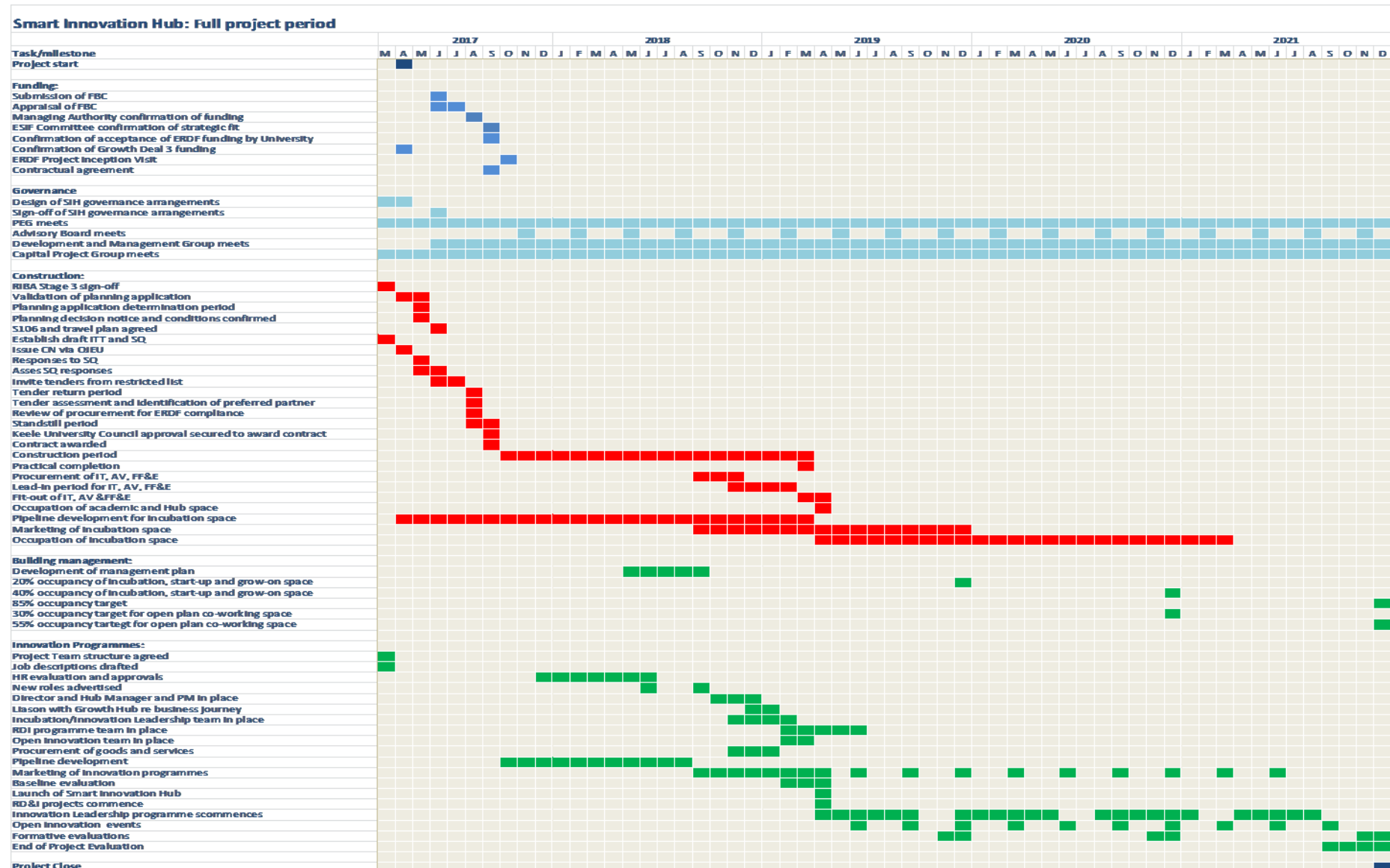
## 15. Delivery and Timetable

15.1 The full project plan for the five-year project period is provided overleaf. Two detailed plans will be produced to support each of the phases:

- A detailed Construction Plan will be prepared by the main works contractor, underpinned by a more detailed cost plan. This will be agreed with the client once the appointment has been confirmed in September 2017.
- A detailed Operational Management Plan for the new facility will be produced in the autumn of 2018 to encompass the more detailed implications of building usage (and the protocols and management arrangements to support this) and other aspects of facilities management.

Milestone	Start date	Completion date	Status
<b>Funding</b>			
Keele University Funding Approval	Nov 2016	Nov 2016	Achieved
Staffordshire County Council Funding Approval	Jan 2017	Jan 2017	Achieved
Growth Deal 3 Funding Approval	Aug 2016	July 2017	On track
ERDF Funding Approval	Aug 2017	Aug 2017	On track
<b>Construction</b>			
RIBA Stage 3 sign-off	Mar 2017	Mar 2017	Achieved
Validation of planning application	Mar 2017	Mar 2017	Achieved
Planning application determination period	Mar 2017	May 2017	Achieved
Planning decision notice + conditions confirmed	May 2017	May 2017	Achieved
Establish draft ITT and SQ	Mar 2017	Apr 2017	Achieved
Issue CN via OJEU	Apr 2017	Apr 2017	Achieved
Responses to SQ	Apr 2017	May 2017	Achieved
Assess SQ responses	Apr 2017	May 2017	Achieved
Invite tenders from restricted list	Jun 2017	Jul 2017	On track
Tender return period	Jun 2017	Jul 2017	On track
Tender assessment & contractor identification	Aug 2017	Aug 2017	On track
Standstill period	Aug 2017	Sep 2017	On track
Approval secured to award contract	Aug 2017	Sep 2017	On track
Contract awarded	Sep 2017	Sep 2017	On track
Construction period	Sep 2017	Mar 2019	On track
Practical completion	Mar 2019	Mar 2019	On track
Procurement of IT, AV, FF&E	Sep 2018	Nov 2018	On track
Lead-in period for IT, AV, FF&E	Nov 2018	Mar 2019	On track
Fit-out of IT, AV & FF&E	Mar 2019	Apr 2019	On track
Occupation of academic and Hub space	Apr 2019	Apr 2019	On track
Pipeline development for incubation space	Apr 2017	Sep 2018	On track
Marketing of incubation space	Sep 2018	Dec 2019	On track
Occupation of incubation space	Apr 2019	Apr 2021	On track

## Timetable



## Benefit Realisation

- 15.2 The project has proactively considered the Supplementary Guidance on delivering public value from spending proposals and the common causes of project failure and their remedies, accordingly these have been documented together with how the project has responded.

Failure	How the project has responded
Lack of clear links between the project and the organisation's key strategic priorities, including agreed measures of success.	The project is central to delivery of the University Strategic Plan 2015-2020.
Lack of clear senior management and leadership.	The Project Executive Group is chaired by the Deputy Vice Chancellor.
Lack of effective engagement with stakeholders.	Significant engagement has been undertaken with a wide range of stakeholders as articulated in the Communication and Stakeholder Engagement section of the Management Case.
Lack of skills and proven approach to project management and risk management.	The University has a pro-active approach to risk management and will be following the Prince2 methodology for the project with specific project management resource brought into the project.
Lack of understanding of, and contact with industry at senior levels in the organisation.	The wider project team includes senior level individuals with excellent understanding of, and contact with the industry.

- 15.3 A written declaration of the project's outputs and results for each beneficiary SME will form the basis of the evidence for the operations deliverables. A survey of beneficiaries will be made annually for the first two years of the operation, and then quarterly, and reported as part of the project's established monitoring and control framework. This evidence will be archived (electronically and in hard copy). The applicant will also consider periodic third party evaluation of the project's deliverables and an econometric assessment of its performance relative to those baselines established in the operational programme.

## 16 Author

The following declaration provides assurance that the business case has been developed in accordance with Green Book and DCLG Guidance.



Date 19<sup>th</sup> June 2017

Paul Hodgkinson – Head of Local Growth – Keele University

## 17 Decision Details

Stoke-on-Trent and Staffordshire Local Enterprise Partnership Executive 20<sup>th</sup> July 2017