



Shropshire Council

Innovative Workspace Demand Study

Final Draft Report

September 2018

Shropshire Council

Innovative Workspace Demand Study

Final Draft Report

September 2018

Reviewed and approved by: Signature(s):	
Name(s):	Graham Russell
Job Title(s):	Chief Executive
Date:	26 th February 2019

AMION Consulting is the trading name of AMION Consulting Limited
Registered Office: Langtons, The Plaza, 100 Old Hall Street, Liverpool L3 9QJ
Company No: 3909897

Tel: 0151 227 5563

This document including appendices contains 114 pages

Ref:

\\amsrv01\redirected\peteralford\Documents\PROJECTS\Shropshire\Shropshire
Innovative Workspace Demand Study - Draft - 110918.docx

Contents

1	Introduction	1
1.1	Overview - purpose of the report	1
1.2	Methodology.....	1
1.3	Report Structure	2
2	Context	4
2.1	Introduction	4
2.2	Spatial context	4
2.3	Strategic review	5
2.4	Socio-economic review	13
2.5	Operational context	20
3	Workspace Provision	26
3.1	Introduction	26
3.2	Workspace typologies.....	26
3.3	Delivery issues to be considered.....	29
3.4	Management issues to be considered	31
3.5	Existing workspace projects – lessons learnt.....	33
4	Demand assessment	37
4.1	Introduction	37
4.2	Shropshire market review.....	37
4.3	Business Survey.....	46
4.4	Stakeholder consultations	51
4.5	Demand for workspace provision	54
5	Options Assessment	57
5.1	Introduction	57
5.2	Option appraisal framework.....	57
5.3	Strategic review	57
5.4	Short-list of options	60
6	Financial and Economic Appraisal	63
6.1	Introduction	63
6.2	Option 1a: Refurbishment of premises in Shrewsbury Town Centre	63



6.3	Option 1b: New build Enterprise Centre.....	67
6.4	Option 2a: Oswestry pilot workspace	70
6.5	Option 2b: Rural Workspace Fund.....	72
6.6	Value for money.....	73
6.7	Wider benefits	75
7	Conclusions and next steps	77

- Appendix A: Sector mapping
- Appendix B: Report of Survey
- Appendix C: Economic Impact Methodology
- Appendix D: Enterprise Centre Appraisals

1 Introduction

1.1 Overview - purpose of the report

AMION Consulting and Thomas Lister were appointed by Shropshire Council in January 2018 to assess demand and alternative options for the provision of innovative workspace within Shropshire. The two core objectives for the study were:

- to test the need and demand for specific business workspace and associated business support activities; and
- to appraise and assess the viability of options.

In February 2018, AMION produced a project scoping report to inform a separate piece of work that was being commissioned specifically by the University Centre Shrewsbury, to carry out a detailed assessment of options for the development of an Innovation Lab within Shrewsbury. The Innovation Lab aims to promote creativity, innovation and collaboration between the University, businesses and other key stakeholders. It will become part of a wider innovation eco-system within Shropshire, supporting the formation and growth of new businesses and innovative products and services that will play a key role in driving investment and wealth creation across the wider sub-region.

The purpose of this report is to present the findings of the wider study which aimed to:

- identify the type of workspace that would meet the needs of start-up and small businesses within Shropshire;
- assess the demand for new provision to address gaps in the existing supply and enable businesses to grow within Shropshire;
- review provision within Shrewsbury and the key market towns, with a more general assessment of demand within rural areas; and
- explore the feasibility of up to four workspace options.

Following a combination of desk-based research, consultations with key stakeholders, a survey of businesses and an assessment of market information, a range of potential workspace options were developed for strategic review. These options were assessed according to strategic fit, acceptability, achievability and affordability to identify a short-list of four options for further financial and economic appraisal. The results of the appraisals are presented and a series of recommendations regarding the next steps that will be required by the Council in order to provide workspace that will meet the identified needs of local businesses across the Shropshire area.

1.2 Methodology

Our approach to the completion of the study has involved the following stages of work outlined below:

- **Desk based research** – this has included a document review; socio-economic assessment; comparator analysis; and high-level audit of existing business support programmes within the area;
- **Market review** – including an initial review of existing innovation facilities within Shropshire and the immediate surrounding area (E-Centre Telford, The Innovation Centre at Ludlow, sector provision at Battlefield Business Park); an assessment of provision in the wider market (according to general size of the unit, facilities and services offered, overall levels of demand and occupation, and terms of occupation); and an overarching review of market conditions across Shropshire to provide an indication of levels of demand, take-up rate and potential unmet demand;
- **Strategic consultations** – carried out through a mixture of face to face discussions and telephone interviews, a number of key agencies have been consulted (including the LEP/Growth Hub, the Chamber of Commerce, the Council, sector representatives, and projects including Good to Great) to provide an understanding of the strategic context, business support requirements and demand for workspace, the current supply and potential displacement of activity, best practice and lessons learnt to date;
- **Business engagement** – administration of an online survey of businesses, followed up by a dedicated telephone survey, to explore and evidence demand for workspace. The survey focused on gathering an understanding of the characteristics of the businesses; the current premises (type, tenure, satisfaction, impact on business growth); the importance of services and business support; and identified property requirements in terms of type, size, location and cost;
- **Option scoping** – the identification of a long list of potential workspace option, based on consideration of location, the model of provision, sectoral focus, and property requirements; and a high-level assessment against the following criteria – strategic fit, acceptability, achievability and affordability to identify a short-list of options for further review;
- **Financial and economic assessment** – the financial appraisal has been based on an illustrative development appraisal using information gained from the market review, business engagement and review of comparator projects to provide an indicative estimate of building costs, rental values and operating costs to identify the viability and operational sustainability of the short-listed options. A high-level assessment of the economic impact associated with each option has also been undertaken, focusing on key indicators such as jobs, Gross Value Added (GVA), wider benefits and potential fiscal revenue that could be generated through business rates.

1.3 Report Structure

The results and key findings from the work described above are presented in the following sections, with a series of appendices accompanying the report:

- Section 2 describes the context for the study, based on a review of the policy, operating and financial context and the current socio-economic conditions within the area;

- Section 3 provides an overview of workspace typologies, key issues for consideration regarding management and delivery arrangements, and examples of best practice/lessons learnt from a small number of innovative workspace projects operating in comparable areas;
- Section 4 presents the results of the demand assessment drawn from the market review, results from the business survey and discussions with stakeholders;
- Section 5 outlines the parameters used in the strategic assessment to identify the short-list for further analysis;
- Section 6 presents the high-level financial and economic impact appraisal of the short-listed options; and
- Section 7 provides a summary of the key conclusions and next steps from the work undertaken.

2 Context

2.1 Introduction

This section describes the strategic and operational context for the study in terms of the key policy objectives currently being pursued by Shropshire Council to improve the business environment and growth of enterprises operating in the area. It describes the area, the current socio-economic conditions and existing activity and funding available to support businesses.

2.2 Spatial context

Shropshire is a county in the West Midlands of England, bordering Wales to the west, Cheshire to the north, Staffordshire to the east, and Worcestershire and Herefordshire to the south. The Shropshire Hills Area of Outstanding Natural Beauty cover about a quarter of the county, mainly in the south.

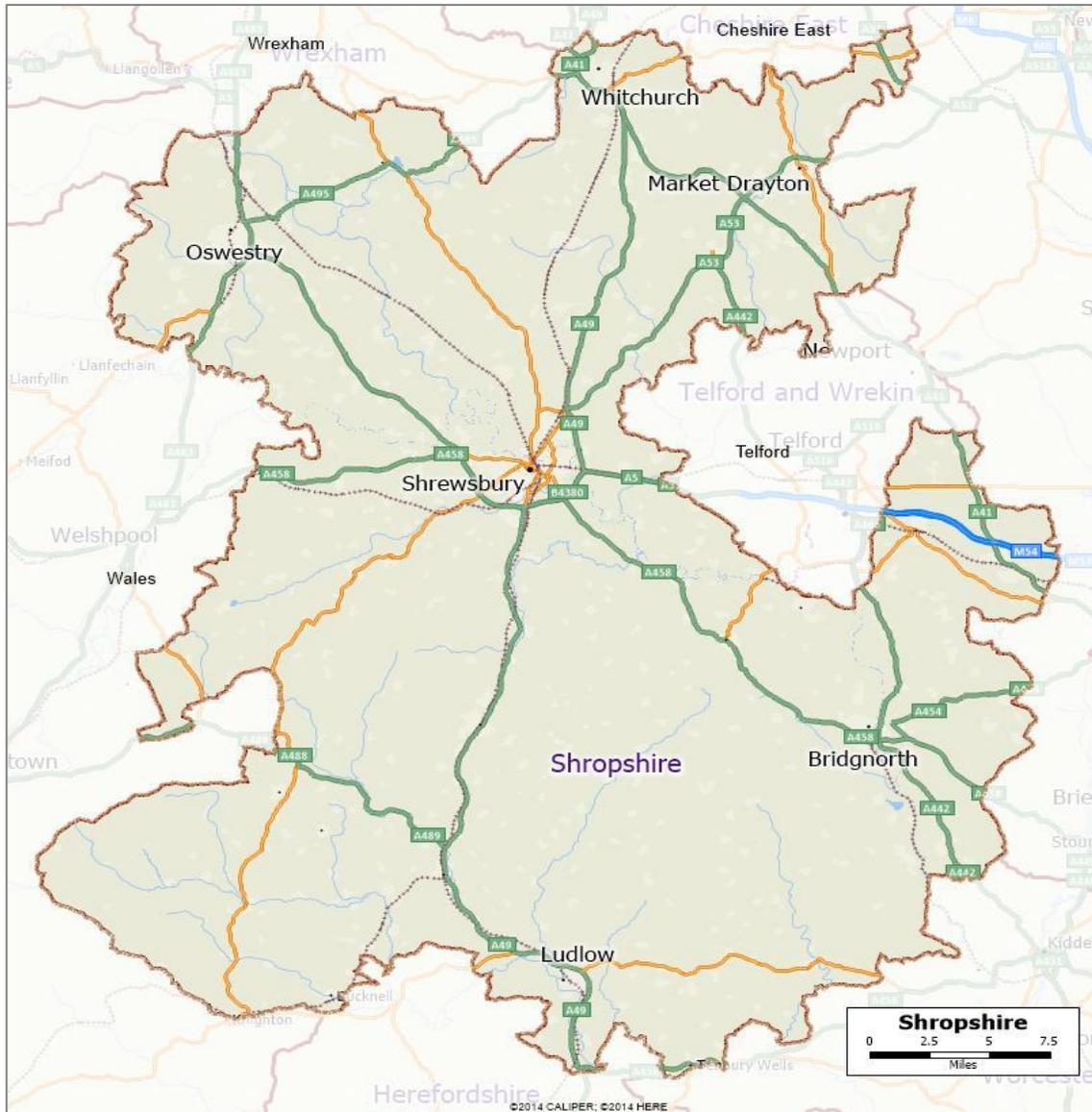
Shropshire Council was created in 2009, a unitary authority taking over from the previous county council and five district councils, but excluding Telford and Wrekin. Based on data from the 2011 Census, it is one of the most rural and sparsely population local authority areas within England, with on average less than one person per hectare.

The county's population and economy is centred around Shrewsbury - a medieval market town, operating as the commercial centre for Shropshire and Mid Wales. The A5 and A49 trunk roads cross near to the town and five railway lines meet at Shrewsbury railway station. The other smaller service centres within Shropshire are Oswestry in the north west, Ludlow and Bridgnorth to the south, alongside smaller market towns including Whitchurch and Market Drayton which rely on Shrewsbury for main facilities and services, as shown in Figure 2.1.

A brief overview of the demographics for Shrewsbury and the other key market towns is set out in Table 2.1.

Table 2.1: Demographics for the Shrewsbury and key market towns						
	Shrewsbury	Oswestry	Bridgnorth	Market Drayton	Ludlow	Whitchurch
Area	3,799 ha	882ha	1,068ha	461ha	1,329ha	2,381ha
Households	31,135	7,671	5,501	5,144	5,173	4,282
Population	72,700	17,400	12,200	12,100	11,000	10,100
Businesses	5,500	946	989	541	588	495
Employment	39,900	6,300	4,300	4,600	4,700	3,700

Figure 2.1: Map of key market towns within Shropshire



While it is recognised that Shrewsbury is the principal employment centre within Shropshire, the study has also explored provision and demand for workspace within the other key market towns and the wider rural areas, the findings of which are presented later in the report.

2.3 Strategic review

2.3.1 Policy

At a national level, the Government is committed to creating an economy that boosts productivity and earning power by building on the country's strengths in invention, innovation and competition. Through the new industrial strategy, there will be a focus on strengthening the five

foundations of productivity, namely - ideas, people, infrastructure, the business environment and places; and investing in innovation, with a focus on:

- putting the UK at the forefront of the artificial intelligence and data revolution;
- maximising the benefits for UK industry from the global shift to clean growth;
- being a world leader in shaping the future of mobility; and
- harnessing the power of innovation to meet the needs of an ageing society.

In terms of creating the conditions for growth, and improving the ‘Business Environment’ there are plans to:

- launch and roll-out sector deals with the first set focusing on life sciences, construction, artificial intelligence and the automotive sector;
- drive investment in innovative and high potential businesses through an investment fund incubated by the British Business Bank; and
- launch a review of the actions needed to improve productivity and growth of SMEs – including how to address the ‘long-tail’ of less productive businesses – through for example improved management skills, the availability of advice and mentoring for growing businesses, and increased investment in fixed capital¹ (which includes spending on plant and machinery, transport equipment, software, new dwellings and other buildings, and major improvements to existing buildings and structures).

The development of new innovative workspace within Shropshire that meets the needs of existing start-ups and small businesses and stimulates new business activity in order to grow a more ‘Prosperous Economy’² will therefore be fully aligned with the direction being set at a national level to improve the productivity and growth of SMEs. The proposed new Innovation Laboratory currently being explored by the University Centre Shrewsbury will also contribute to the government’s aspirations to become the world’s most innovative economy and the Midlands Engine³ priority related to increasing Innovation and Enterprise, by creating an environment where science and innovation strengths can be maximised.

As set out in Table 2.2, the provision of new workspace or refurbishment of existing premises, has the capacity to support local, regional and national policies and priorities that seek to:

- grow the business base – through new business start-ups, expansion of existing businesses, and the attraction of new inward investors;
- encourage research, development and innovation;
- maximise local assets and the creation of new employment opportunities within rural communities; and
- strengthen the development of sectors in which Shropshire has a competitive advantage.

¹ The UKs investment rate is the lowest in the G7. ONS (2017) ‘An international comparison of gross fixed capital formation’.

² Identified as one of the Council’s three high-level outcomes in the Corporate Plan (2016/17 – 2018/19)

³ The Midlands Engine is a coalition of Councils, Combined Authorities, Local Enterprise Partnerships (LEP), Universities and businesses across the region, actively working with Government to build a collective identity and present the Midlands as a competitive and compelling offer that is attractive within the UK and overseas.

Table 2.2: Strategic policy context	
Policy	Overview
National	
Industrial Strategy for the UK (2017) Building a Britain fit for the Future	<p>The Industrial Strategy aims to provide support that will enable businesses to create high quality, well paid jobs across the country. It provides a framework for investment focused on five foundations required to boost productivity and earning power, to transform the UK economy - ideas, people, infrastructure, business environment and places. Innovation is one of five foundations that underpin the Strategy to boost national productivity. The strategy outlines a range of policies to promote increased investment in research and development, alongside upgrading infrastructure, establishing a high-quality business environment and promoting prosperous communities. These policy areas will act as a focus for investment by central government under targeted funds, with oversight provided by an independent Industrial Strategy Council and local groups.</p> <p>The provision of new workspace in Shropshire will facilitate research, development and innovation and create the conditions for growth. In doing so it will improve the business environment and raise the profile of the area and the Council in facilitating investment.</p>
Midlands Engine Strategy (2017)	<p>The Strategy for the Midlands Engine outlines interventions – principally through the Local Growth Fund - focused around five key themes. Of particular note, these include <i>supporting enterprise and innovation</i>, which outlines measures aimed at promoting enterprise within established business cluster, as well as enhancing innovation within small and medium sized enterprises. The strategy indicates that the Midlands Engine Innovation Group will work with Government to develop investment-ready propositions. In addition, the Midlands Engine Investment Fund will provide support to small businesses to enable indigenous growth.</p>
Regional / Sub-regional	
West Midlands Combined Authority Strategic Economic Plan (2017)	<p>Shropshire is a non-constituent member of the West Midlands Combined Authority. Shropshire will focus on the key areas of collaboration set out in the Strategic Economic Plan to accelerate economic growth, employment and productivity. Mutual actions include the Land Commission and Growth Company. The Land Commission has been established to ensure that there is sufficient land and investment across the West Midlands to enable the implementation of the SEP. The Growth Company has been tasked with attracting investment, jobs, visitors and businesses to the West Midlands.</p>
The Marches Strategy for Growth (2013-22)	<p>The strategy sets out the overall vision for the sub-region, which extends across Shropshire, Herefordshire and Telford & Wrekin, of <i>“a strong diverse and enterprising ... business base, operating in a connected environment, where the transfer of technology and skills foster innovation, investment and economic growth”</i>. The transfer of innovation is identified as a cross-cutting theme, particularly linked to precision technologies, while supporting innovation forms a central priority for business support.</p>
The Marches LEP Strategic Economic Plan (2014)	<p>The SEP outlines a range of short and longer-term measures aimed at achieving strategic priorities including supporting business and physical infrastructure. The SEP highlights the need for intervention to address key market failures, particularly relating to the rurality of the area (low critical mass, limited higher education offer, low levels of R&D, poor connectivity) while recognising that environmental quality also represents a significant strength and opportunity. The measures identified – including investment in physical, digital and educational infrastructure - form part of the overall programme aimed at supporting the delivery of 70,000 new homes and 40,000 new jobs over a twenty-year period.</p>

Table 2.2: Strategic policy context	
Policy	Overview
The Marches LEP European Structural and Investment Fund (ESIF) Strategy (2014-20)	The ESIF Strategy provides the local context and aspirations for ESIF investment in the Marches through the 2014-2020 Growth Programme, through which the area has been allocated approximately €120 million. The programme combines the European Regional Development Fund (ERDF), European Social Fund (ESF) and the Rural Development Programme for England (RDPE). The Strategy is aligned with the SEP and the national Operational Programmes for each of the identified funds. The ESIF Strategy defines five strategic activities. Measures outlined under Strategic Activity 1: Enhancing Competitiveness, Research and Innovation and Enabling Technology directly support proposals to enhance the provision of innovative working, particularly where evidence indicates that demand exceeds supply.
Local Policy	
Shropshire Council Corporate Plan 2016/17	The Corporate Plan is a key component in the strategic framework for the Council, informing the plans for individual service teams to respond to identified challenges and opportunities for the period to 2018/19. The Corporate Plan outlines a range of measures aimed at generating new income and promoting business growth within Shropshire, including through council tax and business rates. This included developing a clear economic vision and plan, while enhancing linkages with the University Centre Shrewsbury to benefit residents and business.
The Strategic Economic Plan for Shropshire (2017-21)	<p>The Economic Growth Strategy for Shropshire (2017-20) is aligned with the SEP for the Marches area, while linking to key policy objectives outlined within the WM Strategic Economic plan and the UK Industrial Strategy. Underpinned by a local economic assessment, it outlines policies aimed at:</p> <ul style="list-style-type: none"> • supporting and growing new and existing businesses • attracting inward investment, and • developing and retaining talent and skills. <p>The Plan recognises the importance of effective partnership and collaboration at the local, sub-regional and national levels to support economic growth in support of the vision, <i>“to be the best place to do business and invest... to maximise our economic potential and increase productivity by fully utilising the benefits of our special environment and high-quality assets.”</i> The Plan outlines specific actions for collaboration with the University Centre Shrewsbury including exploring the scope for the digital health and social care sector and using the natural and historic environment as a resource.</p> <p>The plan describes how the aims are to be met via a targeted vision and action plan, which:</p> <ul style="list-style-type: none"> • targets actions and resources where there are economic opportunities • enables business to start, grow and succeed • delivers infrastructure to support growth • meets skill needs of businesses and people’s aspirations for work • promotes Shropshire to investors • enables the Council to build its reputation as a Council that is ‘good to do business with’ <p>The proposal for new innovation space in Shropshire, will directly address the Council’s priority focused on ‘enabling businesses to start, grow and succeed’. There is already a framework in place, through the Marches Growth Hub, but as identified through the studies referenced below, there is demand for grow-on space for these SME’s and start-up companies. A commitment to this is evident throughout the strategy with a short/medium term action of identifying sites that could provide incubation space for smaller businesses to expand, whilst maintaining and improving the existing business support model in Shropshire.</p>

Table 2.2: Strategic policy context	
Policy	Overview
Local Community Priorities – Town and Parish Council Plans	<p>Within Shropshire 18 Place Plans have been produced which identify the infrastructure and investment needs within each community. While there are a number of common themes related to improving the Tourism offer in each area, the economic priorities also vary among the Towns. Some of the relevant workspace measures for each of the key market towns are highlighted below:</p> <p>Shrewsbury Town:</p> <ul style="list-style-type: none"> - develop and delivery key regeneration projects – Flaxmill, Northern Corridor, Town Centre, West End, Pride Hill, Prison and Post Office - delivery business park extensions (Shrewsbury BP, Oxon BP, Shrewsbury West, South Shrewsbury, Food Enterprise Centre) <p>Oswestry:</p> <ul style="list-style-type: none"> - address the number of town centre vacant properties and unused upper floors - investigate redevelopment opportunities for key buildings needing refurbishment - optimise access to the ‘right’ type of business support - explore how business rates can better support small businesses - establish a town team, consider the appointment of a town centre regeneration manager and develop the Oswestry brand <p>Bridgnorth:</p> <ul style="list-style-type: none"> - support local businesses and improve shop frontage and signage - assist new business start-ups, encourage high skill employers and create jobs and employment opportunities <p>Market Drayton:</p> <ul style="list-style-type: none"> - develop a high-quality technology park and multi-use office and studio space - develop a comprehensive plan for the regeneration of the Town Centre - potential redevelopment and conversion of empty commercial properties to office facilities - improve broadband speed to support business <p>Ludlow:</p> <ul style="list-style-type: none"> - promotion of the economy and job diversity - support existing businesses through for example the provision of training <p>Whitchurch:</p> <ul style="list-style-type: none"> - encourage new business start-ups within the town centre - provide access to marketing, employment and training - work with partners to attract full-time employment to the town - develop a business park - provision of small business units within sites identified for industrial development - adoption programme for council-owned employment sites - develop imaginative schemes to use empty properties

2.3.2 Evidence from earlier research and pre-requisites for success

(i) Study of Business Grow-on Space and support for Priority Sectors in Shropshire – July 2017

The purpose of this study, carried out by Inspira Consulting, was to identify whether the current supply of business grow-on space in the county was sufficient to meet business needs and to identify the key issues and opportunities that the priority sectors were facing. Grow-on space was classified as all types of business premises between 3,000 – 5,000 sq ft, i.e. premises that are typically larger than those anticipated for start-ups.

The need for grow-on space was identified during the course of the study, however it also established that the council's current allocation of employment land would be sufficient to meet demand. The study made a series of recommendations to:

- increase the supply of property by - introducing a system to review development sites and prioritise those that easiest to bring to market; identifying older vacant premises that may be more lettable if refurbished; identifying whether larger vacant premises could be divided into smaller units; devising solutions to charging rates on vacant premises to stimulate speculative development;
- strengthen the council's profile as a champion for economic development – by ensuring property finding and support services are well publicised to businesses and intermediaries and the benefits of Shropshire as a business location are clearly promoted;
- collaborate to create opportunities and improve market intelligence – by developing strategic relations with the University of Wolverhampton and University Centre Shrewsbury to facilitate development and establishing relations with commercial agents to tap into knowledge of the market and companies looking to expand; and
- improve information – through the creation of a website with details of vacant property to simplify property searches.

(ii) Study of Demand for Business Start-up Premises in Shropshire – April 2013

The purpose of this study was to give Shropshire Council a greater understanding of the factors influencing the supply and demand for start-up premises, with a view to informing future policy.

The study found that:

- there was an increasing number of businesses starting up from home – made easier by the ever-expanding communication possibilities offered by broadband technology;
- there was a wide-range of property including offices, workshops and serviced accommodation with typical occupancy levels between 80-90%;
- additional needs emerged from the study with regard to flexibility of tenure and physical flexibility of space – to manage risk associated with property overheads and to increase/reduce space based on the health of the business;
- demand varied across the county according to geographic location, rurality and proximity to urban centres. Demand in Bridgnorth and Shrewsbury was relatively high whereas premises

in more remote market towns were less sought after. However, Shropshire’s market towns do appear to be relatively self-sufficient in relation to general business services and the ongoing availability of premise needed to continue to support this.

(iii) Other workspace trends

The requirement for flexibility was also revealed as one of a number of workspace trends evident among small workspace occupiers elsewhere. For example, a study of small workspace provision by BBP, for Shepway District Council in 2015, identified the following as particularly important:

- **Flexible terms** – recognising that fast-moving nature of business easy in/easy out simple licence agreements are becoming increasingly common, typically on a managed basis with all-inclusive monthly charges and provision of on-site facilities;
- **Hot-desking** - the sharing of workstations between staff that are not permanently office based;
- **Remote working** – increasing numbers of organisations are exploiting the freedom to operate remotely from the office made possible by advances in mobile data/telecoms technology, including the use of laptops, smartphones and tablets which has enabled some occupiers to reduce the quantum of floorspace needed to operate their business;
- **Smaller desk sizes** – advances in computer hardware and the use of mobile technology in addition to the increasing use of electronic filing means that the workforce can also work effectively with smaller desks; and
- **Cloud Technology** - the use of cloud computing technology negates the need to develop dedicated data/telecoms rooms and reduces the quantum of floorspace required.

(iv) Business Incubators and Accelerators: The National Picture – April 2017 (BEIS research paper No 7, NESTA)

Accelerators and incubators aim to support new firms through the early stages of growth, assisting businesses to avoid mistakes, while saving time and money and increasing survival rates.

The key findings of this national report demonstrate that there are currently 205 incubators and 163 accelerators active throughout the UK supporting an estimated 3,450 and 3,660 new businesses a year respectively with UK accelerators providing an estimated £33m in start-up investment. The difference between incubators and accelerators being that all incubators provide businesses with office/workspace, whilst accelerators place more emphasis on funding, mostly through financial support to start-ups.

The general theme with incubation space is that there is a broad focus on digital technology, however when this isn’t present there tends to be no sectoral preference. Incubation space tends to serve local businesses, with the assistance of ‘virtual’ incubators which operate online.

The report highlighted that funding for these spaces comes from a variety of sources, depending on the sector, and there can be a heavy preference for corporate funding or public/university funding.

One of the key findings from the NESTA report was that the Marches LEP is one of only 2 LEPs nationally that do not contain either a Business Incubator or Business Accelerator, indicating a

gap in the provision of support for newly formed businesses who are still in the early and vulnerable stages of development. However, it is assumed that the Innovation Lab proposal being developed by the University Centre Shrewsbury will seek to address this gap in the market.

(v) Other Evidence

The need and demand for different types of facilities and services will vary over time and between businesses, sectors, and geographies. Different areas have different competencies and sector strengths which can provide a hook for new facilities.

Many innovation and incubation centres for instance are often located near to HEIs to capitalise on specialist knowledge and areas of expertise and in many studies the presence of a good HEI linkages has been identified as a critical success factor in the sustainability of incubation units. Sector specific facilities have received mixed reviews, working well where there is sufficient critical mass (and therefore demand) for example, technology clusters around Cambridge, but less well where there is low churn of new and expanding businesses. Location and wider economic conditions are therefore important considerations.

Whilst dated, the findings of the 2002 business incubator benchmarking study by the Centre for Strategy and Evaluation Services are still relevant today and provide good insights into business incubation practices. The study highlighted many of the features of successful incubation facilities including the need to ensure they are integrated into wider growth strategies; the optimal configuration of physical space and the importance of supportive business services made available to tenants. Consultation findings on the Technology Strategy Board’s Innovation Centre prospectus suggested that facilities need strong company demand and support from business leadership and close integration into innovation infrastructure.

However, whilst there are several sources of good practice insights and lessons to inform practitioners looking to establish new incubation, innovation or enterprise centres, literature tends to return to the same conclusion that seeking to replicate examples from elsewhere does not guarantee success. It is important to note that the development of new business premises can be a tool to stimulate and support entrepreneurship, innovation and business growth, but it is not the only tool; nor can it be viewed in isolation from wider economic development activity.

"Placing an incubator in a region does not guarantee it will have suitable tenants to incubate nor attract sufficient support or resources from the local business environment ... business incubators on their own cannot create an entrepreneurial or innovative ecosystem. To be successful they must work with a wide range of other actors, from research institutions to (serial) entrepreneurs to specialist advisers, grant providers, angel investors and many more" (Nesta, 2011)

Some of the key messages from best practice research suggest that:

- high quality premises alone are insufficient to generate economic growth and higher productivity- there is consensus in the research on this point (NESTA, CSES, Story et al);
- favourable economic conditions are a pre-requisite to success and these include deep sector specialisms and a critical mass of firms in the locality to generate demand;

- soft infrastructure is as important as hard infra-structure in driving economic growth. This includes high quality business support, coaching and mentoring, and less low value generic support;
- location of premises is as important as quality. The knowledge economy is attracted by proximity to other firms, facilities such as HEIs and transport, and by urban benefits such as high density of labour, skills and talent, attractive places, food, drink and culture;
- for innovative firms the existence of the right innovative environment or 'eco-system' is also important. This will include high quality premises but must also include clusters of other firms in similar or related industries, HEI's, networks, and other business, learning and innovation facilities;
- unless there is evidence of unmet demand and strong forecast sector growth, being overly sector specific in the specification of business premises will lead to low occupancy levels and an overall lack of viability;
- managed workspace options without appropriate soft-infrastructure or a strong rationale and policy direction can attract low level businesses with little growth prospects. These generate low levels of churn and can actually weaken the economy; and
- accommodation for start-ups is important as they are always a source of new business growth but they should be part of a continuum of support and follow-up space. The research and anecdotal evidence suggests that most successful managed workspace facilities are currently managed by the private sector.

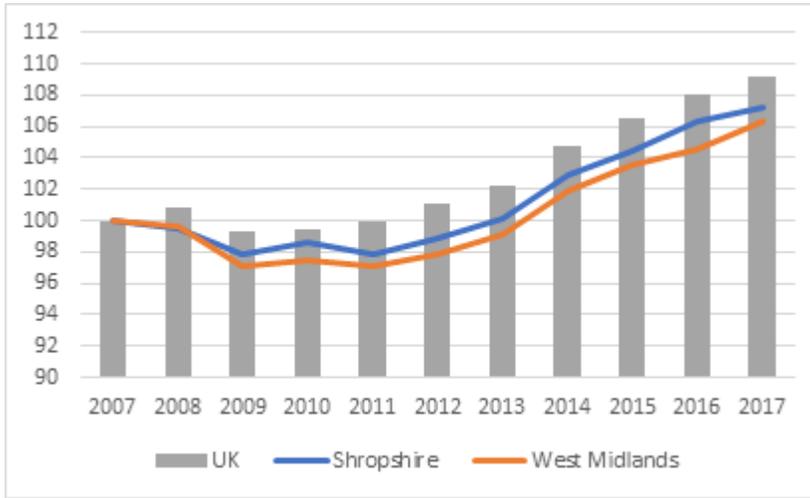
2.4 Socio-economic review

This section provides a brief overview of how the local economy is currently performing and describes the key sectors currently driving demand. Where possible, Shropshire has been compared to the wider West Midlands region and the UK.

2.4.1 *Employment and GVA*

Over the last 10 years, the number of people employed in Shropshire has increased by 7.2% to 152,000. This growth has been broadly in line with the regional and national trends, as shown in Figure 2.2, although growth in the local area has been higher than the regional average and below the national trend. In the West Midlands, workforce jobs have increased by 6.3% over the same period and UK employment has grown by 9.1%.

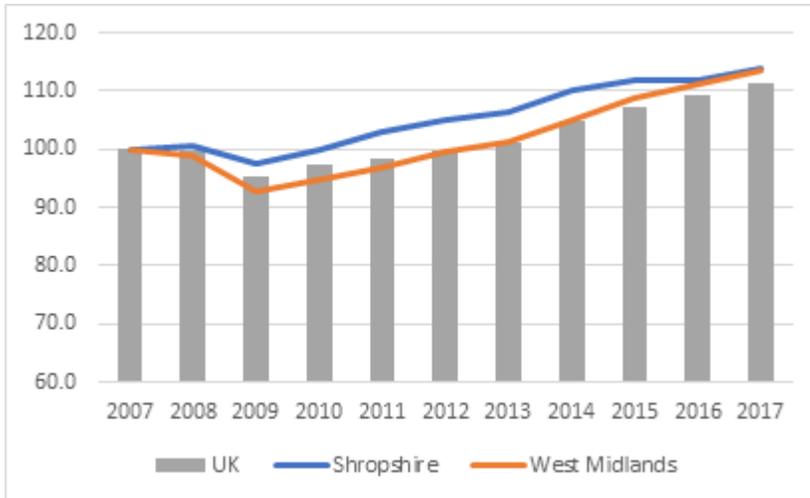
Figure 2.2 Indexed change in employment 2007 -2017 (2007 = 100)



Source: Experian (June 2018 release)

GVA in Shropshire has also grown steadily since 2009, at a higher rate than both the regional and national average, although the rate of change has evened off in the last two years. Since 2007, there has been an increase of 13.9% compared with 13.5% for the West Midlands and 11.2% for the UK as a whole.

Figure 2.3: Indexed change in GVA 2007 -2017 (2007 = 100)

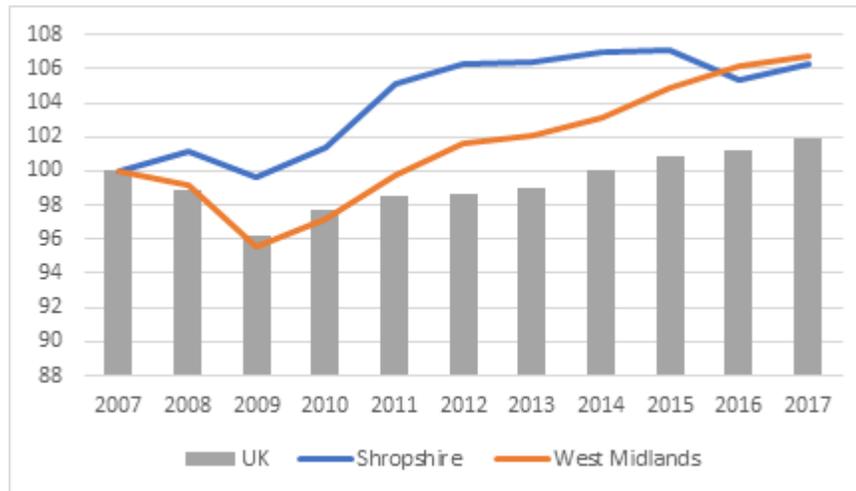


Source: Experian (June 2018 release)

While productivity has increased over the last ten years as shown in Figure 2.4, the current level of productivity (GVA per employee) in Shropshire is £43,854 (Experian, uplifted to 2017 prices), which is lower than both the West Midlands figure of £49,258 and 78% of the national average of £56,579 (UK). Over the next twenty years productivity in Shropshire is forecast to continue to grow by 24% to £54,192, however this is slower than the rate projected for the UK (29%) – which suggests a widening of the gap between the county and the UK.

The provision of innovation space, and other initiatives that focus on research, development and innovation, will therefore play a key role in raising the productivity of both the workforce and the business base within Shropshire, and closing the productivity gap with the UK.

Figure 2.4: Indexed change in Productivity 2010 - 2017, 2010 =100



Source: Experian (June 2018 release)

2.4.2 *Employment in priority sectors*

The Marches LEP Strategic Economic Plan has identified the following priority sectors for the area:

- Advanced Manufacturing and Engineering - Mid and High Value Manufacturing;
- Food Manufacturing and Processing;
- Defence and Security;
- Environmental Technologies;
- Digital and Creative;
- Professional Services;
- Health and Social Care;
- Construction; and
- Tourism and Hospitality.

Table 2.3 shows employment levels in the priority sectors in Shropshire in 2010 and 2016, together with the change in employment between 2010 and 2016 for Shropshire and the comparator areas. The concentrations of employment within the priority sectors across Shropshire are also shown in the sector mapping presented in Appendix A.

Table 2.3: Priority sector employment (2010-2016)							
Priority sector	Shropshire				Marches LEP	West Midlands	England
	2010	2016	2010-2016	% (2010-2016)	% (2010-2016)	% (2010-2016)	% (2010-2016)
Advanced Manufacturing and Engineering - Mid and High Value Manufacturing*	7,840	9,285	1,445	18.4%	2.4%	10.7%	8.4%
Food Manufacturing and Processing*	4,840	4,505	-335	-6.9%	-2.5%	5.9%	11.6%
Defence and Security**	1,260	1,000	-260	-20.6%	29.9%	4.1%	-5.0%
Environmental Technologies**	2,980	3,800	820	27.5%	28.2%	18.9%	16.1%
Digital and Creative**	3,420	3,190	-230	-6.7%	-9.6%	0.0%	22.5%
Professional Services**	13,855	18,870	5,015	36.2%	29.7%	17.2%	22.6%
Health and Social Care**	15,525	17,585	2,060	13.3%	9.7%	15.7%	12.0%
Construction**	7,380	8,040	660	8.9%	5.8%	-8.9%	9.2%
Tourism and Hospitality**	10,930	13,935	3,005	27.5%	32.1%	25.6%	21.3%
All employment	117,500	125,000	7,500	6.4%	5.7%	8.0%	10.0%

Source: Business Register and Employment Survey (BRES)

*Marches LEP definition / **Regeneris definition

The data demonstrates that employment growth in Shropshire for the ‘Professional Services’ and ‘Advanced Manufacturing and Engineering’ sectors was higher than the comparator areas between 2010 and 2016. Furthermore, there were also relatively strong levels of employment growth for the ‘Environmental Technologies’, ‘Tourism and Hospitality’, ‘Health and Social Care’ and ‘Construction’ sectors over the 2010-2016 period. However, employment for the ‘Defence and Security’ sector has fallen by -20.6% in Shropshire between 2010 and 2016, whereas employment for the ‘Defence and Security’ sector has increased by 29.9% and 4.1% in the Marches LEP area and in the West Midlands respectively. There has also been a decline in employment in the ‘Food Manufacturing and Processing’ sector (-6.9%) and for the ‘Digital and Creative’ sector (-6.7%) over the same period.

Table 2.4 shows the 2016 employment Location Quotients for the priority sectors in Shropshire and the Marches LEP, which compare proportions of employment in these areas with England averages.

Table 2.4: Priority sector employment Location Quotients (2016)		
Industry	2016 Shropshire LQ (England)	2016 Marches LEP LQ (England)
Advanced Manufacturing and Engineering - Mid and High Value Manufacturing*	0.99	1.35
Food Manufacturing and Processing*	2.76	2.47
Defence and Security**	0.75	1.39
Environmental Technologies**	0.96	0.95
Digital and Creative**	0.47	0.57
Professional Services**	0.64	0.70
Health and Social Care**	1.36	1.17
Construction**	1.22	1.01
Tourism and Hospitality**	1.17	1.05

Source: BRES

*Marches LEP definition / **Regeneris definition

This indicates that there were relatively high concentrations (LQ > 1) of employment in the following priority sectors in Shropshire in 2016:

- Food Manufacturing and Processing (Shropshire LQ 2.76);
- Health and Social Care (Shropshire LQ 1.36);
- Construction (Shropshire LQ 1.22); and
- Tourism and Hospitality (Shropshire LQ 1.17).

The following priority sectors demonstrate relatively high concentrations of employment in the Marches LEP area (LQ > 1), but not in Shropshire (LQ < 1).

- Advanced Manufacturing and Engineering - Mid and High Value Manufacturing (Shropshire LQ 0.99, Marches LEP LQ 1.35); and
- Defence and Security (Shropshire LQ 0.75, Marches LEP LQ 1.39).

2.4.3 Projected employment growth

The figures presented in Table 2.5 demonstrate the projected growth expected for employment and population in Shropshire and the West Midlands and the change in unemployment and unemployment rates over the next twenty years. In total, employment in Shropshire is forecast to grow by 8,800 over the period 2017-2037, an increase of 5.8% which is below the regional growth of 7.3% for the WM. At the same time, the level and rate of unemployment is set to decrease at the local level but increase across the West Midlands.

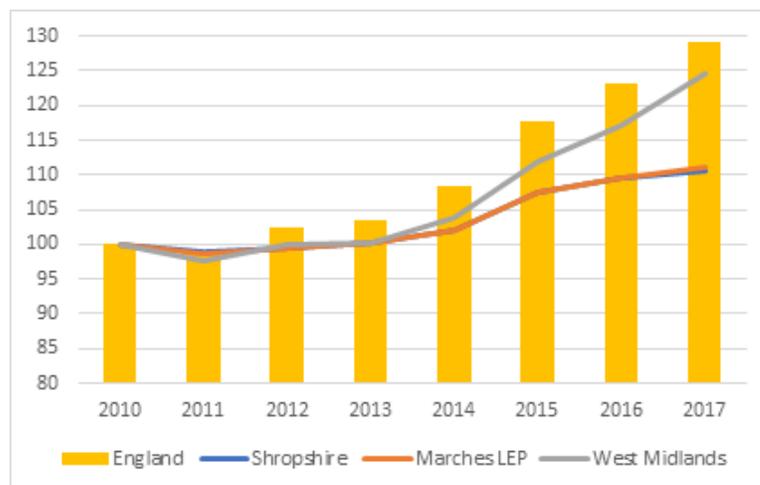
Table 2.5: Forecast base case employment, population and unemployment					
	2017	2027	2037	2017-37 (No)	
				No	%
Shropshire					
Employment	152,000	157,000	160,800	8,800	5.8
Population (Total)	314,400	324,700	329,900	15,500	4.9
Unemployment (No)	5,700	5,000	5,300	-400	-7.0
Unemployment (%)	3.5%	3%	3.1%	-0.4*	-11.4
Marches LEP					
Employment	2,719,400	2,824,500	2,917,400	198,000	7.3
Population (Total)	5,829,100	6,083,100	6,278,100	449,000	7.7
Unemployment (No)	158,800	162,900	172,600	13,800	8.7
Unemployment (%)	5.6%	5.5%	5.7%	0.1*	1.79

Source: Experian (June 2018 release)/ * percentage points

2.4.4 The Business Base

Since 2010, the business base in Shropshire has grown by 10.7%. In 2017 there was a total of 15,650 enterprises⁴ in Shropshire, representing an increase of 1,510 (10.7%) since 2010. This compares to an increase of 11.0% in the Marches LEP area, 24.5% in the West Midlands and 29.1% across England as a whole over the same period. While growth in the region has followed a similar trend to the national picture (albeit lower), the business base in both Shropshire and the wider Marches LEP area has not kept pace as shown in Figure 2.5:

Figure 2.5: Indexed change in Enterprises 2010-2017, 2010=100



Source: ONS, UK Business Counts

⁴ An enterprise can be thought of as the overall business, made up of all the individual sites or workplaces. It is defined as the smallest combination of legal units (generally based on VAT and /or PAYE records) that has autonomy within an enterprise group.

Table 2.6 shows the number of active enterprises in the priority sectors in Shropshire in 2010 and 2017, together with the change in the number of active enterprises between 2010 and 2017 for Shropshire and the comparator areas.

Table 2.6: Enterprises within priority sectors (2010-2017)							
Priority sector	Shropshire				Marches LEP	West Midlands	England
	2010	2017	2010-2017	% (2010-2017)	% (2010-2017)	% (2010-2017)	% (2010-2017)
Advanced Manufacturing and Engineering - Mid and High Value Manufacturing*	855	985	130	15.2%	15.1%	20.1%	25.5%
Food Manufacturing and Processing*	50	75	25	50.0%	20.0%	27.0%	42.1%
Defence and Security**	30	20	-10	-33.3%	4.5%	12.9%	28.6%
Environmental Technologies**	375	465	90	24.0%	21.0%	32.6%	37.1%
Digital and Creative**	720	890	170	23.6%	24.4%	33.5%	46.3%
Professional Services**	3,075	3,800	725	23.6%	23.0%	41.0%	46.5%
Health and Social Care**	305	390	85	27.9%	23.5%	62.4%	59.1%
Construction**	1,805	1,845	40	2.2%	1.0%	9.4%	20.0%
Tourism and Hospitality**	1,115	1,215	100	9.0%	7.6%	12.8%	15.6%
All enterprises	14,140	15,650	1,510	10.7%	11.0%	24.5%	29.1%

Source: UK Business Counts - enterprises by industry and employment size band

*Marches LEP definition / **Regeneris definition

The data highlights that growth in the number of enterprises in Shropshire has been lower than that observed for the West Midlands and England between 2010 and 2017 for most of the priority sectors, with the exception of the 'Food Manufacturing and Processing' sector (50% growth, albeit from a low base) and the 'Defence and Security' sector (-33.3% decline), the latter reflecting the decline in employment previously referenced.

2.4.5 Workforce - occupations and skills

Table 2.7 shows the change in occupational profile within the Shropshire area between 2010 and 2017 compared to the West Midlands and the UK. While the number of residents within the Shropshire area that have higher level occupations [i.e. managerial, professional and technical occupations (SOC 1-3)] has increased since 2010, the proportion in this cohort is lower than the regional and national averages. The data also demonstrates that the Shropshire area has a higher proportion of all residents in employment within Admin, skilled trades and caring/leisure occupations (SOC 4-6) compared with West Midlands and the UK.

Table 2.7: Occupational profile (2010 -2017)			
SOC groups	2010	2017	Change (2010-2017)
SOC 1-3 (Managers, professionals and technical occupations)			
Shropshire	38.2%	40.3%	5.5%
WM	38.5%	41.5%	7.8%
UK	42.5%	45.3%	6.6%
SOC 4-6 (Administrative, skilled trades and caring/leisure occupations)			
Shropshire	35.6%	33.1%	-7.0%
WM	33.2%	30.8%	-7.2%
UK	31.4%	29.9%	-4.8%
SOC 7-9 (Sales/customer service, process/plant and elementary occupations)			
Shropshire	25.9%	26.6%	2.7%
WM	27.5%	27.2%	-1.1%
UK	25.5%	24.4%	-4.3%

Source: Annual Population survey, NOMIS

With regard to skills levels, Table 2.8 presents the change in proportion of the 16-64 population that hold NVQ4+ qualifications and those with no qualifications between 2010 - 2017. Despite an increase in the proportion of the working age population with higher skills, Shropshire is still lower than the UK average. In contrast, the area does have a lower proportion of working age residents with no qualifications compared to both the regional and national average and this figure has declined significantly since 2010.

Table 2.8: Skills profile (2010 to 2017)			
Qualification level	2010	2017	Change (2010 to 2017)
% with NVQ4+ (aged 16-64)			
Shropshire	29.0%	31.9%	10.0%
WM	26.0%	31.8%	22.3%
UK	31.1%	38.4%	23.5%
% with no qualifications (aged 16-64)			
Shropshire	10.8%	6.6%	-38.9%
WM	15.1%	10.4%	-31.1%
UK	11.6%	8.0%	-31.0%

Source: Annual Population Survey, NOMIS

2.5 Operational context

2.5.1 Business Support Delivery Partners

‘Enabling businesses to start, grow and succeed’ is a key objective of Shropshire Council’s ‘Economic Growth Strategy for Shropshire 2017-21’. The Strategy commits the Council to working

with its partners to ensure that it develops “the best business support offer and ensures that Shropshire businesses benefit from external opportunities which will meet their needs”.

This section firstly summarises the current arrangements for the provision of business support for businesses in Shropshire and then provides a summary of the support that is currently potentially available for businesses to access. The following are the main points of access to /or sources of business support for Shropshire businesses:

Marches Growth Hub

The Marches Growth Hub was launched by the Marches LEP in October 2015. It aims to provide a single point of access to information and guidance on the business support available to enterprises across the Marches region - regardless of sector, size or stage of development. As well as Shropshire, its remit therefore covers the two local authority areas of Herefordshire and Telford & Wrekin. Developed by The Marches LEP, the virtual hub receives £205,000 a year from the Government to support its work

The Growth Hub’s main partners are the three local authorities, the Department for International Trade (DIT) West Midlands and the University of Wolverhampton. Other strategic partners include two Chambers of Commerce (Shropshire Chamber of Commerce and Herefordshire & Worcestershire), the Federation of Small Businesses (FSB), the Marches Skills Provider Network, the University Centre Shrewsbury, Harper Adams University and the three area Business Boards (including Shropshire Business Board).

The Marches Growth Hub signposts businesses to both the www.gov.uk website and the Government’s Business Support Helpline, which offer free advice about starting up a business and can direct business to more support. Locally business support and advice offered through the Marches Growth Hub is delivered by:

- a virtual hub;
- a local helpline; and
- three satellite ‘hubs’ located in each local authority area. Telford & Wrekin, Shrewsbury and Hereford.

The online virtual hub is available to start-ups, SMEs and large businesses, offering a search facility for services and signposting to advice and support. It offers information about finance and funding, start-up support, networking and events, and employment and skills. It also provides links to various initiatives and programmes and information about the area and provides case studies of Marches businesses that have used the Growth Hub services. The virtual hub is fully funded by the BEIS annual funding (and it therefore has a relatively low cost to run).

The Growth Hub website also provides a Skills Employer portal, which enables employers to find training to support the upskilling of staff. The content of this portal was developed in partnership between the Growth Hub team and the Marches Skills Provider Network.

Alongside the virtual hub, the Growth Hub has a helpline that businesses can phone during normal office hours. A monthly newsletter is produced and social media used to raise awareness of the services provided.

Analysis set out in the recent Marches Growth Hub Review and Evaluation Report suggests relatively high levels of demand for business advice services from Shropshire businesses. For example, of 1,019 light touch enquiries (by 973 companies) to the virtual hub by September 2017, the largest number came from Shropshire (53%).

Marches Growth Hub, Shropshire

The Marches Growth Hub - Shropshire, is co-located with the Chamber of Commerce and DIT. It provides a place where businesses can find face-to-face advice and support. It offers meeting rooms for hire along with larger rooms for events, and a place for networking.

Numerous events are organised both at the hub and also at the University Centre Shrewsbury aimed at supporting businesses. A programme of outreach events in market towns across Shropshire is now also under way.

Since opening in 2016, Marches Growth Hub Shropshire has dealt with over 700 enquiries from local businesses, contributing towards the creation of over 30 new jobs in the area. According to the Growth Hub Evaluation in the period up to September 2017 there were:

- 390 face-to-face appointments;
- 616 telephone calls; and
- 328 events with 1,203 attendees.

Food Enterprise Centre

Managed by Shropshire Council, the Shropshire Food Enterprise Centre is on the outskirts of Shrewsbury providing 12 fully-equipped food production units and on site business support. The food production units are 1,500 sq ft and 3,000 sq ft and all include a large production area, with a walk-in cold room, wash and hand basins and a computer-controlled system supplying filtered air to maintain the desired temperature between 15C and 30C. There is easy in/out access, an office, toilet and changing area, parking spaces and a range of other facilities including a boardroom, meeting area and a café.

As part of the services on offer within the Centre, all tenants (as well as drop-in callers) have access to support from the Council's Business and Enterprise Service. This includes help with housing, planning, business planning, financial incentives, networking and regional business support offers (including that from Universities and specialist food and drink consultancies). Shropshire Chamber of Commerce also has an office at the Centre and is able to provide free export advice.

Chamber of Commerce

Shropshire Chamber of Commerce covers the Shropshire and Telford & Wrekin local authorities and has more than 800 members. It works with companies of all sizes and across all sectors. As well as promoting events and providing networks the Chamber provides a range of discounted services. It also hosts the Shropshire DIT Team which offers advice from an experienced advisor and an export documentation service. During 2017/18, the team worked with 286 local companies.

The Chamber’s main office is in Telford but last year opened a new Shrewsbury office on Battlefield Enterprise Park. It has also launched a new recruitment platform for employers (People Portal).

Shropshire Council

Shropshire Council’s primary focus for dedicated business support is ‘Invest in Shropshire’ which aims to support both companies looking to invest in the county, and those that are already based there who are wishing to grow. It provides information and advice on for example:

- Sites and premises availability;
- Recruitment and reskilling;
- Access to intellectual property, research and testing; and
- Tapping into business networks.

It works in close conjunction with the Growth Hub, providing referrals with regard to, for example advice on exports and financial availability. It also provides aftercare support through ongoing business engagement programme

Marches Centre for Manufacturing and Technology

The Centre is an employer-led initiative equipped with over £2m of state-of-the-art equipment, including dedicated fabrication, foundry, lathe, metrology, milling, robotics and vehicle trimming sections. It provides apprenticeships and offers a range of skills solutions for employers.

Higher Education Institutions

Further support for business – such as specialist R&D and higher apprenticeships - is potentially available through the HEIs based in Shropshire including University College Shrewsbury and Harper Adams University.

2.5.2 Current business support programmes

The Marches Growth Hub business support directory highlights some 133 potential sources of assistance for businesses based in Shropshire. They are classified as follows:

- Finance and funding (50 sources)
- Networking and events (12)
- Advice and Support (46)
- Employment and skills (39)
- Research and development (9)

Of these sources only 29 are classed as ‘local’ with the remainder being largely national programmes. These ‘local’ sources are predominantly part-funded by ERDF and are often open to businesses across the whole of the Marches LEP area and the Greater Birmingham & Solihull and Stoke & Staffordshire LEP areas as well as Shropshire.

Advice and support programmes exclusive to Shropshire or the wider Marches area include:

- Built Environment Climate Change Innovations (BECCI) - part funded by ERDF to promote sustainable economic opportunities and growth by working with small and medium enterprises (SMEs) to develop innovative climate change solutions within the built environment. It specifically focuses on products associated with the retrofitting of housing. (NB Also available in Black Country LEP area).
- Employees Support in Skills Project (ESS) - supports SMEs within the Marches to upskill employees aged 16 and above to develop their knowledge, skills and career prospects. Administered through the Growth Hub.
- Enterprise Action - part-funded by ERDF to enable individuals to access support on starting a business or enterprise. Support is also offered to newly established SMEs to develop their businesses within the Black Country and the Marches, via specialist workshops, business consultancy and match-funded grants.
- Marches Building Business Confidence - Smarter Growth - aimed at established business with the potential to grow sales and improve profitability by exploiting new market opportunities, realising efficiencies through streamlined processes and/or unlocking workforce potential. It involves detailed analysis of business strengths and weaknesses, a strategic planning meeting to set out priorities and support that will be accessed and seminars and workshops.
- Marches Building Business Confidence – Good2Great/Start2Great – support for business start-ups including a 2 day workshop, a free DiSC report, access to tools via a dedicated online portal and follow up support on a 1-1 basis.

2.5.3 Funding - European Regional Development Fund

The main focus for funding support over the short term is expected to be the European Regional Development Fund (ERDF) through the following priority axes:

- **Priority Axis 1:** Promoting Research and Innovation – the two objectives under this priority relate to: (i) increasing investment in research and innovation infrastructure that catalyses collaboration with the research community; and (ii) increasing investment in research and innovation by SMEs;
- **Priority Axis 3:** Enhancing the Competitiveness of SMEs – investment priorities in this Priority Axis which respectively focus on: (i) entrepreneurship; (ii) advanced capacities for product and services development; and (iii) supporting the capacity of SMEs to grow in regional, national and international markets;
- **Priority Axis 4:** Supporting the shift towards a low carbon economy in all sectors – the focus for ERDF is on smaller scale investments focusing on whole place energy solutions, improvement energy efficiency and low carbon innovation.

The Operational Programme indicates that the delivery of appropriate premises will be supported under Priority Axis 1 and 3, particularly where demand is shown to exceed supply. Investment under Priority Axis 4 would need to demonstrate how an intervention would promote production,

distribution or use of renewable energy sources, or research and innovation in low carbon technologies.

The Marches ESIF Strategy sets out the local context and objectives for ERDF as part of the wider €120 million ESIF programme for the period 2014-20. The delivery of new innovation workspace aligns with objectives under *Strategic Activity 1: Enhancing Competitiveness, Research and Innovation and Enabling Technology*, particularly:

- **Sub-priority 1.1:** Improving Enterprise and SME Competitiveness – opportunities to secure funding for projects that create a supportive environment for new and high growth businesses, particularly where these align with the Growth Hub. Funding may also be provided to support ‘centres of excellence’, including universities, to support innovation, including through the delivery of ‘incubation units, grow on space and other bespoke business spaces’; and
- **Sub-priority 1.2:** Smart Research and Development and Innovation – seeking to address historically low levels of investment in R&D&I by the indigenous business base, alongside low productivity, a key aim of the ESIF Strategy under this priority is to increase collaborative research between enterprises, universities and other institutions, particularly within growth sectors.

2.5.4 Funding - Other Sources

Subject to the scope of the preferred option, a range of other funding mechanisms may be appropriate to support the delivery of the capital scheme. Potential funding opportunities include:

- **The Marches LEP** – Marches Investment Fund (MIF) is an £8.1 million revolving loan fund, which was awarded by the Government as part of the Growing Places Fund. The aim of the fund is to provide funding for stalled housing and business premises projects, with the goal of injecting capital to unlock economic growth. As support is provided on the basis of a recoverable grant, it may not be suitable for schemes where the costs of delivery exceed the value of the completed scheme, which is often the case for innovation centres.
- **The West Midlands Combined Authority** – the Brownfield Land and Property Development Fund (BLPDF) is deployed through grant funding with commercial investment potentially provided through the Collective Investment Fund (CIF). The fund can provide up to 10% gap funding up to an amount of £5 million, allowing for a 10-year repayment period.

The UK Industrial Strategy identifies a range of mechanisms aimed at enhancing productivity through promoting investment within key sectors. In particular, the National Productivity Investment Fund (NPIF) will target this spending at areas that are critical for productivity: housing; research and development; and economic infrastructure. The NPIF will take total spending in these areas to £170 billion over the period from 2017-18 to 2021-22. A range of other funding mechanisms, including the Industrial Strategy Challenge Fund and the Industrial Strategy Investment Fund, could support key elements of the project, linked to specific research or business activity aligned with national objectives.

3 Workspace Provision

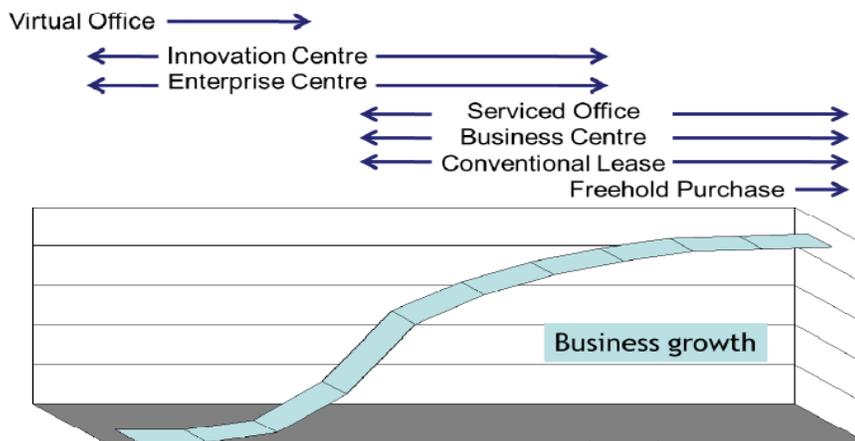
3.1 Introduction

This section provides a brief overview of different types of workspace provision and their key characteristics, management and delivery issues that need to be considered in selecting the most appropriate type of scheme to be pursued, and examples of workspace projects currently being delivered that provide valuable lessons for the approach that might be adopted by Shropshire.

3.2 Workspace typologies

There are a wide range of different workspace models in operation to promote and facilitate business and employment growth across the country, as set out in Figure 3.1. The scale, type, management and operation of these workspaces will also differ depending on ownership and the particular aims and objectives being pursued (e.g. innovation, business start-up/growth, sector development).

Figure 3.1: Workspace typologies



A description of the types of space and models that are particularly relevant for this study are provided below, and the characteristics of each are set out in Table 3.1:

- **Business Incubators** – provide a supportive environment for young companies; often with the provision of on-site business support;
- **Business Accelerators** – are programmes of investment support focusing on promoting cohorts of businesses;
- **Innovation Centres** – support high growth businesses specialising in the application and development of new technology;
- **Enterprise Centres** – provide a supportive environment for start-ups and SMEs; often with an emphasis on training;
- **Grow-on Space** – provides a bridge from supported workspace provision e.g. an Enterprise Centres and commercial office/industrial space; and
- **Co-working** – offers flexible workspace/desks in order to create a workplace community for entrepreneurs.

Table 3.1: Workspace typologies – key characteristics						
	Business incubator	Business accelerator	Innovation Centre	Enterprise centre	Grow-on space	Co-working
Physical Space	Yes Predominantly office based but can include makerspaces	Not essential Often with links to workspace	Yes Office with R&D/maker space	Yes General office space including desk space	Yes Small flexible office or workshop units	Yes Shared desk space and can include makerspace element
Business model	Business growth Often public sector/ institution led; not-for-profit approach Income from rentals and selling services	Investment; can be not-for-profit	Rental; not-for-profit	Rental; can be not-for-profit	Rental and/or investment – subject to viability	Rental – but usually comprises a component part of wider provision provided a building.
Business type	New start and entrepreneurs	New start	New start and established	New start and established	Established and ready to move out of supported incubator/ enterprise centre	New start, entrepreneurs, established businesses
Sector focus	Often sector focused in accordance with objectives of promoting institution	Often sector focused reflecting the sponsor	Often sector focused	No sector focus	No sector focus	No sector focus
Selection process	Selective – gateway criteria applied New start with growth potential Sector focus	Highly selective – competitive process	Selective – linked to innovation and sector	Basic entry criteria can apply linked to type / sector – less restrictive than incubator	Selective – gateway criteria applied usually linked to exit from highly managed facilities	Not selective, open to all

Table 3.1: Workspace typologies – key characteristics

	Business incubator	Business accelerator	Innovation Centre	Enterprise centre	Grow-on space	Co-working
Period/ duration	<p>Monthly licenses up to 1-3 years</p> <p>Rental terms stepped to promote churn</p> <p>Flexible easy in easy out terms</p>	<p>Licenses up to 12 months</p> <p>Flexible easy in easy out terms</p>	<p>1-3 years – sliding rentals</p> <p>Variable enforcement</p> <p>Flexible easy in easy out terms</p>	<p>Flexible lease license structure – easy in, easy out</p>	<p>Flexible short term leases of 3 months+</p> <p>Also require access to support services when required, which are not included within rentals charged</p>	<p>Daily, weekly, monthly flexible arrangements</p>
Services	<p>Inclusive services</p> <p>Focused to promote business growth</p> <p>Provide gateway to wider business support initiatives</p>	<p>Intensive mentoring, training, networking</p>	<p>Inclusive and paid</p> <p>General & targeted to promote innovation</p>	<p>Inclusive and paid</p> <p>More focused on training/skills</p>	<p>Usually available through nearby facility or provider and subject to individual demand requirements as required</p> <p>Costs not included with rentals</p>	<p>Can be available subject to provision within centre or alternative facility</p>
Investment	<p>Not direct</p> <p>Provide links to investors through events, networking, support programme</p>	<p>Yes – including equity and other forms of investment</p>	<p>No</p>	<p>No</p>	<p>Potentially – Typically if headlease is in place with Local Authority</p>	<p>No</p>
Management and operational issues	<p>F&M and tenant management</p> <p>Specialist third party operators</p> <p>Maintenance – high quality requirement</p>	<p>Tenant management focus</p> <p>Can be located within a pre-existing incubator/innovation centre facility</p>	<p>F&M and tenant management</p> <p>Specialist third party operators</p> <p>Balance financial and economic performance</p>	<p>F&M and tenant management</p> <p>Specialist third party operators</p> <p>Balance financial and economic performance</p>	<p>F&M and tenant management</p> <p>More standard tenant management – link with existing provision</p>	<p>F&M and some tenant management – paid services</p>

3.3 Delivery issues to be considered

Selecting the most appropriate type of workspace to pursue, will require careful consideration of a range of issues that could impact both the delivery and sustainability of a workspace scheme. While some of these are common to all types of workspace facility, others may have more of an influence on an individual type of workspace centre, particularly if it is sector specific for example. These issues are summarised briefly below:

3.3.1 *Location*

To date, the location of a workspace scheme has to a large extent depended on the nature of the businesses occupying the premises. With sector specific schemes for example, there is often a need to be situated adjacent to associated facilities, uses and/ or services such as, for example, a university, hospital or educational institution. While other more general mixed schemes have often been located on business parks or the periphery of town/city centres – with a reliance on car use as the principal means of accessing facilities.

However, with the advancement of technology, and the ability of businesses to work from any location (including home working), there has been a shift in demand for locations closer to associated supply chains, customers, likeminded organisations and potential support services. As a result, there has been a decline in demand for out of town business parks with a dependence on car use, and an increase in demand for premises within towns, cities or more sustainable locations, where there are real benefits in terms of accessibility (including communications and transportation), networking and collaboration opportunities, and proximity to support services.

Furthermore, many start-up and fledgling businesses are now more likely to work from home given availability of technology and reduced occupation costs, as opposed to travelling to centres which may be located on business parks in peripheral locations.

3.3.2 *Size of the workspace scheme*

Workspace schemes do often require scale to ensure their viability. Based on experience to date⁵ with a range of innovation, enterprise, incubator and grow-on-space schemes, the typical optimum size of facilities is in the order of 3,000 sq. m. (gross). This size provides a critical volume of space that is both cost efficient to construct and of a scale that can generate sufficient revenue funding to cover the operational costs of the facility.

3.3.3 *Design*

Workspace schemes can be difficult to sustain as a result of issues related to multiple occupancy, running voids and fluctuating income levels. In order to mitigate the risks of carrying significant non-recoverable costs, a key requisite at the design stage is to ensure that the lettable space within a scheme is maximised. Facilities within workspace schemes such as meeting rooms and

⁵ Thomas Lister

breakout space is an expensive cost to carry if this is non-income generating for a significant period of time.

As there may be a requirement for meeting facilities from time to time, options to share such facilities within other buildings and facilities located in close proximity to the workspace scheme can often be a successful way of accommodating demand without having to carry the full cost of provision, on the assumption that there is likely to be an additional cost for the use of such facilities. If however there is the ability to incorporate a café within a scheme, this can serve as both informal meeting space for which there is no cost of use, and the provision of a service which is likely to be income generating in its own right.

The other key issue to consider at the design stage, is the ability to offer a flexible range of space, including the ability to subdivide this into smaller suites if demanded or to provide larger areas within the building.

3.3.4 Uses within the Building

Maximising occupancy is critical to the long term sustainability of workspace projects. The ability to offer co-working for two or more likeminded businesses to share space, hot-desking areas, individual self-contained suites and virtual office space, all have the ability to attract a wider range of businesses to locate at a particular centre. Accommodating a broad range of uses will need to be considered at the design stage but will also require effective day to day management and coordination by the team responsible for onsite operations.

3.3.5 Support Services

For incubator, enterprise and innovation schemes, particularly where these are targeting start-up and fledgling companies, the ability to access business support services or be signposted to relevant organisations, is critical for the survival of businesses and the sustainability of occupancy level. Ideally therefore support services need to be accessible on site, with all such costs included within rentals and thus fixed.

The exception to this is grow-on-space, where companies may have left supported facilities, or be ready for more independent occupation but still require some element of support on an ad hoc basis. Occupiers of grow-on facilities should therefore have the ability to access support services on a chargeable basis as and when required.

3.3.6 Occupancy Cost

The cost of occupying workspace schemes generally comprises a rental charge/license fee for occupying or using space either on a daily, weekly or monthly rate and can be chargeable on a floor area basis or for a period of time in use.

In addition, there is also typically a service charge which covers reception, administration and support services provided within the centre along with other occupancy costs which may include rent, rates, utilities and telephone/ broadband / IT costs.

Start-up and fledgling companies are often highly cost sensitive and unable to commit to occupying buildings considered to be expensive over the medium term, with additional costs for support services. Both rental costs and service charges therefore need to be highly competitive and in accordance with market rates, potentially achieving economies of scale through any sharing and multiple use of facilities and services so that occupancy costs are both affordable and occupiers can evidence real benefits from the facilities. Workspaces that are too expensive, will struggle to obtain and sustain sufficient occupancy levels – ultimately leading to failure.

It is acknowledged however that workspace schemes often take time to become established and reach a point whereby operational costs are being met by revenue generated – but it is generally accepted that this should be achievable within 2-3 years. Beyond a period of 3 years, would indicate that there is either insufficient demand for the type of workspace facility provided or the rates are unaffordable for the respective market.

During the initial 2-3 year period, there are a number of incentives that are often used in seeking to both attract and retain occupiers to workspace schemes through provision of rent free periods and stepped rents with fixed increases at given periods of time. Such measures can for example assist businesses with cashflow until they become more established and have greater security over income streams.

3.4 Management issues to be considered

Management of workspace schemes typically require more intensive and proactive support in order to maximise occupancy levels and retain businesses (often with changing needs) at a level that ensures the centre is operating on a cost effective and efficient basis. As a result, most schemes will have a full-time manager in post, with additional part-time administrative support that can be expanded as the centre becomes more established. The key issues and day-to-day activities that require managing are described below:

3.4.1 *Letting/Occupancy Criteria*

Letting criteria may vary depending on whether the centre is targeting sector specific occupiers or start-up/ fledgling/ growing businesses. Implementing and retaining the same criteria over time, will be particularly important if the centre is to be operated on a sector specific basis or trying to attract a specific type of occupier, as occupiers may be tempted to leave if the criteria is relaxed subject to demand.

3.4.2 *Time Limited Occupancy*

Where centres are targeting ‘start-up’ businesses, there will be a time when such entities are no longer classed as start-up and will therefore be required to vacate their premises to free up space for new occupiers. This will be less of an issue where centres are not operating at full capacity, however there are often instances where businesses begin taking space as a start-up company and then expand to additional suites as they become more established.

There is often a reluctance to move businesses on, amid concerns that they may not be ready for independent occupation, as this may result in business failure. In such instances, having a readily

available supply of grow-on space in appropriate locations and often in proximity to start-up schemes becomes a critical part of the overall supply chain.

3.4.3 *Occupancy Arrangements*

Depending on the nature of the space, occupancy may be offered on a daily, weekly or monthly license arrangement, which can be terminated on very short periods of notice and automatically expire at the end of a given period. License arrangements are generally suitable for hot-desking, virtual office and short-term occupancy of space and are very simple agreements to put in place, carrying no security of tenure, with a license fee payable upon entering into the license agreement.

Other arrangements often involve more formal lease agreements which tend to be suitable for longer periods of occupation and can be used for monthly, three-monthly, six-monthly or even twelve-month terms. Importantly, lease arrangements carry greater obligations in terms of occupancy requirements and can roll on periodically unless terminated. It is noted however that such lease agreements are usually excluded from security of tenure provisions, which means that there is no automatic right to renewal and termination upon expiry of the lease term.

All such license and lease agreements should be standard documents and capable of being administered by the centre's staff without the need for legal input on the letting of space within the building.

3.4.4 *Rental and Service Charge Cost*

Successful management and occupancy of workspace provision will require rates that remain highly competitive, in accordance with the market. This will therefore necessitate periodic reviews of rentals and rates being charged on other facilities and similar space in addition to an ongoing review of occupancy costs for utilities and business support services. This is to ensure that the best terms are being obtained within the marketplace and occupiers are receiving value for money.

3.4.5 *Roles and Responsibilities of the Centre Manager and Staff*

Analysis of successful workspace provision⁶, defined as centres with consistently high occupancy levels and waiting lists, is attributed in part to pro-active centre management. This includes:

- ongoing and regular liaison with tenants, occupiers and users of the building and its facilities, to gather feedback regarding the needs of centre users and how this can best be accommodated;
- organising quarterly/six monthly networking events for occupiers within the centre and identifying opportunities to extend such events to other facilities, centres or associated organisations;

⁶ Thomas Lister

- the ability to signpost occupiers to other relevant services and support organisations beyond those available within the centre. There will also be a need to review potential facilities, services and events that may be of interest to occupiers of the centre on a regular basis;
- regular review and monitoring of the provision of support services, general take-up and their relevance for tenant businesses; and
- promotion and marketing of the facility - to other organisations, educational institutions and to the market generally along with an advertising campaign if appropriate. The marketing of the facility will in turn need to be reviewed in terms of effectiveness and value for money on a regular basis.

3.5 Existing workspace projects – lessons learnt

The following three case studies provide examples of workspace provision being delivered in Cornwall, Derby and Lincolnshire - all largely rural areas similar in nature to Shropshire - and lessons learnt from the establishment and ongoing operation of the centres.

3.5.1 Cornwall and the Isles of Scilly – innovation centres and business accelerator

Cornwall Innovation⁷ manages three innovation centres within Cornwall established with ERDF convergence funding from the 2008-2013 programme. The centres include:

- Pool Innovation Centre (PIC)
- Tremough Innovation Centre (TIC)
- Health and Wellbeing in Treliske (HWIC)

At the Penryn Campus, which is joint operated by Falmouth University and the University of Exeter, Falmouth University is also currently delivering Launchpad Cornwall, a business incubation and accelerator programme with workspace located in the Academy of Innovation and Research (AIR) and a new dedicated facility next to AIR.

Element	Cornwall and the Isles of Scilly	Key lessons
Type of provision	<ul style="list-style-type: none"> • Range of incubation, innovation, accelerator and enterprise support (primarily office based) • Business and commercialization support is integral to the offer 	<ul style="list-style-type: none"> • Focused on gaps in provision • Collaborative/shared space essential • Grow-on space is a key issue that the Universities are seeking to address through the establishment of an Innovation and Research Park adjacent to the campus.
Features	<ul style="list-style-type: none"> • New build sector provision – digital, environment, health and wellbeing • Business accelerator – reverse methodology – start with demand, then identify solution 	<ul style="list-style-type: none"> • Sector focus relaxed in the innovation centres (due to financial viability) • Industry/ demand-led accelerator providing digital solutions for emerging SMART Specialisation markets

⁷ Managed by Plymouth University

Table 3.2: Cornwall and the Isles of Scilly		
Element	Cornwall and the Isles of Scilly	Key lessons
Delivery	<ul style="list-style-type: none"> Procured and directly delivered by Council/University Managed by dedicated teams (Plymouth and Falmouth Universities) 	<ul style="list-style-type: none"> Strong management model – led by Plymouth University ERDF capital and revenue investment required to underpin schemes
Support	<ul style="list-style-type: none"> Collaboration with HEI/specialist expertise Links with other existing programmes/providers 	<ul style="list-style-type: none"> Business advice/mentoring part of the offer Central business services provided and signposting
Management	<ul style="list-style-type: none"> Internal management – reduce operational costs Central resource; appointed centre managers 	<ul style="list-style-type: none"> Dedicated management resourcing critical Broker networking and industry links
Funding	<ul style="list-style-type: none"> ERDF (Convergence & ESIF) capital and revenue funding 	<ul style="list-style-type: none"> Lead in required to build up occupancy Occupier churn - tension economic/financial viability

3.5.2 Connect Derby – programme of managed workspace

Connect Derby brings together the city’s managed workspaces - Friar Gate Studios, Kings Chambers, Sadler Bridge Studios, Riverside Chambers, Marble Hall, Shot Tower and iHub - in order to connect people, expertise, knowledge and create jobs. The programme provides micro businesses, entrepreneurs and SMEs with a flexible, high specification working environment, IT infrastructure and business support they need to enable their businesses to grow. The project was established to support locally important sectors and respond to lack of private sector investment in workspace.

Table 3.3: Connect Derby		
Element	Connect Derby	Key lessons
Type of provision	<ul style="list-style-type: none"> Range of office and co-working spaces Complementary provision – meet range of needs 	<ul style="list-style-type: none"> Focus on gaps in pipeline Flexible accommodation key
Features	<ul style="list-style-type: none"> A range of workspace on flexible terms 24 hour access, accessible locations 	<ul style="list-style-type: none"> Maximise efficiency of space Focus on catchment
Delivery	<ul style="list-style-type: none"> Procured and directly delivered by Council Managed by appointed professional team Refurb and development of Council assets 	<ul style="list-style-type: none"> Avoid developer profit Maximise value of Council assets
Support	<ul style="list-style-type: none"> Tailored package of support Co-ordinate with existing programmes/providers 	<ul style="list-style-type: none"> Minimise overlap Bring in third party providers

Table 3.3: Connect Derby		
Element	Connect Derby	Key lessons
Management	<ul style="list-style-type: none"> Internal management – reduce operational costs Central resource; appointed centre managers 	<ul style="list-style-type: none"> Dedicated management resourcing critical
Funding	<ul style="list-style-type: none"> ERDF capital and revenue funding 	<ul style="list-style-type: none"> Gap and initial void period required

3.5.3 Lincolnshire – innovation led provision

The University of Lincoln has played a key leadership role with support from LEP, Council in providing innovation led workspace within the area. The targeted provision aims to support academic programme goals and the workspace is located at the city with a secondary campus at the science park (SparkHouse, Agri-food Tech Centre).

Table 3.4: Lincolnshire		
Element	Lincolnshire	Key lessons
Type of provision	<ul style="list-style-type: none"> Range of new build innovation focused provision Business incubation and sector targeted 	<ul style="list-style-type: none"> Specialist innovation provision led by HEI
Features	<ul style="list-style-type: none"> Includes specialist facilities – sector focused Incubator facility – link businesses and HEI 	<ul style="list-style-type: none"> Facilities meet needs of key sectors – academic bridge
Delivery	<ul style="list-style-type: none"> University direct delivery established locations New build – exemplar construction 	<ul style="list-style-type: none"> Build on established assets Significant funding requirement
Support	<ul style="list-style-type: none"> Academic bridge – University co-ordinated Supporting services delivered in partnership 	<ul style="list-style-type: none"> Council focus on training linked to Further Education
Management	<ul style="list-style-type: none"> Management led by University with operators Promote coordination across centres 	<ul style="list-style-type: none"> Specialist operators to implement business support
Funding	<ul style="list-style-type: none"> University direct levered in support from central Govt., LEP and local authority – Capital 	<ul style="list-style-type: none"> Innovation focus key to securing funder support

3.5.4 Summary of key lessons for Shropshire

A summary of the key lessons learnt and evidence of why projects are working relate to:

- Type of Provision** – works well when focused on meeting gaps in provision; delivery of collaborative/shared space; providing a pipeline of workspace support from start-up through

- to grow-on space; and providing flexible accommodation that maximises the efficient use of space; specialist innovation provision works well when led by HEI;
- **Delivery** – needs to build on established assets; avoid developer profit; and maximise the value of Council assets; sector focus relaxed due to financial viability;
 - **Support** – bring in third party providers and specialist operators to deliver business support and signposting; include business advice/mentoring as part of the offer;
 - **Management** - dedicated management resourcing critical; can play a role in brokering networking and industry links; lead in time required to build occupancy; occupier churn needs careful management due to the tension between meeting economic objectives and securing financial viability; and
 - **Funding** - innovation focus is important to secure funding support; significant capital and revenue funding is required to underpin the scheme – particularly in terms of gap funding and subsidising the initial void period.

4 Demand assessment

4.1 Introduction

This section provides an assessment of demand based on the findings from the market review carried out by Thomas Lister, feedback from the business survey carried out by Spirul Intelligent Research, and consultations with other stakeholders.

4.2 Shropshire market review

Thomas Lister Limited have undertaken an assessment of market conditions in order to identify whether there is demand and need for innovation space within Shropshire. The methods used have included an assessment of both primary and secondary data including:

- a review of the office market stock
- an assessment of demand and take-up utilising the Co-Star property website database
- direct approaches to local commercial surveying firms active within the Shropshire area
- discussions with Shropshire Council’s Estates team and with the centre operator/centre manager for the existing managed workspace and innovation schemes in Shropshire, Ludlow, Telford and Herefordshire.

4.2.1 Innovation space

At present, there is currently no dedicated innovation space within the Shropshire county boundary, but the e-Innovation Centre within Telford is on the border and close enough for Shropshire businesses to access. The proposition to establish a New Innovation Laboratory at the University Centre Shrewsbury will therefore go some way to addressing this gap in the market.

(i) e-Innovation Centre - Telford

The e-Innovation Centre was launched in January 2006 as a state-of-the-art facility offering fully furnished office accommodation with free parking and flexible occupancy terms. The centre is approximately 3,000 sq.m (30,000 sq.ft) and is located just off junction 4 of the M54 in a highly accessible location. It was established to support the creation and development of new technology and innovative businesses in Shropshire and the West Midlands, through the provision of accommodation and services supported by the University of Wolverhampton.

The Centre provides:

Launch Pad – for businesses that are less than three years old and remain primarily home-based but may use services such as a drop-in service and a business address. It is available on a daily basis for a charge of £12.50 per day plus VAT. Launch Pad provides shared, furnished workspace designed to assist those businesses seeking to expand, without incurring significant expense. Facilities within the Launch Pad include IT, photocopier, kitchen facilities, broadband internet connection, a post facility and business address.

Incubation Units – with space for up to 36 new enterprises at any one time. These units are aimed at supporting individuals with entrepreneurial aspirations to develop new business ideas. Each unit is around 20 sq. m. and is furnished with office furniture, broadband internet access, a telephone handset and direct dial number. The space also offers the use of meeting facilities and has 24/7 access and reception facilities. Incubator units are available on a monthly agreement.

Grow-On Space – with limited office accommodation for established small to medium sized businesses with grow on requirements. Businesses are also able to utilise existing meeting facilities along with broadband and reception support, available by way of a monthly agreement. It is noted that other grow on space is also offered within the Telford Innovation Campus.

Discussions with the Centre Manager confirmed:

- that there is currently no space available within the centre and there is a long waiting list for units, although there are only two or three companies waiting for space. Although enquiries for the centre fluctuate from month to month, the centre typically operates at almost 100% occupancy;
- criteria for occupation within the centre include a focus on the digital sector (e-learning/software/digital applications) and enquiries from businesses outside of this sector are turned away;
- that other key attributes that helped to sustain occupancy are - free onsite parking and in-house IT/technical support, which is provided for within the charge-out rate for the space;
- that the additional grow-on space referred to and located within the wider Telford Innovation Campus is also fully occupied at this time. The linkages to the University include use of the facilities and academic resources, although as noted on-site support and expertise is provided by a dedicated resource based within the centre;
- there is a view that there would be sufficient demand over time to support the provision of another centre, even if it was also selective in its application criteria. If this restriction was lifted and space was made available for a non-specific business base, the centre could be fully occupied within a very short period of time;
- that whilst a significant proportion of companies are Telford based, there are also a number of occupiers from Shrewsbury, Bridgenorth and the wider Shropshire area within the centre.

4.2.2 Enterprise centres

There are currently two enterprise centres within Shropshire including:

(i) Shropshire Food Enterprise Centre

The Food Enterprise Centre is located on the Battlefield Enterprise Park, just off the A49 and the A5124/A53 road network. It is one of ten such centres in the UK and is a state-of-the-art facility providing high quality fully equipped food production units and on-site business support. There are also a number of public sector organisations who provide food related support, including

Harper Adams University Regional Food Academy in Newport, Reaseheath College Food and dairy processing facilities in Nantwich along with the NOW Food Testing Centre at the University of Chester.

The centre has four units of 279 sq. m. (3,000 sq. ft.), incorporating a production area, walk-in cold room, dry store, office space, WC and changing areas. The units are insulated, with white lined walls and ceilings, a food grade painted floor, stainless steel kitchen facilities, separate goods in and goods out and air handling units for temperature control. The units also meet the BREAM Very Good Standard and car parking is provided on site. The rent charged is all inclusive with an additional service charge and can be paid on a monthly basis. Business rates and utility costs are however additional.

The centre also offers eight smaller units of 139 sq. m. (1,500 sq. ft.), all of which provide the same facilities as the larger units. The smaller units also achieve BREAM Very Good Standard and are chargeable on the same basis as the larger units.

Support services are also provided by the Marches Growth Hub and cover areas such as finance and funding, start-up support, networking events, other IT and general business and administration support, training and skills opportunities along with assistance with recruitment.

(ii) Ludlow Eco Park

This scheme comprises a mixed-use business community, located on the outskirts of Ludlow Town Centre to the east of the A49. The scheme is managed by Rent Offices, who are letting space on flexible short-term, all-inclusive arrangements. A number of attempts have been made to speak to Rent-Offices.com without success, so details on occupancy of the centre are limited.

The centre comprises 19 units ranging from 7 sq. m. to 60 sq. m. (78 sq. ft. to 624 sq. ft.) and are available either with or without furniture. IT and telecoms connections are also provided along with free parking, shower facilities and CCTV. The Eco-Park also contains three workshop units in addition to the office space, all of which have underfloor heating, provided by a ground source heat pump. The building has a BREEM Excellent rating.

4.2.3 Office stock within Shropshire (including managed workspace)

In view of the limited supply of innovation space and existing enterprise centre provision, a review of the existing supply of office accommodation has also been undertaken, including managed workspace schemes, as these are the closest to the provision of innovation space that is not manufacturing focused. The office stock and market conditions within Shrewsbury and across the wider Shropshire area (principally the market towns) are described below.

The total supply of office property throughout Shropshire extends across 217 office properties, with around 561 spaces. It is noted from this that 38% of properties are situated within Shrewsbury, which equates to around 36% of all office space also situated within the town. The balance of stock is spread throughout Ludlow, Oswestry and Bridgenorth, with marginal levels recorded within Market Drayton, Whitchurch and other local centres:

(i) Shrewsbury

Shrewsbury itself is a medieval market town, which is located 9 miles east of the Welsh Border and typically operates as a commercial centre for Shropshire and Mid Wales. The A5 and A49 trunk roads cross near to the town and five railway lines meet at Shrewsbury railway station. Shrewsbury is the principal centre for most employment activities in the County. The other smaller service centres within Shropshire are Oswestry in the North West, Ludlow and Bridgenorth to the south. Other market towns include Whitchurch and Market Drayton which rely on Shrewsbury for main facilities and services.

Shrewsbury has ambitious plans for growth with major new housing proposed as part of sustainable urban extensions (SUE's) in Shrewsbury to the south and west. The proposed growth in housing and residents to Shrewsbury and the wider county will also require growth in employment opportunities, to avoid out-commuting to the surrounding locality of Telford and the wider West Midland's area.

The SUE to the south proposes 900 new homes and 26 hectares of employment land, along with a new district centre, while the SUE to the west proposes 750 new homes and 12 hectares of employment land. It is anticipated that the residential scheme will come forward in the first instance with delivery of the employment use to be determined as the site becomes established. The timescale for bringing forward the SUE's for delivery has yet to be crystallised, but the feasibility and masterplanning for each site is progressing.

The Shrewsbury office market comprises 203 spaces contained within 83 properties. Average rents per sq. ft. are in the region of £90 sq.m (£8.44 sq.ft). The average vacancy rate is circa 38%, with availability recorded at 52% across all stock. It is currently estimated that vacant space is circa 51,643 sq.m (555,882 sq. ft.). Whilst this space is vacant, it does not mean that all space is currently on the market and conversely occupied space can also be marketed and may be pending at lease expiry. Almost all existing space is within the town centre and comprises multi-let units in existing buildings most of which are historic stock.

On average, properties spend around nine months on the market prior to disposal, with average take up of space in the region of 3,474 sq.m (37,392 sq. ft.) per annum. Based on the review of the market, there are currently only two potential conversions from office to residential, one being a small scheme of three units above a dentist and the other being Prospect House, a former mill building converted to offices and under consideration for residential use with the capacity to deliver 37 new apartments.

The main issue with office accommodation in Shrewsbury is that supply is limited to a stock that is dominated by historic buildings, which are often difficult and/or expensive to refurbish, particularly where demand for space is small and comprises a suite within an existing building. To some extent this is why all new build offices are undertaken on business parks on the outskirts of the town.

From discussions with agents, there has been an increase in home working given the advancement of technology and ability to work from any chosen location. Where office accommodation is sought, demand is for short-term flexible arrangements and typically for suites of less than 186 sq.m (2,000 sq.ft).

Demand of this nature is not conducive to building speculative office buildings, where typically larger floorplates are provided and offered on institutional terms or a design and build basis. Average sales prices for freehold offices within Shrewsbury are in the region of £1,088 sq.m (£101 per sq. ft.) and achieve investment yields in the region of 10.6%.

A review of the CoStar Property Website highlights:

- office space to let - 26 properties within Shrewsbury, with 51 spaces being recorded as on the market and to let. The majority of available space comprises units within multi-let buildings that range from between 76 sq.m to 139 sq.m (813 sq.ft – 1,500 sq.ft);
- freehold offices for sale - there are currently five properties advertised for sale, with floorspace ranging between 76 sq.m – 1,394 sq.m (813 sq.ft – 15,000 sq. ft.) with asking prices between £180,000 and £2.775 million; and
- managed workspace – in addition to this office space, there are also five managed workspace schemes all managed by Flexioffices who operate around 4,000 centres throughout the country on behalf of building owners. They include Cotton Hill, Rousehill, The Square, Archers Way, and Stafford Drive (Hadnall).

Clearly, therefore, availability of properties of a sufficient size and scale within Shrewsbury is restricted and primarily secondary in nature.

The supply of new offices to the market is deliverable through design and build opportunities offered at Battlefield Enterprise Park, although as noted already, these are unsuitable for companies with small space requirements.

Other space coming forward is through the ongoing refurbishment of the Flax Mill works where small office units are being provided on the upper floors of the building as part of the phase 2 development. These are not due for completion until 2021 and specific details for the office space have not yet been determined – these are due to be finalised as the refurbishment works advance.

(ii) Ludlow

The main employment area within Ludlow is the Eco Park, established by private sector developers in 2007. Indicative charges detailed on the website suggest that rents are in the region of £150 per space per month or £135 sq.m (£12.50 sq.ft).

In addition to this, existing office space is principally within the town centre, contained in period buildings above ground floor retail, with some buildings comprising multi-occupied space. Some office space is located on the edge of Ludlow, comprising refurbished former industrial accommodation.

Total office accommodation extends to around 12,143 sq. m. (130,715 sq. ft.) although this includes 6,503 sq. m. (70,000 sq. ft.) at the Ludlow Eco Park.

There is very limited availability of space recorded within Ludlow, with the majority of units around 325 sq. m. (3,500 sq. ft.) available as space within multi-occupied buildings. Average rentals achieved for offices in Ludlow for secondary stock within the town, excluding the Eco Parks, is in the region of £100 per sq. m. (£9.26 per sq. ft.).

Data on Co-star records that take-up rates in Ludlow are typically low at around 3,344 sq.m per annum (36,000 sq.ft). Whilst this may seem high, it is likely to reflect tenant churn through a high volume of short term lettings of space within the Eco Centre.

(iii) Oswestry

There are around 34 office properties within Oswestry, the majority of which comprise either former period buildings close to the centre or along the Salop Road/English Walls, also incorporating the former Gobowen Station and Magistrates Court. There is also some office accommodation on the Mile Oak Industrial Estate, in a former primary school on Masebury Road and the station building on Oswald Road. Other office space comprises very small units above existing retail outlets.

The total floor area is around 8,907 sq. m. (95,882 sq. ft.) with the majority of spaces being less than 139 sq. m. (1,500 sq. ft.) comprising space above retail units or multiple units within a single converted building. Take-up rates of offices within Oswestry is also low, being around 1,737 sq.m per annum (18,700 sq.ft).

The Oswestry SUE has recently received approval of Homes England Housing Infrastructure Fund (HIF) to bring forward the delivery of 600 new homes. Part of the scheme includes a 23 hectare employment site, which given the proximity of the hospital is proposed for medically related commercial development. The purpose of the HIF is to unlock housing delivery and it is understood therefore that housing will be the focus of the first phase of development to be delivered on the site. The availability and delivery of the employment land at this stage is not known and may not be available until 2021 at the earliest.

(iv) Other market towns

The identification of office accommodation across the other more rural areas of Shropshire has been difficult. The accommodation that was identified was more industrial/manufacturing workspace or very small office accommodation above retail units, much of which was vacant.

4.2.4 Discussions with Agents/Chartered Surveyors

As part of the market review, fourteen chartered surveying and commercial agency practices located within Shrewsbury, Oswestry, Ludlow, Wellington and Telford were contacted in order to:

- discuss general levels of office activity and supply and demand within the area; and
- gather views on the extent to which provision of new innovation/enterprise space would be well received by the Shrewsbury and wider Shropshire market.

Detail of the practices contacted and their response (if any) is summarised in Table 4.1:

Table 4.1: Chartered Surveyors and Commercial Property Agents contacted	
Chartered surveyors/ commercial property agents	Response
Cooper Green Pooks	Feedback provided below
Barbars	Feedback provided below
Halls	No response to phone message or email sent.
Taylor Shaw & Roberts	No response to phone message or email sent.
Savills	Unable to assist as they do not manage office instructions within Shropshire.
Balfours	No response to phone message or email sent
Celt Rowlands	Advised that the majority of their transactions is industrial/manufacturing related and not offices so could not help.
Bowen Son & Watson	They only deal with residential property.
Roger Parry & Partners	No response to phone message or email sent
Morris Marshall & Poole	They do not work within the office sector given that demand for this type of accommodation is minimal and tends to be undertaken by Cooper Green Pooks.
McCartneys	No response to phone message or email sent
Carter Jonas	No response to phone message or email sent
Strutt and Parker	Do not deal with commercial property within Shropshire.
Julian Spencer Associates	No response to phone message or email sent

The feedback obtained from Cooper Green Pooks and Barbars is set out below:

(i) Cooper Green Pooks

This agent believes that the office market within Shrewsbury and the wider area is very limited, with principal office activity largely located in Telford.

When asked about the existing innovation and enterprise centres, the feedback suggested that both the Food Enterprise Centre (FEC) in Shrewsbury and the Ludlow Enterprise Centre are perceived as failures, due to low levels of occupancy and a disconnect with market demand. The e-Innovation Centre at Telford is on the other hand seen as a success.

It was also noted that occupiers were very price sensitive and generally did not want to pay for business/support services and that much of the general business advice could be obtained by attending various seminars run and coordinated by The Chamber of Commerce on a free and open basis.

Reference was also made to the fact that business services had been offered previously, in part subsidised by contributions from private sector employers. Following the change in Government, the Heart of England commission, responsible for providing support services, closed down and companies relying on these business support services (and employers that had invested in order

to support provision) were left with no option but to abandon the service accordingly. This has resulted in employers being reluctant to invest time and resources into business support, as they are unable to influence the decision-making process.

Whilst it was acknowledged that the Innovation Centre at Telford had been successful, this was attributed to the majority of occupiers being drawn from the Telford and Wrekin area as opposed to Shropshire. The view was therefore that any investment should be focused on supporting and expanding the activities of The Chamber of Commerce and targeting existing companies to thrive within Shropshire, as opposed to targeting resources on start-up companies.

(ii) Barbars

The agent was of the view that the majority of demand was for space within Shrewsbury, although demand for offices had generally reduced over time with the advent of new technology and the ability to reduce operating costs by working from home.

Notwithstanding this, many companies and particularly those working from home did require interaction at times with likeminded office occupiers, upon which they tended to rely on informal seminars and events organised by the companies.

Generally, occupiers were price sensitive and wanted total flexibility in terms of occupancy on short-term lease or licence arrangements at competitive all-inclusive rents. Paying for additional services and business support services was not deemed to be an attractive proposition by many participants of the market.

In terms of the provision of innovation type space, the view was that this would need to be very competitively priced in order to be affordable by start-up companies, particularly when they could occupy space at home at no cost. There was limited interaction with start-up companies and thus no real idea of how many may exist within Shropshire.

Overall therefore, the (albeit limited) response from commercial agents can be summarized as:

- demand form start-up and small business has been eroded by home working;
- there is limited market demand for additional innovation space and efforts should be concentrated on supporting the existing business base;
- occupiers are price sensitive and seek to maximise flexibility;
- demand for on-site service provision is likely to be limited if this results in an additional cost burden; and
- opportunities to align any services with existing providers including the Chamber should be maximised.

4.2.5 *Summary and findings*

The review of data and evidence gathered from the Co-Star property website has been supplemented by primary research undertaken through discussions with local property agents and operators of various managed centres both within Shrewsbury and adjoining Telford.

It is clear that the private market and centre operators have different motivations in terms of profitability, which in turn directly impacts on the views that have been provided. Viability and sustainability of innovation type facilities and managed office schemes is of paramount importance. While the availability of competing schemes is also a key factor in considering provision of any new facilities, the most important factor within Shropshire appears to be that of price – in terms of both occupying space and paying for the business support that may be provided. Reference was also made to general business advice being made available free of charge through breakfast seminars provided by larger companies; however more specialist services are clearly not available on this basis and are therefore more likely to be accepted as a chargeable extra.

The market review indicates that there is an office sector active within Shropshire, with most activity being within Shrewsbury, followed by Ludlow and Oswestry. Demand is primarily for small spaces of less than 464 sq. m. (5,000 sq. ft.) with short-term flexible arrangements preferred. There is however no evidence from the database to identify whether demand is from start-up companies. This data is more likely to be obtainable from analysis of occupiers of the various business centres referred to earlier within this report – although managers are unable to provide such information, due to data protection restrictions. From the tenancy information that has been obtained it appears that generally participants within the office market (as recorded on the CoStar database) are established companies and not start-ups.

From discussions undertaken with local property agents, it was evident that they had no real exposure to start-up and fledgling companies with a perception that these operate from home and generally only moved out of home space once they were established and growing and had the financial means to be able to acquire property. On this basis demand may well be hidden and inherently difficult to identify and is only borne out through the supply of a specialist facility, as demonstrated by the Telford e-Centre. The high level of homeworking, particularly outside Shrewsbury, was confirmed in the 2011 Census. However, what is less clear is the extent to which this was a result of a lack of supply of available and suitable office accommodation.

In this respect, generally the perception was there was limited demand by start-up companies for office space, and certainly any demand would be insufficient to be able to fill a centre, should one be provided. The view was it would therefore be better to focus on supporting existing businesses and their ability to expand and thrive as opposed to focusing on start-up companies for which there was likely to be insufficient demand, as demonstrated by limited success of previous schemes including the Food Enterprise Centre and Ludlow Innovation Centre.

The views expressed by the existing innovation/managed centres, was markedly different from the views expressed by local agents. Indeed, it is considered that the best source of evidence came from the Innovation Centre at Telford that had full exposure to start-up businesses in the market place, not only in Telford but throughout Shropshire. The fact that the centre was full, despite operating a gateway policy, provides clear evidence of demand on both a sector specific and

general business basis. Prerequisites for success include the provision of space capable of occupation on a flexible and in some cases daily basis, virtual basis or by way of short-term licence/leases. Occupancy rates also need to be all-inclusive with on-site business and IT support provided.

In contrast, the Food Enterprise Centre primarily provides specialist space (both large and small units) but with no support services provided or direct linkages to any specific employer or educational facility in order to sustain occupation. Although the centre is sector specific (food production), it is not necessarily targeting start-ups at this stage.

In terms of the Ludlow Eco Centre, this is managed remotely by an organisation that appears to be head-quartered in London. Information provided on the centre from the website was extremely limited, and calls were not returned limiting the information that could be obtained about availability and operation of the centre. This facility does appear to be filling more of a general office requirement as opposed to the provision of specialist space.

It is clear, therefore, that the best source of evidence in relation to potential demand for innovative workspace has come from the innovation Centre itself. Evidence from the market assessment may be substantiated and supported through information from occupiers if these can be reached through the business surveys undertaken, coordinated by The Chamber of Commerce. Specifically, parties working from home may indicate issues such as being isolated from likeminded companies, support/specialist facilities and the supply chain, access to information and signposting of services. It is these services that are often provided within innovation projects that are crucial in helping start-up and fledgling companies to become established.

4.3 Business Survey

A business survey was undertaken to inform the assessment of demand for the provision of new workspace to meet the needs of indigenous businesses.

An online survey was initially piloted by AMION Consulting and Thomas Lister in March 2018, using Survey Monkey to administer the questionnaire. However, as the online survey attracted a very low response rate, a telephone survey was commissioned and undertaken by Spirul Intelligent Research over the period April to May 2018. In total 154 responses to the survey were secured, 134 from the telephone survey and 20 from the initial email survey.

The surveys were conducted using a database of businesses held by Shropshire Council (from MINT UK) that contained 20,233 business records. The response of 154 businesses provides a confidence interval of +/- 7.87% at a confidence level of 95%. This 95% confidence level means that you can be 95% certain that the true percentage of the population that would pick the given answer with a margin of error of +/- 7.87%. In other words, if the survey response to a given question is 50% you can be 95% certain that the response of the whole population would be between 42.13% and 57.87%. For the purposes of this survey, a confidence interval of less than +/- 10% is considered robust.

Of the 154 businesses surveyed, 51 indicated that they had either sought or expected to seek new business premises over the next three years. A full report of the survey can be found in Appendix

C in terms of the responses from all companies and those that reported a requirement for premises. A brief summary of some of the headline findings are presented below:

4.3.1 Business Characteristics

As set out in Table 4.2, businesses engaged in predominantly office based activities (including information and communication, finance and insurance, real estate, professional and business administration sectors) accounted for 33% of all respondents to the survey. Retail and distribution businesses (including food and accommodation sector) accounted for 23%, while 16% identified as manufacturing businesses.

In total, 90% of respondent companies identified themselves as being either a micro (0-9 employees) or small (10-49 employees) business. The profile of companies that identified a requirement for premises was broadly consistent with that of the overall cohort.

Of the 51 businesses that identified a recent or future requirement for premises, 47% were engaged in office-based activities and there were a slightly higher proportion of new businesses, with 31% being less than 5 years old.

Table 4.2: Sector profile of respondent businesses			
	All companies	Requirement companies	% of companies with requirement
Agriculture, mining	7	3	43%
Manufacturing	25	7	28%
Construction	10	3	30%
Retail & Distribution	35	7	20%
Information & Communication	13	4	31%
Finance & Insurance, Real estate	9	4	44%
Professional, Business admin.	29	16	55%
Public admin, education, health	4	1	25%
Arts, recreation & entertainment	8	2	25%
Other services	14	4	29%
Total	154	51	33%

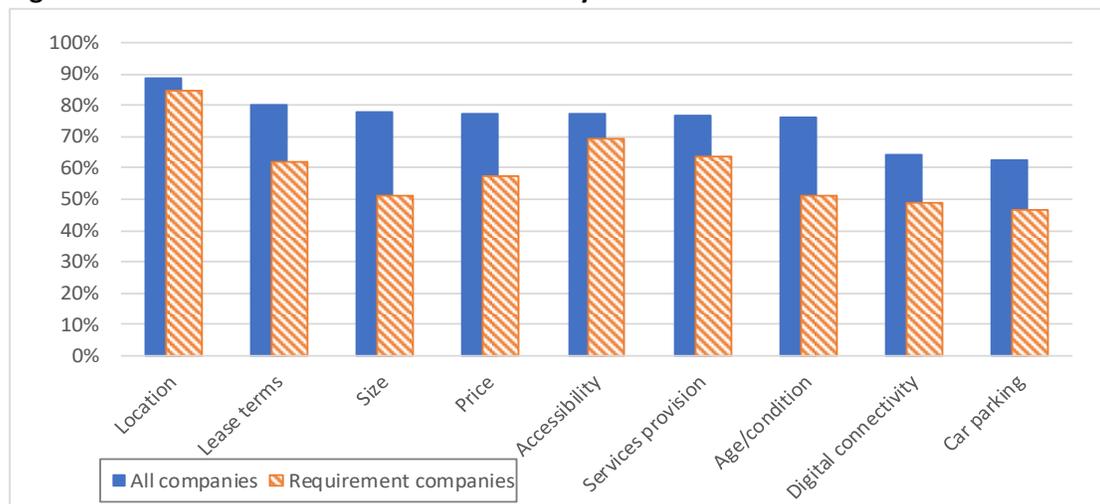
4.3.2 Current premises

A profile of the existing premises is set out in Table 4.3. It shows that a significant number of businesses are home based (19%), with more than 50% of these identifying an existing or expected requirement for business premises. A significant proportion of the businesses currently occupying office premises are also identified as having a requirement for alternative accommodation.

Table 4.3: Existing premises by type of workspace					
	All companies		Requirement companies		% companies with requirement
	Number	% total	Number	% total	
Working from home	29	19%	15	29%	52%
Rented desk space	3	2%	2	4%	67%
Serviced Office in multi-let	19	12%	12	24%	63%
Standalone Office Unit	21	14%	8	16%	38%
Studio	3	2%	0	0%	0%
Industrial unit	22	14%	7	14%	32%
Trade Counter Unit	6	4%	0	0%	0%
Retail Unit	40	26%	4	8%	10%
Other	11	7%	3	6%	27%
Total	154		51		

Overall, respondents to the survey reported high levels of satisfaction with existing premises. In particular, high levels of satisfaction were reported in relation to the location. Overall, between 75%-80% of respondents indicated that they were either satisfied or very satisfied in terms of age/condition, size of premises, price, accessibility (in spite of the relatively rural nature of some premises), lease terms and service provision. Levels of satisfaction were somewhat lower (through still positive) for digital connectivity and car parking (Figure 4.1).

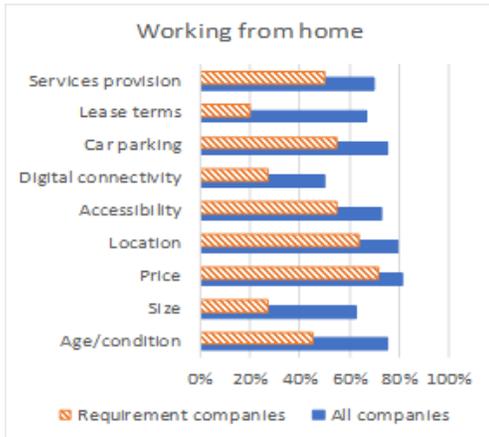
Figure 4.1: Characteristics rated satisfied or very satisfied



High satisfaction ratings for location and accessibility were broadly mirrored for companies with an identified requirement for premises. This suggests that businesses are not looking to relocate away from their existing location. Ratings in other categories were significantly lower, with fewer than 50% of these respondents indicating that they were satisfied in terms of digital connectivity and car parking, and fewer than 60% satisfied in terms of the age/condition, size and price of their

premises. Low levels of satisfaction were a particular issue for home-based businesses as shown in Figure 4.2:

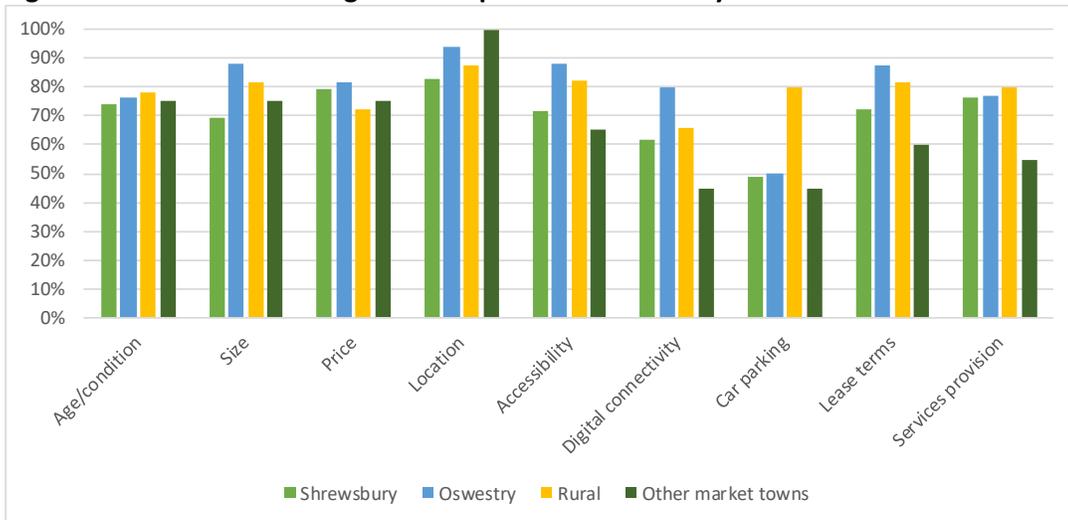
Figure 4.2: Working from home



The level of satisfaction recorded through the survey was relatively consistent across Shropshire for the majority of the measures, notably in terms of price and the age/condition of existing premises.

However, a level of variance was identified in terms of digital connectivity, which businesses from market towns (other than Oswestry) identified as less satisfactory, and car parking, where businesses based in rural areas away from congested town centres reported far greater satisfaction. Overall, a lower proportion of businesses based in other market towns (Whitchurch, Ludlow, Market Drayton and Bridgnorth) reported satisfaction in respect of lease terms, accessibility and service provision (Figure 4.3).

Figure 4.3: Satisfaction rating for all respondents within key locations



Closer analysis demonstrates that:

- there were low levels of satisfaction with lease terms and services provision among leasehold businesses requiring new premises;
- 29% of companies indicated that their existing premises were limiting growth - 60% of those with a requirement to move indicated that accommodation had acted as growth constraint;
- a high proportion of businesses in Shrewsbury identify existing premises as a growth constraint; and
- a high percentage of businesses working from home or serviced accommodation identify premises as a key barrier to growth – and a higher percentage of companies with a short-term lease said accommodation was a constraint to business growth.

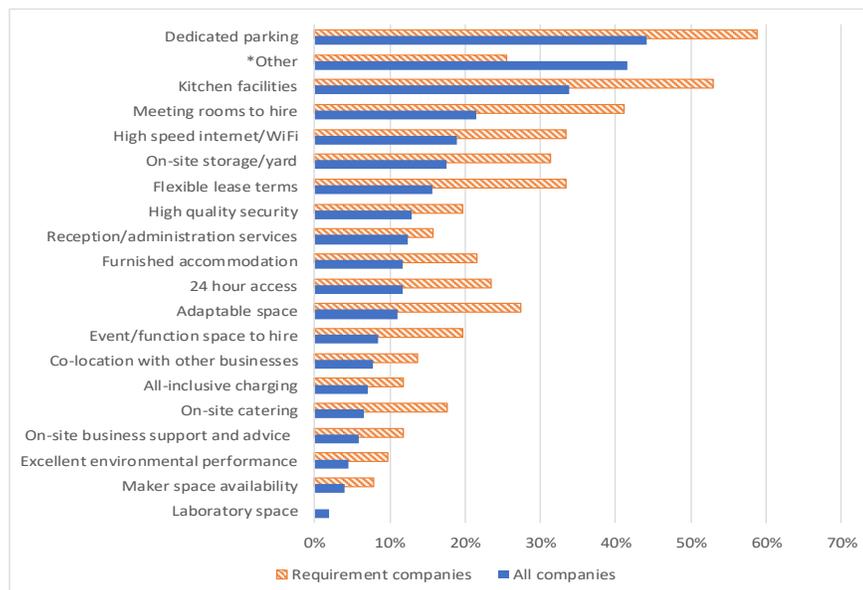
4.3.3 Services and business support

Respondents to the business survey identified the availability of high speed internet as the most important consideration in driving a business location decision, followed by the availability of car parking. The importance attached to these attributes is unsurprising, given the results of the satisfaction analysis. Other important elements include good access to highway infrastructure, proximity to customers and public transport links, while proximity to suppliers and similar businesses was identified as less important.

Only 37% of businesses with a property requirement indicated that they would welcome the provision of key services on site, and where they did the most important support was identified as networking and events.

Demand for support services was particularly evident within start-up companies related to mentoring, training and technical support and there was a higher demand for services from businesses currently located in Shrewsbury.

Figure 4.4: Important consideration for business premises

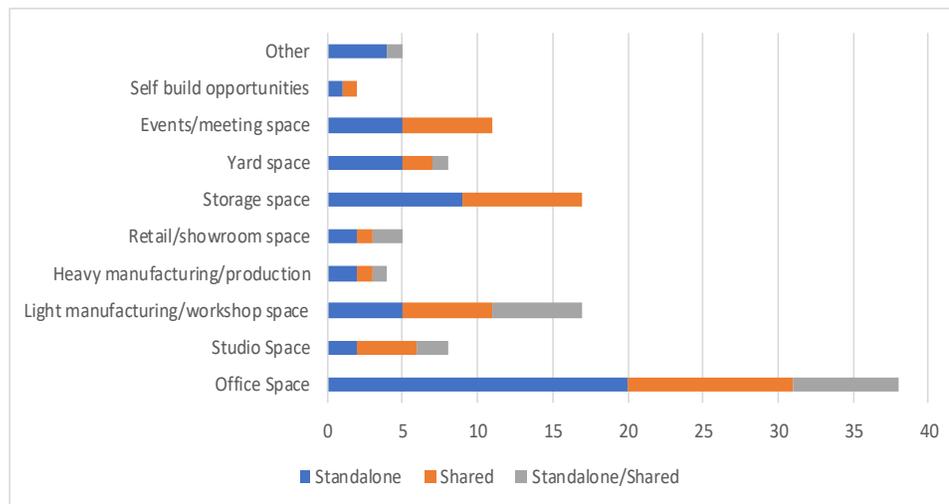


4.3.4 Property requirements

Of the 51 businesses expressing an interest for new premises:

- the majority indicated a requirement for new office space and demand for smaller premises – including hot desks/permanent desks and smaller units of less than 1,000sqft;
- approximately half of these businesses identified a requirement for accommodation in and around Shrewsbury (office, studio, event and workshop), followed by Oswestry then Ludlow;
- high level analysis suggests businesses are looking to pay approx. £15 sqft (£160 sq m) for office and similar commercial premises.

Figure 4.5: Type of property sought by businesses with a requirement



4.4 Stakeholder consultations

Consultations were held with the Chamber of Commerce, Shropshire Council, the Marches LEP and the Growth Hub, sector representatives and Good2Great to gather an understanding of the business base, demand for workspace, views on the current supply of premises and business support, examples of best practice and a view on activity within the market towns. A summary of the feedback and some of the key issues raised are highlighted below.

4.4.1 Overview of the Business Base

Partners reported positive trends with regard to the performance of the local economy, as evidenced by the quarterly economic survey carried out by Shropshire Chamber for example, which is backed up by discussions with local businesses. However businesses are still reporting challenges related to the labour market and the availability of skills; margin erosion as input prices rise due to market pressures related to Brexit; and low levels of staff churn as the workers are less confident about the future.

4.4.2 *Demand*

At the local level, there is demand for new workspace from businesses of all sizes – with larger businesses looking to expand their existing premises or move to new premises (indicating a demand for industrial sheds and investment at the business parks), while smaller businesses are seeking grow-on provision. There was a view that these businesses are unable to fund the acquisition of premises and a limited choice is acting as a constraint on business expansion. New start-ups and growth of micro businesses is evident within the tech, digital, creative, food/drink, professional services sectors.

4.4.3 *Supply*

In terms of the supply of appropriate workspace and premises, partners reported a limited supply of small premises for people starting up, with key gaps in provision for companies employing 1-2 and 3-4 people. This is in contrast to the availability of larger units, including council owned stock.

While there are some hot-desking facilities available within the area, and there is clearly a role for this provision in terms of incubating start-ups, partners reported a lack of evidence regarding a business community.

4.4.4 *Business support*

The take-up of business support services across the area is thought to be very mixed, and there is a perception that businesses just get on with things themselves, with small businesses more focused on their day-to-day operations. As a significant number of businesses are located outside the central Shrewsbury area, there is a need for greater outreach provision, but a recognition that there will be difficulties associated with infrastructure constraints.

4.4.5 *Infrastructure*

A number of stakeholders raised issues about the infrastructure across the county. These issues related to the Power supply and the need for greater investment (in Bishops Castle for example); significant gaps in the broadband coverage and generally poor mobile signal across many of the rural areas.

4.4.6 *Comparator projects*

Partners referenced the e-Innovation Centre in Telford as a good comparator project, providing 80 business units, located on the University Campus where businesses can tap into University Support. They also reported that the University had converted/refurbished parts of the campus to provide grow-on spaces for businesses but did highlight the disadvantages of this approach in terms of companies being reluctant to leave as a result of discounted rents and the quality of the premises. While the Growth hub is on the same campus, some partners felt that effective linkages had not been fully exploited.

4.4.7 Locations

The Chamber of Commerce provided a good overview of the business base/characteristics of the market towns to inform the demand assessment. However, as referenced earlier, the business survey did not report significant demand for premises within the market towns and a different approach will be required to identify business needs moving forward.

In general there is a mix of properties and businesses within the Market Towns, including a number of innovative businesses particularly in the creative industries and technology sectors. With the decline in retail on the high street, there is room for other uses to move, although a number of the Market Towns also have a range of business parks in close proximity.

Table 4.4: Characteristics of the business base within the Market Towns	
Market Town	Business Base
Shrewsbury	Has an active investment/developer market with landlord/tenant dynamic Town Centre – mainly refurbishment with limited new development New development on business parks Difficult to service locations within County that are more than 20 miles away
Ludlow	Agri-economy – a few major landowners Foody/touristy
Oswestry	On the key strategic route – A5 – likely to become increasingly important Diverse economy – one business park Further business park proposed – innovation focus Links to Wrexham and Shrewsbury Cattle Market – focus for agriculture Specialist hospital – not a major local supply chain BT call centre – risk as could relocate
Whitchurch	A number of large employers – frozen foods etc Chester commuter belt Links to Crewe – future opportunities associated with HS2
Market Drayton	Muller and Pork Farms – major employers and locally very important Both have experienced growth Within reach of the M6 Town itself is a small economy
Newport/Shifnal	Business Parks – small No major employers Significant housing development planned Links to adjacent areas including Birmingham / Black Country
Bridgnorth	Links to Black Country / North Worcestershire Aluminium works Tourism sector Creative businesses

4.5 Demand for workspace provision

Based on the preceding analysis from the contextual review and evidence to date, the market assessment, and consultations with partners and local businesses, the following conclusions can be drawn regarding the demand for workspace provision within Shropshire:

- **at this stage there is no evidence of demand for ‘innovation space’ and premises to support R&D activity, but there is demand for offices and new workspace more generally** - primarily for small spaces of less than 464 sq. m. (5,000 sq. ft.)⁸ with short-term flexible arrangements preferred. Approximately a third of all businesses surveyed indicated that they had sought or were seeking new premises, and while responses were limited, they were consistent with the market assessment and the consensus regarding the lack of good quality accommodation (i.e. Grade A) and business space for existing companies within Shrewsbury - particularly those who were currently or anticipating expansion, noting that accommodation and support services were extremely limited in provision;
- **over time, and in line with national trends, demand from start-ups and small businesses has been eroded by homeworking**, however the trend towards co-working and the provision of shared/collaborative/flexible space at affordable prices may offer an alternative for small businesses seeking to minimise their cost base. Over half of the businesses working from home and working from serviced offices in multi-let buildings have expressed an interest in new premises and low levels of satisfaction with current premises were a particular issue for home-based businesses;
- **occupiers are price sensitive and affordability is the one the key factors influencing demand within Shropshire** for both accommodation and the provision of business support services. After price, car parking and digital connectivity (particularly for companies within the market towns) were also raised as key issues. Demand for on-site service provision (in relation to Business Support) is likely to be limited if this results in an additional cost burden, therefore opportunities to align services with existing providers (e.g. the Chamber and the Growth Hub) should be maximised;
- **demand is centred around Shrewsbury town centre (office, studio, workshop space) but the current supply-side constraints make it difficult to assess the genuine scale of demand.** Of the businesses expressing an interest in finding new premises, the largest proportion were looking within Shrewsbury and a higher proportion of businesses already based in Shrewsbury reported that their existing premises were acting as a constraint on growth. These views also mirrored the discussions with the property agents.

There was a consensus among the stakeholders interviewed regarding the need for high quality office space within central Shrewsbury, given the limited stock of available properties and the existing provision of more modern space on the periphery of the central area or out of town (on the various business parks). This would also assist in generating demand from outside the county (and align with national trends) as there is a move towards the provision

⁸ The results of the business survey suggested this could be even smaller – with the majority of respondents expressing an interest for units of less than 1,000 sq ft.

of workspace in city/town centre locations, in close proximity to support services, likeminded organisations and their supply chain, and public transport networks.

There was a view that small businesses in the process of expanding are typically highly price sensitive and would rather reinvest resources into company expansion as opposed to paying high costs of occupying expensive space. Therefore, in providing new Grade A office accommodation there will be a need to ensure that this is provided on flexible terms, competitively priced and on an all-inclusive basis, so that companies can assess occupancy costs at the outset and budget for this accordingly.

In addition, the provision of any Grade A space needs to be designed efficiently in order to maximise occupancy levels and chargeable space, reducing costs associated with the management and upkeep of void areas within the building. The ability to use space for other income generating activities (e.g. the provision of virtual office space, business/support services, hosting events and setting up networking events) would also need to be explored, although careful consideration would need to be given to the pricing of such additional services, as a number of other organisations offer network events, breakfast seminars and informal training events often without charge.

- ***the provision of new workspace needs to be totally flexible in terms of occupancy on short-term lease or licence arrangements, with competitive all-inclusive rents*** – as demonstrated by the existing workspace projects and lessons learnt highlighted earlier in section 3.5. This includes the benefits of providing a pipeline of support from incubation through to grow-on space, to provide a bridge from serviced office/incubation to commercial provision.

While the business survey and market assessment did provide some evidence of demand for grow-on space, this wasn't strong enough to justify provision of grow-on space on its own (given the risks associated with the cost of holding void space in the absence of demand, and the negative perceptions generated within the market). There is a view that provision should instead, be accommodated as part of a bigger development that also incorporates start-up space, whereby the grow on element is capable of sub-division and let to start-ups should demand dictate.

- ***at this stage there is limited evidence of the need for sector-based provision*** - although it is recognised that there has been strong growth within the professional and businesses services sector and the creative and digital industries within the county, which provides further justification for the provision of flexible space that can accommodate a variety of business needs, and the provision of high quality office space with good connectivity. As location is key in terms of accessibility and proximity to customers and the supply chain, the provision of workspace to accommodate further growth of these two sectors, lends further weight to the need for new premises within the Town Centre.
- ***limited evidence of demand for new workspace provision within the market towns*** – while the results of the survey did provide some evidence of demand for premises within Oswestry and Ludlow, very few respondents expressed a requirement for space within the other market towns. However, there was a general consensus among stakeholders consulted, and evidence in the local community plans, of the potential to use or convert library and other community assets/surplus space within the market towns for business use. As there is also a policy

requirement to develop the market towns across Shropshire, it is recommended that further work be carried out to evidence demand within the market towns using pilot projects such as pop-up schemes or the creation of a fund (potentially using resources from the rural enterprise programme) to refurbish local premises for use by the local business communities.

5 Options Assessment

5.1 Introduction

Building on the strategic review and market analysis, this section identifies potential options for the delivery of new innovative workspace within Shropshire. Having regard to the emerging objectives of Shropshire Council, a preliminary assessment identifies a number of potential options for more detailed assessment.

5.2 Option appraisal framework

The purpose of the option appraisal is to ensure that the scheme meets the objectives of the Council and its partners, as well as satisfying investment and third party funding requirements. Option appraisal is a standard requirement for all public sector investment decisions. The process of identifying, selecting and appraising options for example underpins the analysis of the ‘economic case’ when preparing a business case (using HMT guidance⁹) for funding and is key to ensuring and demonstrating that a proposed intervention optimises value for money.

The guidance¹⁰ emphasises the importance of identifying an appropriate range of options and outlines a two-stage approach to the selection and prioritization of the preferred option:

1. **Stage 1: Involves a strategic review** – the strategic assessment is underpinned by a review of the strategic context, informing the identification of critical success factors – those attributes that are essential for the successful delivery of the scheme – against which a long list of potential options can be assessed to identify a number of short-listed options for detailed analysis;
2. **Stage 2: Comprises a more detailed assessment** – an assessment of value for money, based on an appraisal of the costs and benefits of each option, informed by appropriate information and investigations.

This remainder of this section outlines the basis of the strategic review through which a number of options have been shortlisted for further financial and economic analysis in the next section.

5.3 Strategic review

5.3.1 Objectives

The emerging objectives of Council in promoting the delivery of new innovative workspace have been identified to inform the high level appraisal of options within the strategic assessment. The objectives are to:

- extend the spectrum of quality premises available for SMEs in Shropshire, including in priority sectors, to ensure that the provision of workspace meets the growth needs of businesses;

⁹ HM Treasury, Public sector business cases using the five cases model

¹⁰ HM Treasury, Public sector business cases using the five cases model

- expand and develop the role of established and accessible service centres while ensuring that support is available to rural communities;
- support the attraction and retention of highly skilled entrepreneurs and employees within Shropshire;
- provide a platform that integrates the delivery of business services, ensuring existing service provision is optimised;
- ensure that new provision is operationally self-financing across the portfolio and supports the wider spending objectives of the Council.

In addition to these core objectives, future investment decisions will have regard to the wider strategic economic aims of the Council in relation to promoting inward investment and maximising the value of key strategic assets.

5.3.2 Critical success factors

The critical success factors will vary depending upon the scope of the project and should be tailored according to the objectives of the scheme. Table 5.1 sets out a range of factors, as outlined within the HM Treasury guidance as an initial basis for further development.

Table 5.1: Standard critical success factors	
Success factor	Description
Strategic fit and business needs	How well the option: <ul style="list-style-type: none"> • Meets agreed spending objectives, related business needs and service requirements • Provides holistic fit and synergy with other strategies, programmes and projects.
Potential value for money	How well the option: <ul style="list-style-type: none"> • Maximises the return on the required spend (benefits optimisation) in terms of economy, efficiency and effectiveness from both the perspective of the organisation and society • Minimises associated risks
Potential achievability	How well the option: <ul style="list-style-type: none"> • Is likely to be delivered in view of the organisation’s ability to respond to the requirement • Matches the level of available skills which are required for successful delivery
Supply side capacity and capability	How well the option: <ul style="list-style-type: none"> • matches the ability of the service providers to deliver the required level of services and business functionality • Appeals to the supply-side
Potential affordability	How well the option: <ul style="list-style-type: none"> • Meets the sourcing policy of the organization and likely availability of funding • Matches other funding constraints

Each of the long-listed options will be assessed in relation to the critical success factors to identify a limited number of potentially viable options – the short-list – for further detailed appraisal. The identified short-list should be assessed against a reference case, comprising the ‘do nothing’ or the ‘do minimum’ scenario.

5.3.3 Option scoping

The scoping of options for the initial review is underpinned by the strategic and demand assessments. It considers potential parameters for a future intervention by Shropshire Council, focusing on: the location of intervention; the nature of the activities promoted; the type of workspace and associated services; and the scale and timing of intervention. A review of potential parameters is set out in Table 5.2, alongside relevant considerations emerging from the baseline analysis.

Table 5.2: Option Scoping		
Variable	Parameters	Key issues
Location	Shrewsbury Oswestry Whitchurch Market Drayton Bridgnorth Ludlow Other rural provision	<ul style="list-style-type: none"> Shrewsbury identified as a major service centre and established focus for business activity within Shropshire Existing enterprise provision around Shrewsbury and Ludlow Demand assessment – business demand for premises within Shrewsbury Evidence of more limited demand for new accommodation within market towns Supporting provision within market towns/rural areas remains a strategic objective Provision needs to be supported by very high internet connectivity
Use	Office R&D Studio Workshop General Industrial Retail Mixed	<ul style="list-style-type: none"> Strategic analysis – need to support key sectors for productivity led growth Demand assessment – highlights demand for office to meet a range of needs (including home-based businesses) Some evidence of demand for workshop provision, but this is more likely to be met by commercial providers Limited evidence to support intervention aimed at delivering retail Business survey did not identify strong demand for R&D facilities
Nature of provision	Virtual Innovation/Incubation Co-working/hot desk Grow-on Enterprise Serviced/managed provision Commercial	<ul style="list-style-type: none"> Provision of innovation/incubation workspace across Shropshire currently limited – e-innovation centre in Telford has attracted strong demand HEI affiliation - University Centre Shrewsbury advancing proposals for an innovation lab Ensure complementary provision to support the creation of a pipeline – including start-up and grow-on space Business survey - provision of a supportive platform for new and home-based businesses Market assessment – need for general improvement in stock to meet needs of existing businesses Price sensitivity of occupiers could constrain ambition Market analysis - existing programmes for business support to be integrated where possible to support outreach

Table 5.2: Option Scoping		
Variable	Parameters	Key issues
Scale of provision /phasing	Size of unit: Single vs multiple sites Pilot/Phasing	<ul style="list-style-type: none"> • Opportunity to pilot low intensity provision where evidence of demand is limited to ensure that exposure to risk is managed and test market • Generally accepted requirement to make an enterprise/innovation centre feasible (e.g. 2,000-3,000m²) • Difficult to service entire county from a single site - consider multiple sites (including hub/spoke approach) • Opportunity to achieve efficiencies across multiple sites (e.g. centre management) while ensuring provision is proportionate using hub and spoke
Sectors	Sector focused offer linked to priority sectors No sector focus	<ul style="list-style-type: none"> • Specific sector focus has the potential to impact on the viability through limiting demand for premises • Existing sector focused provision in relation to food processing and advanced manufacturing – mixed success • Evidence of demand from professional services/digital businesses • University Centre Shrewsbury will explore sector focused opportunities aligned to core business plan • Wider evidence suggests that a wider mix of activities can support a more vibrant business community • More intensive management opportunities/requirements
Property type	New build vs refurbishment Town centre Business park Industrial estate Other	<ul style="list-style-type: none"> • Consider achieving best outcomes for council owned assets • Market assessment identifies a stock of under-utilised premises across Shropshire – potential refurbishment opportunities • Council aspirations to promote investment at Strategic Investment Sites e.g. Oswestry Innovation Park • Business survey identified demand for town centre and business park locations in relation to office space • Opportunity to support existing town centres - density of amenities and services • Business park offers good access and parking – identified as key issues

The review of parameters does not have regard to potential options for delivery and management of new innovative workspace provision. This reflects the early stage of the feasibility analysis. It Assumes that Shropshire will directly develop and retain new workspace provision.

5.4 Short-list of options

Based on the issues outlined above, the proposed parameters for new innovative workspace provision are outlined in Table 5.3 below. Building on the baseline analysis, the main focus for new provision is within Shrewsbury to meet identified SME demand.

In addition, reflecting the strategic objectives of the Council to promote business growth across the wider local authority area, the strategic review sets out the parameters for the wider provision of new innovative workspace as part of a hub and spoke approach. Under this framework, management and support would be provided on an outreach basis from a hub located within Shrewsbury.

Table 5.3: Strategic review – project parameters		
	Shrewsbury	Wider provision
Location	The market analysis and business survey identifies demand for new workspace provision within Shrewsbury, comprising either accommodation within the town centre or at one of the established business parks.	The provision of one or more small satellite facilities within the market towns and rural communities to test potential demand for new workspace. Based on the baseline assessment, Oswestry is proposed as the focus for a pilot.
Use	Office – baseline research identified demand for flexible office facilities to meet the needs of new and established SMEs, including home based businesses.	Office – flexible workspace focused towards the needs of entrepreneurs and fledgling businesses.
Nature of provision	Enterprise Centre – a flexible facility comprising of small business units and grow on provision, with some co-work space and shared facilities. Centre will provide access to dedicated on-site management alongside signposting to wider support initiatives.	Flexible facilities providing access to workstations with secure WiFi connection. Management and support will be aligned with main hub in Shrewsbury, promoting outreach to market towns/rural communities
Scale of provision / phasing	A centre of 2,000-3,000 m ² within a highly efficient configuration to ensure that non-lettable space is minimised	Small scale provision delivered on a either a temporary or permanent basis to further test demand for provision
Sectors	No sector focus – the provision of general office accommodation, capable of meeting the requirements of businesses across a range of sectors including digital and professional services	No sector focus – provision of general office space to test demand from a range of businesses
Property type	Provision of modern flexible accommodation through either: <ul style="list-style-type: none"> • provision of accommodation within an established service centre through the acquisition and refurbishment of existing premises; or • development of new premises in a business park location, providing modern, flexible accommodation with on-site café amenities 	Refurbishment of existing premises to a basic standard to provide flexible, low cost accommodation for occupation by businesses

Based on this review, four options have been shortlisted for a preliminary financial and economic assessment.

This includes two options for a new flexible workspace facility within Shrewsbury as follows:

- **Option 1a: Refurbish premises in Shrewsbury town centre for Enterprise Centre; and**
- **Option 1b: New build enterprise centre at a business park in Shrewsbury.**

In addition, two further options have been shortlisted for the provision of supplementary workspace within a hub and spoke model as an extension to a facility within Shrewsbury. These options will provide a mechanism for testing demand for new models of workspace provision outside of the core market of Shrewsbury.

- **Option 2a: Creation of a pilot workspace facility within Oswestry through the refurbishment of existing premises; and**
- **Option 2b: Establish a fund to support the refurbishment of premises by community groups.**

6 Financial and Economic Appraisal

6.1 Introduction

This section sets out the results of a preliminary financial and economic assessment for the shortlisted options. The appraisal has been undertaken at a high level, reflecting a number of broad assumptions, to inform the scope of a detailed site selection process following on from this study.

This section provides an overview of the assumptions for each of the shortlisted options, prior to outlining the results of the preliminary analysis. The financial appraisal outlines a capital analysis for the development of new workspace, alongside indicative projections for operational revenue and expenditure. The economic assessment sets out an initial analysis of the potential impact of investment, focusing on jobs and GVA. An overview of the methodology adopted for the assessment of economic impact is set out in Appendix C.

6.2 Option 1a: Refurbishment of premises in Shrewsbury Town Centre

6.2.1 Option description

As part of the market assessment, Thomas Lister undertook an initial review of premises that could be refurbished to create an Enterprise Centre, having regard to key criteria:

- **Scale** – the search focused on premises capable of providing between 2,000 sq m and 3,000 sq m of lettable space. As outlined above, this represents the minimum threshold for financial sustainability for enterprise centres and other types of innovative workspace requiring intensive management.
- **Location and access** – the main area of search was within Shrewsbury town centre, focusing on the areas within and adjacent to the loop of the River Severn. This zone lies in close proximity to public transport infrastructure, amenities and key institutions (including the University Centre Shrewsbury and the Council). The availability of on-site parking was also reviewed, reflecting its importance to prospective occupiers.
- **Age and condition** – relatively modern, purpose-built premises generally provide greater flexibility than older accommodation, particularly historic buildings, which were not designed to meet the requirements of modern business (and may be subject to listing or other protective status).
- **Availability** – the search considered property within the control of Shropshire Council, alongside premises currently marketed (in whole or part) for sale.

Based on the identified criteria, the review identified Cannon Court, located on Abbey Foregate, as a potentially suitable property for conversion to an enterprise centre. The property, which is located within walking distance of the Severn loop and Shrewsbury Station, provides 2,660 sqm (GIA) of modern office accommodation across a number of suites, benefiting from onsite car parking. A number of the suites are currently vacant and marketed on a leasehold basis. Market

discussions have suggested that the existing owner would be open to offers for a freehold purchase.

The assessment assumes that the existing premises would be fully reconfigured to provide a flexible facility, capable of responding to the growth requirements of new and small businesses. This would comprise hot desk facilities, small business units (up to ten staff) and larger grow-on units, alongside shared facilities including meeting rooms and kitchens.

No detailed discussions have been undertaken in respect of this option with the owner of the premises or their representatives. The preliminary appraisal for the refurbishment of Cannon Court is based on standard rates, having regard to other similar refurbishment projects. It is envisaged that potential site options for the creation of an Enterprise Centre within Shrewsbury will be subject to further detailed analysis within a future study.

6.2.2 *Financial appraisal*

Under this option, it is assumed that Shropshire Council will acquire existing premises and procure reconfiguration and refurbishment works to deliver the Enterprise Centre. Acquisition costs have been estimated at £2.93 million, reflecting a yield of 8%. This assumes that the Council is capable of securing vacant possession of the freehold title through negotiation and the provisions of the 1954 Landlord and Tenant Act.

Based on standard rates for the refurbishment and fit-out of premises (at £430 psm and £161 psm respectively), the cost of works is estimated at £1.58 million. Allowance is made for professional fees and contingency, alongside costs associated with securing the required statutory consents.

Excluding finance costs, the preliminary estimate identifies a total capital cost for this option of £5.14 million. This cost does not make provision for developer profit, assuming direct delivery by Shropshire Council.

The analysis assumes that upon securing vacant possession, the works are delivered over a 12 month period. Allowance is made for interest costs at 3.5%, assuming that the balance of the cost is funded through PWLB¹¹ borrowings.

The level of grant funding required to support the delivery of the scheme is estimated based on the gap between the total capital cost and the value of the completed scheme. Value has been estimated assuming that the net lettable area will account for 80% of the gross internal area, amounting to 2,270 sq m. Allowing for a capital value of £1,720 psm (reflecting a rental value of £129 psm and a yield of 7.5%), the gross value of the completed scheme is estimated at £3.67 million.

On this basis, an indicative grant funding requirement of £1.53 million is identified for the delivery of a new Enterprise Centre.

A summary of the cashflow analysis is set out in Table 6.1. The indicative development appraisal is attached at Appendix C.

¹¹ Public Works Loan Board

Table 6.1: Option 1a – Capital appraisal summary	
Cost/Value	Amount (£'000s)
Capital value	£3,670
Capital costs	
Acquisition of premises	£2,930
Construction	£1,577
Contingency	£148
Professional Fees	£366
Other costs	£54
Finance	£66
Total	£5,171
Surplus (Deficit)	(£1,531)

Assuming that Shropshire Council directly delivers and retains the Enterprise Centre, Table 6.2 provides an indicative assessment of the potential revenues and expenditures over the first five years of operation.

This analysis suggests that the scheme makes a loss over the entire five year period. This is based upon occupancy rates being achieved at 40% from year 1, 50% in year 2, 60% in year 3 and 60% average thereafter.

Table 6.2: Option 1a – indicative cashflow profile					
	Year 1	Year 2	Year 3	Year 4	Year 5
Income	£82,560	£103,100	£123,240	£144,480	£165,120
Expenditure	£125,000	£125,000	£125,000	£125,000	£125,000
Net Position	(£42,440)	(£21,800)	(£1,760)	£19,480	£40,120
Running Total	(£42,440)	(£64,240)	(£66,000)	(£46,250)	(£6,400)

Subject to further testing of alternative management options, consideration would need to be given to budgeting for an operational deficit over the initial years.

6.2.3 *Economic assessment*

Based on a net lettable area of 2,270 sq m, it has been assumed that the premises will be reconfigured to provide:

- 340 sq m of flexible hot-desk/co-work space (amounting to 15% of the overall workspace), providing capacity for 43 desk spaces;
- 1,360 sq m of space within a small business centre (amounting to 60% of the overall workspace); and
- 570 sq m of grow-on space (amounting to 25% of the overall workspace).

It is anticipated that this will provide a pipeline of managed accommodation to meet the growth needs of new and small businesses.

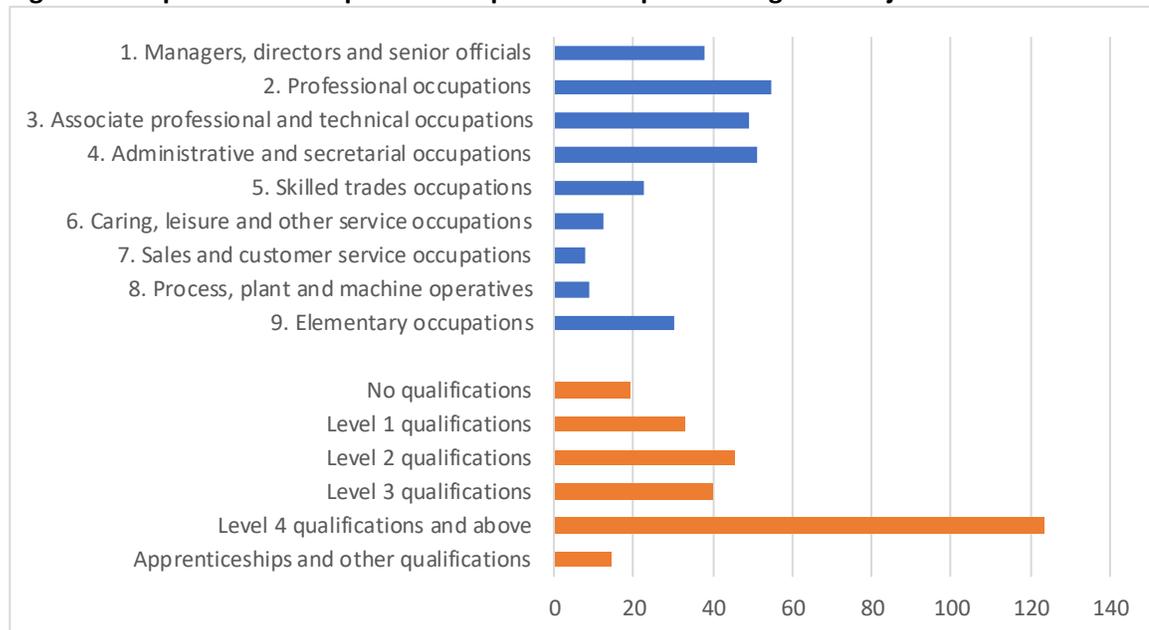
Consistent with the approach set out in Appendix C, Table 6.3 sets out an estimate of potential gross employment and GVA effects arising as a result of the development of a new Enterprise Centre. The assessment makes provision for the effects of business churn within the small business space, assuming that the management of the facility will seek to promote the relocation of businesses (either within the grow-on space or other commercial provision) following an initial period of growth. It has been assumed the businesses will occupy premises within the small business centre for an average of four years, prior to relocating.

While no allowance has been made for churn in modelling the co-working or grow-on facilities, it is anticipated that the management of the facility will continue to promote the movement of businesses through the Enterprise Centre.

Table 6.3: Option 1a – Gross effects (year 10)				
	Floorspace		Gross jobs	Gross GVA p.a.
	% of total	Sq m		£m
Hot-desk/Co-work facility	15%	320	36	£3.58
Small business centre	60%	1290	198	£19.56
Grow-on units	25%	540	40	£4.98
Total		2,150	275	£27.13

Reflecting benchmarks derived from census data for Shropshire, it is envisaged that a high proportion of the jobs supported will be of a high value nature, employing highly qualified staff and comprising of a high proportion of managerial and professional occupations (Figure 6.1).

Figure 6.1: Option 1a - Occupation and qualification profile for gross FTE jobs



Allowing for adjustments for additionality, reflecting the approach and standard benchmarks outlined in Appendix C, it is estimated that this option could support 185 net additional jobs at the Marches LEP level. Based on GVA per FTE employee benchmarks, this could support a net additional GVA impact of £21.9 million.

6.3 Option 1b: New build Enterprise Centre

6.3.1 *Option description*

Under this option, Shropshire Council would secure the delivery of a new purpose built Enterprise Centre of 2,800 sq m (GIA) within Shrewsbury. As under Option 1a, it is envisaged that the Centre would comprise of flexible office accommodation, configured to provide small business units and larger grow-on units, alongside hot-desk and shared facilities. Given the out-of-centre location, ancillary café facilities are proposed.

The market assessment did not identify any suitable sites for this development within the main town centre.

On the basis of a preliminary review of potential employment sites within Shrewsbury and the surrounding area, the assessment identified Battlefield Enterprise Park as a potentially suitable location for the delivery of a new Enterprise Centre. The Park currently accommodates the Shropshire Food Enterprise Centre, which accommodates one of three Growth Hubs within The Marches LEP area. Development plots of up to 2 hectares are available, zoned for B1, B2 or B8 uses.

Any future detailed analysis should consider alternative site options. In particular, planning permission has been granted for the expansion of Shrewsbury Business Park.

6.3.2 *Financial appraisal*

Under this option it is assumed that the Council will secure a development plot of approximately 1 ha. Allowance has been made for land value at £0.45 million, with further allowance for acquisition costs (including stamp duty and other costs) at 4.75%.

Based on a greenfield build, allowance has been made for the construction of new office premises at £1,560 psm, with further allowance for fit out. Provision is made for professional fees and contingency at 8% and 3% of build costs respectively.

Excluding finance costs, the total cost of delivering a new Enterprise Centre at Battlefield Business Park is estimated to be £6.02 million. Again, this makes no provision for developer profit, assuming that Shropshire Council will directly deliver and retain the completed scheme. Including these costs would further increase the scheme costs and the grant funding requirement.

The assessment makes provision for the delivery of the scheme over an 18 month construction programme. Reflecting the low rate of 3.5%, interest costs are estimated at approximately £47,000.

The value of the completed scheme has been estimated at approximately £4.1 million, based on a gross to net ratio of 85% for bespoke premises. The assessment is based on a capital value of £1,720 psm, reflecting a rental value of £129 psm and an investment yield of 7.5%.

Based on the capital cost and value illustrated in Table 6.4, the preliminary financial assessment identifies a viability gap of £1.94 million under this option. The indicative development appraisal is attached at Appendix C.

Table 6.4: Option 1b – Capital appraisal summary	
Cost/Value	Amount (£'000s)
Capital value	£4,080
Capital costs	
Acquisition of land	£471
Construction	£4,800
Contingency	£172
Professional Fees	£424
Other costs	£105
Finance	£47
Total	£5,973
Surplus (Deficit)	(£1,940)

Assuming that Shropshire Council directly delivers and retains the Enterprise Centre, Table 6.5 provides an indicative assessment of the potential revenues and expenditures over the first five years of operation.

This analysis suggests that the scheme is potentially capable of securing an annual surplus¹² from year 3 moving to a cumulative surplus from year 5. This indicative analysis reflects the modern nature of the accommodation, alongside the additional scale achievable through a business park development, which is likely to be more efficient from a management perspective.

Table 6.5: Option 1b – indicative profile of revenue and expenditure					
	Year 1	Year 2	Year 3	Year 4	Year 5
Income	£82,560	£103,100	£123,240	£144,480	£165,120
Expenditure	£115,000	£115,000	£115,000	£115,000	£115,000
Net Position	(£32,440)	(£11,900)	£8,240	£29,480	£50,120
Running Total	(£32,440)	(£44,340)	(£36,100)	(£6,620)	£43,500

The actual cashflow performance will be dependent upon the management structure adopted for the facility.

¹² Earnings before interest, tax, depreciation and amortisation (EBITDA)

6.3.3 Economic assessment

The potential scale of the impact under Option 1b is assessed as being potentially greater, as the cleared plots at Battlefield Business Park would permit the development of a new larger facility to meet the projected demand. The overall configuration of the premises is broadly consistent with the proposals outlined for Option 1a. However, reflecting the out-of-centre location, provision is made for café facilities (Table 6.6).

Table 6.6: Option 1b – Gross effects (year 10)				
	Floorspace		Gross jobs	Gross GVA p.a.
	% of total	Sq m		£m
Hot-desk/Co-work facility	15%	355	35	£3.50
Small business centre	59%	1,415	215	£21.24
Grow-on units	24%	590	44	£4.37
Ancillary – Café	2%	60	3	£0.08
Total		2,420	298	£29.16

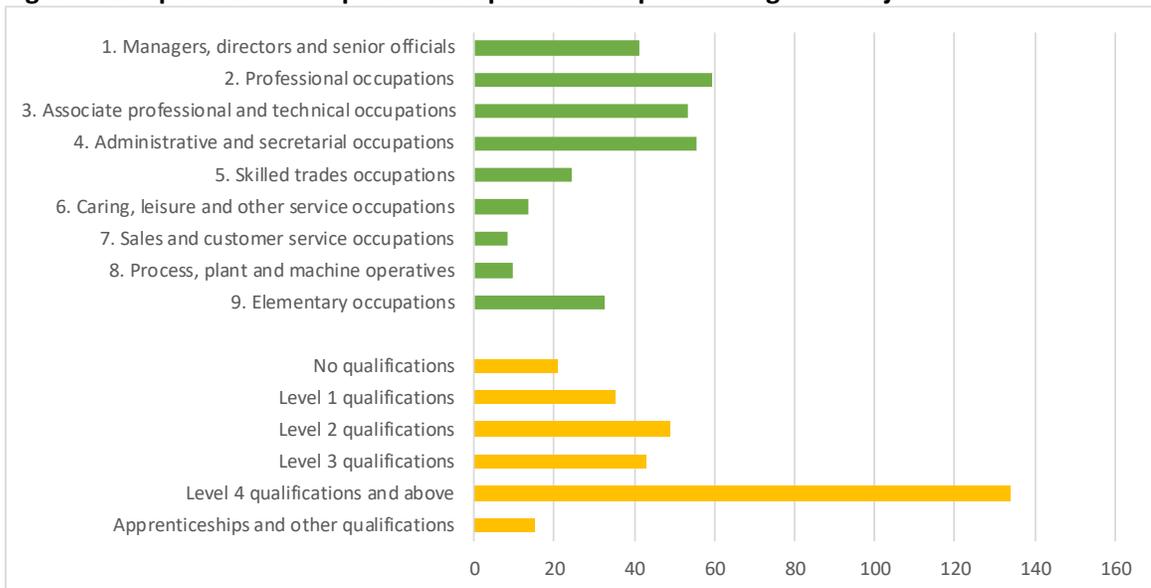
The assessment assumes that levels of demand for the small business centre and grow-on space would be consistent with that projected under Option 1a, allowing for a slightly extended period of occupation reflecting both the increase in capacity and lower demand for business park locations.

Similarly, it is assumed that a co-work facility in an out-of-centre location would be less attractive to entrepreneurs and start-ups and would therefore experience a reduced level of occupancy.

Overall, it is anticipated that a new Enterprise Centre could potentially support approximately 300 jobs over a ten-year period, allowing for churn as businesses enter, move through and exit the facility. Consistent with the analysis outlined under Option 1a, it is envisaged that a high proportion of the jobs created would involve high value activities, supporting managerial and professional occupations and highly qualified staff (Figure 6.2). Based on GVA per FTE employee benchmarks¹³ for professional and related sectors in Shropshire, it is estimated that this level of activity could support a gross GVA of £29.2 million.

¹³ Published by Experian

Figure 6.2: Option 1b - Occupation and qualification profile for gross FTE jobs



Allowing for adjustments for leakage, displacement, multiplier effects and deadweight (Appendix C), it is estimated that investment by Shropshire Council could result in the creation of 200 net additional jobs. The net additional GVA impact is estimated at £23.6 million.

6.4 Option 2a: Oswestry pilot workspace

6.4.1 Option description

This option assesses the potential financial and economic implications of piloting the provision of new office workspace within Oswestry town centre as part of a hub and spoke model, linked to a new Enterprise Centre in Shrewsbury. Under this option, Shropshire Council would create a new office workspace of approximately 150 sq m through the refurbishment of existing premises within the town centre. This provision would predominantly comprise of hot-desk facilities, although it could be configured to allow partitioning to create small units. Overall, it is assumed that this level of workspace could accommodate approximately 20 desk spaces.

It is assumed that the specific venue will be determined through a review of existing Council owned assets within the existing town centre. The Council could explore opportunities to utilise vacant space within its estate including existing library, community centre or other operational premises. A key feature of the proposed scheme would be the shared management with the new Enterprise Centre at Shrewsbury. This would provide for the outreach of key services and other support mechanisms provided within the Enterprise Centre.

The assessment allows for the creation of a new office premises on a permanent basis. However, the Council could also test potential demand for workspace through the provision of temporary

facilities on a 'pop-up' basis, for example through the conversion of vacant retail units.¹⁴ This would provide a mechanism for diversifying activity within the existing centre.

6.4.2 *Financial appraisal*

The initial cost appraisal makes provision for the basic refurbishment of existing floorspace at £300 psm, with allowance for office furniture at £100 per desk. Inclusive of contingency, a budget of £50,000 is identified for the initial capital works.

This appraisal does not make provision for costs associated with the acquisition of premises or the relocation of existing occupiers. It assumes that new workspace would be delivered through the refurbishment of vacant office premises within the control of Shropshire Council. Further to this, no provision is made for statutory costs or professional fees, reflecting the relatively basic scope of the proposed works.

An initial appraisal of the operational revenues and expenditures allows for a gradual increase in occupancy from 20% at the point at which the facility opens to a steady state level of 80% by the end of year 2. Based on this profile of occupancy, it is projected that the facility could be capable of generating a small operational surplus from year 2 and achieving a cumulative surplus over a five-year period. Key assumptions adopted in the assessment are as follows:

- Rental charge – an average charge of £1,300 per desk is assumed, inclusive of management fees and recharges;
- Property management – provision is made for management costs at approximately £21.67 psm, allowing for potential efficiencies to be achieved through extending existing service contracts (including security, maintenance and cleaning);
- Telecoms – allowance for a basic specification system to provide WiFi, estimated at £75 pcm, equating to £900 p.a.;
- Business rates – having regard to the valuation scheme for office premises, a rateable value of £50 psm has been applied, adjusted to reflect the current multiplier;
- Management recharge – allowing for management functions to be shared with new facilities at Shrewsbury, provision has been made for a recharge of £10,000 per annum; and
- Inflation – the appraisal of revenues and expenditures makes provision for ongoing inflation at 2.5% per annum.

A summary of the projected revenues and expenditures is outlined in Table 6.7.

The initial analysis indicates that a small workspace facility could be operationally sustainable, subject to achieving an occupancy rate of approximately 75%. If financially successful, the offer could be scaled up or extended to other market towns.

¹⁴ Subject to planning restrictions

Table 6.7: Option 2a – initial appraisal of revenues and expenditures						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Average occupancy	35%	73%	80%	80%	80%	
Revenue						
All inclusive charge	£9,328	£19,804	£22,399	£22,959	£23,533	£98,024
Expenditure						
Lease costs	£0	£0	£0	£0	£0	£0
Property management	£3,331	£3,415	£3,500	£3,587	£3,677	£17,510
Telecoms	£923	£946	£969	£993	£1,018	£4,849
Business rates	£2,768	£3,782	£3,877	£3,974	£4,073	£18,473
Management recharge	£10,250	£10,506	£10,769	£11,038	£11,314	£53,877
Sub-total	£17,271	£18,649	£19,115	£19,593	£20,082	£94,710
EBITDA	-£7,944	£1,156	£3,285	£3,367	£3,451	£3,314

6.4.3 Economic assessment

This option is proposed as a means for testing levels of indigenous demand for workspace within Oswestry, while also supporting the development of new business networks within the local community. However, it is also envisaged that through providing accessible and affordable accommodation, the scheme will play a key role in enabling fledgling businesses to effectively plan for moving into commercial workspace.

Allowing for occupancy at 80%, it is estimated that the provision could support some 16 FTE gross jobs. This does not directly allow for churn effects, and the potential effect on employment could be greater if active management (linked to the wider operation of a new Enterprise Centre within Shrewsbury) promoted the transition of successful firms to appropriate alternative premises. Based on published rates, this level of employment could potentially support a gross GVA impact of approximately £1.59 million.

Allowing for the effects of leakage, displacement, multiplier effects and deadweight, an overall additionality ratio of 67.4% has been applied. Based on this ratio, it is estimated that this option could generate a net additional employment impact of 11 FTE jobs. Excluding leakage effects (as GVA is a workplace based measure of impact) it is estimated that this activity could generate a net additional GVA impact of £1.17 million per annum.

6.5 Option 2b: Rural Workspace Fund

6.5.1 Option description

Under this Option, it is assumed that the Council would initially allocate £100,000 to a fund to support projects proposing the conversion and refurbishment of existing premises to provide workspace for rural SMEs within relevant office based sectors.

It is assumed that this fund would provide grants to small businesses and community groups at an intervention rate of up to 40%, with a maximum grant of £50,000. Grants would be available for state aid compliant interventions including refurbishment, reconfiguration and internal structural works, subject to an application and appraisal process.

It is envisaged that grant beneficiaries would also benefit from ongoing out-reach support from the main Enterprise Centre within Shrewsbury.

6.5.2 *Financial appraisal*

Under this scenario, Shropshire Council would create a fund (potentially working in partnership with the LEP or other funding partners) aimed at promoting the delivery of new SME workspace by private and community based organisations. In pilot phase, it is envisaged that provision would be made for a fund of £100,000. In addition, the assessment makes further provision for a management budget at 10% of the total fund amount. It is assumed that funding in the pilot phase would be defrayed over a 12-18 month period.

The assessment does not make provision for any further ongoing revenue through the repayment of funding or other mechanisms. Management costs will be capped at 10%.

6.5.3 *Economic assessment*

Based on an intervention rate of 40%, it is envisaged that funding of £100,000 could potentially lever private sector investment of £150,000 to support the refurbishment of around 715 sq m of workspace across a number of schemes. Based on this level of provision, it is estimated that refurbished premises could accommodate approximately 70 desk spaces overall. Based on an occupancy rate of 80%, this level of provision could potentially support more than 57 gross FTE jobs. Based on benchmarks for GVA per employee within Shropshire, this level of activity could generate a gross GVA of £5.6 million per annum.

Adjusting for leakage, displacement, multiplier effects and deadweight, this option could generate 38.5 net additional jobs, with a net additional GVA impact of £4.2 million per annum.

Allowing for active management, linked to the proposed Enterprise Centre within Shrewsbury, aimed at promoting indigenous business growth, the level of economic impact could potentially be greater.

6.6 Value for money

Table 6.8 sets out a comparison of the estimated costs and benefits across each of the alternative options. Both Options for the delivery of a new Enterprise Centre have the potential to deliver significant benefits. It is assumed that the Hub and Spoke options would be delivered alongside a new Enterprise Centre, allowing for efficiencies in relation to management and business support activities.

Table 6.8: Comparison of public sector costs and net additional benefits				
	Enterprise Centre Option		Hub and Spoke Option	
	Option 1a – Shrewsbury refurbishment	Option 1b – Shrewsbury new build	Option 2a – Oswestry pilot	Option 2b – Rural workspace fund
Cost (£000)				
Total public investment	£5,201	£6,019	£50	£110
Gap funding requirement	£1,531	£1,940	-	-
Benefit				
Floorspace (GIA sq m)	2,240	2,150	150	715
Gross jobs (FTE)	275	298	16	57
Net additional jobs (FTE)	185	200	11	38.5
Net additional GVA p.a. (£000)	£21,949	£23,616	£1,174	£4,229

Based on these estimates, Table 6.9 sets out an initial estimate of value for money for each option. It focuses on the level of benefit relative to both the proposed total public sector investment and the identified grant funding requirement.

Table 6.9: Summary value for money indicators for alternative intervention options				
	Enterprise Centre Option		Hub and Spoke Option	
	Option 1a – Shrewsbury refurbishment	Option 1b – Shrewsbury new build	Option 2a – Oswestry pilot	Option 2b – Rural workspace fund
Total public investment				
BCR ¹⁵	4.2	3.9	23.5	38.4
Per net additional job	£28,114	£30,095	£4,545	£2,857
Gap funding requirement				
Net additional jobs	14.3	12.2	-	-
Net additional GVA p.a.	£8,276	£9,700	-	-

Based on the identified gap funding requirement, each of the Enterprise Centre options performs strongly in terms of key value for money ratios relative to established benchmarks for regeneration projects. Allowing for the total identified investment (assuming that the intervention is directly delivered by Shropshire Council), value for money ratios are broadly consistent with benchmarks.

This initial analysis suggests that the option for the refurbishment of existing premises within the town centre may offer better value for money. Clearly, this will be subject to identifying and securing suitable premises. Both options should continue to be explored as part of any future site analysis.

¹⁵ Benefit cost ratio – the ratio of the GVA p.a. to the public sector cost

The analysis also indicates that the identified hub and spoke options provide a potentially cost effective mechanism for establishing demand for workspace within Oswestry and across the wider local authority area.

6.7 Wider benefits

Alongside the quantifiable impact, investment to deliver an SME workspace has the potential to deliver a range of wider benefits. These include:

- **Regeneration catalyst** – each of the options has the potential to act as a catalyst for wider regeneration. In particular, investment to promote the refurbishment of buildings within the town centre has the potential to bring under-utilised assets back into productive use, creating a pipeline of professional businesses to assist in supporting the retention of office premises and the function of Shrewsbury as a key service centre.

The delivery of new accommodation at Battlefield has the potential to add to an emerging cluster of enterprise activity, linked to existing provision and the presence of the Growth Hub. However, with limited availability of plots, the catalytic impacts within the immediate locality may be more limited.

The catalytic impact of investment to test demand within Oswestry and other market town or rural locations could be locally significant. In particular, investment in Oswestry has the potential to contribute to sustaining activity within the town centre, supporting a diverse business base that contributes to local vitality.

- **Demonstrating demand** – a key objective of future investment is to provide a clear demonstration of demand for office workspace within Shrewsbury and the wider market area. An effectively managed enterprise centre will support the creation of a pipeline of businesses seeking commercial premises within the local area. Through engagement with commercial providers, Shropshire Council could use this emerging demand to secure private sector investment – both to enhance the existing commercial stock and bring forward strategic sites.

The proposed pilot options have the potential to test demand from the indigenous business base for a minimal capital outlay. This will provide a strong base of evidence to inform future investment proposals within the market towns and wider rural area.

- **Image benefits** – the provision of high quality workspace to address gaps in the existing stock will enhance the image of Shropshire, making the area more competitive at a sub-regional level. The effective management of facilities will be critical to ensure that image benefits are maximised, particularly in terms of ensuring high levels of occupancy and associated activity. The management regime must therefore respond to the requirements of the market and avoid holding vacant accommodation.
- **Strengthening the economic base** – the provision of a new Enterprise Centre will respond to local demand and evidence of gaps in the existing stock of commercial premises. Through promoting intensive management, linked to existing business support programmes, the delivery of new facilities will potentially support growth across a range of opportunity sectors, including professional and financial services, and information and communication activities.

Through bringing forward activity within the existing town centre, in close proximity to the existing business base and key institutional partners, it is envisaged that Option 1a will have a greater impact in terms of promoting the clustering of activity.

The identified hub-and-spoke models have the potential to clearly demonstrate important economic activity within the market towns and wider rural area. This has the potential to support the emergence of locally significant clusters, potentially supporting a case for strategic investment in the future.

7 Conclusions and next steps

(i) Study overview

As outlined in the introduction, the core objectives for the study involved testing the need and demand for specific business workspace and associated business support activities; and assessing the viability of options for new workspace provision.

In responding to these objectives, the study has sought to ensure that the preliminary workspace options identified:

- respond to the strategic objectives of Shropshire Council and its partner organisations;
- meet local need, having regard to the prevailing socio-economic conditions, recent trends and growth forecasts;
- respond to the dynamics of the property market within Shropshire, addressing gaps in existing provision informed by an analysis of conditions within the local property base; and
- supports local growth, informed by an understanding of local business needs.

Reflecting gaps in the existing information base, additional primary research was commissioned in the form of a business survey. An online survey, published via the Chamber of Commerce, failed to secure responses and a supplementary telephone survey provided information for more than 100 businesses.

(ii) Baseline analysis

The provision of new workspace or refurbishment of existing premises, has the potential to support local, regional and national policies and priorities that seek to:

- grow the business base – through new business start-ups, expansion of existing businesses, and the attraction of new inward investors;
- encourage new innovative types of business, including research, development and innovation.
- maximise local assets and the creation of new employment opportunities within rural communities; and
- strengthen the development of sectors in which Shropshire has a potential to secure a competitive advantage.

It will directly respond to the objectives of the Marches Local Enterprise Partnership, as outlined within the Strategic Economic Plan, as well as Priority Axes 1 and 3 of the European Structural and Investment Fund Strategy. In addition, the provision of innovative workspace supports the objectives of Shropshire Council, as set out within the Economic Strategy, particularly in relation to ‘enabling businesses to start, grow and succeed’. The Strategy sets out a commitment over the short to medium term to provide incubation and grow-on space to meet local need.

The Economic Strategy targets growth in part through addressing the productivity gap between Shropshire and the UK as a whole. While employment and GVA growth since 2008 has been

consistent with national trends, GVA per employee remains at approximately 78% of the national average. In addition, growth in the business base since 2010 has failed to keep pace with trends for England as a whole.

A range of priority sectors have been identified through the LEP Economic Plan and the Shropshire Economic Strategy. Sectors experiencing strong employment growth over recent years within Shropshire (relative to the wider LEP area) include advanced engineering, professional services and health and social care. It is noted that the proportion of local employment in professional services is currently significantly below the national average.

Under the existing strategic framework a range of mechanisms have been established aimed at supporting businesses and promoting economic growth. In total, there are more than 130 potential sources or assistance covering finance, networking/events, general advice, employment and skills and research, development and innovation. Alongside the Growth Hub, support is delivered by a range of organisations including the Council, the Chamber of Commerce and specialist providers. Consultations highlighted the diversity of support available, but indicated that take-up was limited, particularly for smaller businesses and those more remote to key service centres.

Previous research commissioned by Shropshire Council has highlighted gaps in the supply of commercial premises, particularly in terms of start-up and grow-on space. More generally, there has been limited development activity over a number of years and much of the existing stock is now relatively dated and does not reflect current trends in the provision of space. Moreover, wider research commissioned by NESTA emphasizes that the provision of high quality premises is not sufficient to promote economic growth through higher productivity, highlighting the importance of a supportive environment.

Reflecting this point, there is a need to ensure that opportunities to link existing support mechanisms with new workspace provision are exploited, establishing a supportive environment that promotes strong and dynamic growth.

(iii) Workspace typologies

A range of models have emerged to address the gap between commercial workspace provision and the needs of fledgling and small businesses. These models form part of a wider package of support aimed at addressing the barriers to growth experienced by small businesses, promoting greater survival rates and accelerated growth. Models range from high intensity (including incubators and accelerators) to lower intensity (promoting enterprise and flexible working). Higher intensity models are often linked to research institutions or venture capital, promoting highly innovative activities within a specific sector or specialism. These models are highly selective, based on the nature of the activity or the growth potential, integrating an intensive package of support over a short incubation period.

Higher intensity models often form part of a wider ecosystem of innovative workspace, aimed at addressing gaps in commercial provision. In other rural areas including Lincolnshire and Cornwall, higher education institutions have taken a lead role in the delivery and management of specialist facilities aimed at promoting sector growth, working alongside partner organisations including local authorities. In these areas, local authority partners have supported the delivery of managed

workspace and grow-on space, providing a portfolio of workspace to meet the requirements of enterprises emerging from incubation.

In promoting the provision of innovative workspace, there is a need to draw on key lessons across a range of delivery and management issues to ensure that growth objectives are achieved. In particular, these relate to:

- **Type of Provision** – works well when focused on meeting gaps in provision; delivery of collaborative/shared space; providing a pipeline of workspace support from start-up through to grow-on space; and providing flexible accommodation that maximises the efficient use of space; specialist innovation provision works well when led by HEI;
- **Delivery** – needs to build on established assets; avoid developer profit; and maximise the value of Council assets; sector focus relaxed due to financial viability;
- **Support** – bring in third party providers and specialist operators to deliver business support and signposting; include business advice/mentoring as part of the offer;
- **Management** - dedicated management resourcing critical; can play a role in brokering networking and industry links; lead in time required to build occupancy; occupier churn needs careful management due to the tension between meeting economic objectives and securing financial viability. Finally, there is a need for flexibility, ensuring that provision is capable of responding to market demand and macro-economic factors; and
- **Funding** - innovation focus is important to secure funding support; significant capital and revenue funding is required to underpin the scheme – particularly in terms of gap funding and subsidising the initial void period.

(iv) Demand assessment

The analysis of demand supplemented a review of property market conditions with a survey of businesses within Shropshire. Based on this, the following conclusions can be drawn regarding the demand for workspace provision within Shropshire:

- no evidence of demand for ‘innovation space’ and premises to support R&D activity was identified. However, there is demand for offices and new workspace more generally - primarily for small spaces of less than 464 sq. m. (5,000 sq. ft.) with short-term flexible arrangements preferred. Approximately a third of all businesses surveyed indicated that they had sought or were seeking new premises, and while responses were limited, they were consistent with the market assessment and the consensus regarding the lack of good quality accommodation (i.e. Grade A) and business space for existing companies within Shrewsbury - particularly those who were currently or anticipating expansion, noting that accommodation and support services were extremely limited in provision;
- over time, and in line with national trends, demand from start-ups and small businesses has been eroded by homeworking, however the trend towards co-working and the provision of shared/collaborative/flexible space at affordable prices may offer an alternative for small businesses seeking to minimise their cost base. Over half of the businesses working from home and working from serviced offices in multi-let buildings have expressed an interest in

new premises and low levels of satisfaction with current premises were a particular issue for home-based businesses;

- occupiers are price sensitive and affordability is the one the key factors influencing demand within Shropshire for both accommodation and the provision of business support services. After price, car parking and digital connectivity (particularly for companies within the market towns) were also raised as key issues. Demand for on-site service provision (in relation to Business Support) is likely to be limited if this results in an additional cost burden, therefore opportunities to align services with existing providers (e.g. the Chamber and the Growth Hub) should be maximised;
- demand is centred around Shrewsbury town centre (office, studio, workshop space) but the current supply-side constraints make it difficult to assess the genuine scale of demand. Of the businesses expressing an interest in finding new premises, the largest proportion were looking within Shrewsbury and a higher proportion of businesses already based in Shrewsbury reported that their existing premises were acting as a constraint on growth. These views also mirrored the discussions with the property agents.
- the provision of new workspace needs to be totally flexible in terms of occupancy on short-term lease or licence arrangements, with competitive all-inclusive rents. This could include providing a pipeline of support from incubation through to grow-on space, to provide a bridge from serviced office/incubation to commercial provision. While the business survey and market assessment did provide some evidence of demand for grow-on space, this wasn't strong enough to justify provision of grow-on space on its own (given the risks associated with the cost of holding void space in the absence of demand, and the negative perceptions generated within the market).
- at this stage there is limited evidence of the need for sector-based provision - although it is recognised that there has been strong growth within the professional and businesses services sector and the creative and digital industries within the county, which provides further justification for the provision of flexible space that can accommodate a variety of business needs, and the provision of high quality office space with good connectivity. As location is key in terms of accessibility and proximity to customers and the supply chain, the provision of workspace to accommodate further growth of these two sectors, lends further weight to the need for new premises within the Town Centre.
- limited evidence of demand for new workspace provision within the market towns – while the results of the survey did provide some evidence of demand for premises within Oswestry and Ludlow, very few respondents expressed a requirement for space within the other market towns. However, there was a general consensus among stakeholders consulted, and evidence in the local community plans, of the potential to use or convert library and other community assets/surplus space within the market towns for business use. As there is also a policy requirement to develop the market towns across Shropshire, it is recommended that further work be carried out to evidence demand within the market towns using pilot projects such as pop-up schemes or the creation of a fund (potentially using resources from the rural enterprise programme) to refurbish local premises for use by the local business communities.

(v) Options

The options analysis considered a wide range of potential parameters for the interventions to address gaps in the provision of workspace within Shropshire. Applying a HM Treasury compliant appraisal framework, a long list of potential options have been appraised against critical success factors, informed by the baseline review and demand assessment. In appraising potential options, emerging objectives have been identified:

- extend the spectrum of quality premises available for SMEs in Shropshire, including in priority sectors, to ensure that the provision of workspace meets the growth needs of businesses;
- expand and develop the role of established and accessible service centres while ensuring that support is available to rural communities;
- support the attraction and retention of highly skilled entrepreneurs and employees within Shropshire;
- provide a platform that integrates the delivery of business services, ensuring existing service provision is optimised;
- ensure that new provision is operationally self-financing across the portfolio and supports the wider spending objectives of the Council.

Based on this review, four options have been taken forward for preliminary financial and economic assessment. This includes two options for a new flexible workspace facility within Shrewsbury as follows:

- **Option 1a:** Refurbish premises in Shrewsbury town centre for Enterprise Centre; and
- **Option 1b:** New build enterprise centre at a business park in Shrewsbury.

In addition, two further options have been shortlisted for the provision of supplementary workspace within a hub and spoke model as an extension to a facility within Shrewsbury. These options will provide a mechanism for testing demand for new models of workspace provision outside of the core market of Shrewsbury.

- **Option 2a:** Creation of a pilot workspace facility within Oswestry through the refurbishment of existing premises; and
- **Option 2b:** Establish a fund to support the refurbishment of premises by community groups.

(vi) Financial and economic assessment

The identified options have been subject to a preliminary financial and economic assessment to inform further options scoping and preliminary engagement with potential funders and other project partners.

Table 7.1 sets out a comparison of the estimated costs and benefits across each of the alternative options. Both Options for the delivery of a new Enterprise Centre have the potential to deliver significant benefits. It is assumed that the Hub and Spoke options would be delivered alongside a new Enterprise Centre, allowing for efficiencies in relation to management and business support activities.

Table 7.1: Comparison of public sector costs and net additional benefits				
	Enterprise Centre Option		Hub and Spoke Option	
	Option 1a – Shrewsbury refurbishment	Option 1b – Shrewsbury new build	Option 2a – Oswestry pilot	Option 2b – Rural workspace fund
Cost (£000)				
Total public investment	£5,201	£6,019	£50	£110
Gap funding requirement	£1,531	£1,940	-	-
Benefit				
Floorspace (GIA sq m)	2,240	2,150	150	715
Gross jobs (FTE)	275	298	16	57
Net additional jobs (FTE)	185	200	11	38.5
Net additional GVA p.a. (£000)	£21,949	£23,616	£1,174	£4,229

Based on the identified gap funding requirement, each of the Enterprise Centre options performs strongly in terms of key value for money ratios relative to established benchmarks for regeneration projects. Allowing for the total identified investment (assuming that the intervention is directly delivered by Shropshire Council), value for money ratios are broadly consistent with benchmarks. The initial analysis suggests that the creation of dedicated provision through the refurbishment of existing premises may represent better value for money than a new build solution. However, there is a need for further financial analysis to further assess the potential impact of operational efficiencies and management costs on the performance of each option.

In addition, the financial and economic appraisal suggests that the hub and spoke options offer a potential mechanism for testing occupier demand outside of Shrewsbury. Having regard to the capital and ongoing revenue assessments, these options represent a potentially affordable means of supporting local business communities, subject to promoting shared management with new provision within Shrewsbury supporting the effective outreach of support mechanisms.

(vii) Next steps

Building on the results of the study, the preliminary option testing set out within this report should be developed to inform the preparation of a feasibility study for the creation of a new Enterprise Centre. This should provide a robust evidence base upon which to engage with potential funding partners, informed by:

- a detailed review of potential sites and premises within Shrewsbury – commission a comprehensive review of potential sites for new provision. Sites should be prioritised against key criteria, having particular regard to demand, strategic linkages and wider project objectives;
- engagement with potential delivery and management partners – consideration should be given to alternative options for the delivery and management of new provision. Where

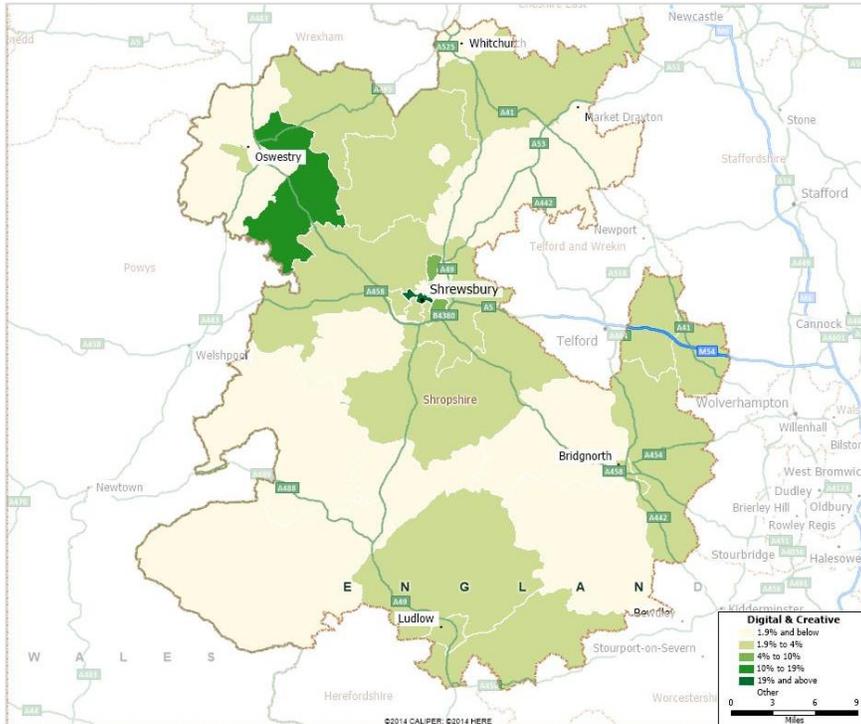
-
- appropriate, this should be informed by soft market testing based on consultation with established service providers; and
- a review of potential funding options – the Council should actively engage with the LEP and the West Midlands Combined Authority to ensure that emerging proposals are consistent with the objectives of partner organisations.

Subject to the results of this feasibility assessment, a full business plan should be prepared having regard to public sector guidance for the preparation of business cases in the public sector.

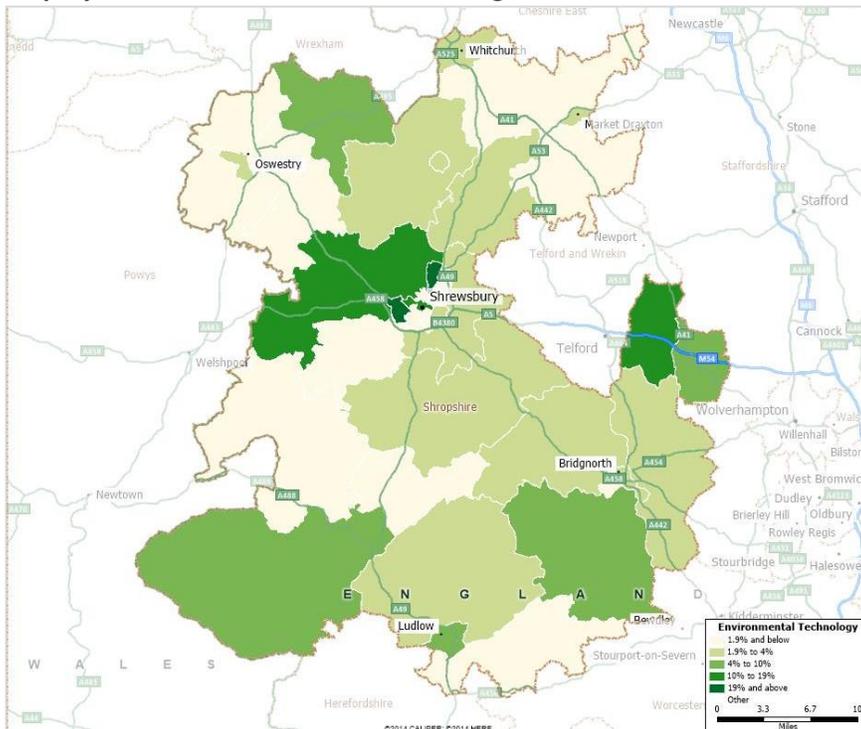
In parallel with progressing the feasibility study, Shropshire Council should actively market proposals for the provision of workspace within Oswestry and other local centres in partnership with community groups. Working with local stakeholders, emerging proposals for workspace provision should continue to be refined.

Appendix A: Sector mapping

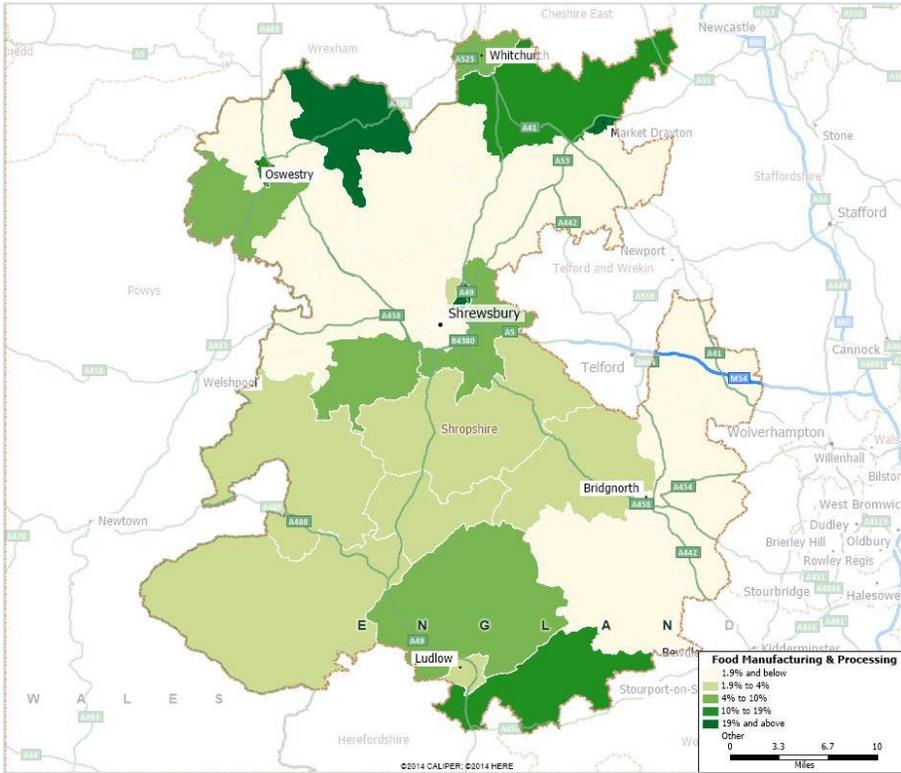
Employment in the Digital and Creative Industries



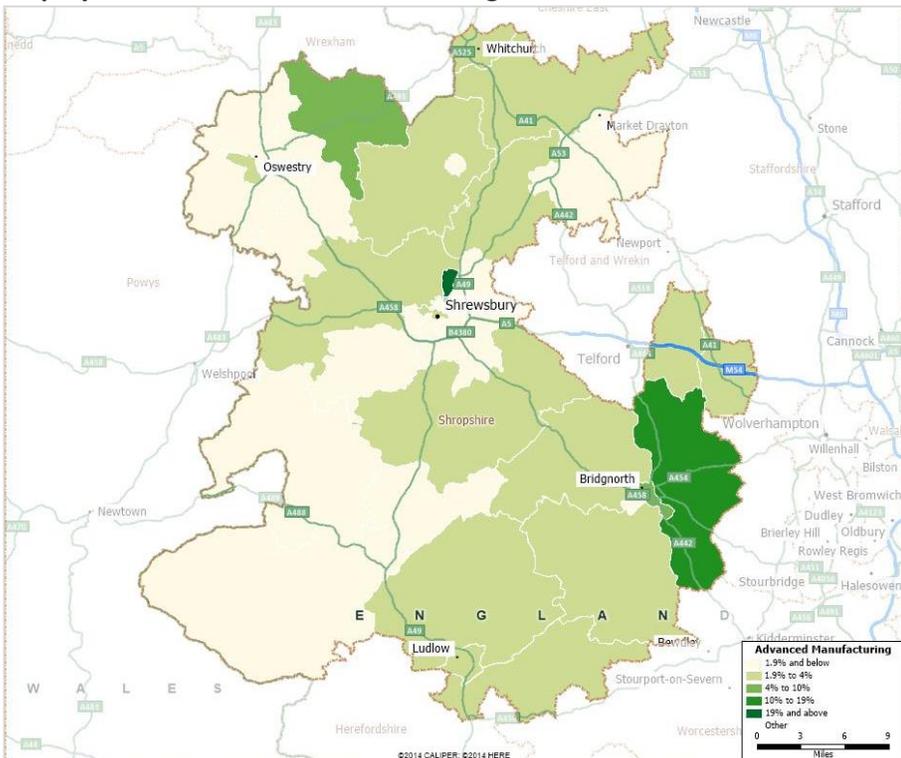
Employment in Environmental Technologies



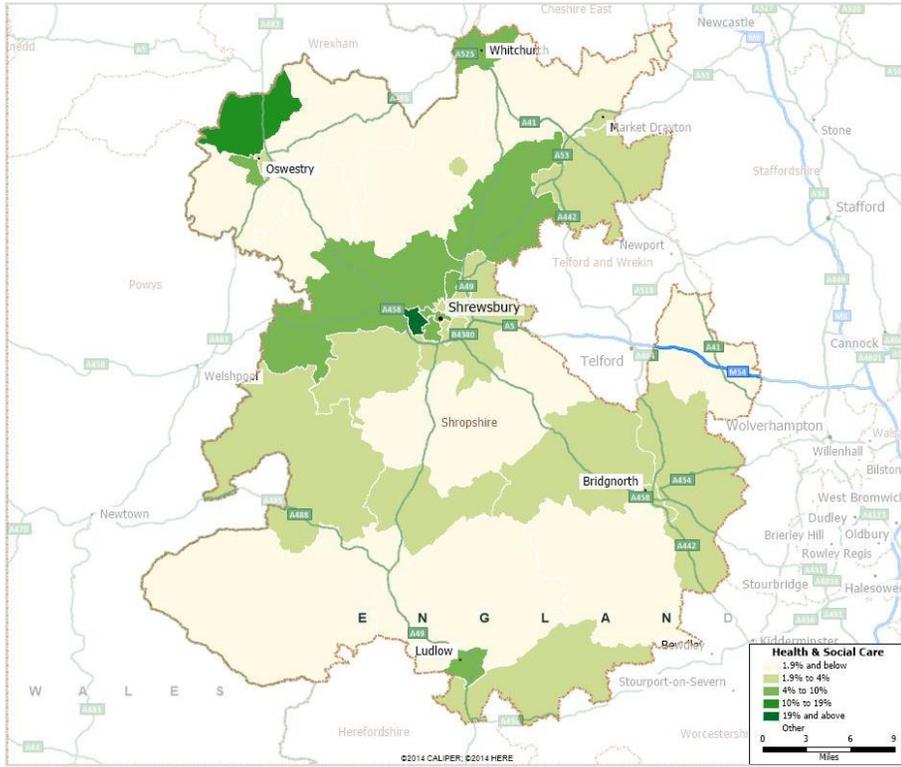
Employment in Food Manufacturing and Processing



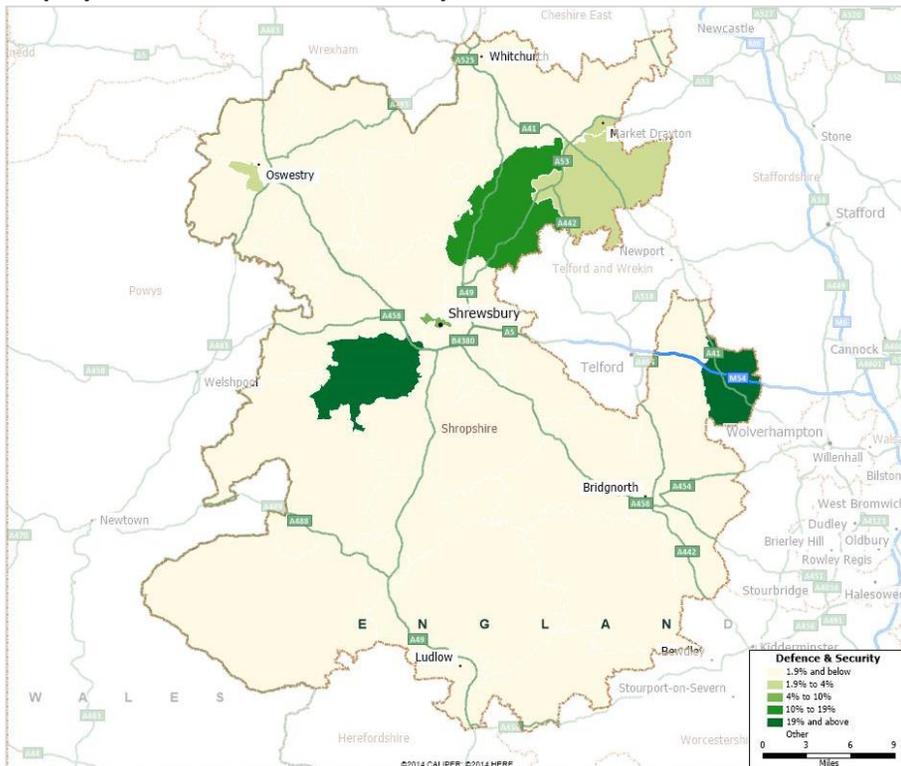
Employment in Advanced Manufacturing



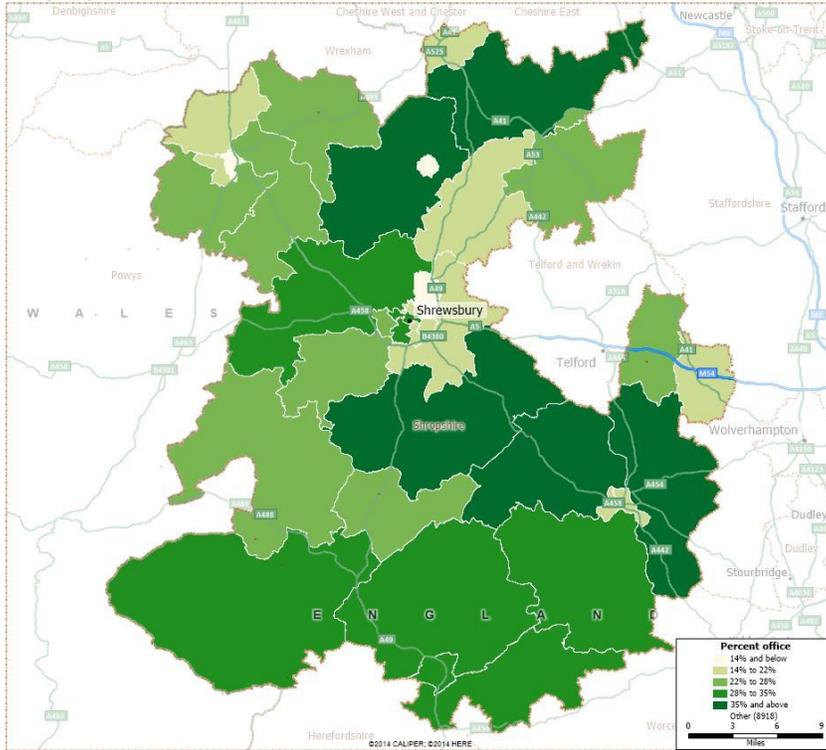
Employment in Health and Social Care



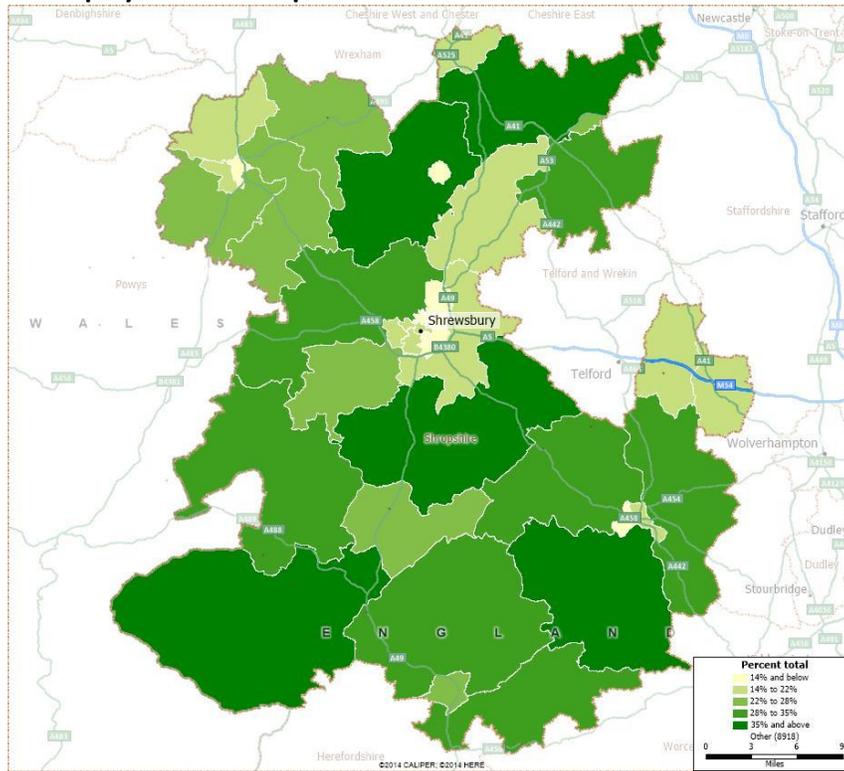
Employment in Defence and Security



Employment in Professional and Business Services



All Employment in Shropshire



Appendix B: Report of Survey

Introduction

This appendix sets out the results of the business survey undertaken in support of the Shropshire Innovative Workspace study.

The survey was undertaken to inform an assessment of demand for the provision of new workspace to meet the needs of indigenous businesses. The survey forms part of the baseline analysis which has also been informed by consultations with key stakeholders, a review of the CoStar property database and statistical analysis.

An online survey was initially piloted by AMION Consulting and Thomas Lister. Based on the results of the pilot, the online survey was published via the mailing list of the Shropshire Chamber of Commerce. As the online survey attracted a very low response rate, a telephone survey was commissioned. This was undertaken by Spirul over the period April to May 2018.

Overall, 154 responses to the business survey were secured. Of these businesses, 51 indicated that they had either sought or expected to seek new business premises over a three year period. The report below provides a summary overview of the results of the survey in terms of all companies and those that reported a requirement for premises.

Spirul conducted a telephone survey of 134 businesses based in Shropshire over the period April to May 2018. The telephone survey was supplemented by an additional 20 responses to an earlier email survey that had been sent out by Amion. The surveys were conducted to a database of businesses supplied by MINT UK that contained 20,233 business records. A response of 154 businesses provides a confidence interval of +/- 7.87% at a confidence level of 95%. At a 95% confidence level this means that you can be 95% certain that the true percentage of the population that would pick the given answer has a margin of error of +/- 7.87%. In other words, if the survey response to a given question is 50% you can be 95% certain that the response of the whole population would be between 42.13% and 57.87%. For the purposes of this survey we believe that a survey response of less than +/- 10% can be considered robust.

Business Characteristics

Business sector

As set out in Table A1, businesses engaged in predominantly office based activities (including information and communication, finance and insurance, real estate, professional and business administration sectors) accounted for 33% of all respondents to the survey. Retail and distribution businesses (including food and accommodation sector) accounted for 23%, while 16% identified as manufacturing businesses.

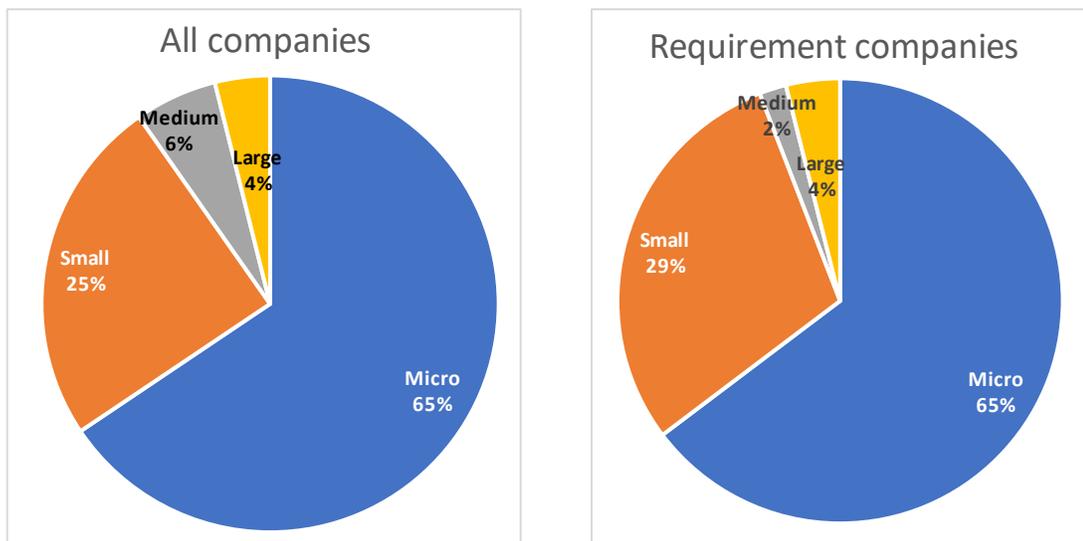
Table A1: Sector profile of respondent businesses			
	All companies	Requirement companies	% of companies with requirement
Agriculture, mining	7	3	43%
Manufacturing	25	7	28%
Construction	10	3	30%
Retail & Distribution	35	7	20%
Information & Communication	13	4	31%
Finance & Insurance, Real estate	9	4	44%
Professional, Business admin.	29	16	55%
Public admin, education, health	4	1	25%
Arts, recreation & entertainment	8	2	25%
Other services	14	4	29%
Total	154	51	33%

Of the businesses that identified a recent or future requirement for premises, 47% were engaged in office-based activities. Retail and distribution and manufacturing activities both accounted for 14% of businesses with a requirement.

Business size

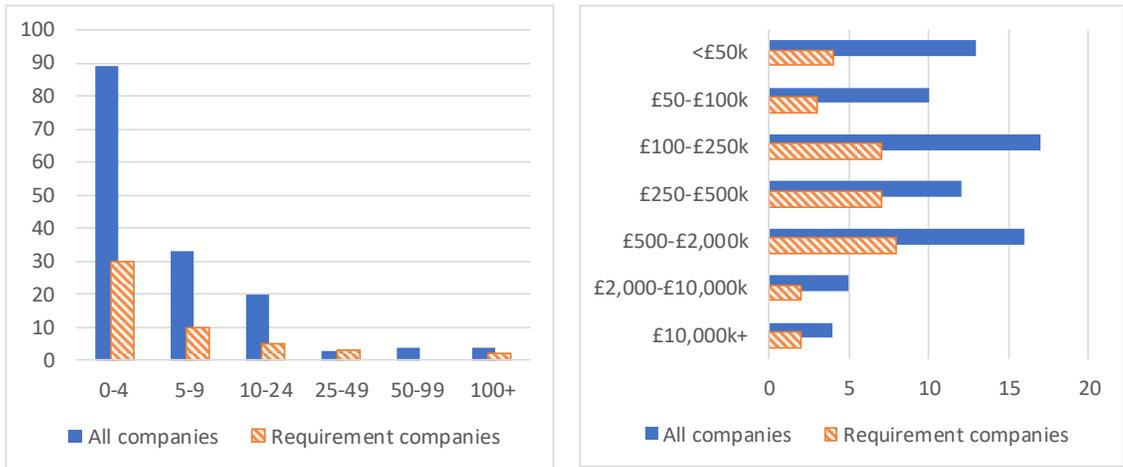
As illustrated in Figure A1, 90% of respondent companies identified themselves as being either a micro (0-9 employees) or small (10-49 employees) business. The profile of companies that identified a requirement for premises was broadly consistent with that of the overall cohort.

Figure A1: Business respondents by size



This profile is supported by the analysis of FTE employment and annual turnover in Figure A2. It shows that the majority of respondents are made up of less than five employees. A high proportion of businesses reported a turnover of less than £2m per annum, although around 50% of respondents were unwilling or unable to provide information relating to turnover.

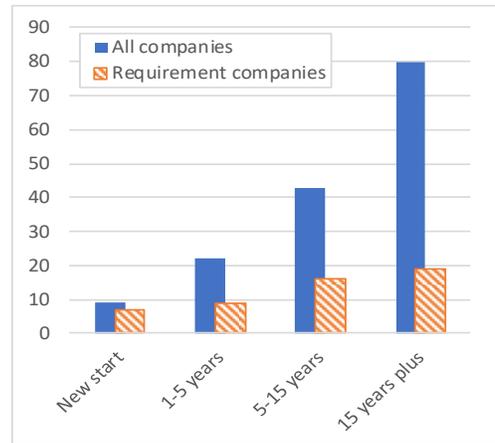
Figure A2: Business size by number of FTE employees and annual turnover



Business age

The majority of respondents were well established businesses that had been trading for in excess of 15 years. A further 28% have been trading for between 5 and 15 years. Just 20% of businesses had been established within the last five years. To a large part, this reflects difficulties experienced in accessing newly formed businesses, which are often underrepresented within directories and other local authority schedules.

The profile of businesses identifying a requirement for premises comprised a slightly higher proportion of newer businesses (with 31% identified as less than five years old).



Current Premises

Type and tenure

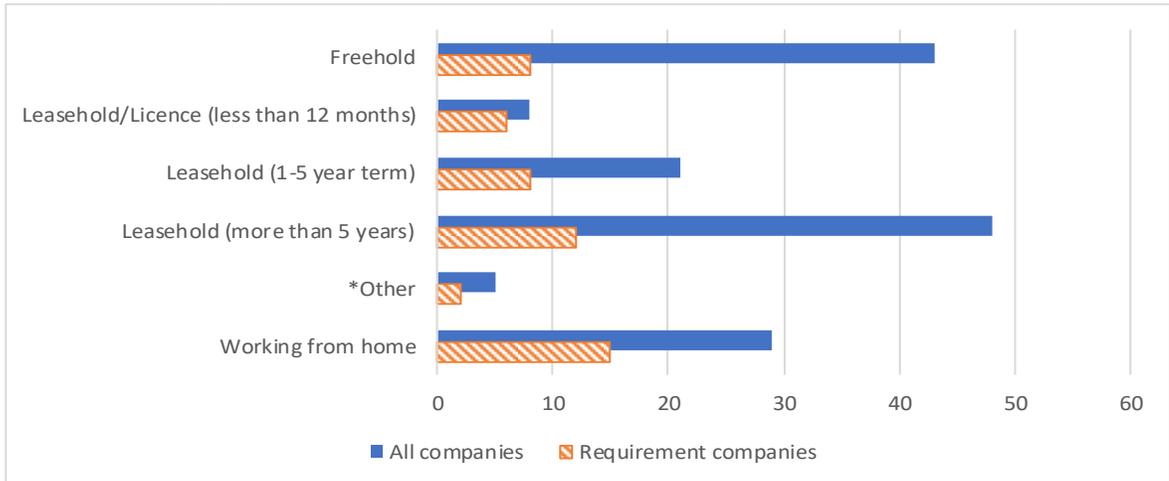
A profile of the existing premises is set out in Table A2. It shows that a significant number of businesses are home based (19%), with more than 50% of these identifying an existing or expected requirement for business premises. A significant proportion of the businesses currently occupying office premises are also identified as having a requirement for alternative accommodation.

Table A2: Existing premises by type of workspace					
	All companies		Requirement companies		% companies with requirement
	Number	% total	Number	% total	
Working from home	29	19%	15	29%	52%
Rented desk space	3	2%	2	4%	67%
Serviced Office in multi-let building	19	12%	12	24%	63%
Standalone Office Unit	21	14%	8	16%	38%
Studio	3	2%	0	0%	0%
Industrial unit	22	14%	7	14%	32%
Trade Counter Unit	6	4%	0	0%	0%
Retail Unit	40	26%	4	8%	10%
Other	11	7%	3	6%	27%
Total	154		51		

Overall, a high proportion of businesses indicated that they currently occupy retail premises. Based on a more detailed analysis, it is clear that a number of these comprise either high street accommodation for financial and professional services or production with an element of retail. Just 10% of the businesses occupying retail type accommodation identified a requirement for new premises.

As shown in Figure A4, the majority of business premises are occupied on a leasehold basis, although a significant number are on a lease of more than 5 years (a proportion of which could constitute an effective freehold). A relatively limited number of respondents are on a lease of less than five years, although a high proportion of these identified a requirement for new premises. A low proportion of freehold occupiers expressed a need for new business premises.

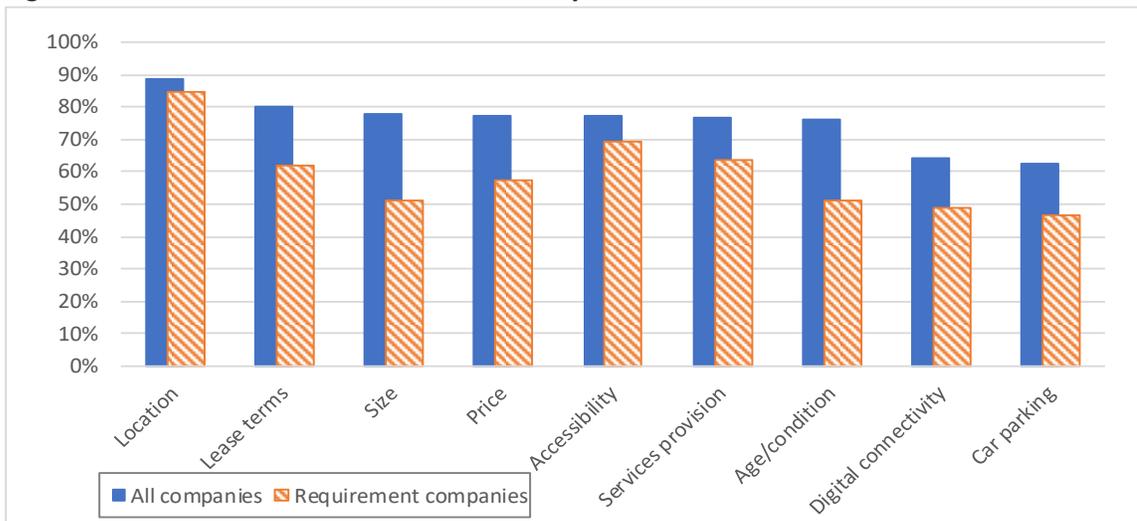
Figure A4: Existing premises by tenure



Occupier satisfaction

Overall, respondents to the survey reported high levels of satisfaction with existing premises. In particular, high levels of satisfaction were reported in relation to the location. Overall, between 75%-80% of respondents indicated that they were either satisfied or very satisfied in terms of age/condition, size of premises, price, accessibility (in spite of the relatively rural nature of some premises), lease terms and service provision. Levels of satisfaction were somewhat lower (through still positive) for digital connectivity and car parking (Figure A5).

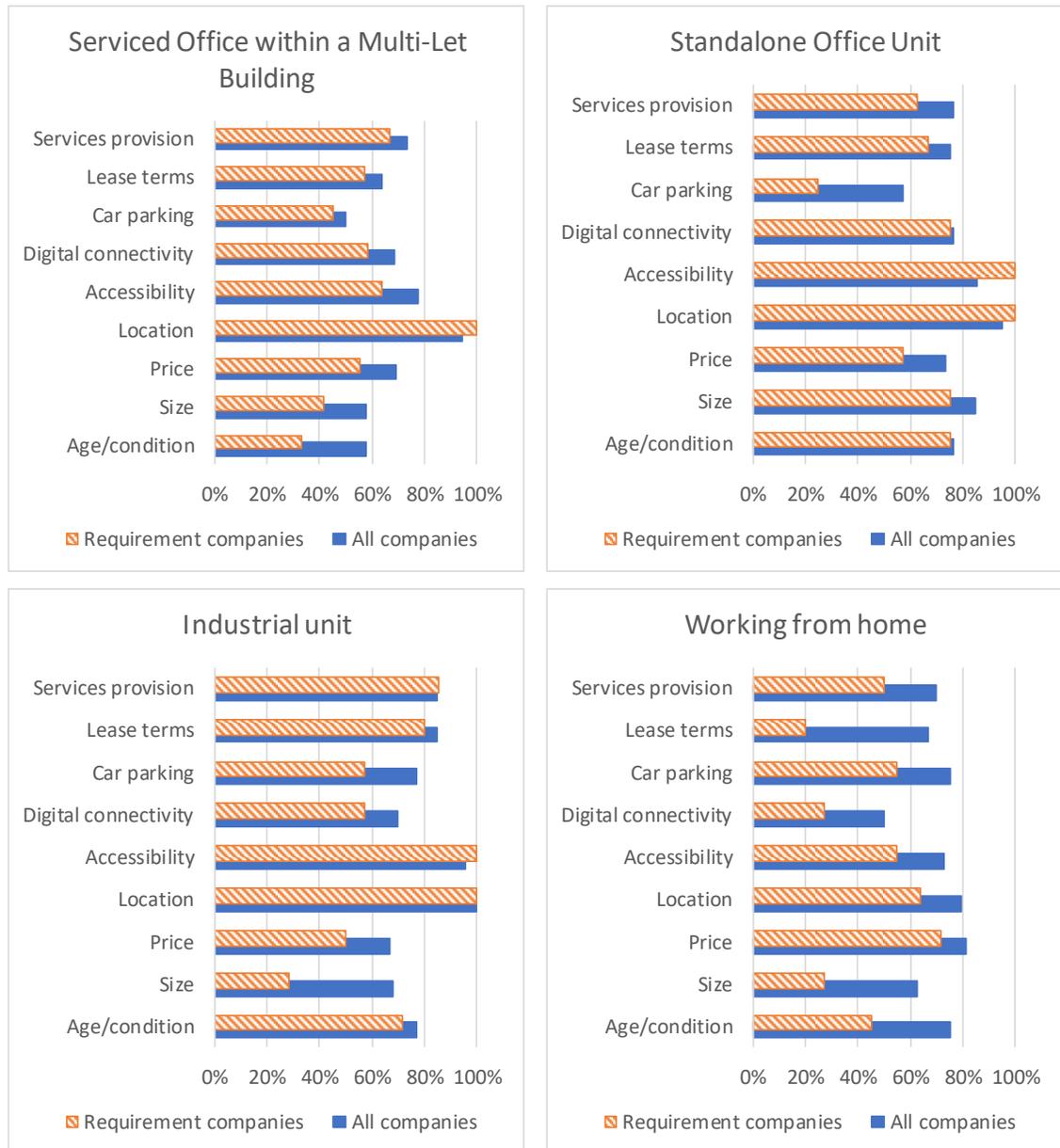
Figure A5: Characteristics rated satisfied or very satisfied



High satisfaction ratings for location and accessibility were broadly mirrored for companies with an identified requirement for premises. This suggests that businesses are not looking to relocate away from their existing location. Ratings in other categories were significantly lower, with fewer than 50% of these respondents indicating that they were satisfied in terms of digital connectivity and car parking, and fewer than 60% satisfied in terms of the age/condition, size and price of their premises.

The summary set out in Figure A6 shows that levels of low satisfaction were particularly an issue for home based businesses. Price was identified as an issue by all businesses with a requirement, suggesting that affordability will be a key driver of demand. Levels of car parking were also an issue, as was age/condition and size for occupiers of industrial and serviced office premises.

Figure A6: Percentage satisfied or very satisfied for key categories of workspace

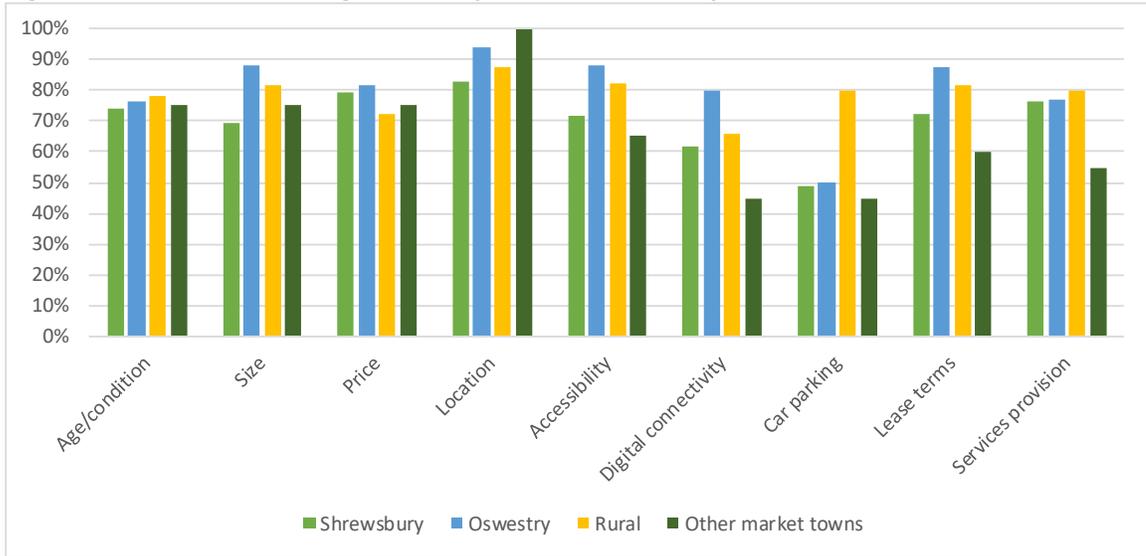


The level of satisfaction recorded through the survey was relatively consistent across Shropshire for the majority of the measures, notably in terms of price and the age/condition of existing premises.

However, a level of variance was identified in terms of digital connectivity, which businesses from market towns (other than Oswestry) identified as less satisfactory, and car parking, where

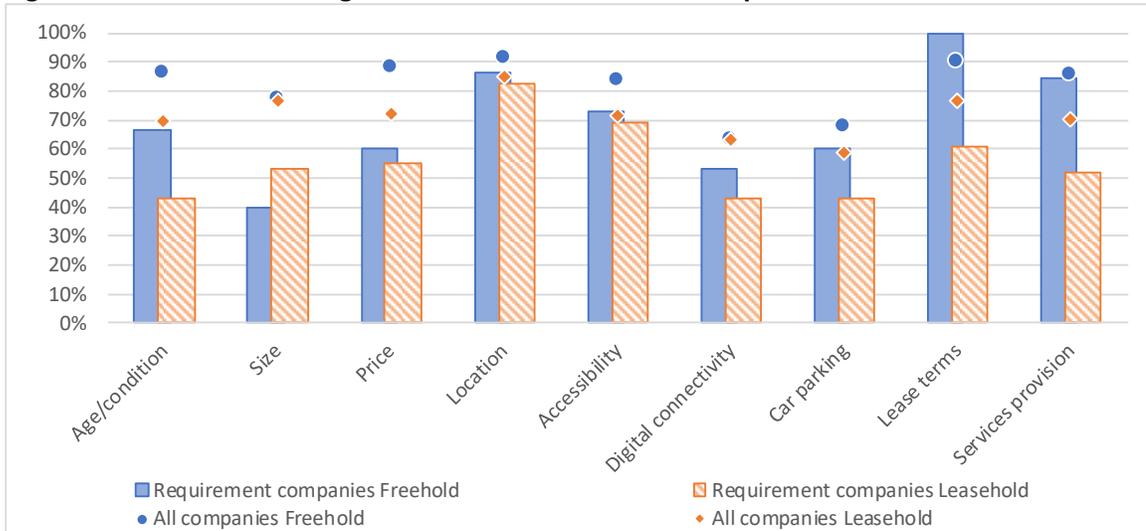
businesses based in rural areas away from congested town centres reported far greater satisfaction. Overall, a lower proportion of businesses based in other market towns (Whitchurch, Ludlow, Market Drayton and Bridgnorth) reported satisfaction in respect of lease terms, accessibility and service provision (Figure A7).

Figure A7: Satisfaction rating for all respondents within key locations



Businesses with freehold ownership are more likely to express satisfaction with their existing premises than those occupying on a leasehold basis. This is clearly evident for companies with a recent or future requirement for alternative premises. Unsurprisingly, this relates particularly to lease terms and service provision. There is also a clear disparity in terms the age and condition of existing premises, with a lower proportion of leasehold occupiers reporting satisfaction.

Figure A8: Satisfaction rating for freehold and leasehold occupiers



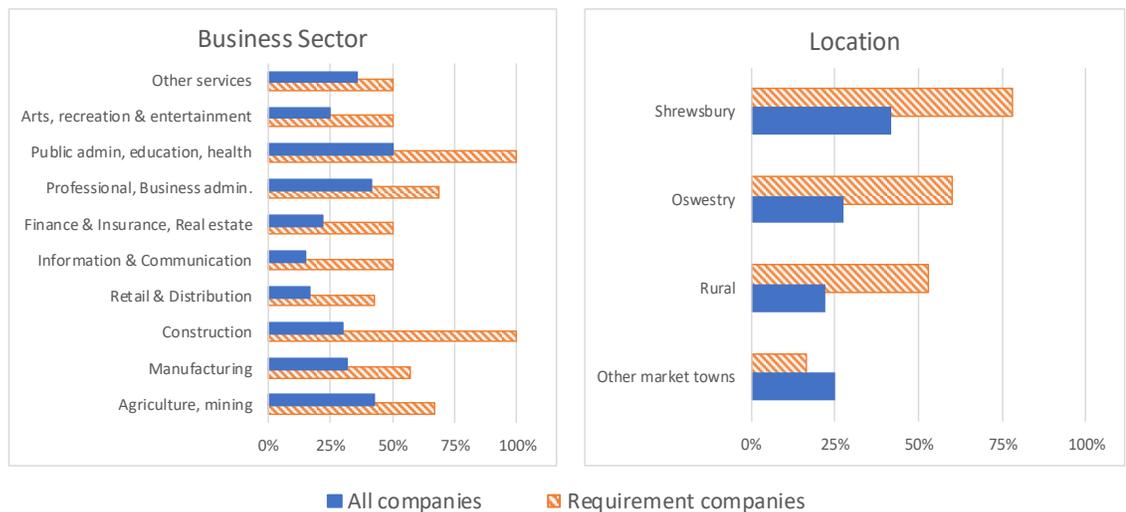
Impact on business growth

Businesses were asked whether their existing premises had acted as a constraint or limit to growth. In spite of the broad satisfaction outlined above, almost a third of all respondents (45, 29%) indicated that their existing premises were limiting growth. More than 60% of businesses identifying a recent or imminent requirement for premises indicated that their existing accommodation had acted as a growth constraint.

Figure A9 provides an overview of the characteristics of business respondents identifying existing workspace as a constraint. Premises have been identified as a limiting factor by a relatively high proportion of business in professional and administrative services, public focused activity and other services. A relatively small number of retail, IT or finance/insurance businesses identify their existing premises as a constraint.

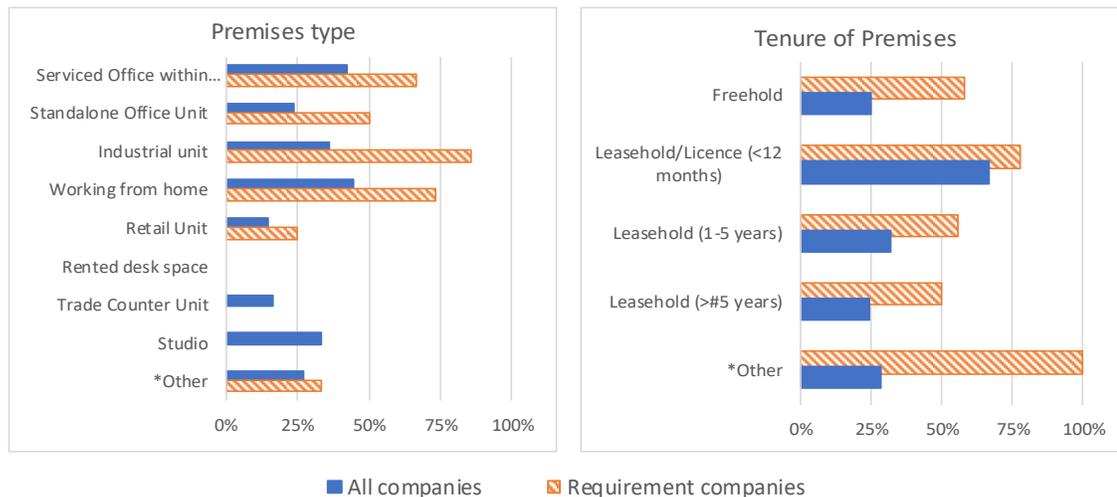
Figure A9 also indicates that a relatively high proportion of businesses located in Shrewsbury identify existing premises as a constraint relative to other locations.

Figure A9: Characteristics of businesses identifying premises as constraint



As set out in Figure A10, a relatively high proportion of businesses working from home or serviced office accommodation identify their premises as being a barrier to growth. A higher proportion of companies occupying premises of a short term lease also indicated that their existing accommodation was a constraint to business growth.

Figure A10: Property characteristics of businesses identifying premises as constraint



Services and business support

Attributes of business accommodation

Respondents to the business survey identified the availability of high speed internet as the most important consideration in driving a business location decision, followed by the availability of car parking. The importance attached to these attributes is unsurprising, given the results of the satisfaction analysis.

Other important elements include good access to highway infrastructure, proximity to customers and public transport links. Proximity to suppliers and similar businesses was identified as less important. Figure A11 provides an overview for all occupiers while Figure A12 looks at key sectors.

Figure A11: Importance of key considerations in business location decisions

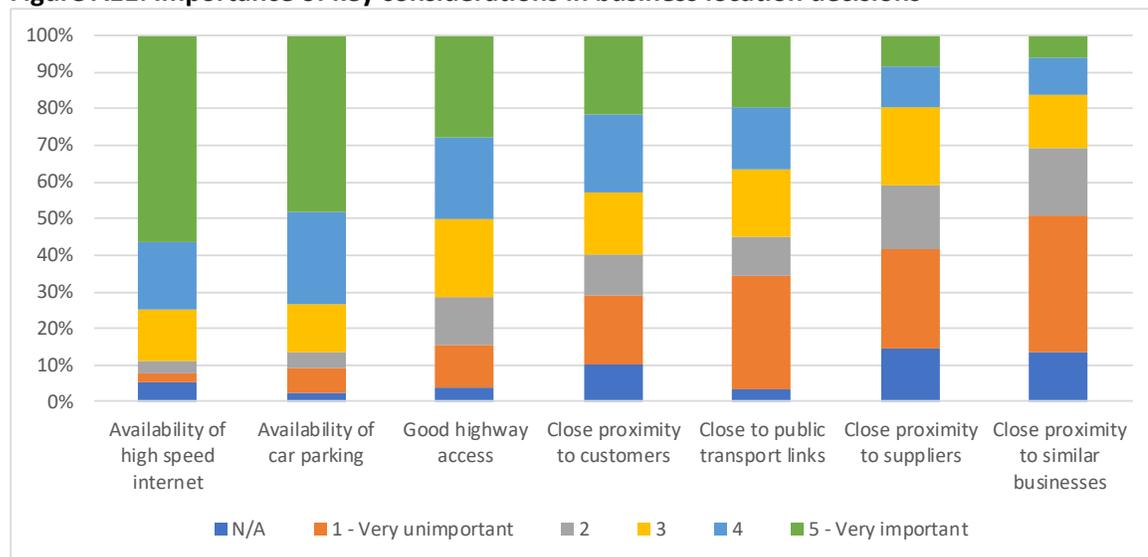
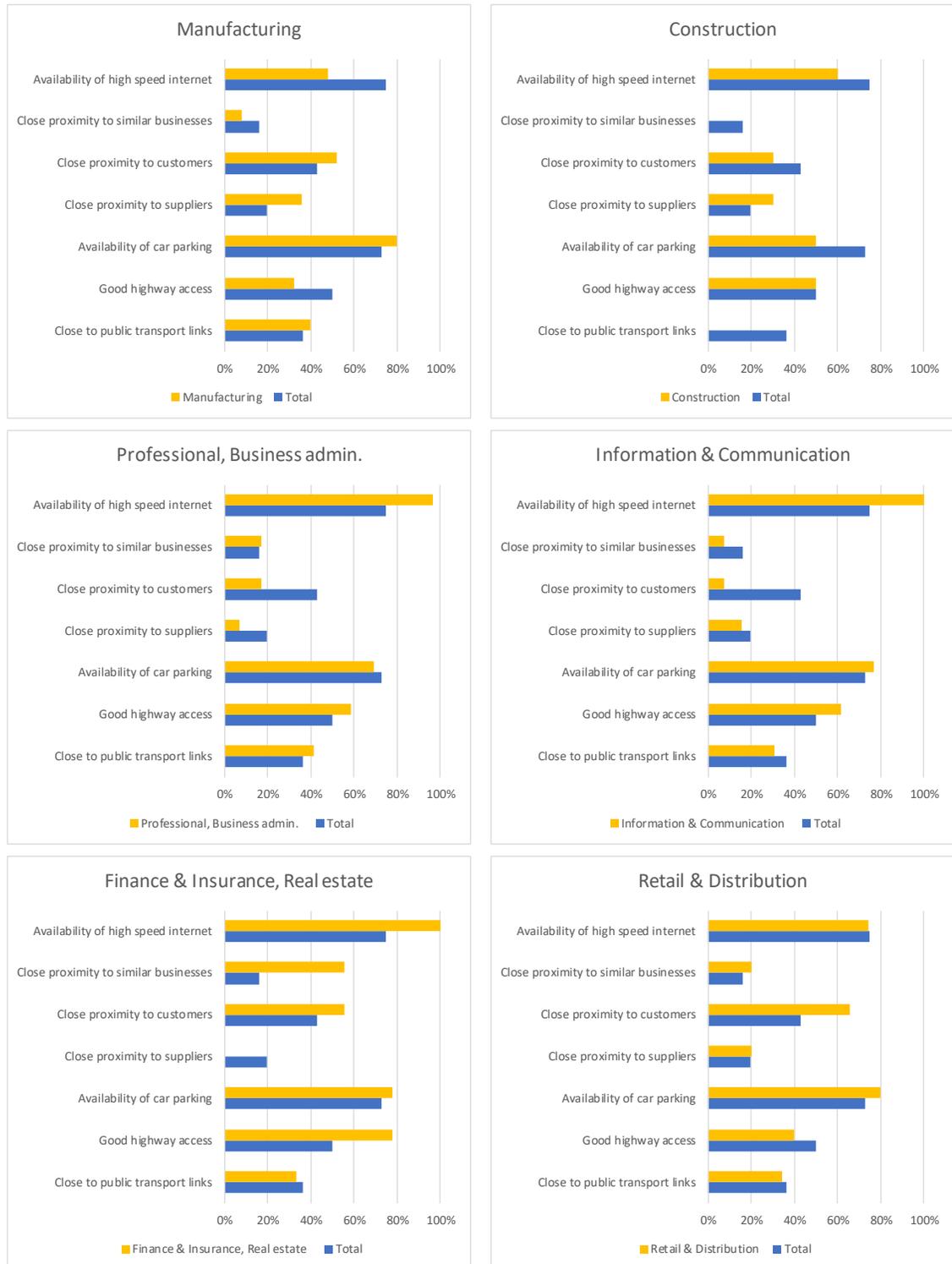


Figure A12: Property characteristics of businesses identifying premises as constraint

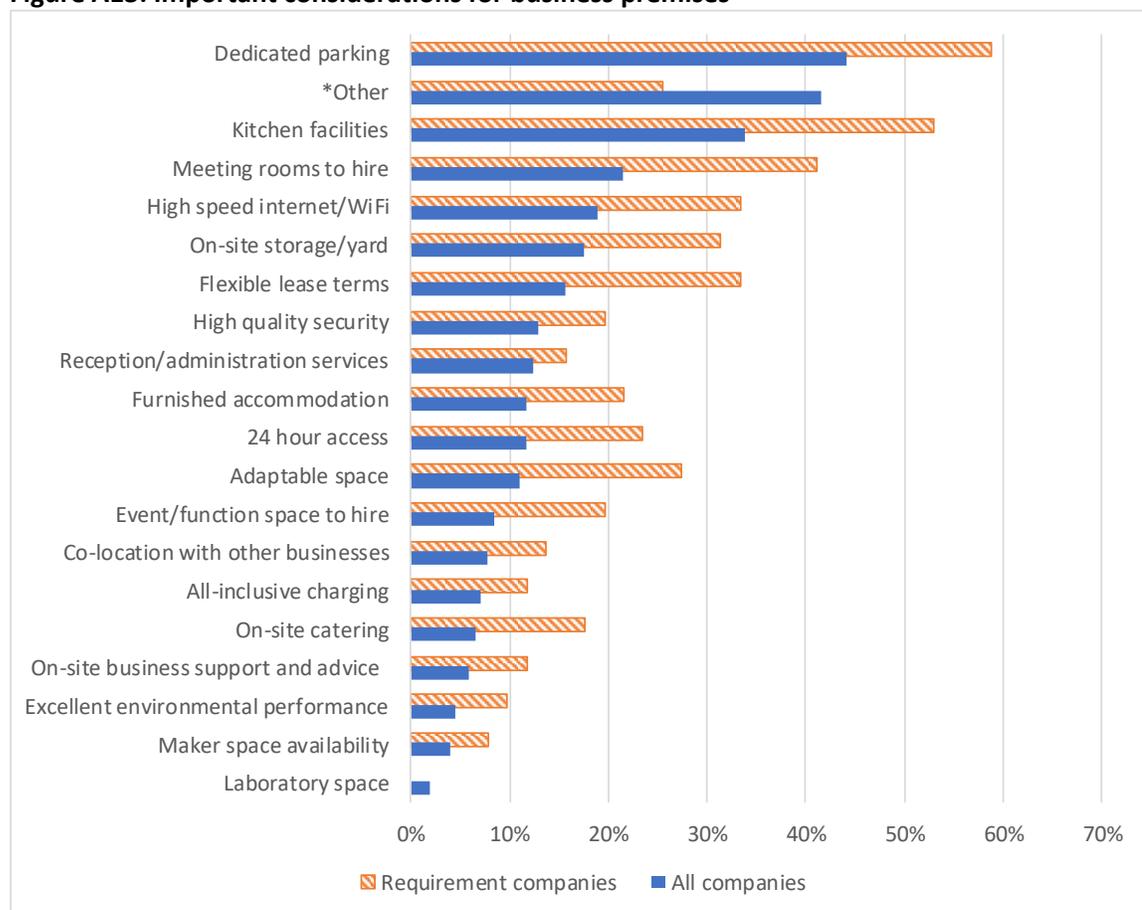


■ All companies ■ Requirement companies

The analysis in Figure A11 highlights the differences in the needs of businesses in different sectors. For example, proximity to suppliers is a more important factor for production and construction sectors. By contrast, service sector users identify internet connectivity as a far greater priority.

The key elements identified in Figure A10 are reinforced by Figure A13, which highlights the importance of dedicated parking for occupiers. This is identified as being of particular importance by businesses with a recent or proposed requirement for premises.

Figure A13: Important considerations for business premises



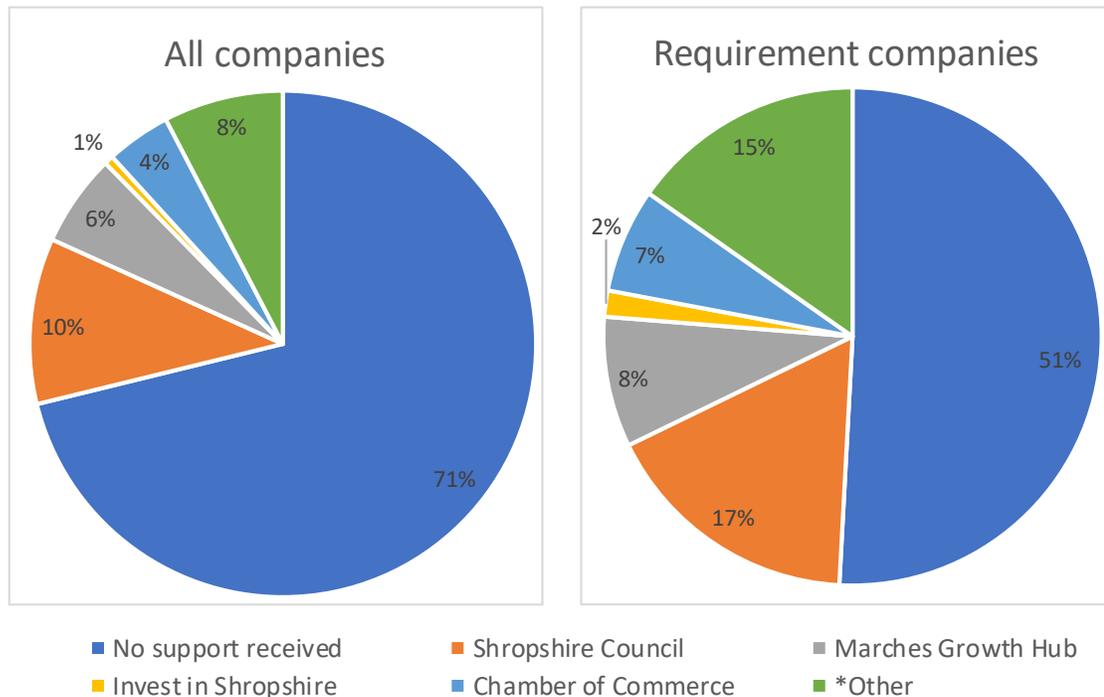
Under the category of 'Other', seven respondents reiterated the importance of high speed internet, while five emphasized that parking provision should be free of charges. In addition, other specific considerations included:

- Additional space including storage capacity;
- The need for specialist premises providing a mix of office and workshop;
- Provision of natural gas; and
- Links to agriculture in the immediate vicinity and potential to allow food production activities.

Business support services

Over the majority of businesses surveyed indicated that they had not secured any form of business support, although companies with a recent or current requirement for new premises were more likely to have secured support (Figure A14). Important sources of support included Shropshire Council and the Marches Growth Hub. The Chamber of Commerce was also identified by a number of businesses as a source of support. No information was sought in relation to the nature of the support received or its effectiveness.

Figure A14: Business support secured

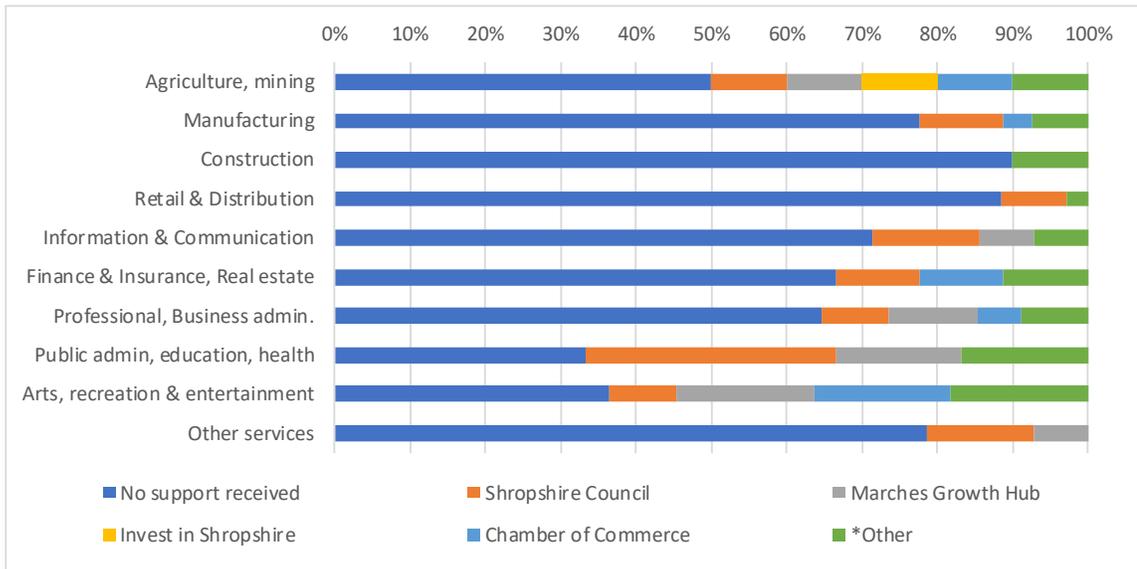


Other sources of support identified by businesses included:

- the Princes Trust;
- Bridge North;
- Manufacturing Growth Programme; and
- National Farmers Union.

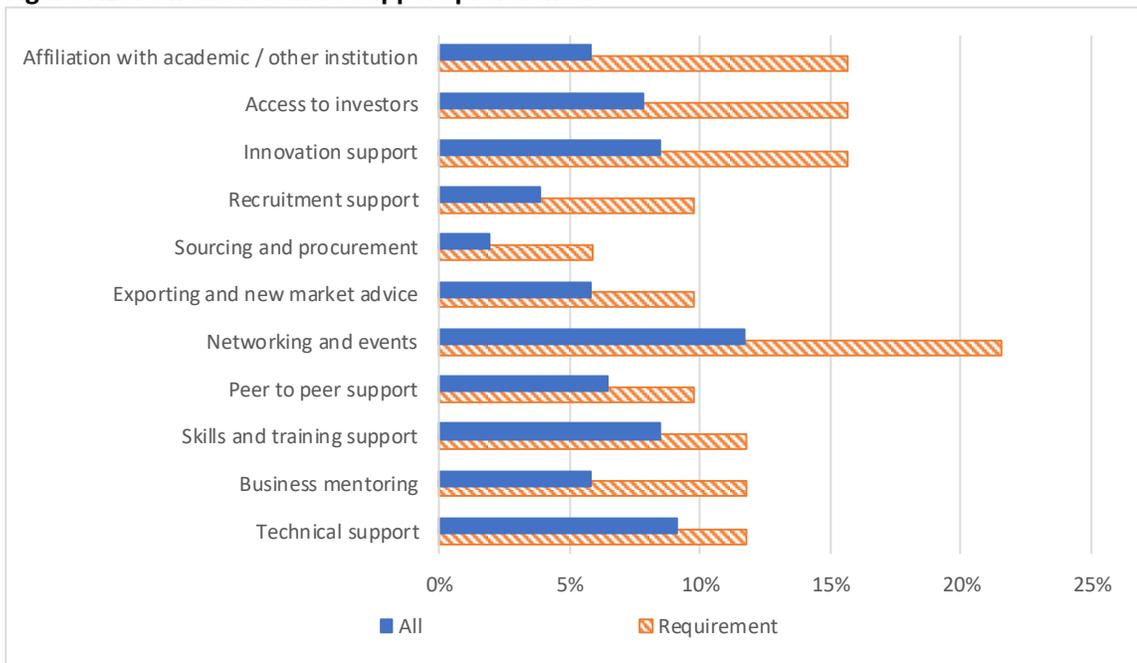
More detailed analysis suggested that businesses in certain sectors have been more likely to benefit from support than others. In Particular, a significant proportion of public administration (including health and education) and creative sector organisations, as well as agricultural businesses, have attracted support. A far higher proportion of businesses in the construction, retail and manufacturing sectors have secured no support. Figure A15 provides an overview for key sectors.

Figure A15: Business support received by sector



Just 37% of respondents identifying a recent or current requirement for new premises indicated that they would welcome the provision of key services on-site. As set out in Figure A16, for these businesses the most important support mechanisms were networking/events (11 companies), access to investors, innovation support and academic affiliation (8 companies). More intensive support mechanisms are usually targeted towards high growth businesses based on a selection process.

Figure A16: On-site business support preferences



Further analysis indicates that demand for support services is particularly evident within start-up companies, with these firms seeking more general support including mentoring, training and

technical support. This suggests that there is a need to ensure that existing services provided by the Council and the Growth Hub are effectively targeted to reach these businesses.

The results do not indicate that there is a strong locational component to any service offer. There is a slightly higher demand for services from businesses currently located in Shrewsbury, with these firms identifying a requirement for more intensive support in relation to innovation and investment. However, it is noted that 67% of firms located in Shrewsbury reported no need for on-site business support.

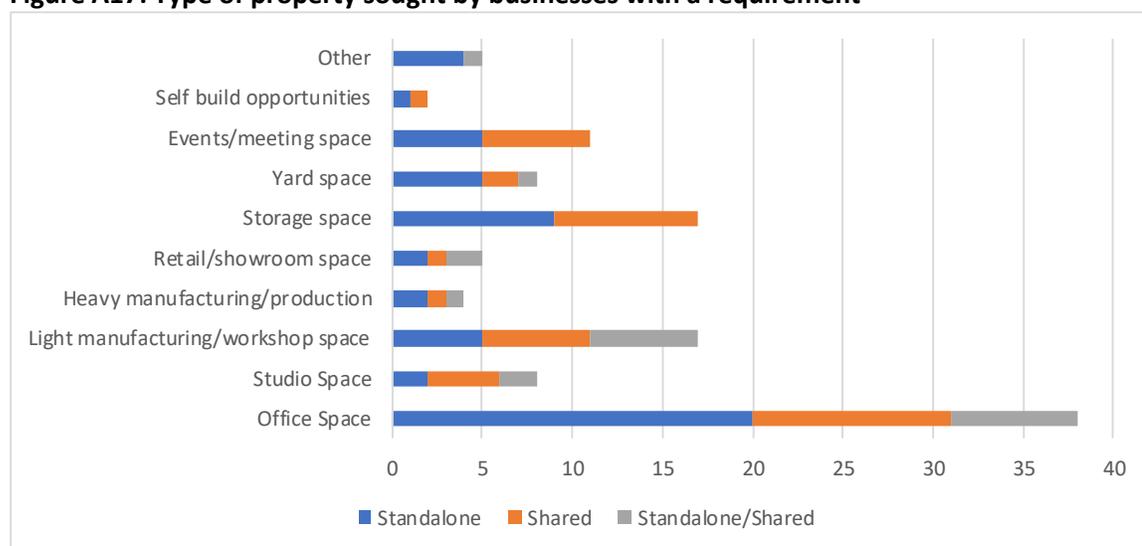
Property requirements

Type of premises

As outlined above, 51 of the 154 respondents (33%) indicated that they had recently sought or planned to seek new premises (within a three year period).

Respondents to the survey were asked to identify all the elements of their requirement. As illustrated in Figure A17, the majority indicated a requirement for new office accommodation on either a standalone or a shared basis. In addition, a significant proportion highlighted a need for workspace or light industrial space, as well as adequate storage space. The level of demand for heavy manufacturing, retail and studio space, as well as self-build opportunities, was considerably lower.

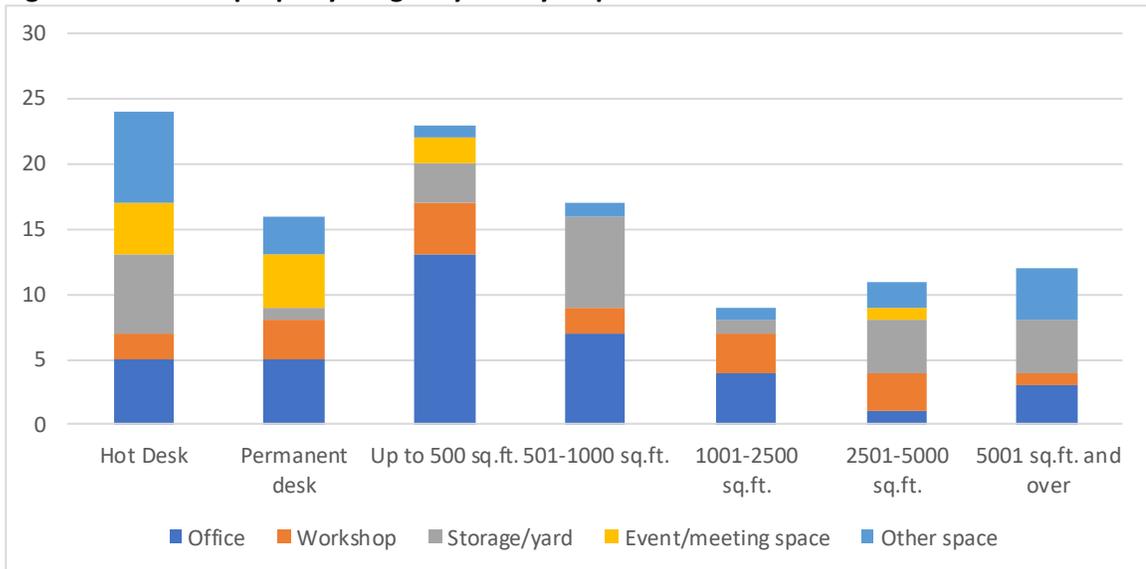
Figure A17: Type of property sought by businesses with a requirement



Size of premises

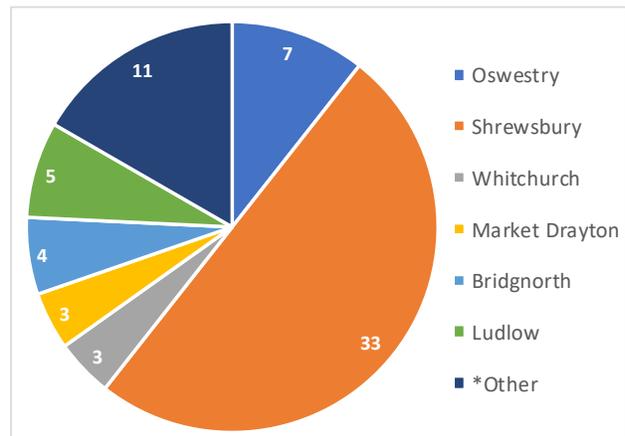
Based on the 51 responses, it is evident that the majority of demand is for smaller premises, including hot desks and permanent desks, alongside smaller units of less than 1,000 sq ft (930 sq m). While office accommodation accounts for a sizeable proportion of this requirement, the fact that respondents have identified a need for storage/yard space on a 'hot desk' basis (Figure A18) suggest that there may be some inconsistencies in the responses. On this basis, the results should be considered to be indicative at this stage pending further targeted market testing.

Figure A18: Size of property sought by survey respondents



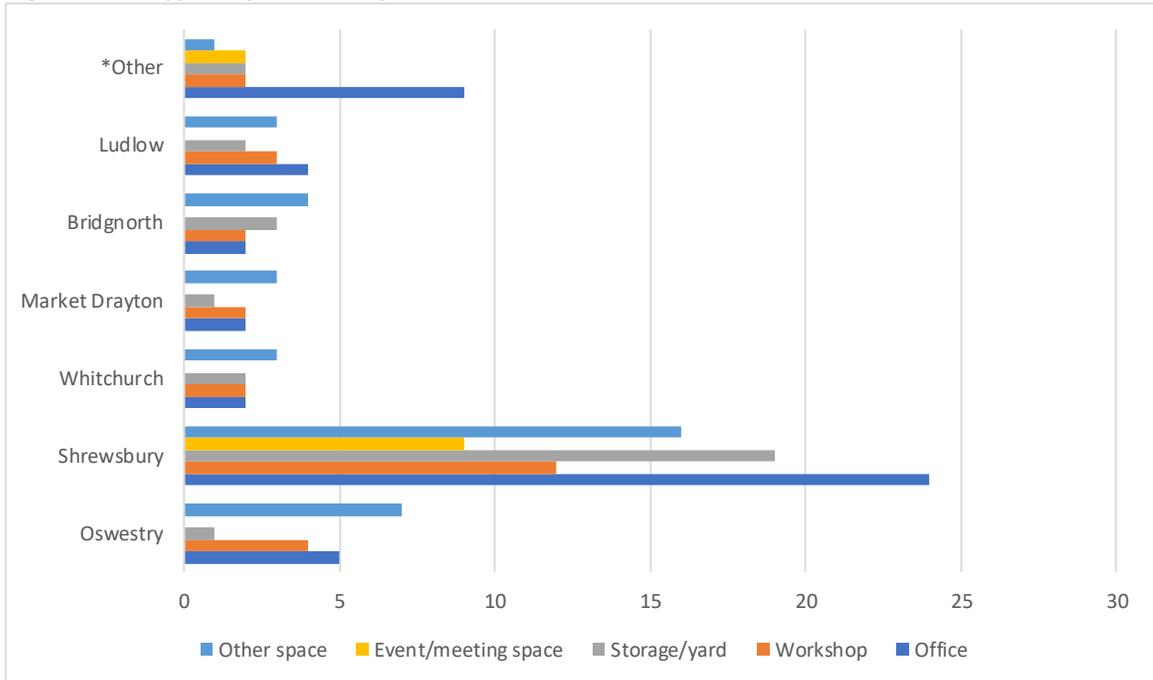
Location of premises

Respondents were invited to identify potential locations for new accommodation, having the option to select more than one area. Approximately 50% identified a requirement for accommodation in and around Shrewsbury. Demand for accommodation within the catchment of the other market towns was more limited, with Oswestry emerging as marginally more popular than Ludlow. ‘Other’ locations included Telford and Wolverhampton, alongside the smaller settlements of Shifnal, Wittington and St Martins.



An analysis of requirements (Figure A20) further highlights the broad demand for accommodation within Shrewsbury. This chart is illustrative as it allows for multiple selections in terms of both location and the type of premises sought.

Figure A20: Type of premises by location



A significant proportion of the demand in Shrewsbury is for town centre accommodation (Figure A21), alongside some requirements for premises at business parks or industrial estates. Town centre requirements are predominantly for office type uses, although there is also demand for studio, event and workspace space within this setting. There is also demand for these uses within a business park setting, which offers more flexibility in terms of accommodation and vehicular access.

Figure A21: Location setting preferences of business respondents



Cost of premises

Respondents were asked about the expectation in terms of rental cost per month. The responses provided by businesses are outlined in Table A3 below. Based on a high level analysis, the identified rental levels equate to an average of £15 sqft (£160 sqm) for office and similar commercial premises. This rate can be benchmarked against evidence from the market assessment.

Table A3: Monthly rental cost by property size for businesses with requirement							
	N/A Freehold	Less than £250	£251- £500	£501- £1,000	£1,001- £2,500	£2,501- £5,000	£5,001 or more
Hot Desk	-	-	3	-	1	-	-
Permanent desk	-	-	2	1	-	-	1
Up to 500 sq.ft.	4	-	4	4	2	-	2
501-1,000 sq.ft.	-	-	1	2	3	-	-
1,001-2,500 sq.ft.	2	-	-	1	1	-	-
2,501-5,000 sq.ft.	-	-	-	2	1	2	-
5,001 sq.ft. and over	2	-	1	1	1	-	1
Total	9	-	11	12	8	2	4

Appendix C: Economic Impact Methodology

Overview

An economic impact model has been developed for each of the identified options to quantify the range of benefits that the development is expected to generate for the local and wider economy. The economic impact assessment estimates both the gross and net additional impact, focusing primarily on impacts in the operational phase. In moving from gross to net additional impacts, the model factors in a number of 'additionality adjustments' by considering who will secure the benefits, the level of activity that might be displaced as a result of the development and the potential multiplier effects as described below.

The key economic benefits of intervention to provide new innovative workspace options are expected to include:

- employment and GVA created during the operational phase of the proposed development (primary effects);
- additional economic activity resulting from supply linkage and income multiplier effects (secondary effects);
- fiscal benefits through the delivery of new commercial; and
- a range of wider impacts such as improving internal and external perceptions and providing a stimulus for further regeneration.

The following sections outline our approach and assumptions used to assess the primary and secondary economic impacts, and the fiscal benefits that will be generated by the project. As part of the economic impact assessment, consideration has also been given to the wider benefits associated with the development. While these wider benefits are difficult to quantify, they are nevertheless important in understanding the overall economic importance of alternative options for addressing gaps in workspace provision within Shropshire.

Operational activity

The number of gross direct permanent jobs generated has been estimated, based on the expected level of floorspace developed. Employment density ratios consistent with those set out in guidance published by Homes England have been applied to calculate the gross direct employment effect for the scheme. Ratios for office use range from 8-13 sq m per FTE employee, subject to the nature of the activity proposed. For each element of the scheme the following densities have been applied:

- Co-work/hot desk – a rate of 8 sq m per desk has been applied, allowing for a high density of activity with minimal allowance for storage or other ancillary office furniture;
- Small Business Centre – a rate of 10 sq m per employee has been assumed, reflecting key efficiency drivers;
- Grow-on space – a density of 12 sq m per employee has been applied, reflecting more standard rates.

The identified rates are applied to the net lettable area. This has been calculated on the basis of a gross:net ratio of 85% for new build and 80% for refurbished space. For each of the elements, provision is made for ongoing vacancy of at least 10% to allow for an ongoing business churn as enterprises enter, move through and exit the facility.

The model assumes that accommodation within the Small Business Centre will be subject to intensive tenant management provisions. The assessment of this element seeks to capture the economic impact of the identified churn effects. This analysis assumes that start-up and small businesses will benefit from active business support over a four-year period of occupation, providing a strong growth platform, at which point they will either move into on-site grow-on space or exit the facility.

The level of gross employment has been estimated using a cohort model. Business survival rates have been estimated based on ONS business demography statistics, while provision has been made for ongoing growth within a supportive environment. The assessment also assumes a build-up in occupancy levels from 50% to 90% over a three-year period (based on evidence from the review of comparator projects and the demand analysis). As occupiers move on to alternative accommodation, capacity will be created for new businesses to enter the facility. Given that on-site grow on capacity will be limited, it is envisaged that the majority of businesses spinning out of the facility will take up premises across the wider sub-region.

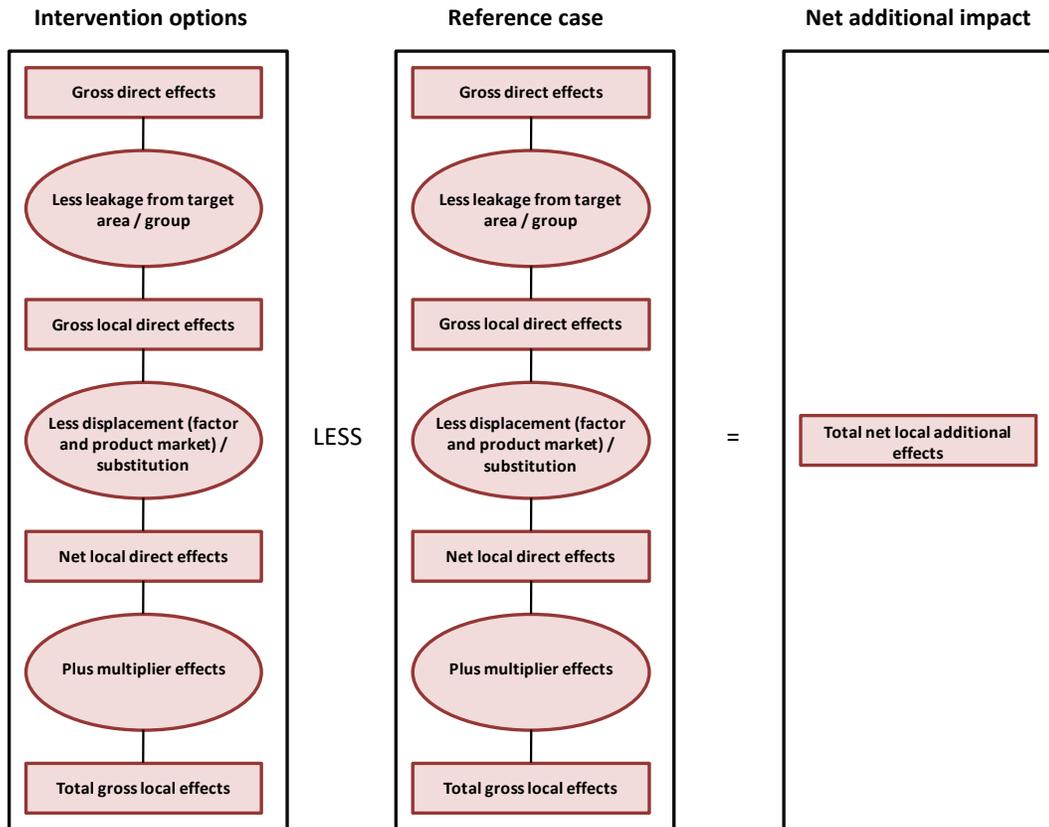
Assessing additionality

In determining the net additional impact of a particular intervention, the key issue to be addressed is the additionality of the project under consideration – in other words, the extent to which activity takes place at all, on a larger scale, earlier or within a specific designated area or target group as a result of the intervention. In order to assess the additionality of the project, the following factors have been considered for each element of the project:

- leakage – the proportion of outputs that benefit those outside of the project’s target area or group;
- displacement – the proportion of project outputs accounted for by reduced outputs elsewhere in the target area. Displacement may occur in both the factor and product markets;
- multiplier effects – further economic activity associated with additional local income and local supplier purchases (as discussed above); and
- deadweight – outputs which would have occurred without the project.

The approach to assessing the net additional impact of a project, taking into account the above adjustments, is shown diagrammatically in Figure C1. For the purposes of this assessment, the additionality has been considered at the Marches LEP level.

Figure C1: Net additional impact



In order to calculate the number of net additional permanent jobs created as a result of each of the options, adjustments have been made in relation to leakage, displacement, multiplier effects and deadweight. The following assumptions have been applied in relation to each additionality factor:

- Leakage – according to 2011 Census UK travel to work flows, around 90% of people working across all sectors in Shropshire reside in the wider LEP area. On this basis, a leakage rate of 10% has been applied;
- Displacement – in order to calculate the expected level of displacement, reference has been made to benchmarks set out within Additionality Guidance published by the HCA, alongside supplementary guidance published by the then BIS. At the sub-regional level, the mean displacement rate for capital projects is 43.1%. As displacement rates vary by use and in relation to local market conditions, a rate of 43% has been assumed for all activities in the preliminary Economic Impact Assessment. This reflects the fact that the schemes occupiers may compete with other developments and businesses within the local area, but also attract new businesses to Shropshire and help stimulate growth within the economy;
- Multiplier effects – the additionality guidance produced by the former BIS identifies a mean multiplier for capital projects of 1.46 at the wider Marches LEP area level; and

- Deadweight – deadweight has been estimated at 10%, reflecting published BIS benchmarks. It is noted that the reference case should be subject to detailed appraisal as part of any future option development work.

Gross Value Added

The GVA generated as a result of the additional permanent jobs created has also been estimated. The assessment of net additional GVA reflects the following assumptions:

- the net additional job estimates have been adjusted to no longer account for leakage, as GVA is a work-placed based measure; and
- an average GVA per head figure for each sector has been applied to the adjusted estimates of net additional employment based on productivity data derived from Experian for Shropshire as shown in the Table below:

Table C1: GVA per FTE benchmarks for office based sectors in Shropshire (Experian, 2018)			
Sector	GVA (£ million)	FTE jobs (000s)	GVA per FTE
Finance & Insurance	£76.9	1.0	£76,900
Information & communication	£272.9	2.4	£113,708
Professional & Other Private Services	£1,665.5	17.0	£97,970
Overall			£98,800

On this basis, a GVA per employee ratio of £98,800 has been applied.

Appendix D: Enterprise Centre Appraisals

Option 1a – Shrewsbury town centre refurbishment

CLIENT : Shropshire Council			
JOB : 1124			
REF : Shrewsbury Refurb option			
		START DATE	Sep-18
COST		TOTAL	
Deficit		-£1,530,586	Sep-18 Sep-18
Securing vacant possession	0.00%	£0	Sep-18 Sep-18
Building acquisition		£2,924,760	Oct-18 Nov-18
Acquisition Costs		£43,871	Nov-18 Dec-18
Running Void at 10%		£27,527	Nov-18 Dec-18
Ground Floor	1 units 14,337 sq ft	£40.00	£573,480 Dec-18 Jul-19
First Floor	1 units 14,337 sq ft	£40.00	£573,480 Dec-18 Jul-19
Ground Floor - Fit out	1 units 14,337 sq ft	£15.00	£215,055 Dec-18 Jul-19
First Floor - Fit out	1 units 14,337 sq ft	£15.00	£215,055 Dec-18 Jul-19
	0 m2 0 sq ft	£0.00	£0 Dec-18 Jul-19
	0 m2 0 sq ft	£0.00	£0 Dec-18 Jul-19
	0 m2 0 sq ft	£0.00	£0 Dec-18 Jul-19
	<hr/> 2,664 m2 28,674 sq ft		
Professional Fees	8.00%	£365,858	
Contingency	3.00%	£148,173	
Statutory Costs S106		£20,000	Oct-18 Oct-18
Funding Costs	0.00%	£20,000	Jul-19 Aug-19
Sale Fees	0%	£0	Oct-18 Nov-18
Letting Fees	1.50%	£4,129	
Commercial Marketing	0.25%	£9,176	Jul-19 Aug-19
Residential Marketing	per unit £0	£0	Dec-18 Jan-19
		<hr/> £3,609,978	
VALUE		TOTAL	
Value	Net Area Rental Yield Capital Value	purchasers costs 0.00%	
Ground Floor	80% 11,470 sq ft £12.00 7.50% £160.00	£1,835,136	Jun-19 Jul-19
First Floor	80% 11,470 sq ft £12.00 7.50% £160.00	£1,835,136	Jun-19 Jul-19
	<hr/> 22,939 sq ft £275,270	<hr/> £3,670,272	
Interest	on debt 3.50% £60,294		
	on accruals 0.00%		
Profit on value	0.00%	£0	
Total Cost (exc land)		£5,200,858	
Total Income		£3,670,272	
Residual Sum		-£1,530,586	
Deficit		-£1,530,586	
<input type="button" value="calculate residual"/>			

Option 1b – Shrewsbury business park development

CLIENT : Shropshire Council			
JOB : Shrewsbury - New Build		START DATE Sep-18	
REF : TL1124			
COST		TOTAL	
Deficit		-£1,939,701	Sep-18 Sep-18
Acquisition Costs	4.75%	£21,375	
Land Acquisition		£450,000	Oct-18 Nov-18
Infrastructure		£0	Nov-18 Dec-18
Surveys		£20,000	Nov-18 Dec-18
Running void at 10%		£30,600	Nov-18 Dec-18
Build costs	2,787 m2 30,000 sq ft	£145.00	£4,350,000 Feb-19 Nov-19
Fit out costs		£15	£450,000 Feb-19 Nov-19
	2,787 m2 30,000 sq ft		
Professional Fees	8.00%	£424,048	
Contingency	3.00%	£171,739	
Statutory Costs S106		£20,000	Oct-18 Oct-18
Funding Costs	0.00%	£20,000	Nov-18 Dec-18
Letting Fees	1.50%	£0	Oct-18 Nov-18
Commercial Marketing	0.25%	£4,590	
		£10,200	Jun-19 Nov-19
		<u>£4,032,852</u>	
VALUE		TOTAL	
Value	Net Area Rental Yield Capital Value	purchasers costs 0.00%	
Build costs	100% 25,500 sq ft £12.00 7.50% £160.00	£4,080,000	Nov-19 Dec-19
	<u>25,500 sq ft £306,000</u>	<u>£4,080,000</u>	
Interest	on debt 3.50% £47,148		
	on accruals 0.00%		
Profit on value	0.00%	£0	
Total Cost (exc land)		£6,019,701	
Total Income		£4,080,000	
Residual Sum		-£1,918,326	
Deficit:		-£1,939,701	
<input type="button" value="calculate residual"/>			