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**Creation of the Manufacturing Research Centre (MRC) Midlands at Infinity Park Derby.**

**Purpose**

- 1.1 This report seeks approval to enter into a Joint Venture with the University of Derby for the forward purchase of a new research and development facility at Infinity Park Derby (IPD) extending up to 48,000sqft. The new Manufacturing Research Centre (MRC) Midlands facility will be occupied by Nuclear Advanced Manufacturing Centre (NAMRC) and the University of Derby (UoD). This is a key priority that will raise the profile of IPD, create a world class research and development facility for advanced manufacturing and act as a catalyst for development at IPD.
- 1.2 NAMRC successfully launched their pilot in the iHub in early 2019. Their first phase has been successful with NAMRC engaging with local companies enabling it to scale up its operation. NAMRC, the Council and UoD have been working collaboratively to plan and progress the delivery of a dedicated centre for their occupation, alongside the UoD's Institute for Innovation in Sustainable Engineering (IISE).
- 1.3 This report summarises key elements of the project business case and details the feasibility work undertaken and the rationale for the investment. The report seeks Cabinet approval to forward fund a high-quality commercial development that will enhance the access to research and development for small and medium sized businesses within the City and region whilst enabling transformational change for the manufacturing sector. It will generate opportunities for future innovation and investment, create new jobs and support diversification opportunities for the manufacturing supply chain.

**Recommendations**

- 2.1 To approve the terms of the property transactions the details of which are set out in the confidential report submitted to this Cabinet.

**Reasons**

- 3.1 The investment within the MRC Midlands at Infinity Park Derby supports the key pillars of the economic recovery plan. It will provide confidence by acting as a catalyst for development at IPD and within the City, an opportunity for diversification of the local economy and accelerate decarbonisation through its broad range of research programmes.

- 3.2 Once built and occupied, the facility is anticipated to generate valuable economic benefits including 70 new jobs, £52 million additional Gross Value Added (GVA is an industry standard measure of economic activity) over a five year period, a significant programme of research and development activities and opportunities for local labour during the construction period. The project represents good value for money with a benefit cost ratio of 3.1:1.
- 3.3 The new facility will support SMEs in the area to grow by creating opportunities for research and development and cross sharing of information through collaborative projects.

## **Supporting information**

### Project Description

- 4.1 Infinity Park Derby (IPD) is a priority strategic employment site which forms a key part of the Council's economic growth strategy and new job creation. The site has been conceived to accommodate high-quality advanced manufacturing jobs, supporting the key aerospace, rail and automotive supply chains so critical to Derby's economy. It sits adjacent to Rolls Royce global aerospace HQ campus, is close to the A50 and is allocated within the Local Plan for employment use.
- 4.2 Following intervention from the Council, an Infrastructure Delivery Agreement (IDA) was entered in September 2014 between the Council, the Landowners (Harpur Crewe Estate and Rolls Royce) and the Developer. The IDA committed the Council to the delivery of key infrastructure including Infinity Park Way, which is now complete.
- 4.3 This proposal seeks to cement the vision for Infinity Park Derby as the advanced manufacturing destination of choice, creating opportunities for innovation with employers in the City and wider region and creating new jobs. It builds upon the successful pilot that has been operational within the iHub which has enabled NAMRC to pilot their services to local SMEs and develop a pipeline of research activity.
- 4.4 The capital investment proposal is for the Council to enter into a joint venture with the University of Derby to acquire through forward funding, a high-quality research and development facility of up to 48,000 sq ft. comprising production space, labs and offices set within landscaped grounds including car parking and circulation. The Council will acquire the freehold of the land through a forward funding agreement which will obligate the Developer to construct the new facility for a fixed price. The Developer will take full responsibility for the design, entering into relevant build contracts, construction and delivery of the new facility. Upon completion the Council will lease the new facility to the NAMRC who will sublet a part of the facility to the University of Derby's Institute for Innovation and Sustainable Engineering. The occupiers will be responsible for the operational costs of the building including repairs, maintenance and insurance. The Council will enter into all contractual arrangements with third parties and will own the site but will enter into a separate contractual arrangement with the University of Derby to govern the joint venture relationship.

- 4.5 NAMRC is part of the national High Value Manufacturing (HVM) Catapult and was initially led by the University of Sheffield in partnership with the University of Manchester. It serves as a collaboration of different industrial partners and academic institutions across the nuclear supply chain. Initially focussed solely on nuclear new build, the NAMRC has now broadened its remit to cover decommissioning and is also the HVM Catapult lead centre for the energy sector and supply chain development. NAMRC is supported by a variety of public sector funding and based in Rotherham, with a further facility at Birkenhead. NAMRC is part of the University of Sheffield. The University of Sheffield will take the lease from the Council and will be responsible for NAMRC complying with the obligations under the lease.
- 4.6 The HVM Catapult is a non-departmental public body established by Innovate UK to bridge the gap between business and academia by providing access to world class research and development facilities and expertise in the field of manufacturing technology that would otherwise be out of reach for many businesses in the UK. It operates through seven major centres throughout the UK to which Innovate UK provide long term core funding (usually around one third of their costs). The centres supplement the Innovate UK funding with competitive bids for other national funding and direct business R&D projects. These centres have a strong track record of stimulating R&D investment, supporting industry, development of advanced manufacturing technologies and attracting inward investment.
- 4.7 The University of Derby established its Institute for Innovation and Sustainable Engineering (IISE) in 2015 and provides research, innovation and technical expertise in advanced manufacturing, computational modelling and data science. IISE will focus upon its sustainable engineering solutions across all sectors.
- 4.8 Infinity Park Derby was granted Enterprise Zone (EZ) status in 2015. As a result of EZ status, the business rates generated at IPD up until 2040 are retained by D2N2, the Local Enterprise Partnership covering Derby City, who then determine how this income is invested in consultation with partner authorities.

#### Strategic Fit

- 4.9 Derby has a strong manufacturing presence which has acted as a key strength for the local economy. However, research and development activity has been concentrated on a few global employers. Recent events have highlighted Derby's reliance upon a few key employers within the City which mean it is vulnerable economic shocks which affect these sectors. Diversification of the local economy is essential to mitigate the wider economic impacts of Covid-19. The MRC Midlands is a key priority within the emerging Local Industrial Strategy sponsored by D2N2 and the Derby Economic Plan.

4.10 The proposal supports all three of D2N2's priorities within the Local Industrial Strategy:

- Productivity through Innovation – bringing national HVM Catapult and Innovate UK funding to the region to stimulate R&D and adoption of modern manufacturing technologies and methods plus increasing local capacity for innovation through the skills of the staff and post graduate research students in the centre and the further deployment of the Productivity Through Innovation programme.
- Environmental sustainability – reducing waste and energy usage in manufacturing carried out in the businesses being supported plus improving the economics of future low carbon technologies through application of low cost, low carbon manufacturing methods.
- Inclusion – both the IISE and NAMRC have active education outreach programmes and are committed to reaching the low social mobility wards near IPD. Parallel investments in greenways to link these same wards to IPD and the proposed skills / training centre complement this investment and further improve social mobility impact.

4.11 The project will address the challenge that as a region we focus our research and development activity within a few global operators. The new facility will enable local businesses greater access to R&D and improved employment opportunities. The increase in R&D activity will contribute to improving the productivity within the region.

4.12 The investment at Infinity Park Derby will give confidence to the local economy and provide opportunities for diversification. NAMRC are currently seeking funding for a supply chain innovation hub which will seek to support and provide R&D access for those supply chain SMEs which are prevalent within the Derby economy. The project will support D2N2's Energy Strategy through creating opportunities within the advanced manufacturing economy and supply chains, enhancing researching capabilities and developing opportunities for decarbonisation.

#### Project benefits

4.13 The proposal is planned to create a new high technology research and development facility of up to 48,000sq ft at Infinity Park Derby and up to 70 high value jobs. The proposal is set to achieve a £52 million uplift in GVA over 5 years and represents good value for money with a benefit cost ratio of 3.1:1.

4.14 The real benefits of this facility lie in the growth and increased resilience of manufacturers in the Midlands supply chain. Based on existing experience it is anticipated that the new facility will engage with 100 businesses leading to 50 medium term interventions and then around 35 significant collaborations over a 5-year period. It is anticipated that this investment will act as a catalyst for development of high value manufacturing activity at Infinity Park as has been realised at the Advanced Manufacturing Park in Rotherham/Sheffield through the Advanced Manufacturing Research Centre and the Manufacturing Technology Centre at Antsy Park, Coventry.

4.15 The NAMRC is the Energy Sector lead in the High Value Manufacturing Catapult and this facility is therefore also well placed to support the manufacturing development of zero carbon technologies targeted by the future developments at Ratcliffe on Soar.

- 4.16 The MRC Midlands project will: -
- enable the development of a high-quality research and development facility and securing of a High Value Catapult which will act as a catalyst for innovation led advanced manufacturing development at IPD;
  - enable collaboration of academic and private sector led activity;
  - Assist in job creation, supply chain development and business growth through access to world class research and development facility with the potential to increase productivity in high technology manufacturing sector and facilitate the delivery of academic research from the lab into the production line

#### Financial model

- 4.17 The financial implications are contained within the confidential version of this report which gives details from the Investment Appraisal produced to support the recommendations and supporting information regarding the capital programme and the Medium-Term Financial Plan (MTFP) implications and treatment. The Council is seeking to facilitate the delivery of a high-quality research and development centre, secure the benefits in terms of jobs, generate GVA from the research programme and support local SMEs, as such the return on investment for the Council is not the primary objective of this project.

#### Project Governance

- 4.18 To ensure collaboration with the regional academic institutions and maximise the opportunities for funding, the Council will enter into a joint venture with the University of Derby to enable the alignment of the Council's and the University of Derby's objectives.
- 4.19 Terms of reference for the structure and risk allocation under the Joint Venture are under discussion between the Council and UoD. It is anticipated that the relationship will be structured as a contractual joint venture on the terms set out in the confidential version of this report.
- 4.22 The project management requirements of the Joint Venture will be managed within the Council's Regeneration and Major Projects Service with a nominated Senior Responsible Officer (SRO) and a dedicated Project Manager. The SRO will ensure that Finance, Legal, Estates, Asset Management and Procurement teams are consulted and external legal advisors, property consultants and cost consultants are appointed. The cost of both external advisors and internal support has been built into the financial appraisal, and capital fees included in the project cost. A dedicated project delivery team will be established by the Developer. To ensure alignment with the Council's Project Gateway Process the full business case will be presented to the PMO Board. The Regeneration and Major Projects team will take the lead on the project management of this project.
- 4.23 A steering group comprising NAMRC, the University of Derby and the Council has been established to provide oversight of the vision of the project and ensure that collaborative working is embedded within the partnership.

- 4.24 An indicative high-level graphical summary of the delivery arrangements is included within Appendix 3 but subject to further development as discussions continue and external advice is sought.

#### Programme

- 4.25 The following high-level project programme sets out the key milestones for the project following Cabinet approval: -

<b>Milestone</b>	<b>Date</b>
Update to PMO	Feb 2021
Exchange of conditional contracts with Developer	Feb 2021
Planning submission	Feb 2021
Planning approval	June 2021
Presentation of business case to PMO Gateway 3	Jul 2021
Submission of FBC to D2N2	Jul 2021
Start on site	Aug 2021
Practical completion and handover	Sep 2022
Building operational	Dec 2022

- 4.26 The Developer has prepared a concept design which is currently undergoing approval by NAMRC. A development appraisal and cost plan are being finalised by the Developer in respect of this. Upon approval of the design by NAMRC as occupier a detailed design will be prepared, and planning application submitted. Images of the proposed building and plot layout are contained within Appendix 1 and 2.

#### Project Risks

- 4.27 A summary of the key project risks are outlined within the confidential version of this report.

### **Public/stakeholder engagement**

- 5.1 The site sits within IPD which benefits from an outline consent for employment development. A new planning application will be submitted by the Developers of the new facility, at which time further consultation will be undertaken. The Developer is engaging with pre application discussions with the planning department.

### **Other options**

- 6.1 Other options have been considered and are outlined in the confidential report.

### **Financial and value for money issues**

- 7.1 The financial implications in respect of this proposal are set out in the confidential report.

### **Legal implications**

- 8.1 External legal advice has been sought on specific elements of this project and the Council's Legal Service is providing support to the project and where necessary
- 8.2 The legal implications associated with specific elements of the financial structure of the project are set out in the confidential report.

## **Climate implications**

- 9.1 The building will be delivered to a Bream good rating and be in accordance with building regulations.
- 9.2 The research and development activities undertaken within the new facility will seek to further the net zero agenda and support the decarbonisation of the advanced manufacturing supply chain within the local and regional area to support the aims of leading global manufacturers (such as Rolls Royce) to ensure that their supply chain is carbon net zero by 2030.
- 9.3 The nuclear energy sector currently provides 40% of the clean energy supplied within the UK. The Research and Development within the nuclear sphere is directly to the ongoing support of the energy sector.

## **Other significant implications**

### Equalities Impact

- 10.1 The building will be designed to comply with building regulations and the Equality Act 2010.

### Property and Asset Management

- 10.2 Upon completion the building and tenancy will be managed as a Corporate Asset by the Council's Property Department to include rent collection, compliance, managing the terms of the lease and updating the Fixed Asset Register upon acquisition.
- 10.3 The lessee will be responsible for all the repairs, maintenance, business rates and service charges associated with the building under the terms of the lease. This will reduce the Council's liabilities in terms of maintenance of the premises.
- 10.4 In disposing of the new facility by way of a lease, the Council will ensure its compliance with its obligations under the General Disposal Consent (England) 2003 through the Council's gateway approval process.

### Risk

- 10.4 A summary of the key risks associated with the project are outlined within the confidential version of this report.

This report has been approved by the following people:

<b>Role</b>	<b>Name</b>	<b>Date of sign-off</b>
<b>Legal</b>	Emily Feenan	22.10.20
<b>Finance</b>	Simon Riley	22.10.20
<b>Service Director(s)</b>	Gerry Dawson	22.10.20
<b>Report sponsor</b>	Rachel North	
<b>Other(s)</b>	Catherine Williams	22.10.20
	Steve Caplan	22.10.20

<b>Background papers:</b>	
<b>List of appendices:</b>	Appendix 1 Site Plan Appendix 2 Visuals for new building Appendix 3 Summary of key interdependencies



## Appendix 1 Site Plan



## Appendix 2 Concept images



### Appendix 3 Summary of Delivery Structure (key contractual relationships)

