

MID SUFFOLK DISTRICT COUNCIL

TO: Mid Suffolk Cabinet	REPORT NUMBER: MCa/22/56
FROM: Cabinet Member Economic Growth	DATE OF MEETING: 06/03/2023
OFFICER: Fiona Duhamel	KEY DECISION REF NO. CAB390

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The description of the exempt information under Schedule 12A of the Local Government Act 1972 (as amended) is as follows: -

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

The author(s) confirm(s) that the public interest in maintaining the exemption outweighs the public interest in disclosing the information

SKILLS & INNOVATION CENTRE ON GATEWAY 14

1. PURPOSE OF REPORT

- 1.1 To report to Cabinet high-level progress made to date, including initial business case, for a concept circa 30,000 square feet (approximate, equivalent to 2,787m²) Skills and Innovation Centre for locating on the Gateway 14 / Freeport East site. The centre would be set within the designated innovation cluster area, identified as Plots 3000 within the site masterplan, comprising approximately 85,000 square feet (7,897m²) in total.
- 1.2 To update Cabinet on work carried out to date on the initial high-level order of cost estimates for the development, potential income generation opportunities, the draft funding strategy (including Free Port status linked opportunities) and emerging exemplar level sustainability ambitions for the building.
- 1.3 To seek Cabinet approval for the Council taking forward plans for development of the centre to the next gateway governance step, on the basis of the Skills and Innovation option rather than as a tradition workspace facility. It is essential that the Council works collaboratively alongside Gateway 14 Ltd and Jaynic, who are the landowners and delivering the G14 site. The concept is more transformational than a traditional innovation or business centre format given it seeks to incorporate skills development alongside innovation and employment sectors.
- 1.4 To note, subject to 1.3 above, that the Council will fund the next stage of works using existing budgets which will include: further assessment of capital build costs for the building, the development of a full business case which will include a funding strategy, income and expenditure models and options for operating the centre, recommendations as to long term ownership and partnership governance model.

2. OPTIONS CONSIDERED

- 2.1 **DO-NOTHING. Not Recommended.** A 'do-nothing' approach will fail to explore an opportunity to deliver an innovative solution towards bridging long-term skills gaps in the sub-regional area. It will also fail to contribute towards strategic priority outcomes across a range of corporate and local growth plans and policies. It will not deliver against the masterplan vision or Freeport East opportunities for the wider Gateway 14 site.
- 2.2 **WORK WITH GATEWAY 14 LTD AND LOCAL PARTNERS TO SCOPE AND DESIGN A VIABLE DEVELOPMENT. Recommended.** This is scoped as a multiple-partner collaborative project with shared benefits and outcomes. An exemplar and flagship build and operational development for the Gateway 14 site could create the right ecosystem for skills and business innovation to flourish within the local area and wider for the longer-term. Three significant work packages have now been completed in support of this option.
- 2.3 **AS NEXT STEPS FINALISE OWNERSHIP, OPERATION AND OFFER OF SERVICES, AND COMPLETE A CENTRE DESIGN AND FULL BUSINESS CASE, FOR SUBMISSION OF PLANNING AND FURTHER GATEWAY 14 LTD AND COUNCIL CONSIDERATION. Recommended.** The project involves the district council, Gateway 14 Ltd together with Jaynic's development management and further and higher education and innovation sector representation. A sector consultant (Respublica) has been commissioned by Mid Suffolk District Council, utilising 'Mid Suffolk Millions' investment. A refinement of design iterations has already taken place, led by Jaynic, with a strong emphasis on 'form following function' to deliver flexible priority uses, spaces and services from the building.

3. RECOMMENDATIONS

- 3.1 That Cabinet **review and note** the initial business case attached as Appendix A (confidential) including high-level development appraisal with initial costing estimates, revenue income opportunities and viability requirements, indicative costs of borrowing and latest version of the scheme design layout including an indicative schedule of accommodation.
- 3.2 That Cabinet **note** the work to date on the operational management strategy and the findings and conclusions of the Respublica report (attached as Annex F1 of Appendix A - confidential)
- 3.3 That Cabinet **endorse** the option to further develop a business case for a combined skills and innovation centre.
- 3.4 That Cabinet **note** the forward funding of revenue spend from within existing budgets to complete the next stage of business case development work. It should be noted that where forward-funded revenue spend can be later capitalised it will be.

REASON FOR DECISION

To continue to explore and maximise the opportunities for the Council to lead the development of a new unique facility which offers skills development and entrepreneurship and innovation at Gateway 14 in Stowmarket. This leadership opportunity arises from the Council's economic growth and strategic asset management

functions, Gateway 14 site involvement including Freeport East designation and active skills and innovation sector partnerships.

This proposal seeks to meet the immediate and future skills needs of employers and workers in the local and wider sub-regional area and to address the significant skills gaps in the locality. It will provide bespoke services to address gaps in provision and add value to the regional economy.

The proposal meets many Council, local partnership and government outcomes but also creates the conditions to stimulate some new and exciting partnerships which enhance opportunities for local communities and provides a regionally significant centre in the town and within the Freeport area.

4. KEY INFORMATION

- 4.1 The Initial Business Case document is provided at Appendix A (confidential) and is the primary reference point for this report and its recommendations. This makes clear that key considerations for the Council are based upon the 'added value' of a skills development and education component co-located with businesses and innovation. To this extent it is a non-traditional innovation or enterprise centre format and is a 'disruptive' and transformational concept to help address long-term skills gaps, local employer skills shortages and lower levels of productivity and attainment.
- 4.2 The concept is delivery of a new flagship build highly sustainable (minimum BREEAM 'Excellent') circa. 30,000 sq ft Skills and Innovation Centre on the Gateway 14 site off Junction 50 of the A14 in Stowmarket, potentially ready for first occupation by the end of 2024.
- 4.3 Outline Planning Permission (Ref: DC/21/00407) is held for the whole site which includes a centrally located Innovation Cluster area of approximately 85,000 sq ft (of which approximately 30,000 sq ft would be taken by the Skills and Innovation Centre). G14 Ltd could submit a reserved matters application for the Skills and Innovation Centre at any time and independently of Mid Suffolk District Council. It should be noted that all units within the innovation cluster are required as a condition of planning to meet BREEAM 'Excellent' sustainability standards (the rest of the site targeting achievement of a minimum standard of BREEAM 'Very Good').
- 4.4 There is an evidenced need at a sub-regional level to bridge the skills gaps within the labour force, both for immediate and longer term, by strengthening collaboration between businesses and education providers to support lifelong technical and transferable vocational education.
- 4.5 The G14 Skills and Innovation Centre concept is a unique proposition for the region and the UK. There are numerous centres of 'Innovation' or 'Enterprise' as well as 'centres, academies or institutes' for skilled training currently in operation around the country and elsewhere. However, few aim to bring together aspects of business support and skills development, in quite the same way as is envisioned at G14:
 - **A diagnostic and brokerage service**
Careers information, advice and guidance for adults. Customised recruitment and training. Business support.
 - **A technology enabled learning environment to support key sectors and themes**

A platform for 'bite-sized' e-learning products to facilitate remote learning and CPD. A 'Green Screen Studio' set-up to support virtual reality technologies to explore 'faculties on the factory floor' for a range of skill needs in priority sectors.

- **An 'innovation' hub for new tech businesses**
Space for new business start-ups and micro-businesses with the potential for growth. Access to advice, and finance (e.g. investor angels). Hot desks space for businesses and learning.
- **Bespoke training content with a focus on modular/micro-learning**
Small units of modular learning that can be co-designed and delivered. Opportunities to accredit and enable continued learning as well as progress to further and higher learning.
- **A local labour market observatory**
This will establish the labour market intelligence function to inform skills development to address skill shortages (e.g. hard to fill vacancies) and skill gaps among the existing workforce.
- **A range of flexible spaces and meeting rooms**
Building upon Innovation Labs and other workspace models the centre will include a range of lettable spaces from hot desks to grow on spaces, tailored to meet current demand
- **Conferencing/Events (subject to further viability testing and market intelligence)**
A 150-person conferencing suite on second floor plus flexible seminar/lecture spaces. Space for autonomous learning - access to internet
- **A Café for networking/collaboration and use by all businesses on G14**
- **An exemplar environmentally sustainable building**

4.6 It will deliver against Freeport East / DHLUC and HM Treasury objectives and requirements. It will create a focal point and stimulus for wider innovation cluster development on the site, in alignment with the full site master plan for Gateway 14.

4.7 Early work on plans for a unique Skills and Innovation Centre at G14 has been progressing since Spring 2022. Closely aligned to the ambitions of Freeport East around skills, innovation and net zero, the project concept and 'ask' for seed capital was submitted to government as part of the Initial and Full Business Case. Consequently £6m of Seed Capital has been secured towards the project from government.

4.8 Three stages of work were identified; a **Skills Audit** to review and better understand demand and supply, the development of **key activities and operations** in the space, the **development of physical plans** for the site at G14. Those initial stages of work have now been completed, although refinements to function and layout will be further informed by workspace operator soft marketing.

4.9 Jaynic, via appointed architects Frank Shaw Associates, have to date produced four iterations of a design layout. These have sought to refine a best balance of the development of the education and business ecosystem and function with practical

considerations around the building's best use of space, its sustainability and cost. The latest refinements are based upon the partnership panel feedback including Universities, West Suffolk College and Innovation Labs – which also fed into the Respublica consultant report on the scheme concept.

- 4.10 However, it should be noted that input from a potential workspace operator in the design is essential and given the education partner commitments, services offer and occupancy requirements are still unclear and unresolved at this initial stage and may be small scale during early years of operation. Partner endorsements on concept and their potential learning and skills offer are attached within Annex F1 to Appendix A (Confidential).
- 4.11 The proposals and ambitions for the concept are contained within Appendix A (confidential) Initial Business Case. It should be noted this is aspirational and it is unlikely that every element would be deliverable, at least in early stages of operation.

5. LINKS TO CORPORATE PLAN

- 5.1 The organisational vision is *'great communities with bright & healthy futures that everyone is proud to call home'* supported by the Council's mission to *'provide strong, proud, and inspirational leadership; striving for excellence, and together building great communities for everyone to live, work, visit and invest in'*. This proposal is a strong fit towards the vision and mission.
- 5.2 There are a range of cross-cut strategic priorities, both corporate and wider, which align with this project, including (in no particular order of weighting):
- Freeport East – as a key strand of the skills and innovation submission to government
 - Joint Economic Recovery Plan / economic evidence base refresh – Skills, Innovation and Business Support themes
 - G14 Board Business Plan, ambitions and KPIs for site
 - Climate Action Plan / net zero carbon transition by 2030
 - Strategic Asset Management Plan 2020-2025 (SAMP)
 - Place Regeneration and Stowmarket Vision delivery
 - Joint Local Plan and Local Industrial Strategy – including A14 Growth Corridor
 - Business Rates Base Growth for District and Mid-Term Financial Strategy
- 5.3 This project is broader than a physical building and purely commercial venture. If the right format can be established and found to be viable, it is an enabling investment and platform for improving life chances and outcomes for local people. It can help businesses and enterprises to survive, be resilient and grow and for connections and networks to grow organically raising the profile of the G14 sites and district as a home and destination for higher skills, innovation and success.

6. FINANCIAL IMPLICATIONS

- 6.1 Appendix A (confidential) to this report contains an initial high-level financial appraisal as part of the initial business case. In all respects this emerging project is a financially higher-risk scheme given it is a unique proposition.
- 6.2 It will therefore be necessary to undertake further detailed financial work including sensitivity testing for the funding strategy development during the next phase of concept design, feasibility and viability - should Cabinet be satisfied to approve the recommendations of this initial gateway report. Development appraisals will need to

consider lifetime operational, management and maintenance costings estimates, not just up-front capital costs. These can only be refined as occupancy requirements, ownership and operation models, access to finance (including borrowing rates and term) and Freeport opportunities including access to retained business rates, conferencing and events evidence are sufficiently progressed and clarified.

- 6.3 The initial high-level indicative order of costs for development of a scheme, based so far upon the latest two layout option variants, is attached within Appendix A (confidential). This should be noted as not a fully detailed and costed appraisal at this time, which will follow in due course as part of full business case reporting. It does however provide a sense of the scale, and potential risks, of a venture of this kind.
- 6.4 As a Gateway 14 Ltd owned site and development, it is important to recognise the company's lead role in setting the direction regarding development cost planning and financial considerations and their onward implications for the wider site – not confined to this building. G14 Ltd will want to see a building that thrives, is well managed and has a positive longer-term impact on the wider development. Whilst yet to be confirmed, it may be less likely that G14 Ltd will wish to own the building given the particular nature and risks of this precedent concept seeking to co-locate skills development with innovation and business.
- 6.5 There are also taxation and corporation liability impacts to be carefully assessed and considered. The ownership, occupation and management of any developed Skills Centre are therefore critical to clarify as early as possible and having undertaken full due diligence.
- 6.6 For the Council, also as 100% shareholder of Gateway 14 Ltd and Freeport East partner, there are valuable wider economic, social and environmental non-monetised benefits from delivering the Skills and Innovation Centre. There are also obligations to DHLUC, HM Treasury and Freeport East to be able to benefit from the incentives Freeport East will bring including accessing seed capital funds and retained business rates.
- 6.7 The Initial Business Case attached as Appendix A (confidential) identifies both financial and non-financial benefits linked to the developing concept. It should be clearly acknowledged that in early years of operation the centre will not be break-even and that there will be significant risks to consider and manage in this regard. Officers will also for the Full Business Case be including HM Treasury compliance standard appraisals which are being sourced to identify in monetary terms the wider social value impacts from delivering a skills and innovation centre along the A14 corridor at Stowmarket. This will be an important consideration in deciding whether to proceed with a built development which encompasses skills provision or not.
- 6.8 A commissioned market intelligence and evidence base report for evidencing conferencing and events income opportunities from the centre will also be available shortly and will be integrated with the funding and finance viability work towards the Full Business Case. The initial financial appraisals clearly show that conference and event income will be critical to the business case, and that education and skills training will not of its own generate significant income for the centre.
- 6.9 At this stage it should be stressed that the Funding Strategy requires further detailed conversations through the Gateway 14 Ltd Board, Freeport East board and partners involved, which will continue over the coming weeks. However, it is likely that there will be a need for the Council to become a primary funder of the scheme.

- 6.10 Consideration will need to be given to the management of the funding gap for the project and a 'worst case' financial assessment will be the main focus. If borrowing is required, Minimum Revenue Provision (MRP) and interest costs will need to be built into cost forecasts. Borrowing against future retained Business Rates revenues is a possibility and the Council's Chief Finance Officer/S151 has and will continue to be consulted on all options towards production of the detailed Full Business Case to return to Cabinet/Council for approval in due course.

7. LEGAL IMPLICATIONS

- 7.1 All land at the Gateway 14 site is owned by Gateway 14 Ltd a private limited company, of which 100% of the shares are owned by Mid Suffolk District Council. Gateway 14 Ltd has appointed Jaynic as its development partner for delivering the site. The current legal structures for the Skills and Innovation Centre ownership and governance require further analysis before any final business case is approved.
- 7.2 There is a need to review all structures to ensure that future operation of the Skills and Innovation Centre is managed in accordance with a set of agreed outcomes and principles. The Council's appointed consultant Respublica has carried out and completed in January 2023 initial analysis work culminating in a report outlining the main options, structures and considerations. Further work is required with stakeholders to conclude this area of work and any future recommendations will be brought back to Cabinet as part of the Full Business Case. Given the building is likely to have a range of partners sharing space, careful consideration is required regarding longer-term management and legal and operational structures. This will also form part of the Cabinet's future gateway review of a Full Business Case.
- 7.3 There are linked wider Freeport East agreement and governance, and business rates policy considerations for the site, as well as G14 Ltd matters, subject to separate detailed reporting as required.
- 7.4 Councils have the powers to acquire land and property for the purposes of -
(a) any of their functions under LGA 1972 or any other enactment, or
(b) the benefit, improvement or development of their area.
- 7.5 The Council's Strategic Asset Management Plan (2020-25) requires an independent valuation when connected parties are involved, which may be good governance in this situation.

8. RISK MANAGEMENT

- 8.1 The initial key risks are set out below. For this initial business case and noting reporting stage risks are mainly confined to the high level strategic, and potentially

the missed opportunities should the authority not endorse the next stage of business case development. See also Section 3 above on options considered.

Key Risk Description	Likelihood 1-4	Impact 1-4	Mitigation	Risk Register and Reference
Income and Capital projections and economic outcomes projected for Gateway 14 Ltd may not be delivered	3	4	Robust development appraisals and funding strategy including whole life cashflow forecasting and estimates. Expert input at all stages. Governance gateway steps including G14 Board. The Skills Centre would only be 30,000 sq ft of a wider 2.3m sq ft site	SRR002 - MSDC STRATEGIC RISK REGISTER
The Councils may not be carbon neutral by 2030	4	4	This scheme has a marginal influence on the overarching district strategic risk. However, delivery of a highly sustainable building (minimum BREEAM Excellent) would support wider climate resilience strategies	SRR009 - MSDC STRATEGIC RISK REGISTER
Additional cost pressures for MSDC may result in a significant overspend that needs to be funded from reserves	3	4	Robust business case & sensitivity analysis, clear understanding of financial risks and expectations. Market evidence and advice – demand and need. Governance gateway steps including S151 officer	SRR013 - MSDC STRATEGIC RISK REGISTER
We may not understand the needs and aspirations of our businesses	2	4	Utilise professional network, economic growth function and commission evidence and intelligence to inform strategies for this project	05 – SIGNIFICANT OPERATIONAL RISK REGISTER
Lack of business growth and investment in the districts	2	4	Consider direct intervention business case to address evidenced employment skills gaps in the local and sub-regional area	06 – SIGNIFICANT OPERATIONAL RISK REGISTER

Lack of workspace delivered in districts due to market failure	3	4	Consider direct intervention business case to address evidenced market failure and provide workspace in Stowmarket / A14 corridor location	07 – SIGNIFICANT OPERATIONAL RISK REGISTER
Decline in our key towns impact upon economic prosperity of the districts	3	4	Consider direct intervention business case to address evidenced employment skills gaps in the local and sub-regional area via delivery of a unique skills and innovation centre	08 – SIGNIFICANT OPERATIONAL RISK REGISTER
We may be unable to meet income projections for the Councils	3	4	Robust development appraisals and funding strategy including whole life cashflow forecasting and estimates. Expert input at all stages. Governance gateway steps including S151 officer	10 – SIGNIFICANT OPERATIONAL RISK REGISTER

8.2 The project risk register has been included in the Initial Business Case attached at Appendix A (confidential) and is kept regularly updated. This will be managed operationally and through key governance gateway decision points and programme board reporting. Risk identification and management will evolve along with the business case and development appraisal progression. Initial Business Case identified risks will be addressed and mitigated in the work up to Full Business Case reporting – for example design, centre ownership, operational model, funding, development management, income opportunities and occupancy agreements.

9. CONSULTATIONS

- 9.1 Extensive engagement and consultation has been carried out with a range of partners and specialists and this is detailed in the initial business case. Respublica consultants have undertaken a wide range of research and engagement in the formulation of the operational and functional work to date. Further market research is underway regarding conferencing and events viability.
- 9.2 Work is ongoing in terms of working alongside Gateway 14 Ltd Board and their development partner Jaynic, together with frequent key stakeholder inputs and the integration of the functional uses intended for the building being enabled through the physical design and build.
- 9.3 Formal consultation will be carried out as part of any future planning application. The Gateway 14 site has an outline planning consent granted 05 November 2021 and this has involved significant public, community and stakeholder engagement.
- 9.4 Ongoing dialogue with Freeport East, Gateway 14 Ltd and Jaynic is essential as well as with delivery partners.
- 9.5 Internal cross-service discussions continue involving SLT, S151 and finance colleagues, legal, strategic assets, climate change, planning and building control.

Case studies and site visits to similar innovation centres are also informing the business case and viability work.

10. EQUALITY ANALYSIS

If any of the protected grounds may be affected as a result of the recommendations in this report a full Equality Impact Assessment (EIA) will need to be carried out. Initial screening has concluded that a full Equality Impact Assessment (EIA) not required at this point.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 Environmental issues are being considered as part of the planning and delivery process however there are no direct environmental implications in respect of the recommendations at section 3.
- 11.2 Gateway 14 Ltd has a clear business goal to maximise sustainable construction opportunities and explore low carbon heat and energy/water sources on the site. Ambitions for the building are for exemplar level construction, embodiment of carbon and considerate construction in support of the Council's emerging Climate Resilience Plan and Gateway 14 sustainability strategy. BREAAAM 'Excellent' is the minimum standard for the innovation cluster (Plot 3000 units) on the Gateway 14 site. BREEAM 'Excellent' would broadly represent performance equivalent to the top 10% of UK new non-domestic buildings.
- 11.3 Development of the site would have associated environment impacts requiring assessment and mitigation. However, Gateway 14 is already a live construction site operating within planning consents and detailed construction phase planning including mitigating impacts on wider local infrastructure, businesses and communities. This will minimise negative effects of building the centre.
- 11.4 The initial design work has proposed roof mounted solar PV and air source heat pumps, to provide self-consumption energy opportunities and cost savings for occupiers. Electric vehicle and bicycle charging points and biodiversity planting and features are options to further embed green infrastructure and mitigate carbon impacts.

12. APPENDICES

Title	Location
A. Initial Business Case (including Financial, Operational, Concept and Programme work to date) - CONFIDENTIAL	ATTACHED
B. Annexes to Initial Business Case - CONFIDENTIAL	ATTACHED
C. Data & Evidence Pack to Initial Business Case - CONFIDENTIAL	ATTACHED

13. BACKGROUND DOCUMENTS

None other than Appendices above