

Wiltshire Council

Cabinet

7 October 2014

Subject: Porton Science Park

Cabinet Member: Cllr Fleur de Rhé-Philippe
Cabinet Member for Economy, Skills and Transport

Key Decision: Yes

Executive Summary

On 7 July 2014 Government announced an allocation of £4 million through the Swindon and Wiltshire Local Enterprise Partnership Growth Deal to contribute towards the construction of Phase 1 of Porton Science Park.

With this commitment in place, the Council and its partners (Tetricus, and Dstl that owns the land upon which the science park will be constructed) are now able to take action to ensure that the benefit of this funding is realised. Key next steps are to:

- Commit to contributing capital funding alongside Government and Europe
- Reach a lease agreement with Dstl
- Ensure appropriate project management resource and accountability is in place
- Support the SWLEP in securing European funding for the project
- Lead on delivery of the project in line with legal and funding conditions, and agreed milestones

Completion of the project is anticipated in 2016.

Proposals

To:

- (i) Approve the allocation of contributory funding to the project on the capital programme for 2015/16.
- (ii) Delegate authority to the Associate Director for Economic Development and Planning, in consultation with the Cabinet Member for Economy, Skills and Transport, to deliver the project within the parameters set out in this report.

Reason for Proposals

Porton Science Park is prioritised in the Council's Business Plan and the construction of the first phase will be significant to the development of the life sciences sector in the county and nationally. It will ensure the retention of businesses currently housed in the current Tetricus facility (soon to close), and in addition create up to 2,000 new, high value jobs, as well as providing a focal point and platform for innovation, research and development in the health and life sciences in Wiltshire and the wider Wessex area.

Dr Carlton Brand
Corporate Director

Wiltshire Council

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Purpose of Report

1. To update Cabinet on the progress of the Porton Science Park project leading up to and since the Government announcement on 7 July 2014 of a £4 million commitment to the project through the Swindon and Wiltshire Local Enterprise Partnership Growth Deal.
2. To inform Cabinet of the next steps required to realise the project.
3. To seek an allocation of funding for the project on the capital programme for 2015/16.
4. To seek delegated authority to take the project forward to completion.

Relevance to the Council's Business Plan

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

Background

Porton

7. It is government policy to develop the Life Sciences in the UK. The sector has been identified as one of the eight great technologies in which Britain is a global leader, and has been described as a 'jewel in the crown' by the Prime Minister.¹ The Witty Review² shows that the SWLEP is one of four Local Enterprise Partnerships (LEPs), along with neighbouring Oxfordshire, with the highest proportions of Life Sciences employment in the country. Porton is rooted in a key area of sector strength and innovation, and will act as a catalyst to further

¹ HM Government: *Strategy for UK Life Sciences: One Year On* (2012), p. 2

² BIS: *Encouraging a British Invention Revolution* (2013), p. 80
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strengthen national competitiveness. It lies at the focal point of research synergies between Government facilities there, namely the Defence Science and Technology Laboratory (Dstl) and Public Health England Porton (PHE Porton), and in the wider area, i.e. Salisbury NHS Trust, Southampton University, and the Wessex Life Sciences Cluster which encompasses 130 private sector organisations and 30 public sector institutions. The site also enjoys proximity to QinetiQ at Boscombe Down, which will facilitate opportunities to exploit crossovers between high value engineering and the health and life sciences. UK Trade and Investment has identified that this mix of expertise and facilities in specialist areas exists nowhere else in the country and is a significant asset to the health and life sciences in the UK.

8. Amongst the private sector organisations making up the Wessex cluster, around 20 currently occupy the 22,500 square feet. Tetricus science facility based on Dstl's land, which offers laboratory facilities and specialist support to new and growing science companies which benefit from spin off opportunities arising from intellectual property generated by public institutions.
9. Dstl plans to bring its facilities at Fort Halsted to Porton as part of its Project Helios. The building currently occupied by Tetricus 'inside the wire' will be directly affected by this project, which is also a key driver for the Science Park project.

The Project

10. The project is to deliver the first phase of construction, comprising 45,000 square feet of laboratory and office space at Porton Science Park, and infrastructure and servicing to support Phase 1 and help facilitate private sector investment in subsequent phases.
11. Porton Science Park will be the focus of the Wessex Life Sciences Cluster and its first phase will provide an innovation building and grow-on space which will safeguard the 120 jobs based at the current Tetricus Science Park and provide space for expansion and new business which will create a further 100 jobs. Subsequent phases are anticipated to create an additional 1,800 skilled jobs in the health and life sciences over a 10 year period and will attract significant private sector investment.
12. Outline planning permission for the science park was granted in 2010. Detailed planning permission for the first phase of the science park was granted in 2013. Links to the planning documentation are provided in the background reports section of this report.
13. The construction of the laboratory and office space at the science park will be complemented by the development of a life science cluster led by Wessex Academic Health Science Network (WAHSN), funded by SWLEP and the Council. Activities will include projects to support skills and education, provide access to finance, research and innovation support for enterprises in the sector, the commercialisation of academic and institutional research, and the development of communications and transport infrastructure.

14. The Porton Science Park project is a key element of SWLEP's Strategic Economic Plan and the Council's Business Plan, and it is strategically linked to Military Civilian Integration (providing employment for skilled army leavers and capitalise on military medical research) as well as interventions to increase further and higher education opportunities in the area through the Knowledge Through Growth programme, and the South Wiltshire University Technical College (UTC) in Salisbury, which will help provide employees with the technical competencies which will be required by employers on the site.

Project History

15. In October 2012 the Department of Business, Innovation and Skills (BIS) announced an allocation of Regional Growth Funding to Wiltshire Council to fund the construction of first phase of the science park. However, a condition of significant and up front private sector risk capital was placed upon this funding offer and tested by the Council through a procurement process which demonstrated that no bidders were able to meet this requirement. All the evidence available from science park projects in other locations reveals that initial phases providing incubation facilities are without exception developed using public sector grant.
16. Subsequently, Government ministers recommended that other funding routes be investigated, such as Growing Places Infrastructure Funding, Growth Deal, and European Regional Development Funding (ERDF). Of these, a funding package composed of Growth Deal, ERDF and the Council's own commitment to the project has been identified as the most effective and appropriate route to funding.
17. On 7 July 2014 Government announced the results of the Growth Deal with Local Enterprise Partnerships. For SWLEP, this included a £4 million commitment to contribute to the construction of the first phase of Porton Science Park. The link to the announcement for Swindon and Wiltshire's Growth Deal is provided at Background Papers.

Main Considerations for the Council

Outline of Next Steps to Deliver the Science Park

18. Government expects contributions and delivery of projects from local partners as their part of the Growth Deal. Consequently, there are a number of steps that the Council and its partners should take to ensure that the project benefits from the opportunity of Government funding and is thereby realised.
19. As part of the Strategic Economic Plan, the key document forming the SWLEP's bid for Growth Deal funding, the Council has committed to fund the project alongside ERDF funding. To meet this commitment, an allocation of funding on the capital programme to help fund Porton Science Park is needed.
20. The land upon which the science park will be constructed is in Dstl ownership and as such it will be necessary for the Council to agree a lease arrangement with Dstl to allow it to implement the first phase of the science park.

21. The project is complex, so it will be necessary to ensure that project management resource is in place, in order to satisfy Government's requirement that LEPs demonstrate clearly the deliverability of Growth Deal projects, and to enable completion within the agreed timeframe (start on site in 2015, with completion following in 2016).
22. The Council is supporting the SWLEP in the creation of its European Structural and Investment Funds (ESIF) strategy which will enable the deployment of a £41.5 million allocation of European funding for Swindon and Wiltshire. In the strategy, a portion of this funding is allocated for use under the 'Smart Specialisation' activity, which will include capital funding for Porton Science Park as well as revenue funding for innovation targeted activity within the life sciences sector. In 2015, the Council will be able to make a specific bid aligned with this strategy to apply for the European Capital Funding needed for the scheme alongside UK Government and Council commitments. This funding is subject to DCLG assessment and appraisal of the ESIF submission and SWLEP support, however since the SWLEP fully supports the project, and the project fits well within the criteria for ERDF capital investment in innovation infrastructure, it is anticipated that the ERDF allocation will be successfully secured.
23. When the funding package has been confirmed, and any preconditions upon the funding discharged, this being anticipated in the summer of 2015, and with a lease arrangement and planning permission in place, the first phase of the science park will be ready to deliver.
24. Members are asked to consider the proposals in conjunction with the **Part 2 Confidential Appendix 1** to this report which deals with matters which are exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, which deals with matters of commercial sensitivity. Given that the procurement process for building contractors is yet to commence, it would be detrimental to achieving best value for money to release financial and other details relating to the project to the public at this stage. Therefore, it better serves the public interest to withhold this information at this stage than to disclose it.

Safeguarding Implications

25. There are no additional safeguarding implications relating to the proposals to deliver Porton Science Park, for which planning permission has already been granted.

Public Health Implications

26. The Porton Science Park will be located alongside an internationally recognised cluster of Health and Life Sciences expertise. It will support the stated government aim to improve England's health and well-being and in doing so achieve better health, better care, and better value for all, and help integrate Public Health at the heart of all public services.
27. Public Health England currently has an important facility located at the Porton site, which is considered by project partners to be a unique asset and of significant benefit to public health. Partnership working arrangements have long

been established between this body of national expertise and institutions like the University of Southampton, and PHE, have expressed their support for the Porton Science Park project even in the event that PHE relocates a portion of its facilities at Porton elsewhere.

28. 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.
29. Workplace health will be considered as part of this development, and the permitted scheme incorporate positive design elements such as a safe and pleasant external environment in which to work and visit, cycle shelters and paths, and well considered layout of building design, which will contribute to a high level of general wellbeing.

Environmental and Climate Change Considerations

30. The proposal will result in increased energy consumption, particularly given that approximately 30% of the employment space provided will be laboratory, which can have elevated levels of energy consumption compared with non-scientific office space, relating to specialist laboratory and manufacturing equipment. Currently, the operations of Dstl and PHE use around £4.7 million of energy per annum.
31. In order to qualify for European funding through the ESIF the final design of the incubator and grow on space would need to be to a Building Research Establishment Environmental Assessment Method (BREEAM) Excellent specification. The project will be delivered to this standard if our application for ESIF funding is successful.
32. Furthermore, funding has been secured from the Department of Energy and Climate Change for the Council and its partners at Dstl and PHE to carry out an energy mapping exercise and test the technical and economic feasibility of a district energy scheme at the Porton campus. The study will identify low carbon ways to efficiently heat, power and cool the operations at the site through the local generation of energy and reuse of waste heat in buildings. It is likely that significant energy savings can be made which it is hoped will not only mean significant financial savings for the public purse but also reinforce the case for consolidation and further investment in Life Science activity at Porton.
33. The main ecological constraint to development is the potential impact to stone curlews at the Porton Down Special Protection Area (SPA). The proposals were assessed by Council ecologists under the Habitats Regulations 2010 before the reserved matters application for Phase 1 was determined. The assessment satisfied Natural England and permission was thereafter granted subject to the discharge of agreed measures to mitigate ecological impact.

Equalities Impact of the Proposal

34. There are no equalities impacts arising from the proposal.

Risk Assessment

35. Because this project is at a mature stage of development, extensive feasibility work has already been undertaken as part of the development of the Strategic Economic Plan and project risks and mitigating actions have been identified.

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

36. The science park will not go ahead, which will incur the following impacts:
- Businesses currently occupying the Tetricus facility will likely vacate out of the county, causing job losses locally and the Wessex Life Sciences Cluster to lose a key focal point;
 - The investment made so far in the project will not be capitalised and will therefore impact negatively on revenue budget;
 - Significant opportunity costs will be incurred in terms of growing and supporting the Life Sciences cluster amounting to £4 million Government funding and additional European funding, as well as major inward investment
 - The Council will not achieve a key element of its Business Plan.

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

37. The following risks will be managed as described in the table below:

Risk	Action to mitigate the risk
1. Failure to agree acceptable terms with the principal landowner (Dstl).	Dstl has been engaged from the start of the project and is most supportive. Negotiations are progressing to finalise the lease arrangements between the parties.
2. Funding conditions are not met preventing drawdown and causing project slippage or failure.	Appropriate level of project management resource to be put in place, including compliance and accounting.
3. Insolvency of appointed contractor.	Financial stability checks at tender evaluation.
4. Costs of construction overrun.	Close monitoring and minimisation of variance during the construction phase.
5. Failure to attract sufficient businesses to the Science Park in the early years, causing development to stall and to generate insufficient revenue from the project to the Council.	Wessex Life Sciences Cluster development financially committed to by Wessex AHSN and the Council (through existing Economic Development budget). Early marketing to target existing Tetricus tenants, who have already expressed a desire to move the new Phase 1 building, and others at competitive rates.

Financial Implications

38. The project costs will include the appointment of an appropriate CDC / construction project management company to procure the construction works and manage the delivery of the scheme. These costs will be capitalised.
39. The business and laboratory space will be under Council ownership and will generate a rental income to the Council.
40. The project will also generate growth in business rates from the occupiers, of which the Council will retain a proportion.
41. Phase 1 of the science park will be a capital asset for the Council and its construction will realise value from the financial commitment the Council has already made to the project.
42. Revenue support for the Wessex Life Sciences Cluster and management resource for the project is currently being financed under existing Economic Development budget.

Legal Implications

43. BIS has made clear that robust governance arrangements between project partners – in this case, the SWLEP, the Council and Dstl – are in place and that project deliverability is proven as a precondition upon drawing down Growth Deal funding. Similarly, European funding applied for through the ESIF is expected to be strongly regulated. Detailed implementation steps for Phase 1 of Porton Science Park to be delivered and well managed have been produced for BIS to this end and are due to be agreed this month with clear milestones and a strong accountability framework to monitor expenditure, manage resources and measure success.
44. The project will involve the finalisation of a lease agreement between the Council and Dstl, the landowner. Negotiations will be progressed between Dstl and the Council's strategic property and legal teams to ensure that an agreement is arrived at in line with the overall programme for project delivery.
45. In consultation with its legal advisers and Dstl the Council has established that it is necessary and appropriate to undertake a fresh contractor procurement process as soon as funding is confirmed. This will follow the standard process using the information already available from previous procurement and will be undertaken via the OJEU compliant South West Construction Framework.
46. If the project is successful then this will reflect very well on the Council's reputation in terms of delivering a key priority of its Business Plan, and in fulfilling its commitment as the lead delivery agent for the SWLEP for this project, which in turn will increase Government confidence in the SWLEP thereby strengthening the case for future bids for Growth Deal or other funding arising from the Strategic Economic Plan for the county.

47. The concerns of parish councils and people local to Porton regarding increased road trips generated by development have been noted. While it is hoped that the science park will create 2,000 new jobs over a ten year period, the current proposals will not in the short term lead to a substantial increase in trips. The current proposals will retain the existing jobs at Tetricus and in the short to medium term generate a further 100 jobs which will generate a very modest number of additional trips in the short term. Subsequent applications for development beyond the first phase of the science park will be subject to the planning process and, as such, parish councils and local residents will be consulted on all new development proposals, as will the relevant highways authorities to assess the potential impact on the road network and air quality and to ensure that any necessary measures to mitigate this impact are put in place as a condition to planning permission, in accordance with the development of the Porton Travel Plan.

Options Considered

48. Do Nothing

The science park would not go ahead, and therefore none of the envisaged 2,000 high value jobs would be created and the existing health and life sciences cluster, which is a key sector strength in this area, will be damaged. To not proceed, now that Government has made a significant financial commitment to contribute towards the project, would represent an opportunity cost of £4 million to the Council, and a missed opportunity to create a significant capital asset from this project which will be the focal point of growth in the Wessex Health Life Sciences Cluster. This is especially pertinent given the potential reduction of PHE Porton's facilities on the site.

49. Reduce scope of the project

Government has made an allocation of Growth Deal funding on the basis of the inclusion of the project in the SWLEP Strategic Economic Plan as outlined in the detailed matters planning permission. It would therefore be a considerable risk to this funding for the Council at this stage to propose a reduction in the scope of the scheme. To do so would also negatively impact upon the attractiveness and scale of the accommodation provided, thereby damaging investor confidence and jeopardising further development of a second phase and beyond of the science park, undermining the vision for the Wessex Life Sciences Cluster focussed around Porton. Furthermore, it would result in lower revenue generation from the project.

50. Consider Other Sources of Funding

The Council and its partners have sought to find examples of UK Science Parks initiated by private sector investment. None could be found. Every example of first phase science park development examined showed significant (usually 100%) public sector support, with private sector investment following only at subsequent phases. Examples include the Babraham Institute and the Norwich Research Park. Therefore, while major private sector investment is expected to be leveraged by the project in the medium to long term, public sector match funding from available sources is the preferred option for construction of the first

phase. Of the public sector funding sources researched, a package comprising Growth Deal, European and the Council's own funding has been assessed to be the most viable and appropriate mechanism to financing Phase 1 of the science park.

Conclusions

51. Government's allocation of £4 million through the Growth Deal to contribute towards the construction of Phase 1 of Porton Science Park is a key milestone for the project. The availability of this funding means that, with the support of the Council Growth Deal and ESIF funding via the SWLEP and Dstl (as landowner), the science park can now come forward with an estimated completion date set for 2016.
52. The allocation of funding is therefore most welcome as it will significantly contribute to fulfilling a key priority in both the Council's Business Plan and the SWLEP's Strategic Economic Plan. The project is supported by Dstl and PHE, and is vital not only to safeguard the 120 jobs currently based at the Tetricus facility at Porton, but also for the growth of the Wessex Life Sciences cluster which has its focal point there. The project is strategically linked to MCI and the stimulation of further and higher education in the county through Growth Through Knowledge (City deal) Programme and the South Wiltshire University Technical College.
53. Successful completion of the project will bolster Government and private sector confidence in the ability of the Council as a delivery agent and Accountable Body, and of the SWLEP to achieve its Strategic Economic Plan. This will boost partners' ability to secure funding allocations for other major capital projects in the county from Government, Europe and other sources including the private sector.

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Links for ease of reference

HM Government: *Strategy for UK Life Sciences: One Year On* (2012) <
<http://www.bis.gov.uk/assets/biscore/innovation/docs/s/12-1346-strategy-for-uk-life-sciences-one-year-on>> Retrieved 16 April 2014

BIS: *Encouraging a British Invention Revolution* (2013)
<<https://www.gov.uk/government/consultations/universities-and-growth-the-witty-review-call-for-evidence>> Retrieved 16 April 2014

Outline permission for Porton Science Park:
<http://services.wiltshire.gov.uk/UniDoc/Document/Search/DSA,517453>

Reserved matters permission for Phase 1 of Porton Science Park:
<http://services.wiltshire.gov.uk/UniDoc/Document/Search/DSA,505850>

Swindon and Wiltshire Growth Deal:
<https://www.gov.uk/government/publications/swindon-and-wiltshire-growth-deal-2014>

Background papers

None

Appendices:

Appendix 1 - Part 2 Appendix: commercially sensitive and confidential matters relating to financial and legal details