Wiltshire Council

Cabinet

5 January 2021

Subject:	**Porton Science Park - Collaborative Innovation Centre Collaborative Innovation Centre**
Cabinet Member:	**Cllr Philip Whitehead Leader of the Council and Cabinet Member for Economic Development, MCI and Communications**
Key Decision:	**Key**

Executive Summary

Following Cabinet's decision of 7th January 2020, it was agreed the Porton Collaborative Innovation Centre project would proceed and £5m matched funding was allocated. As set out in our paper to that Cabinet last January 2020; a full application for European Regional Development Funding (ERDF) of £2.5 million was submitted by the council and was selected to go forward to grant funding agreement. The grant funding agreement was subject to the confirmation of matched funding and the project being at RIBA stage 3. The project is now at a stage where we can enter into contract with MHCLG, and we are seeking delegated authority to sign the Funding Agreement for the European Funding.

Following client engagement with the appointed building contractors and design team for the RIBA stages 1-3, and the undertaking of relevant ground surveys, the overall costs for the preferred option have increased. Working with the Swindon and Wiltshire Local Enterprise Partnership ("SWLEP"), which has been a valued partner in the development of Porton Science Park, an allocation of £2m has been secured from the Getting Building Fund towards the project. Together with the secured ERDF and council's existing capital commitment, this will cover the confirmed cost of construction while providing a sufficient margin for risk and ensure that we deliver both on the project's objectives and the council and partners' environmental standards requirements in delivering the new building. We therefore request delegated authority to enter into a funding agreement with the SWLEP for this additional funding.

Based upon the architectural drawings of the new Collaborative Innovation Centre, and the revised layout of internal space, the revenue calculation has been updated reflecting the changes in types of rentable space. The breakeven point for the centre remains at year six assuming an occupancy rate of 70% is reached within three years of opening.

Proposal(s)

Members are asked to delegate authority to the Director of Housing and Commercial Development; to enter into a Funding Agreement with MHCLG for the ERDF £2.5m grant funding.

Members are asked to delegate authority to the Director of Housing and Commercial Development; to enter into a Funding Agreement with the SWLEP for the GBF £2m grant funding.

Members are asked to note the adjusted revenue profile in light of changes to the level and type of lettable space in the revised building design.

Reason for Proposal(s)

- To ensure we can drawdown European match funding for the project, before the ERDF programme finishes
- To ensure we can secure additional funding to cover the building costs, meet environmental requirements and provide for project risk
- To offer flexible space for meetings and a collaborative laboratory space supported by existing ultrafast broadband provision, as well as creative and recreational space to support networking at the new centre
- To progress delivery of Porton Science Park, in partnership with SWLEP, MHCLG and campus partners Dstl and PHE.

Terence Herbert
Chief Executive

Wiltshire Council

Cabinet

5 January 20211

Subject: **Porton Science Park - Collaborative Innovation Centre**

Cabinet Member: **Cllr Philip Whitehead Leader of the Council and Cabinet Member for Economic Development, MCI and Communications**

Key Decision: **Key**

Purpose of Report

1. This report seeks to update members regarding increased cost of delivery arising from design changes which include relocation of the preferred site for the building, additional road and parking provision.

2. To provide members with an updated revenue projection for the centre's initial years of operation, which has been reprofiled in line with the internal design of the building with respect to type and quanta of lettable space

3. To secure additional funding and draw down matched funding for the capital costs of building the centre and provide specialist business support, training and development on-site, the council needs to enter into funding agreements with MHCLG and the SWLEP. This report seeks delegated authority to enter into these funding agreements.

Relevance to the Council's Business Plan

4. The project is a priority in achieving Key Action 2 of the Council's Business Plan which is to, 'Stimulate economic growth and create additional jobs in partnership with the Local Enterprise Partnership.'

5. Porton Science Park is a priority in delivering Objective 1: Wiltshire Has a Thriving and Growing Economy, in the Council's Business Plan

Background

6. The first phase of the Porton Science Park comprises 3948 sqm of serviced Innovation and Grow-on space for new and growing enterprises in the life sciences and related research sectors. The Centre was funded by Wiltshire Council, UK Government via the Swindon and Wiltshire Local Enterprise Partnership, and European Regional Development Funding, and became operational in January 2018. The centre is now 90% occupied.

7. Following Cabinet's decision of 7th January 2020, it was agreed the second phase of development would proceed and £5m matched funding was

allocated for a Collaborative Innovation Centre. The building will deliver 3,576 sqm of commercial space at the Science Park comprising:

- A 1780 sqm. Collaborative Innovation Centre which will provide
  - 192 sqm. 'Atrium' area for welcoming, networking and relaxation
  - 144 sqm. Meeting Space responding to market demand at Porton Down
  - 165 sqm. office space to be made available on easy-in, easy-out terms to research organisations, small businesses and collaborators
  - 498 sqm. laboratory space also available on easy-in, easy-out terms to promote collaborative scientific research and development, of which:
    - 398 sqm. "Wet space" geared towards research in biological and chemistry related research (including Life Sciences)
    - 100 sqm. "Digital orientated" geared towards research in digital and high technology sciences

- 1,796 sqm. Grow on Space developed as a "shell" for bespoke occupier-led fitout; the space will be made on traditional but attractive commercial terms and provide much needed space for growing enterprises at Porton Down to grow and benefit from the research eco-system at the Campus

8. Future phases of development at the Science Park are expected to be market-led, centred around specific pre-lets. There will also be a requirement for catering and other social amenities as the park grows. The co-ordination and planning of this work will be guided by the Porton Science Campus Strategic Steering Group.

Main Considerations for the Council

9. The collaborative Innovation Centre is currently designed to RIBA Stage 3 and a detailed design and build programme has been established which projects completion and handover of the building in February 2022.

10. The project already had Planning Permission thanks to the Outline Permission and Reserved Matters secured by the council in delivering the first phase building in 2018. Whilst this has allowed us to apply for ERDF grant; adhering to their tight timescales for commencement and financial completion, it has also meant the design, scale and plot location for the building must conform with its conditions. The shape of the building following a central courtyard has reduced the overall size of the building slightly and limited the size of the conference/meeting space and labs/offices offered. This has altered the revenue costs in the initial forecast calculation, which were based on a similar size and offering as the first phase building.

11. The change in location in line with achieving conformity with planning permission and achieving suitable road access and parking standards has

meant an increase from initial cost estimates. The preferred solution will help resolve issues around visitor parking both at Phase 1 and this new phase of development.

12. The council has received several expressions of interest both from existing occupiers of the Science Park who are planning for growth, and companies both in the UK and abroad in taking new space at Porton Science Park. This evidence of demand substantiates the business case for creating additional commercial space to grow the Science Park further.

Overview and Scrutiny Engagement

13. A briefing was given to the Chairman of the Financial Planning Task Group and the Chairman and Vice-Chairman of the Environment Select Committee on 17 December. Both task groups sit beneath the OS Management Committee and comments from the task group chairmen will be reported at the Cabinet meeting.

Safeguarding Implications

14. There are no additional considerations relating to the proposals to deliver Porton Science Park.

Public Health Implications

15. The creation of a significant number of high-quality job opportunities in the Health and Life Sciences at the Porton Science Park will have a beneficial impact on research to address public health issues.

16. This project will also form a positive response to the recent economic shocks including the nerve agent attack in Salisbury in 2018 and the impacts of the Covid-19 pandemic. Indeed, Porton Down is an important focal point for research and manufacturing in direct response to the pandemic.

17. Workplace health will be considered as part of this development, and the permitted scheme will incorporate positive design elements which will contribute to general wellbeing.

Procurement Implications

18. This project is using a Framework as a route to market and follows a “develop and construct” methodology. The Southern Modular Building Framework is a recognised OJEU compliant framework established and managed by a neighbouring Local Authority (Hampshire County Council) and we are working closely with them.

19. This project is following a two-stage process. The first stage, to enter into a pre-construction services agreement with the preferred supply chain partner to carry out design works across RIBA stages 1 to 4, is now almost complete. On acceptance of the design and the price we will look to enter into an NEC Building Contract with the Contractor to build the Innovation

Centre. This is expected to take place in March 2021; however, the Council are under no obligation to proceed to construction.

Equalities Impact of the Proposal

20. There are no equalities impacts arising from the proposal

Environmental and Climate Change Considerations

21. All users of the building will be expected to adhere to the operation manual for the building, ensuring that they manage it in an energy efficient way and in line with the BREEAM specification to which it will have been constructed.

22. In order to meet the requirement that the project is delivered to a BREEAM standard, advice was taken from the Building Research Establishment (BRE) on the most appropriate way of securing whole building accreditation in the knowledge that in the first instance only 50% of the building would be fully fitted out with the remaining parts constructed to Shell and Core standard with subsequent fit out works to be carried out at an as yet undefined date. The Project Team decided that the most appropriate route would be to carry out two separate BREEAM Assessments. One for the Fit-Out part of the building and one for the Shell and Core part.

23. Following a detailed appraisal of the two BREEAM assessments, we will not be able to secure an Excellent rating for the Shell and Core part of the building due to the fact that we are not able to obtain the mandatory EN01 energy credits. This is as a consequence of a technical issue with the BRUKL software used to calculate the credits; relating to lack of expected energy data due to no tenants in the Shell & Core parts of the building and therefore an energy performance result which is less than that required for an Excellent rated building. However despite the constraints of the site, the location and the nature of the build, we are now of the opinion that we are able to achieve an Excellent BREEAM rating for the Fit-Out part of the building.

24. In line with Wiltshire Council's recognition of the climate change issue, the development of the Centre has as an objective net zero carbon in operation. That is to say "The energy used by the building in operation should be reduced and where possible any demand met through renewable energy. Any remaining emissions from operational energy use should be offset to achieve net zero carbon" (as World Green Building Council definition). A dynamic thermal model for the building has been created to model the building performance and to assess the energy consumption of the building. The energy used to service the building with heating, cooling and lighting is being offset by the energy created by PV panels on the roof (providing the maximum load possible). The current prediction is that there will be an energy demand over and above the energy produced by the PV panels, and therefore in the next stage of the design we will assess what this means for the building and what needs to be considered to enable the building to be carbon neutral. Along with the roof PV panels, this building will include a combination of heat recovery units, air source heat pump condensing units

and rainwater harvesting. The project is predicted to achieve high scores within the BREEAM sections for Management, water and ecology. We have been working closely with the Senior Ecologist in the Spatial Planning Services over specific plant types and maintenance regimes and we will be following the Design Guide for PSP.

25. This project will work closely with a separate proposal to establish a Combined Heat & Power (CHP) solution at the Science Park. The Innovation Centre will be future proofed to enable connection to the heat network once established.

26. Providing additional laboratory and office space for growing SMEs in Wiltshire will also reduce the necessity for travel out of the county; offering benefits through reduced carbon emissions, improved air quality and an improved work-life balance. We have produced a Porton Science Park Travel Plan are also developing a green travel plan with our campus partners to encourage greater car share and park & ride options across the site. Electric car charging points are currently under consideration, for installation as the science park develops.

Risks that may arise if the proposed decision and related work is not taken

27. The European Regional Development Funding available to part-fund the scheme is at risk of loss from the SWLEP area if we cannot enter into a funding agreement.

28. Without entering into an agreement with the SWLEP we will not be able to draw down the Getting Building Funding to match the ERDF and Council funding and the project will not proceed.

29. If the project is required to cover the full potential capital borrowing costs during the first three years of operation, the Centre will run at a loss.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

30. As is common practice, clawback provisions will be made in the funding agreements for ERDF and Getting Building Funding. There is therefore a risk of clawback should the council fail to meet the conditions of these funding agreements. To mitigate this risk, the funding agreements will be reviewed (and, if necessary and appropriate, amendments requested) by the council's legal services team. Appropriate project management resource is in place to ensure satisfaction of the anticipated conditions which will be placed on the funding.

31. There may be a shortfall in occupancy of the Centre, which would result in underperformance in terms of rental income, and additional empty unit costs. Assumptions have been made for both of these issues in the cost calculation used to forecast the building's financial performance. These assumptions are relatively conservative (risk averse); assuming an initial occupancy of 50% rising to 80% overall as at year 4, compared with the

current performance of the phase one facility which is operating at full capacity after two years.

32. Conversely, there may be unexpected incidental costs, for example emergency repairs. The cost calculation for the Innovation Centre includes evidence-based allowances for both fit out and maintenance costs over the 15 year lifetime of the building which should be able to manage all but the most exceptional of circumstances. This will be managed as a "sinking fund", meaning that surplus rental income will be set aside to manage years where there may be a shortfall. This risk and the responsibility for managing the building will lie primarily with the operator, however either failure to properly upkeep the building, or financial distress on the part of the operator, may require the council's intervention.

Financial Implications

33. Capital financing costs would be circa £0.198 million per year based on annuity Loan for 50 years at 3.1%. The capital financing budget would need to be increased by this amount in year 21/22 and a similar amount for 22/23.

34. An NPV cashflow has been completed for Phase two, and forecasts that the site can breakeven in year 6 28/29. From year 3 25/26 the site can cover all forecast operational running costs including the capital financing costs.

35. Borrowing is being based on 50 years; this is therefore considered as a long-term investment.

36. ERDF grant conditions will need to be complied with to ensure the full grant amount can be drawn down and claw back is not triggered.

Legal Implications

37. The Council's legal team has been involved in the procurement process which led to the appointment of the contractor through the Southern Modular Building Framework Agreement. The Framework is managed by Hampshire County Council, with whom the Council has signed the User Agreement in September 2019. The Framework Agreement is fully compliant with the relevant procurement legislation, particularly the Public Contracts Regulations 2015.

38. The legal team will support the rest of the process and ensure that all relevant legal agreements entered into by the Council are compliant with the relevant legal requirements. This will ensure that Wiltshire Council is fully protected.

Workforce Implications

39. There will be a requirement for a Lab technician and general Facilities Management to support the new building. The Facilities has already been recruited in order to offer business continuity to both buildings. It is expected that the council will recruit for the lab technician role using its

normal recruitment processes and budget has been allocated in the 15 year revenue cost calculation for the business plan.

Options Considered

40. Do nothing. If the council does not proceed with this project the available European funding will be lost from the Swindon and Wiltshire area. Furthermore the opportunity to deliver an exciting and innovation second phase of development to meet known demand from businesses to locate at Porton will be lost, as well as the significant work that has been undertaken by the council in achieving the current stage of development. This would have negative financial, economic and reputational impacts and therefore is not the preferred option.

41. Do minimum – attempt to reduce the overall build cost through value engineering. During the RIBA stage 2 and 3 process, options relating to the use of surplus material within the masterplan site and achieving BREEAM Excellent for the Fit-out and Very Good for the Shell have been considered. In theory it may be possible to achieve savings in these areas or others however these will impact on the deliverability and projected outputs of the scheme. In particular, failing to deliver suitable landscaping would put the project at risk from a planning perspective, while failing to achieve a sufficient BREEAM rating would fail to meet both the Council's requirements for new build as well as a fundamental funding condition of the ERDF funding which has been secured towards the scheme (£2.5 million). This option has been rejected on the basis that it would likely fail to deliver since ERDF would likely be lost or clawed back and the project would also be put at risk from a planning perspective. It would also not adhere to the council's and Getting Building Funds minimum requirements to support sustainable building and support green recovery.

Conclusions

42. The first phase of Porton Science Park has been a great success creating high value new jobs, and growing SME businesses in the life sciences. This report has set out the business case for delivering a second phase of development which will build on, and complement, this success.

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Appendices

Appendix 1 – Outline Business Case

Background Papers

The following documents have been relied on in the preparation of this report:

ESIF-ERDF Full application form for Porton Science Park – Phase two.
Outline Business Case to SWLEP for Getting Building Funding