



## Cabinet 25 March 2009

### Bury St Edmunds Area Working Party: 17 March 2009 (Apr 09/01)

Report	Title	Recommendations
Z593	Engineering Services Work Programme: Bury St Edmunds	<p>(1) Making permanent the experimental parking scheme in the north Brackland Area, as detailed in paragraph 2.2.1 of Report Z593, be approved;</p> <p>(2) the introduction of additional parking bays in Northgate Street, as detailed in paragraph 2.2.3 of Report Z593 be approved;</p> <p>(3) support for improvements to the central reservation of Parkway, as outlined in Appendix C to Report Z593, and use of the identified public realm capital reserve be confirmed;</p> <p>(4) the area of highway shown on Appendix D to Report Z593 be stopped up; and</p> <p>(5) the operation of temporary park and ride services from Olding Road be continued on Saturdays up to and including Easter Saturday and from Nowton Park on Maundy Thursday.</p> <p><b><i>(Recommendation (4): Appendix D to Report Z593 is attached for ease of reference.)</i></b></p>
Z594	Incubation Centre (Managed Workspace) Suffolk Business Park, Bury St Edmunds	<p>The Corporate Director for Economy and Environment, in consultation with the Portfolio Holder for Economy and Asset Management, be authorised to agree a contribution from existing budgets towards the provision of managed workspace/incubation space/workshops at Site E2 of Suffolk Business Park, in Bury St Edmunds.</p> <p><b><i>(A copy of Report Z594 is attached to this report for ease of reference.)</i></b></p>
Z595	Replacement Local Plan – Policy BSE9: Tayfen Road, Bury St Edmunds, Approval of Masterplan	<p>Subject to the approval of full Council, the masterplan for the redevelopment of Tayfen Road, Bury St Edmunds, attached as Appendix C to Report Z595, be adopted as non-statutory planning guidance.</p> <p><b><i>(This Report is also being considered by the Sustainable Development Panel on 24 March 2009.)</i></b></p>

# Appendix D

Chapel of the Channel  
(remains of)

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Churchyard

St Edmundsbury Borough Council  
Planning & Transportation

Church Yard

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St Edmundsbury Borough Council  
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St Margan Gate

St Mary's Church

HONEY HILL

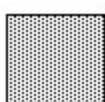
Brewsters



Area to be stopped up



Car Parking



Public Highway



St Edmundsbury  
BOROUGH COUNCIL



## Bury St Edmunds Area Working Party 17 March 2009

### Incubation Centre (Managed Workspace), Suffolk Business Park, Bury St Edmunds

#### 1. Summary and Reasons for Recommendation

- 1.1 The Economic Development Strategy identifies a need to encourage the creation of new business enterprises. To assist this task, the Council has allocated part of site E2 at Suffolk Business Park, Moreton Hall, Bury St Edmunds for the development of managed workspace/incubation space/workshops.
- 1.2 In 2004, the Suffolk Development Agency (SDA, now known as 'Choose Suffolk') commissioned DTZ to undertake a study to look at ways of increasing new business start-ups in West Suffolk. In October 2004, the DTZ report *'A Business Incubator for West Suffolk'* concluded that there was demand for an incubation facility with strong emphasis on business support and that the best location for this is Bury St Edmunds. The current economic climate sets a new context for this development and makes the requirement to provide appropriate premises for new businesses to start, and for small or medium sized enterprises (SMEs) to grow even more important. Data from the Office for National Statistics (ONS) Annual Business Inquiry shows that in St Edmundsbury over 99% of firms are SMEs and that over 76% of workers in the Borough are employed in SMEs.
- 1.3 The Borough Council has entered into a Development Agreement with Basepoint, a private company, to secure the delivery of this facility. The ACT Foundation (who fund Basepoint) has advised that there is a £1m shortfall in the development appraisal and has advised that a contribution of £750,000 is needed to enable this project to go ahead. This report seeks approval to make a contribution towards this shortfall by an application for East of England Development Agency (EEDA) funding and by utilising the Section 106 contribution associated with the Asda petrol filling station development at Western Way, Bury St Edmunds (Development Control Committee Report Z564, Item 5, SE/09/0070 refers). Asda (and the forthcoming petrol filling station) has been built partly on land formerly in employment use. A Section 106 Agreement was required to secure a financial contribution from Asda towards employment initiatives within the Borough to repay the loss of employment land.
- 1.4 The Development Agreement provides that the Borough Council retains ownership of the site and will receive an annual 50% profit share after developers return. In addition, the ACT Foundation has offered that if a contribution is made, the Council can have a one-off share in the form of a clawback following a revaluation of the development after two or three years, assuming an increase in value. This clawback is still to be negotiated and is not guaranteed but it could be returned to fund additional employment initiatives in the Borough.

## **2. Recommendation**

- 2.1 It is **RECOMMENDED** that the Corporate Director for Economy and Environment in consultation with the Portfolio Holder for Economy and Asset Management be authorised to agree a contribution from existing budgets towards the provision of managed workspace/incubation space/workshops in Bury St Edmunds.

## **3. Corporate Objectives**

- 3.1 The recommendations meet the following, as contained within the Corporate Plan:-

- (a) Corporate Priorities :

- (i) *'To create a prosperous local economy'*; and
- (ii) *'To secure a sustainable and attractive environment'*;

- (b) Vision 2025 : St Edmundsbury will be a place:-

V:E3: *'where new enterprise and existing firms are encouraged to grow through attracting inward investment'*; and

- (c) Economic Development : *'To capture new businesses setting up along the Strategy Action Plan 2005 A14 corridor and examine the feasibility of a new incubation centre....'*

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## **4. Background**

### **4.1 Policy and Need**

- 4.1.1 In 2004, the Suffolk Development Agency (SDA, now known as *'Choose Suffolk'*) commissioned DTZ to undertake a study to look at ways of increasing new business start-ups in West Suffolk. In October 2004, DTZ published *'A Business Incubator for West Suffolk'*.
- 4.1.2 The Stage 1 study concluded that there was demand for an incubator facility which should:-
- (a) be aimed at (a broad definition of) the knowledge sector;
  - (b) be located in Bury St Edmunds; and
  - (c) provide a broad range of services such as general business advice, networking opportunities, mentoring, training and advice on funding and technological matters.
- 4.1.3 Sub-regional and local policy is particularly supportive of plans to develop an Incubation Centre in Bury St Edmunds. There is potential for the Incubation Centre to link in with the Greater Cambridge Partnership (GCP) and the University Campus Suffolk (UCS) Enterprise Hub and to support the development of the Cambridge to Ipswich Hi-Tech Corridor.
- 4.1.4 Whilst the aspiration to focus upon high technology and knowledge based industries is still relevant, it is not considered that this should be the only priority for the project. The current economic climate sets a new context for this development and makes the requirement to provide appropriate premises for new businesses to start and SMEs to grow even more important. This point makes the title 'Incubation Centre' slightly misleading as the project is more akin to managed workspace with particular emphasis upon strong business support.
- 4.1.5 The Economic Development Strategy identifies a need to encourage the creation of new business enterprises. Data from the ONS Annual Business Inquiry shows that in St Edmundsbury over 99% of firms are small or medium sized enterprises (SMEs) and that over 76% of workers in the Borough are employed in SMEs. In Bury St Edmunds, this figure is more than 84%. (This data uses the Department for Trade and Industry (DTI) Small Business Service definition where less than 50 employees equates to a small firm and below 250 employees is a medium firm). It could be realistically expected that the Basepoint Centre, when operating at full capacity could enable in excess of 150 people to be employed.
- 4.1.6 In addition, there is a recognised shortage of land and appropriate premises in Bury St Edmunds and this is supported by the fact that Basepoint is still keen to develop this site and the fact that the Mid-Anglian Enterprise Agency (MENTA) units on Eastern Way, Bury St Edmunds are at capacity. It is worth noting that the proposed centre would benefit the whole of the west of Suffolk not just Bury St Edmunds. In addition, the Borough Council has already earmarked funding for improving business units in Hollands Road, Haverhill.

## 4.2 The Basepoint Centre

- 4.2.1 At present there is planning permission for a Basepoint Centre on land owned by the Borough Council at Suffolk Business Park, Bury St Edmunds. The permission is for a three storey office building (17,000 sq ft net) and twelve single storey workshops (plus parking etc).
- 4.2.2 The site is easily accessible from the A14 and is adjacent to the 68 hectares of allocated employment land that extends Suffolk Business Park from Moreton Hall to Rougham. Over time the Business Park could offer the opportunity for businesses from the Incubation Centre to expand and move on.
- 4.2.3 Basepoint run centres such as this throughout the country. They do not target a specific business sector but do market to the whole SME audience ranging from individual professionals, solicitors, accountants etc to less traditional small businesses. Basepoint do not allow heavy engineering/car mechanics and other noisy uses in their centres. The Centre is built to a standard model that has been modified over time in line with experience gained from other centres. The addition of studios and workshops to the range of office space available makes the centre extremely flexible to tenants' needs.
- 4.2.4 One of the benefits of the Basepoint Centre model for the tenants is that they can take space as soon as they want and only have to give two weeks notice to vacate. The precise details of how business support (advice, training, networking etc) will be provided in the Centre have to be worked through. Basepoint have indicated they are happy to work with the Council to secure an appropriate business support provider. There is no revenue implication for the Council.
- 4.2.5 The Development Agreement between the Borough Council and the ACT Foundation was signed on 16 May 2008 and provides for a 125 year ground lease and a 50% profit share after developer's return (8%). The Development Agreement provides that once development commences the developers are required to complete the building i.e. the risk is with the developer and not the Council.

## 5. **Key Issues**

### 5.1 Financial Shortfall

- 5.1.1 Basepoint is funded by a charity known as the ACT Foundation. The ACT Foundation has advised that due to worsening investment yields their development appraisal shows a shortfall in the region of £1m (total costs are £3.5m) which makes the project no longer viable. The ACT Foundation remains committed to bringing forward a Basepoint Centre in Bury St Edmunds and has looked at revising the mix of office versus workshop/studio space within the scheme based upon demand for units. These changes improve the shortfall slightly; however the ACT Foundation has advised that the scheme cannot proceed unless a contribution of £750,000 can be secured.

### 5.2 Funding Options

- 5.2.1 There are two possible funding options to help bridge this shortfall and enable the project to commence:-
- (a) Using some of the £750,000 Section 106 funding associated with the proposed Asda petrol filling station on Western Way, Bury St Edmunds which is to be used *'solely for employment initiatives in the Borough'*. Planning permission has been granted and the Section Agreement 106 has been signed, however, the Section 106 contribution will not be realised by the Council unless and until Asda begin building the petrol filling station.

Asda has built their store partly on land previously used for employment purposes. Planning policy seeks to prevent the loss of employment land, especially in Bury St Edmunds where there is a shortfall, therefore Asda was required to make a financial contribution towards employment initiatives in the Borough to compensate for this loss of land; and

- (b) bid for Economic Participation Programme (EPP) (formerly Investors in Communities) funding. This fund is managed by Suffolk County Council (SCC) on behalf of EEDA. There is £300,000 capital contribution in this fund that could be used for an Incubation Centre that helps to support disadvantaged groups. This money is available for the next financial year 2009/2010 and must be spent by April 2010. This will be the last year of funding for this aspect of the EPP and therefore, it is a one-off opportunity. Preliminary discussions have indicated that this project may be eligible for this funding.

5.2.2 If the Borough Council agrees to allocate the funding to support the Basepoint Centre, the ACT Foundation has offered a one-off share in the form of a clawback following a revaluation of the development after two or three years. It is difficult to say how much this may be worth, or to give any guarantees that any amount would be received, as it assumes that investment yields will recover to previous levels, but it could be in the region of £150,000 and could be used to fund additional employment initiatives in the Borough.

5.2.3 It is considered that the Borough Council should make a contribution to the shortfall of £750,000 but should the shortfall increase further, the Borough Council would make no additional contribution. It is also considered that should the yield improve in the period prior to work starting on site the contribution from the Borough Council should be reduced. Once the project has commenced, any further shortfall in funding would be met by the ACT Foundation. The Development Agreement requires that the development is completed once started and provides that the financial risk of this rests with the developer.

5.2.4 The ACT Foundation has been attempting to reduce the shortfall in the development appraisal and/or to find alternative sources of financial contributions. The ACT Foundation is meeting with EEDA in an attempt to identify other sources of support that may enable this project to go ahead. Strong negotiations have also taken place with the proposed contractors to reduce construction costs which have dropped twice since the project was first tendered. In addition, the ACT Foundation is considering changing the scheme to tailor it to the existing market. Experience elsewhere coupled with research undertaken for the West Suffolk catchment area shows that there is more demand for workshop space and workshop/studios. Therefore, the ACT Foundation is looking at reducing the size of the three storey office block from 17,000 sq ft net to 13,700 sq ft net and reducing the size of workshops by 600 sq ft to enable the addition of 4,700 sq ft of studio space (at first floor level). This results in a slight increase in the total size of the project of 300 sq ft. A new planning application will be required for the revised project.

### 5.3 Time delay and risk if project not supported

5.3.1 The development of a managed workspace project is still highly desirable, even in the current economic climate, in fact even more so. And the timing of this project could be key to supporting the recovery. Failure to deliver this project may adversely affect the local economy in so far as there is an existing shortfall of appropriate workspace for new and small businesses within West Suffolk and an identified unmet demand for office and workshop space.

<p>5.3.2 It is considered that the delivery of this type of centre in Bury St Edmunds is the highest priority for Economic Development in the Borough and the most direct and effective solution to the lack of land and appropriate premises for SMEs. The partnership with Basepoint secures leverage of private finance into St Edmundsbury and results in the delivery of this centre for a modest amount of investment from the Borough Council.</p>
<p><b>6. Other Options considered</b></p> <p>6.1 It is an option not to invest in the Incubation Centre at this stage and to wait for the yields to improve, making the development more affordable. It could be four to five years before confidence returns to this sector. This delay would mean that there would not be the managed workspace/workshops/incubation space that is needed to serve the west of Suffolk and help the recovery in the local economy. The agreement with Basepoint will fall away and we would have to start again from scratch. There are no guarantees that the scheme would ever be delivered in St Edmundsbury in the future. Failure to deliver this project may adversely affect the local economy in so far as there is an existing shortfall of appropriate workspace for new and small businesses within West Suffolk and an identified unmet demand for office and workshop space. The original DTZ report which set out the justification for this project was very clear that Bury St Edmunds was the appropriate location for this project. In addition, the opportunity to gain a contribution from EEDA towards this project would be lost.</p> <p>6.2 It is also an option for the Borough Council to forgo its annual share of the profit. This was the original request from the ACT Foundation, however it only results in a slight improvement in the yield and a further contribution would still be required. This option is highly undesirable from a Borough Council point of view because the annual share in the return would be lost and this was one of the founding reasons for entering into the development agreement with Basepoint originally.</p>
<p><b>7. Community impact</b></p> <p>7.1 <u>General</u></p> <p>7.1.1 The community will benefit from an increased number of new business start-ups.</p> <p>7.2 <u>Diversity</u></p> <p>7.2.1 The Incubation Centre will be able to provide opportunities for all including those from disadvantaged groups. The EPP funding (EEDA) would require that Basepoint provide regular monitoring reports to show a number of outputs including which and how many disadvantaged groups have been assisted.</p>
<p><b>8. Consultation</b></p> <p>8.1 Key bodies involved in this proposal (i.e. EEDA, SCC, MENTA) and the Portfolio Holder for Economy and Asset Management have been consulted on a regular basis. Due to the urgent nature of this report, it has not been possible to consult with the Ward Members; however their views will be reported at the meeting.</p>
<p><b>9. Resource implications</b></p> <p>9.1 The Borough Council has already made a commitment to this project in two ways.</p> <p>9.2 The first is the opportunity cost lost by the Borough Council promoting the use of the site for managed workspace rather than a simple land disposal. This 'lost value' is returned in the provision, at no additional cost to the Council, of a high quality centre for new business enterprises.</p>



- 9.3 The second is the cost of providing the access road which was approximately £95,000. This investment will enable the Council to secure a higher level of return on the disposal of the remainder of site E2. This is the approach the Borough Council has taken on other developments of this nature.
- 9.4 The use of Section 106 Agreement funds would incur loss of interest at the rate of 2.2% in the financial year 2009/2010.
- 9.5 The Council will hopefully benefit financially in two ways from this development; firstly the Borough Council will receive an annual income from the developer of the Incubation Centre in time, however this may take longer than originally anticipated. The actual amount will depend on the success of the developer finding tenants for the units. Secondly, as a result of any contribution agreed at this stage, the Borough Council has the option, after two or three years (to be agreed), to share in a one-off contribution of any uplift in value. Any such clawback is still to be fully negotiated and is not guaranteed.

## 10. Risk Assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

### 10.1

Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)
Bid for EPP funding rejected.	Medium	Early discussions undertaken with fund manager.	Medium
Yields worsen by the time the £750,000 has been assembled resulting in further contributions from the Borough Council.	High	Maximum contribution set.	Low
Actual costs exceed the development appraisal and development requires further subsidy.	High	The developer has accepted all the risks once development has commenced. Development Agreement requires the development to be completed.	Low
Value of scheme does not improve sufficiently to enable the Borough Council to share a one off contribution.	High	Maximum amount of time to be negotiated with the developer to enable the value to improve.	Medium
Developer does not deliver an annual financial return to the Council.	High	Tender selection process has tested the financial soundness of the submissions. The Council only receives a return after developer costs/profit are covered.	Medium

**11. Legal or policy implications**

11.1 Contributions towards private developments have to comply with State Aid regulations. Officers are seeking confirmation that this financial contribution meets this legal requirement.

11.2 Basepoint was originally selected through the tender process, which was dependent on a quality scheme and a financial offer. By dealing with Basepoint only on negotiated terms, the Council may need to consider using the provisions made available in the General Disposal Consent 2003, on the well-being grounds of economic considerations. This is reflected by the proposal to use EPP and Section 106 monies to help bridge the estimated shortfall.

<b>Wards affected</b>	All	<b>Portfolio Holder</b>	Economy and Asset Management
<b>Background Papers</b>	W413 X446 Y16	<b>Subject Area</b>	Economic Development

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