

## Appendix C – Getting Building Fund Project Background Information

<b>Name of Project</b>	<b>Discovery Park Incubator</b> Discovery Park, Sandwich
<b>Responsible Upper Tier Local Authority</b>	Kent County Council
<b>Delivery Organisation</b>	Discovery Park Ltd
<b>Getting Building Fund value</b>	Original GBF funding allocation: £2,500,000 Additional GBF funding allocation: £250,000 <b>Total GBF funding allocation: £2,750,000</b>
<b>Project Description</b>	<p>The Discovery Park Incubator project will deliver flexible, collaborative workspace in which life science start-ups and SMEs can establish their operations and grow as part of an innovative community.</p> <p>The project involves the refurbishment of two floors within the East Block of Building 500 at Discovery Park, to provide around 30,000sqft of net lettable incubator space. The new facility will include self-contained laboratory units, informal breakout and café space and shared lab support facilities.</p> <p>As well as additional physical space and high-quality facilities, the Incubator will also offer a package of innovation support to tenants, encouraging collaboration between firms at Discovery Park and with higher education, and linking new and emerging businesses with the access to investment, skills and partners that they need to thrive.</p>
<b>Need for Intervention</b>	<p><u>Market failure in the supply of lab space to life science SMEs</u></p> <p>There is high demand for lab space, and there is evidence that this demand has been sustained during the COVID-19 crisis. However, there is a lack of available lab space that is ready for the market.</p> <p>The key issue is why the market does not respond by increasing supply to meet levels of likely demand. The issue is not generally an absence of capacity (i.e. available floorspace that could be brought forward if it were economically viable to do so) but is more linked with the nature of demand and the costs of development. Issues include:</p> <ul style="list-style-type: none"> <li>• <b>The lack of financial strength of small firms in the life science sector:</b> the 'start-up' phase for small businesses in the sector can be lengthy, as most firms in the sector are funded by raising capital to finance the next phase of R&amp;D activity: many firms will not generate significant profits for several years. This is incompatible with normal long-term property deals, and in general, small life science businesses are unable to offer the financial guarantees that would conventionally meet landlords' requirements.</li> <li>• <b>The need for flexibility as companies scale up:</b> In their early stages, firms' requirements are likely to change substantially. Ideally, firms will want the flexibility to scale within or close to their existing location, but a lack of quality supply in the market overall tends to</li> </ul>

	<p>constrain businesses in smaller units, limiting expansion and preventing churn in the market.</p> <ul style="list-style-type: none"> <li>• <b>Bespoke requirements:</b> Different firms will often have unique wet lab requirements. This can make it challenging to re-let space to new tenants without additional investment and the resources to manage space across a facility in an integrated and coordinated way.</li> <li>• <b>The need for support infrastructure:</b> Typically, innovation/incubation centres for the sector provide support to businesses to enable them to focus on R&amp;D, while providing access to networks and advisory support that will help them grow. This incurs additional cost, and also requires a level of critical mass to establish a collaborative community and make a support offer viable.</li> <li>• <b>Relatively high costs associated with specialist facilities:</b> Modern lab space is expensive to build and maintain. This is linked with equipment and fit-out costs and the ongoing costs of maintenance and capital reinvestment and the high energy costs generated by lab space.</li> </ul> <p>Currently, the market failure appears to be resolved through firms remaining in premises that are too small for their needs or through re-purposing offices or industrial stock. The consensus view is that this is sub-optimal, given the inherent inflexibility of this solution and the isolation to which it tends to lead.</p>
<b>Reasons for seeking additional GBF funding</b>	<p>Since project inception both labour and materials costs have increased significantly as a result of the impacts of inflation. Whilst work has been undertaken to identify potential savings and to mitigate against cost overruns, the total project cost has increased from £5.5m to £6.0m.</p> <p>The project team have achieved a number of savings by utilising existing infrastructure and by sourcing alternative materials, however, there are areas of the project scope where it has become necessary to consider value engineering or compromising on the quality of the outputs provided due to budgetary constraints.</p> <p>Additional funding has been committed by Discovery Park Ltd., but there remains a need for an additional £250,000 if the full scope of the Business Case is to be delivered.</p>
<b>Project benefits</b>	<p>The key benefits of the project are:</p> <ul style="list-style-type: none"> <li>• An increase in the number and survival rate of life science businesses in Kent and Medway, as firms are attracted to the Incubator and are enabled to expand</li> <li>• Increased collaboration between start-up and growing firms, larger businesses and academic institutions at Discovery Park</li> <li>• Increased investment at Discovery Park (and in East Kent more broadly) as a result of the increase in business activity at the Incubator</li> </ul>

	<ul style="list-style-type: none"><li>Increased investment in start-ups and growing businesses though the opportunity to create a network of investors</li><li>Longer term benefits through the growth of the life science cluster as a driver of growth in East Kent, contributing to the greater resilience of the sector and regional productivity growth.</li></ul> <p>Kent County Council and Discovery Park Limited have confirmed that the forecast project benefits remain unchanged from the original Business Case submission.</p>												
<b>Additionality offered by the additional GBF funding</b>	The award of additional GBF funding will allow the project to be delivered in accordance with the scope set out in the original project Business Case. Without the award of additional GBF funding, there is a risk that some of the planned break-out areas and shared laboratory facilities will not be completed. This will impact on the ability of the project to realise the forecast project benefits.												
<b>Financial Information</b>	<table><tr><td>Funding Source</td><td>Original Funding Package (£m)</td><td>Updated Funding Package (£m)</td></tr><tr><td>Getting Building Fund</td><td>2.500</td><td>2.750</td></tr><tr><td>Discovery Park Ltd</td><td>3.000</td><td>3.250</td></tr><tr><td><b>Total</b></td><td><b>5.500</b></td><td><b>6.000</b></td></tr></table>	Funding Source	Original Funding Package (£m)	Updated Funding Package (£m)	Getting Building Fund	2.500	2.750	Discovery Park Ltd	3.000	3.250	<b>Total</b>	<b>5.500</b>	<b>6.000</b>
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<b>Risks to project delivery</b>	Delivery of the project is well progressed and therefore the majority of risks identified in the Business Case have now been addressed. However, there remains a risk of further cost increases due to volatility in the labour and materials markets. Any further cost increases may impact on the ability of the project to deliver all outputs stated in the approved Business Case.												
<b>Delivery programme</b>	Work is continuing onsite, and it is expected that the laboratory space will be commissioned and operational in February 2023. Further refurbishment works will be undertaken in the common areas in Spring 2023, with project completion and full spend of all match funding expected in July 2023.												
<b>Evidenced compliance with Assurance Framework?</b>	Yes, the project does meet the requirements of the SELEP Assurance Framework.												
<b>Link to Project webpage</b>	<a href="https://southeastlep.com">Discovery Park Incubator - The South East Local Enterprise Partnership (southeastlep.com)</a>												