

# Proposed Incubation Units, Suffolk Business Park, Bury St Edmunds

<b>Report number:</b>	<b>CAB/WS/21/052</b>	
<b>Report to and dates:</b>	<b>Cabinet</b>	9 November 2021
	<b>Council</b>	14 December 2021
<b>Cabinet member:</b>	Councillor Susan Glossop Portfolio Holder for Growth Tel: 01284 728377 Email: <a href="mailto:susan.glossop@westsuffolk.gov.uk">susan.glossop@westsuffolk.gov.uk</a>	
<b>Lead officer:</b>	Andrea Mayley Service Manager (Economic Development and Business Growth) Tel: 01284 757343 Email: <a href="mailto:andrea.mayley@westsuffolk.gov.uk">andrea.mayley@westsuffolk.gov.uk</a>	

**Decisions Plan:** The decision made as a result of this report will usually be published within 48 hours. This item will be referred to Council for a final decision and, is, therefore, not subject to call-in. This item is included on the Decisions Plan.

**Wards impacted:** All

**Recommendation:** It is recommended that, Cabinet recommend to Council, the following matters:

- 1. Approve the Business Case attached, as Appendix A to Report number CAB/WS/21/052 and endorse the project objectives.**

- 2. Approve the purchase of 6.8 acres of net developable land to enable the project to be delivered.**
- 3. Approve, the development of 40,000 sq. ft employment space (phase one) on Zone 3 of Suffolk Business Park in accordance with the details contained in the business case.**
- 4. Approve a £12.1m capital budget for phase 1 only, funded through the Investing in our Growth Fund through Prudential borrowing with the revenue impact in line with the Financial Case section of Appendix A to Report number CAB/WS/21/052.**
- 5. Officers will proceed in line with the Council's agreed Scheme of Delegation. However, where necessary agreement, is sought for delegation to the Director of Resources and Property and the Director of Planning and Growth, in consultation with the Portfolio Holder for Resources and Property and the Portfolio Holder for Growth, to make changes to the proposal to reflect the need for the project to evolve as time moves forward and to enable the project to be delivered in accordance with the Finance Case and the Programme.**
- 6. Agree for the Council's Section 151 Officer to make the necessary changes to the Council's prudential indicators, as a result of recommendation 4. above.**

## **1. Context to this report**

- 1.1 The West Suffolk Strategic Framework 2020-2024 sets out three strategic priorities including our commitment to focus our energies and resources on the “Growth in West Suffolk’s economy for the benefit of all our residents and UK plc”. This project is a key example of how West Suffolk Council can support and invest in our communities and our businesses as it provides incubation space for new and developing companies that wouldn’t otherwise be provided.
- 1.2 The purpose of this report is to seek authority for the development of 40,000 sq. ft of start-up/incubation space, as phase one, for companies mainly in the advanced manufacturing and engineering (AME) sector and its supply chain. The costs of borrowing to fund this development through prudential borrowing, will be covered by the business rates that are forecasted to be retained locally as a result of the Enterprise Zone at Suffolk Park, Bury St Edmunds.
- 1.3 A full Business Case for Phase 1 is attached as Appendix A (this includes Exempt Appendix 2) and this in turn is supported by a Risk Register (Appendix 1) and a high-level Project Plan (Appendix 3). Additional Business Case (s) will be required to bring forward Phase 2.
- 1.4 This project provides the opportunity to deliver on the Councils original vision for the employment allocation at Suffolk Business Park. It builds on the commitment shown by the Council, New Anglia LEP and Suffolk County Council to funding/developing the Eastern Relief Road (now Rougham Tower Avenue) and also reflects the intent behind establishing the Enterprise Zone on Suffolk Park.

## **2. Proposals within this report**

- 2.1 The Business Case (Appendix A) sets out the strategic; economic; commercial; financial; and management cases for this development. The Business Case clearly sets out the project objectives and concludes that the case is made for the proposal to be supported and delivered in line with the high-level programme.
- 2.2 The project requires the allocation of approximately £12.1m of capital funding which is assumed to be funded through prudential borrowing from the Public Works Loans Board (PWLB). The Financial Case explains the assumptions that have been made to determine the Capital cost; revenue implications; cash flow projections; and the unique arrangement for financing the debt over 17 years. The Business Case explains that business rates received from the Enterprise Zone on Suffolk Park are split into four separate funds and that Fund B is retained for development that support the economic development of the area. It is this Fund that will be used to pay for the costs of borrowing with support from the LEP and SCC to enable this to happen.

- 2.3 Due to the scale of this project Cabinet is requested to endorse the recommendations set out above so that full Council can make the final decision. The recommendations above enable the project to be brought forward in line with the Scheme of Delegation save that authority is requested for delegation to the Director of Growth in consultation with the Portfolio Holder for Growth to reflect the early stages of this project and the need for some flexibility as matters relating to delivery evolve. In addition, delegation to the S151 Officer is requested to enable necessary changes to be made to the Council's prudential indicators as a result of this project.

### **Key Factors and Rationale**

- 2.4 This project not only supports our aspirations in the Strategic Framework it is also in line with our agreed Investing in Growth Agenda Strategy/Fund and Asset Management Strategy.
- 2.5 The proposal builds on the investment West Suffolk Council made to the construction of the Eastern Relief Road (Rougham Tower Avenue) which in turn opened up the whole 68 hectares of employment land at Suffolk Business Park. Without that original investment, it would not be possible to consider this proposed development today. In addition, the Council worked to bring Enterprise Zone status to Suffolk Park which has not only encouraged new economic development but has also generated a pot of funding that can be used (with agreement) for the development of the economy in the local area.
- 2.6 The intention is that once built, the centre will be run by a leading provider of business support to the Advanced Manufacturing and Engineering sector (AME). This will be a first for West Suffolk and a significant achievement.
- 2.7 Once operational, the centre's operators will be able to build links and synergies with other educational providers such as the Science Technology Engineering and Maths (STEM) Centre on Western Way.
- 2.8 The aim is to provide space for start-up or growing businesses in a supported/flexible environment with access to high quality business advice and networking opportunities.
- 2.9 In addition, WSC has been working over a number of years to develop its AME Sector. This work has involved detailed discussions to support product diversification, running specific events to support the sector and more recently, the development of the West Suffolk Manufacturing Group (WSMG). The result is a very strong and growing AME sector in West Suffolk. Whilst the WSMG is established and is creating links across a number of areas, West Suffolk lacks the dedicated space and specialist business support to develop new and small manufacturing & engineering businesses. It is also running out of opportunities to make this happen at Suffolk Business Park.

- 2.10 This project will not only provide employment opportunities locally for those looking to start or change their careers it will also help to develop the AME sector in West Suffolk for the benefit of new and existing companies and our local people.
- 2.11 When the centre has been up and running for a while, it will start to provide our larger companies in the AME sector with supporting supply chain companies and skilled employees that are currently in short supply.

### **3. Alternative options that have been considered**

- 3.1 A number of alternative locations, delivery models and approaches have been considered before selecting the current preferred way forward. The full details of alternative options are set out in the Business Case the following paragraph summarise this information.

#### **The site**

- 3.2 The preferred site is in Bury St Edmunds. It was chosen because it is:
- a) available;
  - b) allocated for employment uses in the local plan;
  - c) accessible to the main highway network and in particular its proximity with the A14 Trunk Road;
  - d) has great visibility to the main road (it will be easily seen by passers-by);
  - e) affordable (subject to agreement but in line with the Red book Valuation);
  - f) large enough to accommodate both phases of the project;
  - g) close to a large supply of potential employees;
  - h) close to other businesses who may wish to attend collaboration meetings/networking events etc;
  - i) can be funded by using the business rates collected from the adjacent Enterprise Zone (subject to agreement); and
  - j) in accordance with the Suffolk Business Park Masterplan that indicated a range of units would be provided by the park to provide a range of employment opportunities for local people.
- 3.3 Other sites (Suffolk Park or Suffolk Business Park); sites in the ownership of West Suffolk Council; and third party owned sites outside of Bury St Edmunds were all considered however they were either not available; unaffordable; didn't have the visibility of this site; were too small; and/or did not have access to the finance available from Fund B.
- 3.4 Therefore, the preferred option for this project is to build an 40,000 sq. ft facility (phase one) on the preferred site and procure a management

company/operator to provide high quality business support for companies in the Advanced Manufacturing and Engineering sector.

### **Delivery Vehicle**

- 3.5 The preferred method of delivery for this project is for WSC to be the sole investor and deliverer. The benefits of this approach are that WSC:
- a) retains control of the project;
  - b) is able to set out the benefits it wants to achieve and design the scheme to meet these benefits;
  - c) can access the available funding; and
  - d) will retain an asset once built.
- 3.6 Consideration was given to partnering with another body to deliver the project which would have had the advantage of sharing any risks. The two most obvious partnership candidates are New Anglia LEP and Suffolk County Council. However, it was considered that there was no compelling case for entering into a partnership to deliver this project. The funding can be committed without a partnership and the risk profile of the project is considered to be manageable.
- 3.7 It would be possible to enter into a Joint Venture; third party investor; or another mechanism with a commercial developer/provider however it is the case that development such as this require public subsidy and do not generate the income required to make this approach work.
- 3.8 West Suffolk Council will therefore deliver this project; however, specialist skills, advice and extra capacity will be procured to enable the project to be delivered on time and in budget. Additional costs have been included to enable this to happen.

## **4. Consultation and engagement undertaken**

- 4.1 Two pieces of consultation are relevant to this project. The first is a questionnaire that was sent to Members of the Advanced Manufacturing and Engineering (AME) Group. The second was telephone interviews with a number of businesses and local agents. This was part of the evidence base gathering for the new Local Plan (Employment Land Review) however it gave an insight into the perceived need for employment space.
- 4.2 The questionnaire sent to the AME group was essentially a soft market testing exercise to find out the growth aspirations and needs of existing companies in this sector. It also tested the appetite of these companies for additional business support opportunities. The results from this survey also indicate that the lack of supply of skilled labour is a constraining factor for these larger AME companies.
- 4.3 Early findings from the consultants conducting the West Suffolk ELR (September 2021) state that in Suffolk:

*'The bulk of significant market activity has been in the 'big shed' market, in particular at Suffolk Park in Bury St Edmunds and the rate of lettings and sales at Suffolk Park is such that one agent believes that the Suffolk Park will run out of land in as little as two years. While this presents some challenges, perhaps more significant is that local agents feel that big sheds are currently the only commercially viable class of property, in terms of employment land, Suffolk is filling faster than expected'.*

Another comment from an agent is:

4.4 *'The net result is the statement by one agent that there is not a single industrial unit smaller than 1,800 sq. ft available and that the story is similar with offices'.*

4.4 This has meant that the pent-up demand for smaller light industrial units for those in West Suffolk's key sectors, such as smaller and start-up businesses in the AME sector continue to have very limited options, particularly in Bury St Edmunds. The proposed project will increase the supply of units in the region of 2,000 sq. ft and will provide a supported environment for new and growing companies in the AME sector to thrive.

## **5. Risks associated with the proposals**

5.1 A full Risk Register is appended to the Business Case document (Appendix A) and therefore is also available to this paper as Appendix 1.

5.2 There are financial and legal risks associated with this project. The Risk Register shows that the main risks to the project relate to the financial and construction elements. A series of mitigations are proposed to reduce these risks to an acceptable level. With regard to cost, as many of the risks relate to matters that can only be modelled at this stage (for example, we won't know at this stage the precise amount of income from Fund B over the lifetime of the project) we have taken the worst-case scenario where possible and added appropriate levels of contingency. Any risks through the construction phase will be dealt with through the procurement and legal routes.

## **6. Implications arising from the proposals**

6.1 The Financial, Legal, Commercial, Resourcing and strategic implications of this project are detailed in the Business Case (Appendix A).

6.2 There are no personal data processing issues and no adverse implications for community groups.

- 6.3 Issues relating to Crime and Disorder; and Environment or Sustainability will be dealt with at the design stages and through Planning approval. Opportunities will be taken to ensure that the site is developed in a safe way, minimising opportunities for crime. Likewise, all opportunities will be taken to ensure the building is as sustainable and environmentally friendly as is affordable.

## **7. Appendices referenced in this report**

- 7.1 Appendix A is the Business Case for the development of the incubation units at Suffolk Business Park.
- 7.2 Appendix 1 is the Risk Register.
- 7.3 **Exempt** Appendix 2 details the financial case.
- 7.4 Appendix 3 is the high-level Project Plan for the delivery of the project.

## **8. Background documents associated with this report**

- 8.1 There are no background papers in support of this report.