Norfolk County Council

Record of Cabinet Member decision

Responsible Cabinet Member: Cllr Graham Plant

Deputy Leader, Cabinet Member for Growing the Economy

Background and Purpose:

Great Yarmouth Operations and Maintenance Campus

The proposal is to create an Operations and Maintenance Campus at the southern tip of the South Denes peninsula, close to the outer harbour and river port. There is enough land that can be combined and presented as a single entity and be used for office, technical areas and storage but there are no associated quayside facilities which are essential.

The proposal is to:
• enhance Berths 1A and 1B, making them available for businesses located nearby to berth Crew Transfer Vessels (CTV) and Operational Vessels
• create additional pontoon facilities projecting from the spending beach for smaller CTV
• undertake road and other infrastructure improvements in order to optimise the land available

The quayside is in poor condition and whilst the adjacent land can be used, there are existing tenancies on the site and the quays are not usable. The cost of bringing the quays back to a usable state is not commercially viable and so this is a key principle element of the project. The adopted Core Strategy Local Plan (2015) recognises the importance of the port and its industries. A key strategic objective (SO 4) of the Local Plan is strengthening the competitiveness of the local economy by promoting the River Port and Outer Harbour on a Local, National, European and international Scale as an attractive base for business. The emerging draft Local Plan (2020) continues to support proposals for port related developments and in particular development related to the offshore energy industry. The above proposal would be consistent with the strategic objectives of the adopted Local Plan and the policies in the emerging Local Plan. In addition, it is worth noting that, the Third River Crossing proposal, if approved, will significantly improve accessibility to the Port and Harbour areas and support the wider regeneration of the waterfront and town centre.

The project has involved initial consultation with local industry, including offshore wind developers (both those that have local connections and those that have not used the local ports). Great Yarmouth Council and the LEP have been fully engaged with the project throughout its development. The overall project concept has been presented to two separate Gt Yarmouth Borough Council committees where it was fully endorsed. However, it is recognized

there will need to be engagement with the local community.

The proposal is for Norfolk County Council to lead on the delivery of the works. The next steps will be to develop a more detailed feasibility report that will consider construction and associated costs, as well as wider operational details, including modelling the river corridor to assess details such as navigational operation and sediment migration. 517

For much of 2019 we have been pursuing grant opportunities to contriute to the total estimated project costs, but there have been none so far with suitable criteria that we could apply for. WSP has assessed that £2m of the cost is feasible to be provided on a commercial basis, with the remainder to be provided by the county council, repayable from Enterprise Zone income. This highlights the need to ensure adequate feasibility work is completed to ensure the cost exposure and risk for the county council is fully developed and understood before moving the project forwards.

Enterprise Zone income over the next 17 years is significant. The current baseline, assuming no additional development anywhere on the Great Yarmouth EZ sites has the potential to provide the majority of the capital and interest repayments.

Any one of several factors will deliver an uplift in the baseline to more than meet the total required to enable full repayment:
• One or two developments elsewhere on the EZ, either on the South Denes or Beacon Park
• Development on the Campus itself
• An uplift in the rates multiplier
• An uplift in the share of Pot B as described above. 2.7 WSP Consulting have assembled 3 detailed financial scenarios, based on the current 35% Pot B share:
• Do Nothing – to provide a baseline indication of the available income from the two Space to Grow Enterprise zone sites in Great Yarmouth that will be accrued over its lifetime, assuming no development anywhere on those 2 sites, including into the new campus site.
• The Project – This scenario shows the likely cost of servicing the gap in the project but also incorporates the estimated income that the first occupant, expected to commit in 2020, will provide.
• Full Build Out - this scenario shows the uplift in future Enterprise Zone income that the Zone will deliver between now and 2037/38, if there is full build out of the Campus.

The model makes the following main assumptions:
• Infrastructure investment includes costs for roadworks and maritime construction but excludes all other costs associated with the construction of office space and external works. The excluded costs associated with construction of office space and external works would be a separate project, yet to be specified and procured. There are no known building or development constraints.
• For full build out, the analysis assumes 25 percent occupancy in the first

year of operations and 100 percent occupancy by year 5, when estimating business rates revenues.
• The first development, to land concurrently with the construction of the project itself, is expected to have a rateable value of £392,000 with an associated annual business rates revenue of £180,000. The full build out assumes no additional infrastructure investment beyond that which the project will deliver.

The LEP will be presented with a detailed business case once the feasibility work is completed and a commercial cost has been established, to secure the necessary 518 increase in the Pot B intervention. This is consistent with other EZ sites across Norfolk and Suffolk.

The key risk is in the event of a fundamental change to the Business Rates system. Both the Space to Innovate and Space to Grow Enterprise Zones are subject to a legally binding 25-year agreement that guarantees local retention of 100% of rates collected or payable. However, if there is a change to the whole system of business rates, it will be important to ensure the status of Enterprise Zones is maintained. This will be a national issue.

The main focus of the proposal in this report is for the County Council to undertake the feasibility for the works, confirming the costing information and then consider the provision of funding which will be repaid with interest from future Enterprise Zone income.

All of the investment will be made to on land currently in the ownership of the Borough Council. It is proposed for the County Council to enter into a joint venture agreement with the Borough Council, as per Heads of Terms, which will involve joint commercial investment and joint receipt of the net returns achieved.

Norfolk County Council and Great Yarmouth Borough Council propose to each invest £1,000,000 cash towards the total costs of phase 1, subject to the findings of the more detailed feasibility work. The investment is expected to deliver a return through the derived income from the commercial uplift from phase 1 build out as set out in the report. NCC agree to share the uplift in rent, over and above the current income Great Yarmouth Borough Council achieve from the site. This will be set out in Heads of Terms on the joint venture agreement between Norfolk County Council and Great Yarmouth Borough Council.

The baseline rental income and forecast rental uplift, anticipated as a result of the phase 1 developments, has been calculated by Great Yarmouth Borough Council, as part of the site valuation. The majority of the rental uplift anticipated will be derived from the site improvements and demand for use of quayside access and improved pontoons. The uplift above the baseline will be shared 50/50 between Norfolk County Council and Great Yarmouth Borough Council.

Decision:

1. **To agree in principle for Norfolk County Council to deliver the Great Yarmouth Operations and Maintenance Campus as described in the report.**
2. **To agree to enter into formal joint working arrangements with Great Yarmouth Borough Council over the development of this project.**
3. **To agree that Norfolk County Council will complete a detailed feasibility study and preliminary design to establish a more accurate cost estimate for the scheme and ensure through modelling the river flows that the location is operationally viable.**
4. **To note at this stage the intention for Norfolk County Council and Great Yarmouth Borough Council to each invest £1m towards the cost of developing phase 1, subject to the findings of the feasibility study.**
5. **Depending on the feasibility study, secure agreement with Great Yarmouth Borough Council and New Anglia LEP to cover the funding gap through Pot B of the Enterprise Zone.**
6. **To bring back a further report to Cabinet for a final decision once the feasibility work is complete.**

Is it a key decision?	**Yes**
Is it subject to call in? **If Yes – Deadline for Call in**	**Yes** **4pm, Wednesday 15 April 2020**

Impact of the Decision:

The proposal is to create an Operations and Maintenance Campus at the southern tip of the South Denes peninsula, close to the outer harbour and river port. This new facility would be enabled through developing brownfield space and reclamation, providing capacity for office, technical areas and storage but there are currently no specific quayside facilities.

Evidence and reason for the decision:

The options presented in this report are those that are considered commercially acceptable based on the Hatch Regeneris demand and need study that found a strong demand for office space, whilst accommodating marine based, technical activities such as berthing and storage, favouring a non-phased development that includes ability to develop warehousing and offices spaces alongside berthing for service operating vessels and crew transfer vessels.

Alternative options considered and rejected:

There are two alternative options. Firstly, the do-nothing scenario. This would mean promoting the site in its current state, with the expectation that the market will provide all the necessary investment. We have already

ascertained that £2m is the limit on commercial funding, which would deliver a viable return. The gap is substantial, and no private sector investor would consider the site viable for investment as the achievable return through rent alone would not provide a commercial return within the operational lifetime of the units themselves.

It is also stressed that Enterprise Zone income, channelled through Pot B is designed to be used for interventions of this nature. The expectations for Enterprise Zones, when first set up was that local authorities or LEPs would borrow against future income and invest in the sites to enable them. We are actually proposing to borrow against baseline income, not projected income from future, but uncommitted development

The other option is to look for alternative sites. However, this is not practical for two reasons. The attractiveness of the proposed site is its close proximity to the sea. Depending on tidal conditions, every 1/4 mile north, along the river adds notable travel time, each way. Also, we are not aware of any vacant sites of similar size further north that could accommodate significant growth, and neither is there any vacant quay space.

Financial, Resource or other implications considered:

State Aid Implications The potential for State Aid has been considered in respect of the possible expenditure by Norfolk County Council to be reimbursed from Pot B, proposed to be paid towards the total costs for the delivery of phase 1 of the Great Yarmouth Operations and Maintenance Campus, and our analysis is that the scheme is compliant with currently applicable State Aid regulations.

Staff: There are no direct staff implications. The feasibility work would be led by NCC infrastructure delivery team, supported by WSP, and the associated fees incorporated in the project costs are expected to be recouped from Pot B.

Property: It is not proposed for Norfolk County Council to acquire any property assets as a direct result of the investment proposed, however, the report does seek approval to explore the creation of joint commercial arrangements which the Council would need to invest on a commercial basis.

Legal Implications: To secure Great Yarmouth Borough Council's obligations under the joint venture agreement, Norfolk county Council will secure a legal charge over the site and a restriction on the registered title of the site.

Record of any conflict of interest:

No conflict

Comments from Cabinet Members:

Cllr John Fisher
We need to ensure that Norfolk & GY benefit from them new renewables

industry. I think that GY missed out majorly to Aberdeen when North Sea gas was being established. At the time I was quite heavily involved with companies who moved to Aberdeen and left a small support base in GY. I think that the likes of Broadland DC and NNDC should be asked to show support too if only in a motion going through council but that would provide broader support for the project. We must ensure that GY benefits from the offshore wind industry.	
Background Documents:	
Date of Decision:	**6 April 2020**
Publication date of decision:	**6 April 2020**
Signed by Cabinet member: I confirm that I have made the decision set out above, for the reasons also set out  **Signed:** **Print name: Cllr Graham Plant** **Date: 06 April 2020**	
Accompanying Documents:	

Report to Cabinet

Item No. 13

Report title:	**Great Yarmouth Operations and Maintenance Campus**
Date of meeting:	**6 April 2020**
Responsible Cabinet Member	**Councillor Graham Plant (Cabinet Member for Growing the Economy)**
Responsible Director:	**Tom McCabe (Executive Director, Community and Environmental Services)**
Is this a key decision?	**Yes**

Introduction from Cabinet Member

The energy sector provides Great Yarmouth and Norfolk with arguably the single most important economic opportunity for a generation. Oil and Gas has been a mainstay of the economy for over 50 years and the recent emergence of offshore renewables has presented Great Yarmouth's port, its supply chain and its skills base with the chance of enjoying hugely significant growth and investment.

The Local Industrial Strategy identifies the sector as one of the three most important for Norfolk and Suffolk, and our own strategy is focussed on ensuring we take the necessary steps, working with partners to create the ideal conditions to attract and retain investment, and to optimise the assets we have. One of the principal benefits from offshore renewables investment is the long-term operations and maintenance function. Great Yarmouth already benefits from the presence of several businesses undertaking this work, but research has shown we can do a lot more to provide the facilities they need.

This proposal to establish an Operations and Maintenance Campus in Great Yarmouth is a bold initiative that we have already received very positive feedback on from the industry. Great Yarmouth is fortunate that part of the campus falls in the Enterprise Zone which gives us a unique opportunity to provide the necessary public funding to enable the project. Research has shown it will give Great Yarmouth an asset that will enable the area to rival other parts of the UK and to accelerate the growth we are already seeing in the energy sector (see Appendix A). This project has emerged through strong partnership working and could not have been conceived and developed as far as it has without the support of the New Anglia LEP, Great Yarmouth Borough Council and Peel Ports. If it proceeds, Norfolk County Council will continue to work closely on the project with partners.

Executive Summary

The project seeks to create an Operations and Maintenance (O&M) Campus in Great Yarmouth, capitalising on space in Borough Council ownership at the southern tip of the Great Yarmouth South Denes peninsula, which is under-utilised. It is closest to the Southern North Sea wind farm arrays with access to deep water as well as the river port, which the project will upgrade or enhance through three separate work packages.

The project is a collaboration between Great Yarmouth Borough Council, Norfolk County Council and New Anglia Local Enterprise Partnership (NALEP) who provide ownership and governance for the Space to Grow Enterprise Zone (Enterprise Zone) in the Great Yarmouth Borough.

The idea of the Campus is to attract O&M investment from companies that will be engaged with off shore wind farm development and maintenance over the coming 25 years. There is available land at the end of the South Denes peninsula, but in order to make the facility more accessible and attractive for businesses investing here, repairs and an enhancement package is required. This consist of:

- 170m of river quay refurbishment and upgrading
- New pontoons
- Revised road layout to optimise the land available for development, and associated infrastructure works.

NCC consultants (WSP) have undertaken an initial financial study of the viability of the project. A further feasibility study is now required to assess the likely construction costs and confirm that the allowances made to date are adequate. It is also necessary to assess the operation of the facility, including river modelling to ensure that navigation and sediment transfer are not compromised.

Subject to the findings of the feasibility study, it the initial business plan suggests that a commercial component of investment would come from NCC and GYBC, each investing £1m, and sharing rental income derived from an uplift in future site occupancy and revenue from the quay refurbishment and pontoons.

The remaining amount required to deliver the project (subject to the feasibility study findings) is proposed could be funded by NCC and recovered through Pot B of the Enterprise Zone. This is the element of the business rates retention that is designed to be used to enable investment to accelerate future growth.

WSP have undertaken an initial study of the expected income from this enterprise zone business rates over the next 18 years. This study demonstrates that, with a modest increase in the percentage of business rates income allocated to the Pot B component of the zone income, the current anticipated viability gap can be afforded. Great Yarmouth BC, NALEP and NCC have provided in principle agreement to this increase, which will be further informed by the feasibility study.

Discussions have taken place between Great Yarmouth Borough Council and Norfolk County Council in order to establish a possible delivery vehicle to enable this project to proceed under joint commercial arrangements. If the project proceeds, the parties contemplate entering into a contractual joint venture agreement (Proposed Contract), in preference over the alternative option of establishing a new joint venture company.

All three parties to the project agree that the best next steps are to undertake a detailed feasibility study exercise and preliminary design to establish more details relating to the likely costs for the scheme and to confirm through river modelling that the operations in this location remain viable. This would enable a more detailed figure for an uplift in the Pot B allocation to be agreed between the parties and will confirm the likely funding for the total cost of the project.

Maritime works are costly, and without public sector support this project will not proceed and we will be less likely to attract new investment. There are various proposals at other east coast ports and there is a danger that investment will migrate there unless we create a facility of equal or better status.

Benefits

Great Yarmouth will be provided with a first-class facility on which to attract new O&M and related investment. The net cost to the public sector will be reduced due to the additional rates income received via the new development on the Enterprise Zone. It is estimated that some 500 new jobs could be located here and depending on configuration this could be higher.

This project supports the ambitions of both the Norfolk and Suffolk Economic Strategy, and the Local Industrial Strategy by seeking to capitalise on the offshore renewables sector opportunity and delivering business investment and growth in that sector.

Recommendations

1. **To agree in principle for Norfolk County Council to deliver the Great Yarmouth Operations and Maintenance Campus as described in the report.**

2. **To agree to enter into formal joint working arrangements with Great Yarmouth Borough Council over the development of this project.**

3. **To agree that Norfolk County Council will complete a detailed feasibility study and preliminary design to establish a more accurate cost estimate for the scheme and ensure through modelling the river flows that the location is operationally viable.**

4. **To note at this stage the intention for Norfolk County Council and Great Yarmouth Borough Council to each invest £1m towards the cost of developing phase 1, subject to the findings of the feasibility study.**

5. **Depending on the feasibility study, secure agreement with Great Yarmouth Borough Council and New Anglia LEP to cover the funding gap through Pot B of the Enterprise Zone.**

6. **To bring back a further report to Cabinet for a final decision once the feasibility work is complete.**

1. Background and Purpose

1.1 This project seeks to exploit the now well-established offshore renewables sector opportunity off the east coast and the Enterprise Zone that covers sites in Great Yarmouth and Lowestoft. The Enterprise Zone's 2017 strategy, sector focus and rationale is contained in the Space to Grow brochure.

1.2 Further justification for pursuing this opportunity is contained in the Great Yarmouth Economic Growth Strategy 2017-2021 and the opportunity aligns to the actions under Aim 4: A Prosperous Physical Environment and Improved Infrastructure, bringing more land to market and reinvesting enterprise zone rates growth.

1.3 Additional rationale is the Norfolk and Suffolk Economic Strategy that makes mention of Great Yarmouth and Lowestoft being the world's largest market for offshore wind along with over 150 serviceable offshore gas assets, employing a combined 8,469 people in 834 local companies. The key opportunity in this sector has been identified as linking offshore generation and energy use, technology and product development across oil, gas and renewables. This was further bolstered by the Draft Norfolk and Suffolk Local Industrial Strategy. This highlights that roughly half of the Sector Deal's

30GW of electricity by 2030 ambition will be delivered off the coast of Norfolk and Suffolk, with 14.5GW in the existing pipeline, valued at £20bn. Local partners are working to support the supply chain, deliver the Sector Skills Plan to realise the forecasted 600 per cent growth in well-paid skilled work (6,150 FTEs) and meet the projected operations and maintenance opportunity worth £1.3bn per annum by 2025 in the East of England. An action specified in the strategy is to enhance the capacity and capability of Norfolk and Suffolk's ports with a series of ambitious projects to attract and capture manufacturing, construction and operations and maintenance investment, to serve the offshore energy market.

1.4 Over the past decade, the clean energy market has been growing steadily in the East of England. In that time, the prediction that the UK would have the largest offshore wind market in the world has been borne out and this trend is set to grow, as described in the previous paragraph. The North Sea hosts the largest part of the market opportunity, especially in the Southern North Sea (SNS). As wind farms are built out, the demand for space to host Operations and Maintenance facilities grows. Great Yarmouth already hosts several facilities – notably Dudgeon and Hi Wind, with Vattenfall also committed in principle, along with several supply chain companies. But WSP's research (and feedback from industry we receive) suggests there is more demand that could be satisfied in Great Yarmouth if the right facilities are in place.

1.5 Employment in the sector has grown above the national average since 2010, while commercial vacancy rates have stayed relatively low – an indication that business formation might be curtailed by the lack of commercial space.

1.6 In December 2018, a Demand and Needs assessment undertaken by Hatch Regeneris considered the demand for O&M facilities at an international, national and local scale and was based on both primary and secondary data. This study showed demand for an O&M facility in an optimum location and that it is supported by a sector that is growing at national and regional scales. Locally there are very low commercial vacancy rates and falling floorspace in the region demonstrates the demand for more facilities. The market trend shows most demand for office space was for developments less than 20,000sqft and industrial units between 2,000 at the lowest end and 20,000sqft at the higher.

1.7 Norfolk has a major concentration around offshore energy, founded on oil and gas, but migrating in the last 10 years into renewables. With many skills and capabilities around offshore surveying, exploration, drilling, rig movement, extraction/production and servicing, plus installation of wind turbines and their operation and maintenance. Clean Energy is a priority in both the national and Norfolk and Suffolk Local Industrial Strategies, and Great Yarmouth is the closest deep-water port to the largest offshore wind market in the world, with significant potential to contribute to UK plc.

1.8 Great Yarmouth is near to offshore energy projects in the southern North Sea are estimated to be worth over £39billion in the next 20 years. It is already home to over 50% of the UK's installed capacity and further growth is planned over the next 10 years (Source: completion of Contracts for Difference (CfD) Allocation Round 3). The impending onshore cabling for Ørsted and Vattenfall contracts offers further opportunity for supply chain companies.

1.9 Building on local investments by Dudgeon, Galloper, Scottish Power Renewables and Vattenfall, Norfolk County Council is seeking to attract new supply chain growth by building a new Operations and Maintenance (O&M) campus close to the deep-water harbour and with access to enhanced and upgraded river port facilities. It will offer the closest and most immediate access to the open sea and the offshore wind farms.

1.10 This will further enhance Great Yarmouth's existing O&M capability and offer businesses the shortest journey to the windfarms in the North Sea. The site will include shared quay and external laydown space, with room for bespoke offices and technical facilities for developers and supply chain businesses.

1.11 The Space to Grow Enterprise Zone, comprising two sites including much of the South Denes Area, is already generating income through 100% retained business rates. A percentage of this income, currently 35% which is expected to be increased once full costs are known is available to be used to enhance, accelerate or enable development on the two sites. This is called "Pot B income" and a key outcome from its deployment, alongside the economic benefits is the further growth of Enterprise Zone income that can then be used for future projects.

2. Proposals

2.1 The proposal is to create an Operations and Maintenance Campus at the southern tip of the South Denes peninsula, close to the outer harbour and river port. There is enough land that can be combined and presented as a single entity and be used for office, technical areas and storage but there are no associated quayside facilities which are essential. The proposal is to:

- enhance Berths 1A and 1B, making them available for businesses located nearby to berth Crew Transfer Vessels (CTV) and Operational Vessels
- create additional pontoon facilities projecting from the spending beach for smaller CTV
- undertake road and other infrastructure improvements in order to optimise the land available

2.2 The quayside is in poor condition and whilst the adjacent land can be used, there are existing tenancies on the site and the quays are not usable. The cost of bringing the quays back to a usable state is not commercially viable and so this is a key principle element of the project. The adopted Core Strategy Local Plan (2015) recognises the importance of the port and its industries. A key strategic objective (SO 4) of the Local Plan is strengthening the competitiveness of the local economy by promoting the River Port and Outer Harbour on a Local, National, European and international Scale as an attractive base for business. The emerging draft Local Plan (2020) continues to support proposals for port related developments and in particular development related to the offshore energy industry. The above proposal would be consistent with the strategic objectives of the adopted Local Plan and the policies in the emerging Local Plan. In addition, it is worth noting that, the Third River Crossing proposal, if approved, will significantly improve accessibility to the Port and Harbour areas and support the wider regeneration of the waterfront and town centre.

2.3 The project has involved initial consultation with local industry, including offshore wind developers (both those that have local connections and those that have not used the local ports). Great Yarmouth Council and the LEP have been fully engaged with the project throughout its development. The overall project concept has been presented to two separate Gt Yarmouth Borough Council committees where it was fully endorsed. However, it is recognized there will need to be engagement with the local community.

2.4 The proposal is for Norfolk County Council to lead on the delivery of the works. The next steps will be to develop a more detailed feasibility report that will consider construction and associated costs, as well as wider operational details, including modelling the river corridor to assess details such as navigational operation and sediment migration.

2.5 For much of 2019 we have been pursuing grant opportunities to contriute to the total estimated project costs, but there have been none so far with suitable criteria that we could apply for. WSP has assessed that £2m of the cost is feasible to be provided on a commercial basis, with the remainder to be provided by the county council, repayable from Enterprise Zone income. This highlights the need to ensure adequate feasibility work is completed to ensure the cost exposure and risk for the county council is fully developed and understood before moving the project forwards.

2.6 Enterprise Zone income over the next 17 years is significant. The current baseline, assuming no additional development anywhere on the Great Yarmouth EZ sites has the potential to provide the majority of the capital and interest repayments. Any one of several factors will deliver an uplift in the baseline to more than meet the total required to enable full repayment:

- One or two developments elsewhere on the EZ, either on the South Denes or Beacon Park
- Development on the Campus itself
- An uplift in the rates multiplier
- An uplift in the share of Pot B as described above.

2.7 WSP Consulting have assembled 3 detailed financial scenarios, based on the current 35% Pot B share:

- Do Nothing – to provide a baseline indication of the available income from the two Space to Grow Enterprise zone sites in Great Yarmouth that will be accrued over its lifetime, assuming no development anywhere on those 2 sites, including into the new campus site.
- The Project – This scenario shows the likely cost of servicing the gap in the project but also incorporates the estimated income that the first occupant, expected to commit in 2020, will provide.
- Full Build Out - this scenario shows the uplift in future Enterprise Zone income that the Zone will deliver between now and 2037/38, if there is full build out of the Campus.

2.8 The model makes the following main assumptions:

- Infrastructure investment includes costs for roadworks and maritime construction but excludes all other costs associated with the construction of office space and external works. The excluded costs associated with construction of office space and external works would be a separate project, yet to be specified and procured. There are no known building or development constraints.
- For full build out, the analysis assumes 25 percent occupancy in the first year of operations and 100 percent occupancy by year 5, when estimating business rates revenues.
- The first development, to land concurrently with the construction of the project itself, is expected to have a rateable value of £392,000 with an associated annual business rates revenue of £180,000.

The full build out assumes no additional infrastructure investment beyond that which the project will deliver.

2.9 The LEP will be presented with a detailed business case once the feasibility work is completed and a commercial cost has been established, to secure the necessary

increase in the Pot B intervention. This is consistent with other EZ sites across Norfolk and Suffolk.

2.10 The key risk is in the event of a fundamental change to the Business Rates system. Both the Space to Innovate and Space to Grow Enterprise Zones are subject to a legally binding 25-year agreement that guarantees local retention of 100% of rates collected or payable. However, if there is a change to the whole system of business rates, it will be important to ensure the status of Enterprise Zones is maintained. This will be a national issue.

2.11 The main focus of the proposal in this report is for the County Council to undertake the feasibility for the works, confirming the costing information and then consider the provision of funding which will be repaid with interest from future Enterprise Zone income.

2.12 All of the investment will be made to on land currently in the ownership of the Borough Council. It is proposed for the County Council to enter into a joint venture agreement with the Borough Council, as per Heads of Terms, which will involve joint commercial investment and joint receipt of the net returns achieved.

2.13 Norfolk County Council and Great Yarmouth Borough Council propose to each invest £1,000,000 cash towards the total costs of phase 1, subject to the findings of the more detailed feasibility work. The investment is expected to deliver a return through the derived income from the commercial uplift from phase 1 build out as set out in the report. NCC agree to share the uplift in rent, over and above the current income Great Yarmouth Borough Council achieve from the site. This will be set out in Heads of Terms on the joint venture agreement between Norfolk County Council and Great Yarmouth Borough Council.

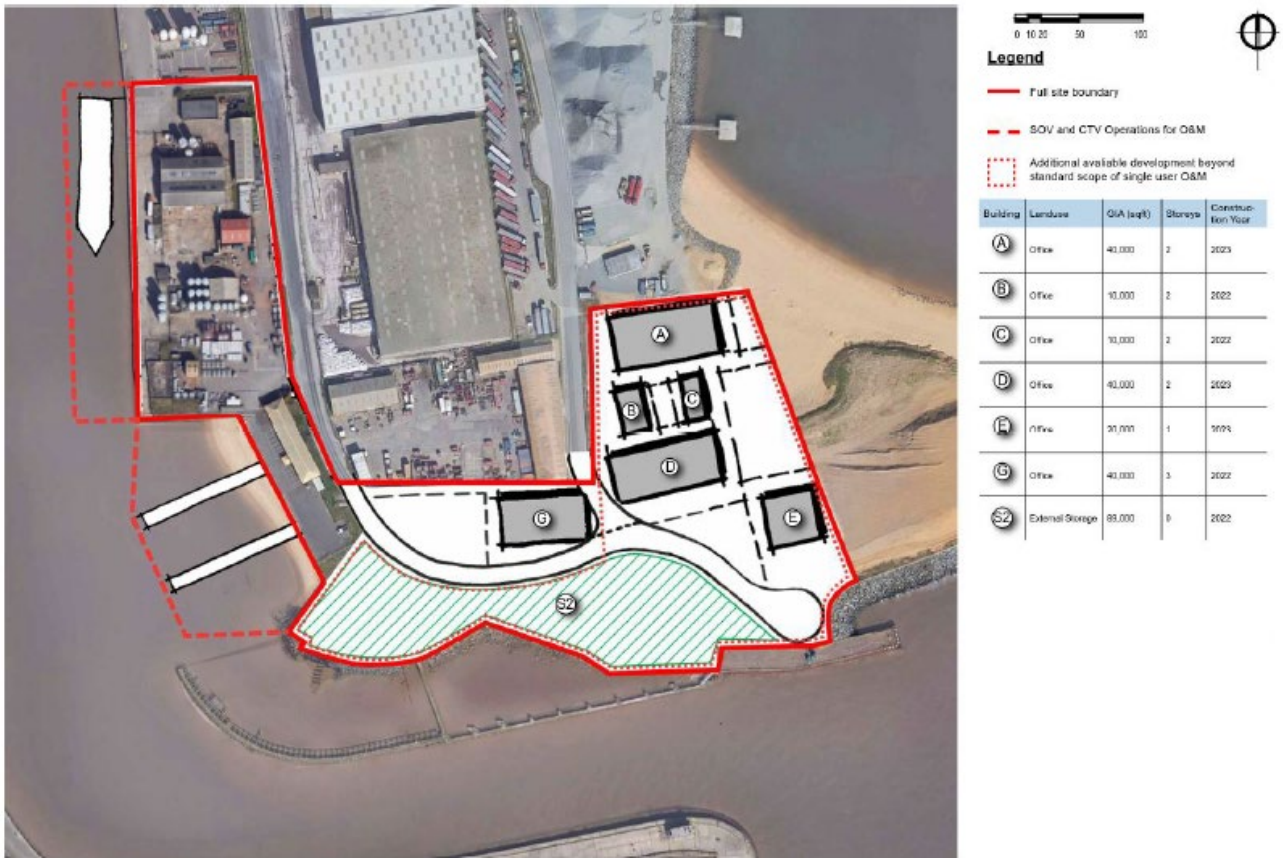
2.14 The baseline rental income and forecast rental uplift, anticipated as a result of the phase 1 developments, has been calculated by Great Yarmouth Borough Council, as part of the site valuation. The majority of the rental uplift anticipated will be derived from the site improvements and demand for use of quayside access and improved pontoons. The uplift above the baseline will be shared 50/50 between Norfolk County Council and Great Yarmouth Borough Council.

3. Impact of the Proposal

3.1 The proposal is to create an Operations and Maintenance Campus at the southern tip of the South Denes peninsula, close to the outer harbour and river port. This new facility would be enabled through developing brownfield space and reclamation, providing capacity for office, technical areas and storage but there are currently no specific quayside facilities.

3.2 The proposal is to enhance Berths 1A and 1B, by upgrading the derelict quay pilings and associated works. The quay is owned by the Borough Council, who lease part of the site to local businesses. They are not able to use the quays, and are not directly affected by this report. However, the Borough Council will be liaising with current tenants to allow for access.

3.3 The full build out of the project will create a total of 288,700 sqft of lettable space, of which 162,700 sqft would be office and the remainder would be a mix of internal and external storage space. This could support 500+ permanent professional office jobs and associated manual labour roles as demanded for the storage and lay up facilities. The drawing below is indicative and subject to change.



3.4 The key impact of the proposal will be the creation of a viable, highly attractive location for offshore energy businesses, especially in renewables but not exclusively, who will be able to operate in an optimum location, close to flexible port facilities, and with direct access to the sea.

4. Evidence and Reasons for Decision

4.1 The options presented in this report are those that are considered commercially acceptable based on the Hatch Regeneris demand and need study that found a strong demand for office space, whilst accommodating marine based, technical activities such as berthing and storage, favouring a non-phased development that includes ability to develop warehousing and offices spaces alongside berthing for service operating vessels and crew transfer vessels.

4.2 This has been recently reinforced in discussions with Vattenfall who were consultees a year ago. They have shown considerable interest in the proposals which they were pleased to see accord with their initial feedback to WSP. It is proposed to include the Campus in their imminent Invitation to Tender as a local asset if this report is approved.

4.3 The above plan is considered an example of how this site can be optimised - especially given it has not been seen as a commercially viable location. By linking it to refurbished river port facilities, deep water access as well as new pontoons it will place Great Yarmouth at the forefront of being able to attract investment. It is also shown to be financially viable.

5. Alternative Options

5.1 There are two alternative options. Firstly, the do-nothing scenario. This would mean promoting the site in its current state, with the expectation that the market will provide all the necessary investment. We have already ascertained that £2m is the limit on commercial funding, which would deliver a viable return. The gap is substantial, and no private sector investor would consider the site viable for investment as the achievable return through rent alone would not provide a commercial return within the operational lifetime of the units themselves.

5.2 It is also stressed that Enterprise Zone income, channelled through Pot B is designed to be used for interventions of this nature. The expectations for Enterprise Zones, when first set up was that local authorities or LEPs would borrow against future income and invest in the sites to enable them. We are actually proposing to borrow against baseline income, not projected income from future, but uncommitted development

5.3 The other option is to look for alternative sites. However, this is not practical for two reasons. The attractiveness of the proposed site is its close proximity to the sea. Depending on tidal conditions, every 1/4 mile north, along the river adds notable travel time, each way. Also, we are not aware of any vacant sites of similar size further north that could accommodate significant growth, and neither is there any vacant quay space.

6. Financial Implications

6.1 **State Aid Implications**
The potential for State Aid has been considered in respect of the possible expenditure by Norfolk County Council to be reimbursed from Pot B, proposed to be paid towards the total costs for the delivery of phase 1 of the Great Yarmouth Operations and Maintenance Campus, and our analysis is that the scheme is compliant with currently applicable State Aid regulations.

6.2 State Aid has also been considered in respect of Norfolk County Council and Great Yarmouth Borough Council's investment of £1m cash each towards the total costs to deliver phase 1 of the Great Yarmouth Operations and Maintenance Campus, as described in the report and again is viewed as compliant with current State Aid regulations.

6.3 Aid for maritime port infrastructure (e.g. berths, quay walls, jetties and floating pontoon ramps in tidal areas, internal basins), dredging and port access infrastructure (e.g. roads, rail tracks, channels and locks) can now be provided against total investment costs of up to €130m under the amending Commission Regulation (1084/2017) amending General Block Exemption Regulation 651/2014.

6.4 The parties note that this amending Regulation specifically provides that the amount of aid is limited to 100% of eligible costs for total costs up to €20m.

6.5 However, the amount of aid must also not exceed the viability gap of the investment project, namely the gap between total investment costs less operating profit (income, less operating costs) over a reasonable reference period. If, as in this Proposed Contract, the total aid amount sought is less than €5m, then it can be capped at 80% of total eligible costs rather than the viability gap noted above. The aid intensity is not reduced for access roads and dredging.

6.6 Norfolk County Council and Great Yarmouth Borough Council have considered and acknowledged that the port infrastructure funded as above must be open to interested users on an equal and non-discriminatory basis and any contracts concessionary or otherwise to construct, upgrade, operate or rent such infrastructure should be awarded only following a transparent and non-discriminatory procurement process.

6.7 The Project costs, in terms of a high-level financial viability assessment, have been assessed by WSP Consulting, (a strategic partner of Norfolk County Council and an independent professional services firm). However, it is recommended that the assumptions made in the viability work is further assessed in terms of construction and operation, before a final decision on project delivery is made.

6.8 This report also seeks, to agree in principle, to enter into formal joint working arrangements between Norfolk County Council and Great Yarmouth Borough Council over the development of this project, which could include contributing £1m each to the commercial cost, in the expectation of deriving shared income from the uplift in commercial value the project will deliver.

6.9 Initial discussions have taken place between the parties in order to establish a suitable delivery vehicle to enable this Project to proceed under joint commercial arrangements, and the parties contemplate entering into a contractual joint venture agreement (Proposed Contract), in preference over the alternative option of establishing a new joint venture company.

7. Resource Implications

7.1 **Staff**: There are no direct staff implications. The feasibility work would be led by NCC infrastructure delivery team, supported by WSP, and the associated fees incorporated in the project costs are expected to be recouped from Pot B.

7.2 **Property**: It is not proposed for Norfolk County Council to acquire any property assets as a direct result of the investment proposed, however, the report does seek approval to explore the creation of joint commercial arrangements which the Council would need to invest on a commercial basis.

7.3 **IT**: There are none

8. Other Implications

8.1 **Legal Implications**:
To secure Great Yarmouth Borough Council's obligations under the joint venture agreement, Norfolk county Council will secure a legal charge over the site and a restriction on the registered title of the site.

8.2 **Human Rights implications:**
None at this stage.

8.3 **Equality Impact Assessment (EqIA) (this must be included)**
If this project is agreed, an equality impact assessment will be undertaken to inform the public consultation phase and then revised based upon relevant feedback in order to inform subsequent key decision points, to examine how the proposal is likely to impact on people with protected characteristics. If agreed, the project has the potential to play its part in making Norfolk an accessible county – a priority identified in Together, for Norfolk, the Council's six year business plan.

8.4 **Health and Safety Implications**: (where appropriate)
The Head of Health, Safety and Well-being will be consulted to ensure all relevant health and safety matters are considered, including working closely with the port operators and port authority.

8.5 **Sustainability Implications** (where appropriate)
This project strongly supports the 'clean growth' section of NALEP Local Industrial Strategy and 'Together for Norfolk'. The County Council's Environment Policy, defines the Councils support for renewable energy generation which this project supports and further, the reductions in steaming times up and down the river will also help make the project more sustainable.

Clean growth sits at the heart of this Local Industrial Strategy. Norfolk and Suffolk are at the forefront of tackling the challenges and opportunities of climate change. Enabling site development at Great Yarmouth to facilitate renewable energy companies to invest to service these opportunities, further supports the strategic ambitions.

9. Risk Implications/Assessment (this must be included in decision-making Cabinet reports only)

9.1 The key risk is in the event of a fundamental change to the Business Rates system. Both the Space to Innovate and Space to Grow Enterprise Zones are subject to a legally binding 25 year agreement that guarantees local retention of 100% of rates collected or payable. However, if there is a change to the whole system of business rates, it will be important to ensure the status of Enterprise Zones is maintained. This will be a national issue.

9.2 The £2m investment from Norfolk County Council and Great Yarmouth Borough Council (£1m each) is expected to deliver a return derived through the commercial uplift from the phase 1 build as set out in the report. Whilst the intention is that both councils will share the uplift in rent over and above the current income Great Yarmouth Borough Council achieve from the site, there is a risk that no additional return is achieved or it takes time before a return is received.

9.3 Failure to construct and deliver the Great Yarmouth Operations and Maintenance Campus within agreed budget and to the agreed timescales. This is why it is recommended that further feasibility work is completed before a final commitment to proceed with the project is made.

9.4 There are various proposals at other east coast ports and there is a danger that investment will migrate/or there could be competition, unless we create a facility of equal or better status.

10. Recommendation

1. **To agree in principle for Norfolk County Council to deliver the Great Yarmouth Operations and Maintenance Campus as described in the report.**

2. **To agree to enter into formal joint working arrangements with Great Yarmouth Borough Council over the development of this project.**

3. **To agree that Norfolk County Council will complete a detailed feasibility study and preliminary design to establish a more accurate cost estimate for the scheme and ensure through modelling the river flows that the location is operationally viable.**

4. **To note at this stage the intention for Norfolk County Council and Great Yarmouth Borough Council to each invest £1m towards the cost of developing phase 1, subject to the findings of the feasibility study.**

5. **Depending on the feasibility study, secure agreement with Great Yarmouth Borough Council and New Anglia LEP to cover the funding gap through Pot B of the Enterprise Zone.**

6. **To bring back a further report to Cabinet for a final decision once the feasibility work is complete.**

Background Papers

List here those papers referred to in compiling this report and provide links where possible. (Only those that do not contain exempt information).

Space to Grow brochure: https://newanglia.co.uk/wp-content/uploads/2017/10/Space-to-Grow-EZ-brochure.pdf

Great Yarmouth Economic Growth Strategy 2017-2021 https://www.great-yarmouth.gov.uk/CHttpHandler.ashx?id=2614&p=0

Hatch Regeneris 2018 Demand and Need Study (see Appendix A)

Great Yarmouth Multi User Energy Sector Facility – Summary Report April 2019

Great Yarmouth Multi User Energy Sector Investment Appraisal October 2019

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Norfolk County Council

Great Yarmouth Energy Sector Business Facilities: Demand and Needs Assessment

12 December 2018

www.hatchregeneris.com

Contents Page

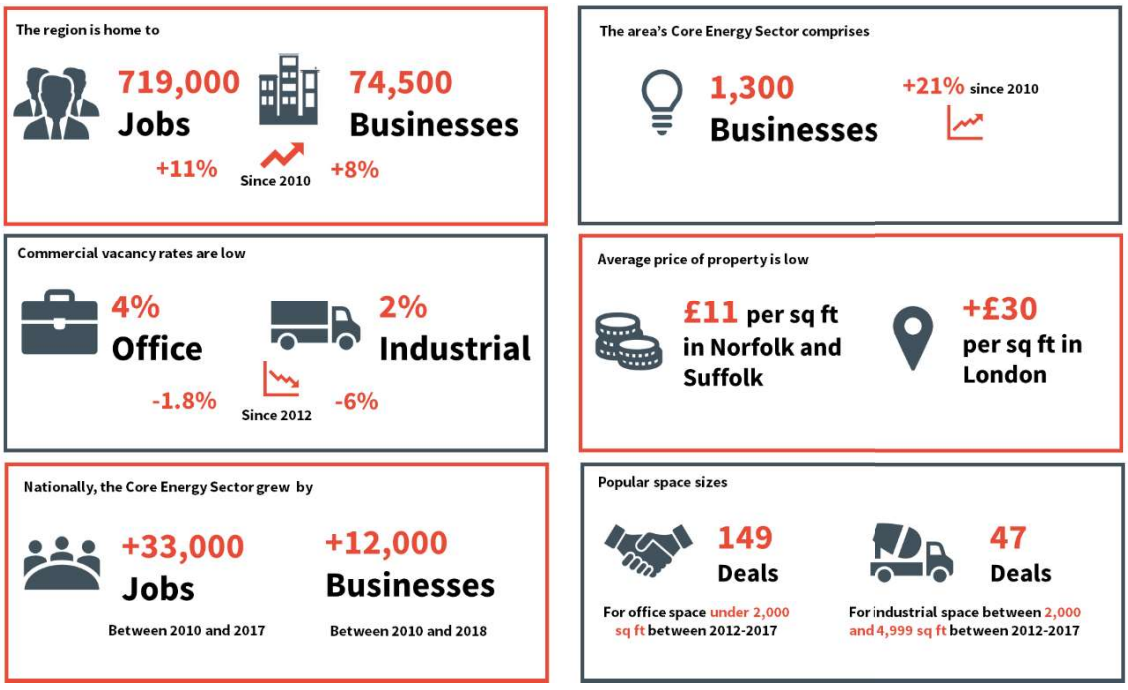
Executive Summary

i. Great Yarmouth is one of the UK's main offshore energy centres, utilising its strategic location and port facilities to service the oil and gas industry. There is an opportunity to futureproof this position by capitalising on the recent growth of the offshore renewables sector. To ensure this opportunity is realised, Norfolk County Council, Great Yarmouth Borough Council and the New Anglia LEP are proactively seeking to raise the area's profile by creating facilities which are likely to attract investment.

ii. These plans are being progressed through a masterplan which is being developed by WSP. This will outline the optimum design and specification for a shared Operations and Maintenance (O&M) facility in Great Yarmouth. Through the masterplanning process, commercial viability will be tested, timelines and regulatory hurdles will be considered and funding sources identified.

iii. The masterplan is underpinned by this demand study which aligns design proposals with the growth needs of the energy sector. It considers demand at international, national and local scales and is based on analysis of primary and secondary data. This report is accompanied by a complimentary Foreign Direct Investment (FDI) assessment which outlines key international trends and considers the ability of Great Yarmouth to attract inward investment.

Figure 1.1 Statistical Summary of Results



1.2 **This study shows that there is some demand for shared O&M developments to be brought forward in Great Yarmouth. The Core Energy Sector is experiencing strong growth at national and regional scales and some relevant organisations expressed an interest in new space. This is complemented by low commercial vacancy rates and falling floorspace in the region. If the masterplan is conscious of mixed opinions from operations and supply chain**

businesses about design and operations, Great Yarmouth can take advantage of the current and future opportunities presented by the growth of the sector.

International Trends

iv. International investment into the UK could lead to increased demand for facilities in Great Yarmouth. The UK has performed well in terms of attracting FDI, with high levels of inward investment from the USA, Europe and Asia. The East of England is yet to fully benefit from FDI to the same extent as other regions, performing poorly in relation to FDI projects and new jobs created. Despite this, there were 68 FDI projects involving the renewable energy sector in the UK in 2017-18. Developments which enhance the attractiveness of Great Yarmouth could help to boost the FDI competitiveness of the East of England as a whole.

National Trends

v. The growth of the Core Energy Sector nationally suggests that there could be demand for new facilities across the country. There has been a significant growth in the number of businesses and number of people in employment within the sector - between 2010 and 2018, there was an increase of 12,000 Core Energy Sector businesses and between 2010 and 2017 an extra 33,000 people in employment.

Regional Trends

vi. Regional sector analysis reveals that Norfolk and Suffolk have a specialism in the Core Energy Sector, indicating that there could be demand for new sector-specific developments. The region's Core Energy Sector is on a positive growth trajectory, experiencing a 21% increase in the number of businesses between 2010 and 2018. This means that the region now has a higher concentration of Core Energy Sector businesses than the national average. Business growth is supplemented by an increase in the number of people employed in the sector which grew by 10% between 2010 and 2017.

Regional Commercial Market Trends

vii. The region's healthy commercial market illustrates demand for new office and industrial developments in Norfolk and Suffolk. Key findings include:

- **Low vacancy rates** – in 2017, office and industrial vacancy rates in Norfolk and Suffolk were lower than the England average
- **Lower rental prices –** Norfolk and Suffolk have lower rental prices on average than other areas in the South East of England
- **Fall in floorspace** – there has been a net fall in the amount of available industrial and office floorspace since 2012

viii. Market trends show that most demand for office space in the region is for developments which are under 20,000 sq ft. Similarly, the most popular industrial development size was between 2,000 and 4,999 sq ft, with demand tailing off for developments with a footprint over 20,000 sq ft.

Regional Growth Potential

ix. Wider analysis of the region's growth potential demonstrates the area's capacity for absorbing future growth of the Core Energy Sector. Forecasts show that there is projected to be a larger workforce with a changing qualification profile. Education and industry partnerships are shown to be critical for bringing forward the skills required to facilitate the growth of the sector.

Demand for a Multi-User Business Centre

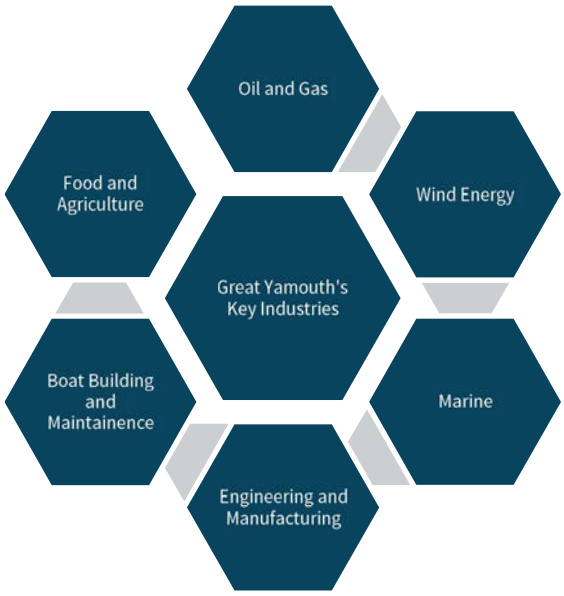
x. Consultation was undertaken to capture the views of energy sector businesses, their supply chains and industry experts. This indicated demand for the right type of shared developments in Great Yarmouth. The following themes capture the demand for O&M facilities in Great Yarmouth:

- **Timing of proposed development** – multiple large-scale energy sector businesses would consider locating in Great Yarmouth if the right facility became available
- **Challenges and opportunities** – whilst Great Yarmouth's port rates and connectivity were highlighted as potential restrictions to growth, the skills base and technical considerations make development in Great Yarmouth an attractive proposition
- **Mixed opinions on shared facilities** – overall consultees responded positively to the idea of shared O&M facilities *if* consideration is made to commercial sensitivity and security
- **Demand for the right developments** – demand appears to exist for developments which provide an uplift on available office space and offer the ability to house clean and dirty activities at the same facility
- **Clear steer on aviation and ancillary developments** – whilst aviation facilities can help to attract supply chain companies to the area, other ancillary developments were not deemed essential to the attractiveness of an O&M facility

1. Introduction

1.1 Great Yarmouth has been one of the UK's main offshore energy centres for over 50 years. It is now England's largest, with over 400 specialist businesses operating within an extensive offshore supply chain. The key industries operating in the area are displayed below.

Figure 1.1 Key Industries Operating in Great Yarmouth



Source: Hatch Regeneris, 2018

1.2 The area operates within a competitive market. There are several other places of national importance, including: Tees Valley (e.g. Hartlepool, Stockton, Darlington, Middlesbrough and Redcar), Humber (e.g. Grimsby, Hull and Immingham), Liverpool City Region (e.g. Liverpool, Sefton, Knowsley and Widnes), South East (Thamesport, Sheerness, Ramsgate, Whitstable, Harwich and Brightlingsea) and Lowestoft.

1.3 The last few years have been difficult for the oil and gas industry due to a range of political and economic factors. There are, however, several emerging opportunities for Great Yarmouth particularly related to offshore renewable energy. While the renewables industry has grown at a slower rate than expected over the last decade, the UK market accelerated in recent years as the sector has substantially reduced costs and the government has made more money available for operators.

1.4 Great Yarmouth has a number of comparative strengths in offshore renewable energy, including:

- A high concentration of windfarms within 100 miles (e.g. Scroby Sands, Sheringham School, East Anglia Array, Hornsea and Dogger)
- A range of specialist support businesses (e.g. 3Sun Group, ODE and Seajacks)
- Presence of globally significant multinationals (e.g. Siemen's wind turbine assembly location and installation facility for the Galloper and East Anglia ONE windfarms)
- Its classification as one of the government's five Centres for Offshore Renewable Engineering with Lowestoft

1.5 This, alongside other emerging opportunities (e.g. around decommissioning), has stimulated investor interest which has come to the attention of Norfolk County Council, Great Yarmouth Borough Council and the New Anglia LEP. In an attempt to capitalise on this, they have developed two proposals to explore as displayed in the box below. The aim is to provide the right type of space required for different types of businesses working within or alongside the energy sector.

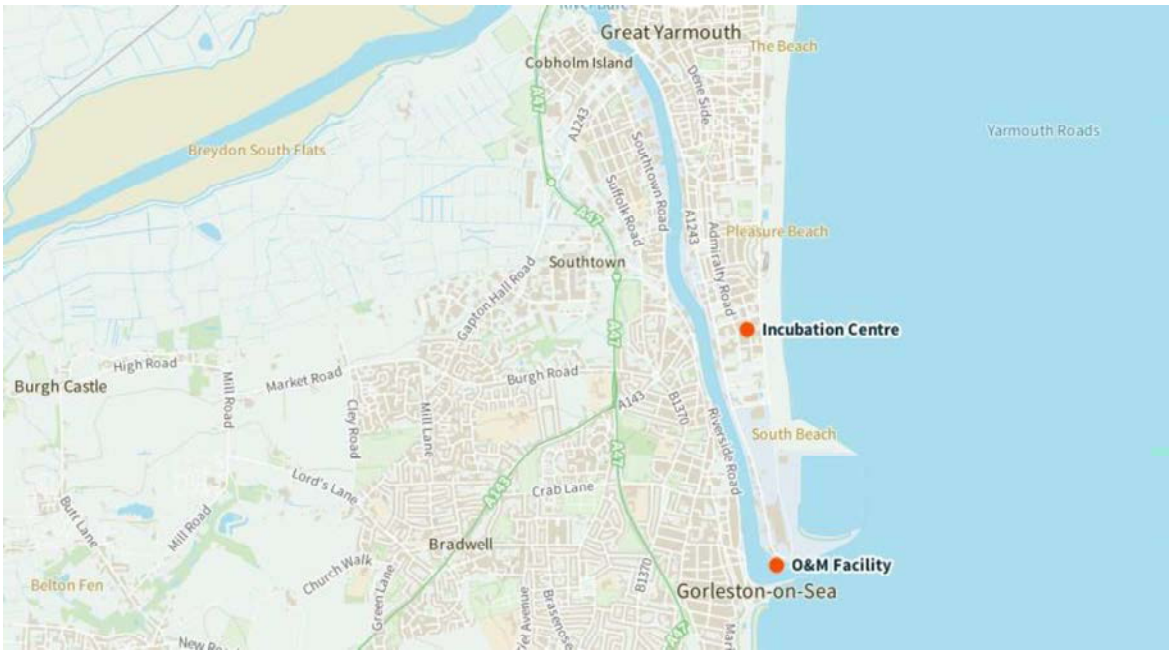
Proposal 1: Operations and Maintenance Facility

- Development of a shared facility to support businesses that operate and maintain offshore energy technologies
- Facility to be used by different businesses at different times and could include supporting features such as offices, workshops, storage space, quay access, car parking etc.
- Suggested location is a site to the east of the River Yare, just off South Denes Road, at the base of the land abutting the estuary (see map)
- The facility should remain in single ownership to ensure it can take advantage of the Great Yarmouth and Lowestoft Enterprise Zone status – this offers: a business rate discount of up to £275,000 over five years, simplified planning and superfast broadband.

Proposal 2: Incubation Centre for Energy Sector

- Development of an incubation centre for start-up businesses focused on the energy sector and its supply chain
- Intention is to build on the regional successes at ORBIS Energy Centre in Lowestoft, Beacon Innovation Centre in Gorleston and Hethel Technology Park outside Norwich
- Potential site owned by Great Yarmouth District Council has been identified for this which is to the east of the River Yare close to Nelson's Monument by Fenner Road (see map)

Figure 1.2 Map of Proposed Development Sites



Contains OS data © Crown copyright and database right 2018

Source: Hatch Regeneris, 2018

Study Scope and Structure

1.6 Norfolk County Council, Great Yarmouth Borough Council and the New Anglia LEP have commissioned WSP and Hatch Regeneris to develop and explore these proposals. The purpose of the overall commission is fourfold:

- To explore the demand for these proposals at international, national, regional and local scales
- To understand the needs and requirements of businesses of different sizes
- To undertake a design, feasibility, financial assessment and masterplan study for the proposals
- To explore the demand and viability to establish a helipad to support the sector

The ultimate intention of the commission is to provide the inputs required to develop a Business Case to justify public sector intervention and investment.

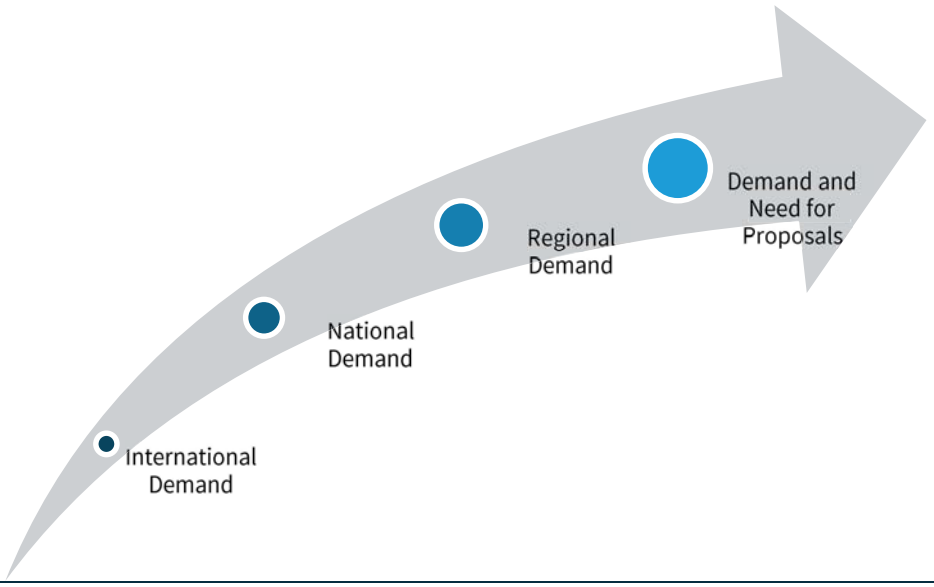
1.7 This report focuses on the first two bullet points set out above. It begins by assessing the strategic context and then considers demand and need at international, national, regional and local scales. It is structured as follows:

1) Study Background
2) International trends
3) National trends
4) Regional commercial market trends
5) Regional growth potential
6) Demand for operations and maintenance facility
7) Demand for incubation centre

The first five sections rely on the analysis of data and information from secondary sources and the latter two are based on consultation and survey data collected from relevant businesses.

1.8 A complementary Foreign Direct Investment (FDI) report has also been completed which provides more detail on international/national demand and conditions.

Figure 1.3 Study Approach



Source: Hatch Regeneris, 2018

Sector Definition and Study Geography

1.9 The energy sector can be defined using Standard Industrial Classification (SIC) codes. SIC codes are a system used by government and other agencies to classify industry activities and enable the trends and performance of a sector to be analysed.

1.10 For this study, we used a SIC code definition of the energy sector from Energy and Utility Skills[1]. This was adjusted to focus on the core activities related to the energy sector, which involved omitting activities related to water and waste management. The SIC codes and broad activities used to define the Core Energy Sector for this study are displayed in the table below.

Table 1.1 Activities and SIC Codes Associated with Core Energy Sector

	Description	SIC
Power / Electricity	Production of electricity	3511
	Transmission of electricity	3512
	Distribution of electricity	3513
	Trade of electricity	3514
Gas Transmission and Distribution (Gas T&D)	Manufacture of gas	3521
	Distribution of gaseous fuels through mains	3522
	Trade of has through mains	3523
Gas Utilisation	Steam air conditioning supply	3530*
	Plumbing, heating and air-conditioning installation	4322*

Source: Hatch Regeneris, 2018; and Energy Utility and Skills, 2014

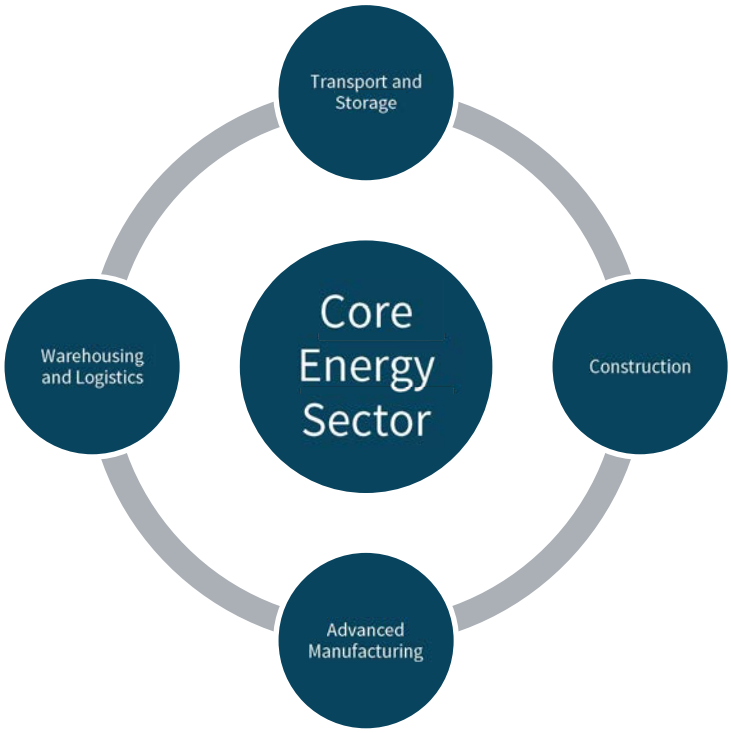
* These SICs are used as a proxy for the Gas Utilisation Industry

1.11 National Grid's definition of the Core Energy Sector includes the SICs above but also emphasises the importance of considering a range of supporting activities. As such, we have assessed the performance of other relevant sectors in our analysis, including: Transport and Storage,

[1] Energy Sector Definition: https://www.euskills.co.uk/sites/default/files/2014%20Skills%20Needs%20Review.pdf

Warehousing & Logistics, Construction and Advanced Manufacturing. Activities associated with these industries are relevant to the two proposals and contribute to the supply chain of the Core Energy Sector.

Figure 1.4 Core Energy Sector and Supporting Sectors Considered



Source: Hatch Regeneris. 2018

1.12 The study geography for the statistical analysis focuses on Norfolk and Suffolk as a combined area due to the east coast's specialism in offshore energy operations and maintenance.

1.13 Economic performance of the study area will be compared against the performance of the wider East of England region, as well as the England average. The East of England region comprises the counties of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk. This will allow the strength of the Core Energy Sector in the region to benchmarked against suitable reference cases, enabling the identification of local strengths, weaknesses and specialisms.

2. Study Background

2.1 This study has been informed by an analysis of relevant research, policy and strategy at national, regional and local scales. A summary of the most relevant information and its importance to Great Yarmouth is provided below.

National: Industrial Strategy, HM Government

2.2 The UK's *Industrial Strategy* was published in 2017. It aims to boost productivity by supporting businesses to create jobs and by increasing the earning power of the population through investment in skills, industry and infrastructure. This is to be achieved via three pillars of activity:

1) Strengthening the foundations of productivity

2) Building long-term strategic partnerships with businesses through Sector Deals between government and industry

3) Taking on Grand Challenges

2.3 The energy sector and green technology is explicitly referenced within the *Clean Growth Grand Challenge* – the third of the Grand Challenges set out. This is focused on maximising the benefits of the global shift to clean energy and technology. The government has committed to supporting industry with the development, manufacture and use of low carbon technologies, systems and services that cost less than high carbon alternatives.

2.4 While a sector deal does not yet exist for renewable energy, the industry is currently working with the government to develop a deal. The renewable industry's vision for the deal includes:

- £48 billion investment in UK infrastructure
- A five-fold increase in export value to £2.6 billion a year
- 27,000 skilled jobs across the UK (up from 11,000 today) mainly in coastal areas by 2030
- £2.4 billion a year reduction in total electricity system costs by 2030
- Generating one third of the UK's electricity from offshore wind by 2030

2.5 The sector's engagement with the government is being led by The Baroness Brown of Cambridge, the UK's Low Carbon Business Ambassador and Vice Chair of the Committee on Climate Change. A prospectus has been compiled and a period of engagement has been entered with the government. Momentum is building and the deal is explicitly referenced as a desirable outcome in the government's *Clean Growth Strategy* (see next page).

2.6 If successful, a deal would complement the existing *Nuclear Sector Deal* and the government's *Contract For Difference* (CFD) Policy.

Contract for Difference (CFD)

A (CFD) is a contract between a low carbon electricity generator and the government. The generator is paid the difference between the 'strike price' (a price for electricity reflecting the cost of investing in a particular low carbon technology) and the 'reference price' (a measure of the average market price for electricity). It gives greater certainty and stability of revenues to generators by reducing their exposure to volatile wholesale prices.

The government has already delivered two rounds of CFD funding for operators and plan to deliver a third round in 2019. This presents an opportunity for operators in Great Yarmouth and other parts of the UK. It is expected that an additional round may also be released in 2020 which presents further opportunities.

National: Clean Growth Strategy, HM Government

2.7 The UK's *Clean Growth Strategy* was published in October 2017 and speaks directly to the Industrial Strategy. It sets out a series of policies and proposals to accelerate the pace of 'clean growth'. The aim is to deliver the twin objectives of increasing economic growth while decreasing greenhouse gas emissions.

2.8 The strategy sets out fifteen broad policies, which are made up of a range of different proposals. Policy areas include:

- Accelerating green growth
- Improving business and industry efficiency
- Improving our homes
- Accelerating the shift to low carbon transport
- Delivering clean, smart, flexible power
- Enhancing the benefits and value of our natural resources
- Leading in the public sector
- Government leadership in driving clean growth

2.9 The most relevant policy area for the energy sector is *delivering clean, smart and flexible power*. More detail on what proposals this includes is set out below.

Delivering Clean, Smart, Flexible Power

Reduce power costs for households and businesses by:

- Implementing the smart systems plan
- Working with Ofgem and National Grid to create a more independent system operator to keep bills low through greater competition, coordination and innovation across the system
- Responding to the forthcoming independent review into the cost of energy led by Professor Dieter Helm CBE
- Publishing a draft bill to require Ofgem to impose a cap on standard variable and default tariffs across the whole market

Phase out the use of unabted coal by 2025

Deliver new nuclear power through Hinkley Point C

Improve the route to the market for renewable technologies such as offshore wind through:

- Up to £557 million for further Pot 2 Contract for Difference auctions
- Working with industry as they develop an ambitious Sector Deal for offshore wind, which could result in 10 gigawatts of new capacity
- Target a total carbon price in the power sector which will give businesses greater clarity on the total price they will pay for each tonne of emissions

Invest around £900 million of public funds, including around:

- £265 million in smart systems to reduce the cost of electricity storage, advance innovative demand response technologies and develop new ways of balancing the grid
- £460 million in nuclear to support work in areas including future nuclear fuels, new nuclear manufacturing techniques and advanced reactor design
- £177 million to further reduced the cost of renewables, including innovation in offshore wind turbine blade technology and foundations

Regional: Norfolk and Suffolk Economic Strategy, New Anglia LEP

2.10 The New Anglia Local Enterprise Partnership (New Anglia LEP) is a business-led collaboration between the private, public and education sectors across Norfolk and Suffolk. The LEP published their *Norfolk and Suffolk Economic Strategy* in November 2017, which examines the composition of the local economy, identifies priority clusters, details priority places for investment and sets targets to measure future growth.

2.11 The strategy sets out key targets to achieve by 2036:

- Creation of 88,000 new net jobs
- Delivery of 140,000 new homes
- £17.5 billion growth in the economy
- 30,000 new successful businesses

2.12 The strategy identifies energy as one of nine key sectors where Norfolk and Suffolk has a competitive advantage. It states:

*"**The East of England Energy Zone is unrivalled in the UK for its unique mix of wind power, gas and nuclear energy production.** The supply chain has 50 years of experience and expertise, recognised with Enterprise Zone status… **The coast around Greater Yarmouth and Lowestoft is at the centre of the world's largest market for offshore wind.** **Capital investment in clean energy worth £50bn in planned for the region by 2020**, with the development of the world's largest windfarm in development off the coast, the proposed development of Sizewell C… and opportunities in decommissioning of existing nuclear power facilities and offshore installations".*

2.13 The strategy also sets out several clusters which will be the focus of LEP activity. Clean Energy is identified as one priority, alongside Financial Services and Insurance; ICT, Tech and Digital Creative and Life Sciences and Biotech. A new commercial plan will be put together for each cluster and priorities for investment will be identified. These plans will aim to:

- Encourage new companies and commercial investment
- Establish global and national links
- Maximise local supply chain benefits
- Market the commercial opportunity
- Develop the ecosystem that enables the cluster to thrive

2.14 The strategy also identifies six priority places for intervention, which includes a focus on the Norfolk and Suffolk Energy Coast.

Local: Great Yarmouth Local Plan, Great Yarmouth District Council

2.15 The *Great Yarmouth Local Plan* was published and adopted by Great Yarmouth Borough Council in 2013. It provides the basis for future developments in the area and is built upon up-to-date evidence about the economic, social and environmental status of the area. Planning applications are considered against the policies outlined within it.

2.16 As set out below, a clear vision has been identified.

Great Yarmouth Local Plan Vision

By 2030, the Borough of Great Yarmouth will be a **more attractive and aspirational place to live, work and play,** with strong links to Lowestoft, the Broads, Norwich, rural Norfolk and the wider New Anglia (Norfolk and Suffolk) Local Enterprise Partnership area.

The distinctive qualities and character of each of the towns and villages within the borough will have been maintained. New development will have been integrated carefully into settlements; respecting local distinctiveness, raising the standards of sustainable design and architectural quality and ensuring the protection, restoration and enhancement of valuable natural and historic resources.

7,140 new homes catering for the needs of residents will be provided in order to give choice of tenure and location. The majority of new housing will have been located in the borough's main towns (Great Yarmouth and Gorleston-on-Sea) and key service centres (Bradwell and Caister-on-Sea), enabling the towns to embrace their roles as the borough's economic and social hubs and providing an enhanced variety of new housing, employment opportunities and essential infrastructure that is of benefit to existing and future residents.

Economic development will have played to the key strengths and resources of the borough with the expansion of the energy sector and port industries. Local and smaller scale businesses will also have had the opportunity to thrive and grow. In addition, the continued attraction of the coast and the Broads, along with a range of high quality year-round tourist attractions and accommodation will have seen the tourism sector continue to flourish. As a result unemployment, including seasonal unemployment, will have been substantially reduced.

2.17 *Policy CS6* is focused on the local economy and has a number of targets and objectives relating to the energy sector and the proposals for new facilities in Great Yarmouth. The most relevant include:

- Encouraging the redevelopment and intensification of employment sites
- Safeguarding local employment areas
- Supporting port-related development proposals relating to the Outer Harbour and existing river port, in particular cargo handling and other port related activities
- Encouraging a greater presence of higher value technology and energy-based industries, including offshore renewable energy companies
- Encouraging the development of small-scale business units
- Improving workforce skills by working with local education and skills agencies and local business organisations to establish training facilities to enhance workforce skills and by encouraging the provision of new training facilities on employment sites

Implications for Great Yarmouth

2.18 These documents and strategies demonstrate that the growth of the renewable energy sector is seen as a priority at national, regional and local scales. There is momentum and appetite to grow the sector and to deliver proposals that support it.

2.19 It is also clear that there are several opportunities which are likely to support the development of the renewable energy sector. These include the possible benefits associated with the emerging renewable energy sector deal and further rounds of CFD funding. There are also notable proposals in the *Clean Growth Strategy*, including:

- Phase out the use of unabated coal by 2025
- £265m investment in smart systems to reduce the cost of electricity storage, advance innovative demand response technology and develop news ways of balancing the grid
- £177m to further reduce the cost of renewables, including innovation in offshore wind turbine blade technology and foundations

2.20 The emergence of a commercial plan for the Clean Energy Sector in Norfolk and Suffolk by the New Anglia LEP represents a good opportunity to plan for and anticipate these opportunities in order to maximise the impacts for Great Yarmouth. If this these opportunities are realised it would generate demand for new facilities and developments focused on the sector across the region.

3. International Trends

3.1 Inward investment is becoming an increasingly important indicator of an area's future sustainability and economic success. A standalone Foreign Direct Investment (FDI) Foresight report has been produced to complement this study and provides further detail.

3.2 Despite future uncertainties such as Brexit, inward investment in the UK has grown significantly in recent years. Since 2007 the number of FDI projects has grown by 32% to over 2,000 projects. The number of new FDI jobs has also increased by 69% to 75,968 in 2017-18. Of this, FDI involving renewable energy projects accounted for 3% (68) of the UK total and 2% (1,620) of new jobs in 2017-18.

3.3 The UK is consistently ranked as one of the best places in the world to invest in offshore wind. EY's Renewable Energy Country Attractiveness Index (RECAI) ranks 40 countries on their inward investment and deployment opportunities. The UK ranks at number seven on the 2018 league table, behind China, the USA, Germany, India, Australia and France.

Table 3.1 Sources of Inward Investment

	2016/17 Projects	2016/17 New Jobs	2017/18 Projects	2017/18 New Jobs
Total	**2,265**	**75,226**	**2,072**	**75,968**
United States	557	24,607	514	26,570
Germany	100	5,802	127	9,357
India	127	3,999	120	5,659
France	131	5,831	94	5,054
Japan	116	3,511	116	2,878
Nordic & Baltic	146	4,417	138	2,537
Australia & New Zealand	127	2,197	95	2,474
Netherlands	53	2,048	56	2,292
Spain	70	1,789	54	2,229
Canada	72	1,788	85	2,114
China & Hong Kong	160	3,326	125	2,063
Italy	99	1,482	95	1,343

Source: UK Department for International Trade, 2018

3.4 In terms of source markets, the United States continues to provide the most projects and new jobs. Six of the top 12 sources for UK FDI lie outside of the EU – although Scandinavia, France and Germany are also all major opportunity markets for the UK.

3.5 This inward investment into the UK culminated in 94 FDI projects and created 2,235 jobs in the East of England in 2017-18. Equating to 2.9% of new FDI jobs nationally, this measure makes the East of England one of the least competitive regions for attracting inward investment.

3.6 Great Yarmouth itself has a number of strengths and weaknesses which will influence its attractiveness for FDI. These strengths need to be celebrated and weaknesses, were possible, need to be overcome.

Table 3.2 Great Yarmouth's Strengths and Weaknesses for Inward Investment

Strengths	Weaknesses
Deep water port access	Remoteness compared to other big city ports with urban attractions, airports and universities
Proximity to North Sea wind farms	Access to wider road and rail network for the rest of the UK
Proximity to North Sea oil and gas assets	Lack of profile
Availability of commercial development sites	Often not considered as a business location
Existing supply chain of offshore related companies	Limited city or regional support activity
Committed public and private partnership working	Perceived skills issues

Source: Breeze FDI, Great Yarmouth FDI Report

Implications for Great Yarmouth

3.7 The strong recent FDI performance of the UK reinforces its ability to secure inward investment. While the East of England performs poorly in terms of attracting inward investment, new developments could help to enhance the region's attractiveness to multinational companies. It is positive that the UK is seen as one of the most attractive places in the world to invest in offshore wind.

4. National Trends

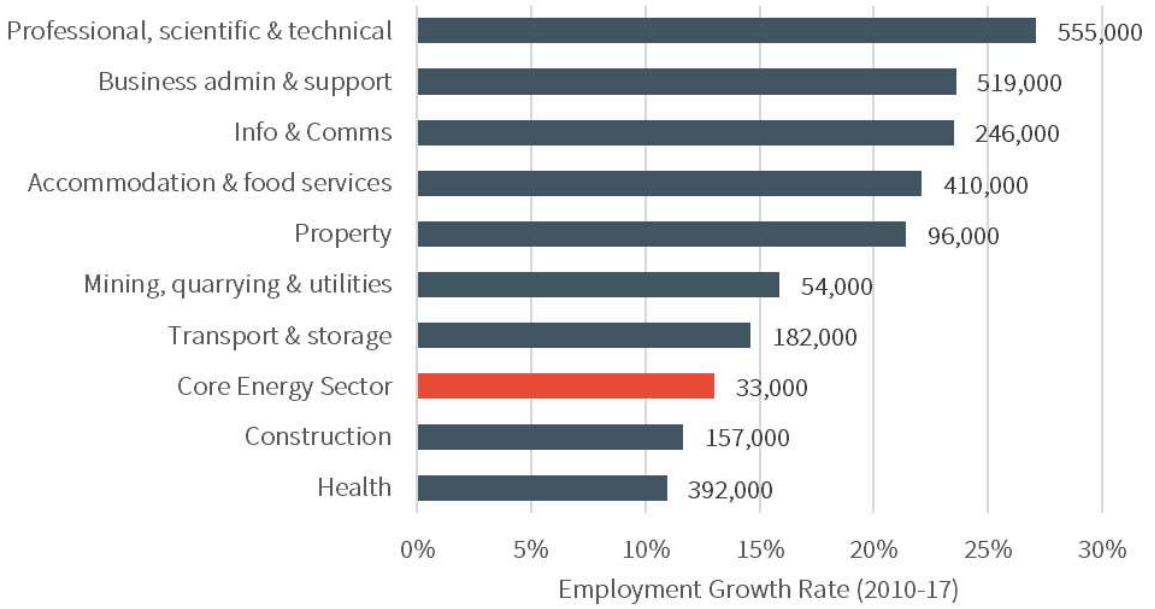
Economic trajectory

4.1 Since 2009, the UK economy has experienced eight consecutive years of growth, with gross domestic product (GDP) growing by 1.4% during 2017. Looking ahead, the Office for Budget Responsibility's (OBR) latest outlook anticipates marginal growth in 2018, before slowing down for 2019, and then picking up again modestly for the subsequent three years. Previous forecasts projected that the UK's decision to leave the European Union would slow growth. However, recent economic performance been better than expected.

Employment

4.2 In 2017, there were approximately 30.6 million individuals in employment across Great Britain[2]. Amidst political and economic uncertainty, the UK's labour market has proved to be relatively resilient. The 4% unemployment rate is currently at a record 44-year low and has been on a downward trend since 2011 when unemployment was at 8.5%. Since 2010, an additional 2.7m (or +10%) jobs were created in the economy. The chart overleaf illustrates the top 10 sectors which have contributed most to that growth.

Figure 4.1 Top 10 Fastest Growing Sectors by Employment Between 2010-17



Source: ONS, BRES, 2018

4.3 Between 2010-17, the fastest growing three sectors were related to professional services which accounted for 49% of total employment growth in Great Britain (Professional, Scientific and Technical; Business, Administration and Support; Information and Communications). **The Core Energy Sector, as defined in this study, was the eighth fastest growing. Over the period, 33,000 jobs were created within the sector equating to an overall a growth rate of 13%.**

[2] Analysis can only be completed at the Great Britain level

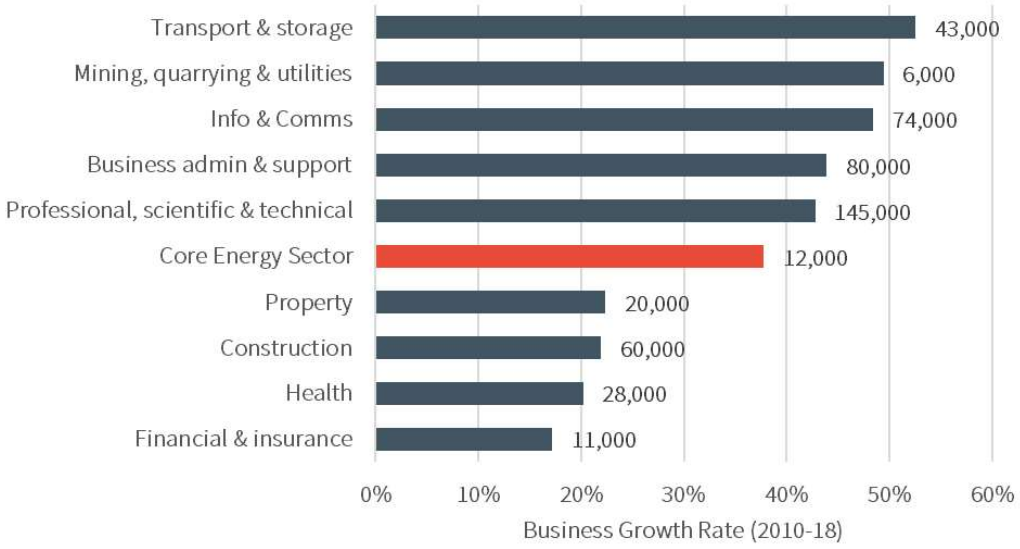
4.4 Sectors that contribute to the Core Energy Sector's supply chain also experienced employment growth. For example, employment also grew significantly in Transport and Storage (+182,000) and Construction (+157,000) between 2010 and 2017.

Business growth

4.5 The total number of businesses in Great Britain grew by 22% to 3 million between 2010 and 2018.

4.6 Transport and Storage was Britain's fastest growing sector, growing by +53% (an overall rise of 43,000 businesses) and the Construction sector was eighth (an overall rise of 60,000 businesses). **The Core Energy Sector was the sixth fastest growing sector, with an extra 12,000 new businesses established between 2010 and 2017.**

Figure 4.2 Top Ten Fastest Growing Sectors by Business Growth 2010-18



Source: ONS Business Count, 2018

Implications for Great Yarmouth

4.7 The Core Energy Sector has grown significantly in terms of employment and businesses at the national scale between 2010 and 2017. This is a positive trend that may drive demand at local scales. Great Yarmouth is well positioned to take advantage of this.

4.8 The growth of other relevant industries such as Transport and Storage and Construction should also be viewed as significant as these are important to the success of the Core Energy Sector.

5. Regional Trends

5.1 While Great Britain has seen significant growth in the Core Energy Sector, it is important to understand how this translates locally.

5.2 There are 74,500 businesses and 719,000 individuals working in Norfolk and Suffolk. The region's economy has grown since 2010, with 11% more businesses and 8% more people employed in the area. Growth rates have been less pronounced than in the East of England as a whole (+20% business growth and +13% employment growth over the period) and national (+24% business growth and 10%+ employment growth) levels.

5.3 **The Core Energy Sector in Norfolk and Suffolk employs 6,500 people and is home to 1,300 businesses (2% of area's total). Both the number of individuals in employment (+10.5%) and businesses (+23%) have grown significantly since 2010. The concentration of Core Energy Sector businesses in the area is 1.2 times greater than that of England indicating that it is a specialism.**

5.4 Sectors related to the Core Energy Sector have also shown strong growth since 2010:

- **Transport**: the number of individuals in employment and businesses grew by +13% and +19%, respectively.
- **Warehousing & Logistics**: in 2010, there were 650 businesses in the study area and by 2018 this has grown to 1,200.
- **Construction**: employment and business growth of +8% and +11%, respectively.
- **Advanced Manufacturing:** there were 11% more businesses in the advanced manufacturing sector in 2018 than in 2010

5.5 Aside from experiencing strong growth, the Core Energy Sector and its supporting activities have a higher concentration of businesses and workers in the study area than in England as a whole. This can be explained by businesses operating in the same industry being more likely to locate close to one another, which in turn fuels further clustering. Compared to the England average, there are:

- 1.2x more businesses in the region operating in the Core Energy, Advanced Manufacturing, and Warehousing sectors than in England; and
- 1.1x more construction and transport businesses and individuals.

Figure 5.1 Study Area's Economic Composition

Sector		Businesses				Employment			
		UK Business Count				BRES			
		2018			% change between 2010-18	2017			% change between 2010-17*
		No.	%	LQ	%	No.	%	LQ	%
Industrial	Manufacturing	3,900	5%	1.1	-4%	68,050	9%	1.2	0%
	Advanced Manufacturing	1,300	2%	1.2	11%	23,600	3%	1.0	-3%
	General Manufacturing	1,900	3%	1.1	-10%	23,200	3%	1.0	2%
	Creative and Media Manufacturing	350	0%	0.8	-27%	4,550	1%	1.5	-14%
	Food Manufacturing	350	0%	1.4	18%	16,750	2%	1.8	8%
	Utilities & Waste	450	1%	1.1	23%	7,350	1%	1.0	1%
	Core Energy Sector**	1,300	2%	1.2	21%	6,500	1%	1.0	10%
Support Industries	Construction	9,050	12%	1.1	11%	38,750	5%	1.1	8%
	Transport	2,300	3%	1.1	19%	23,900	3%	1.1	13%
	Warehousing & Logistics	1,200	2%	1.2	80%	9,500	1%	0.7	-11%
Local Services	Retail	9,650	13%	1.1	1%	89,700	12%	1.1	0%
	Wholesale	3,100	4%	1.0	-7%	27,750	4%	0.9	-7%
	Visitor Economy	6,850	9%	1.1	11%	77,200	11%	1.1	23%
Professional Services	Professional and Financial	11,800	16%	0.8	19%	75,200	10%	0.8	9%
	Business Support	5,150	7%	0.9	27%	55,550	8%	0.9	41%
	Other Service	2,750	4%	1.1	5%	12,550	2%	1.0	-9%
Public Admin, Education & Health		6,900	9%	1.1	17%	183,300	25%	1.0	5%
All Employment and Businesses* **		**74,650**	**100%**	**1.0**	**11%**	**718,900**	**100%**	**1.0**	**8%**

Source: ONS, BRES 2017; and ONS, UK Business Count 2017

Note: LQ cells > 1.0 have been shaded green. Location Quotient quantifies the concentration of the industry in the region compared with the nation as a whole. The higher the LQ score, the greater the level of specialisation compared to the national average

*A scaling factor has been applied to 2011 data due to BRES methodological changes in the way they count employment numbers. The figures should be strictly treated as an indicator of trends and not for their absolute value

**Due to the inclusion of the "Steam and Air Conditioning Supply" and "Plumbing, heat and air-conditioning installation" as a proxy for the Gas Utilisation industry the Core Energy Sector is defined to be bigger than the Utilities and Waste sector.

***A sum of the column will lead to double counting due to cross cutting of sector definitions in identify specialised sectors

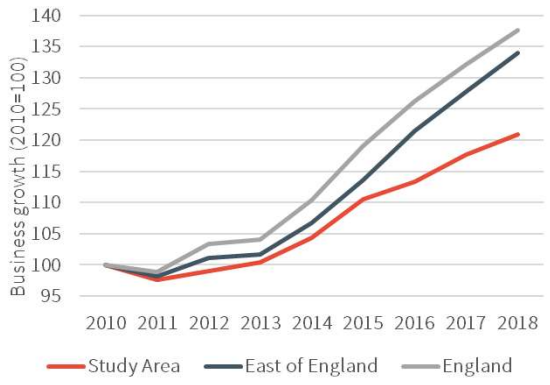
5.6 Employment in the Core Energy Sector has increased, peaking in 2014, and growing by 10% between 2010 and 2017. Until 2017, employment growth performance in Norfolk and Suffolk outpaced the England average.

5.7 While the number of businesses in the Core Energy Sector have grown steadily since 2010 in Norfolk and Suffolk, this has not matched the higher growth rates of the East of England or England.

Figure 5.2 Employment Growth in the Core Energy Sector 2010-17 (Indexed 2010=100)

Source: ONS, BRES 2018

Figure 5.3 Business Growth in the Core Energy Sector 2010-18 (Indexed 2010=100)



Source: ONS, UK Business Count 2018

Implications for Great Yarmouth

5.8 National growth of the Core Energy Sector is reflected through strong regional growth in Norfolk and Suffolk. The significant growth in the number of businesses means that Norfolk and Suffolk are now specialised in the sector. Businesses tend to want to locate in clusters, especially where there is a strong supply chain. This means that high business concentrations in the region could drive current and future demand for sector-specific developments in the region.

6. Regional Commercial Market Trends

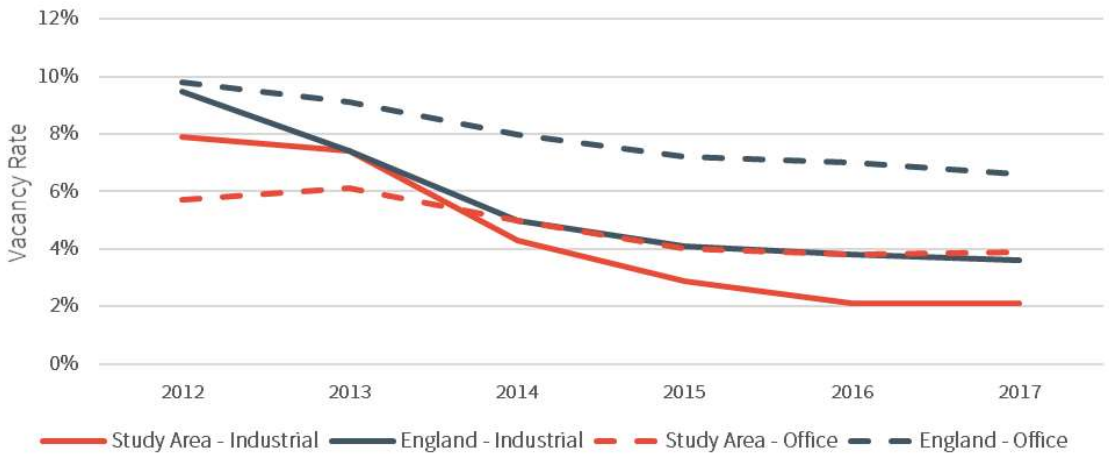
Market Trends

Vacancy Rates

6.1 Vacancy rates for commercial space in Norfolk and Suffolk have fallen significantly since 2012. **The vacancy rates for industrial premises in the study area fell to 2% in 2017, a fall of 6% since 2012.** This is lower than the England average which had a vacancy rate of 3.6% in 2017.

6.2 Similarly, office vacancy rates have fallen in the study area over the last five years. **Between 2012 and 2017, office vacancy rates fell by 1.8% in Norfolk and Suffolk to 4% in 2017.** Again, this is notably lower than the England office vacancy rate average which stood at 6.6% in 2017.

Figure 6.1 Office and Industrial Vacancy Rates (%) 2012-2017



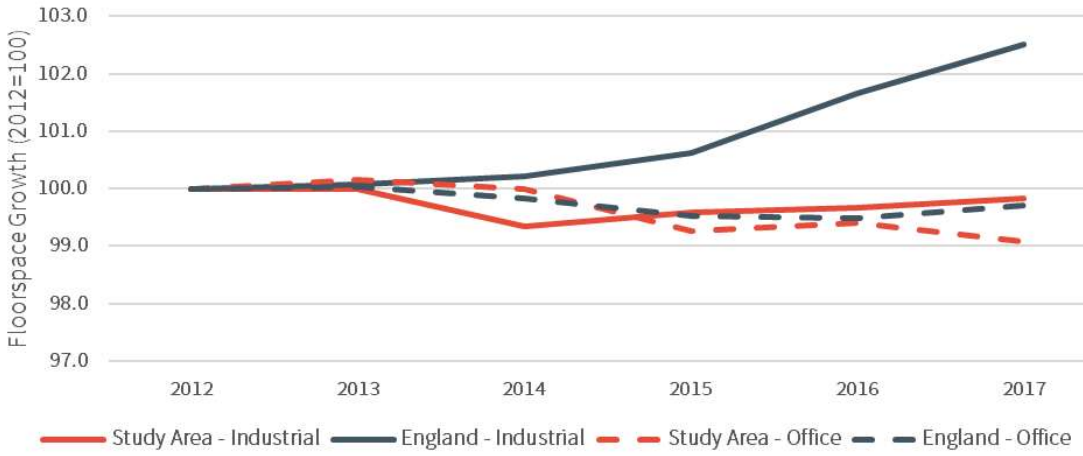
Source: Co-Star, 2018

Floorspace

6.3 While vacancy rates have fallen substantially since 2012, the amount of available commercial floorspace has stagnated in Norfolk and Suffolk. **Indexed industrial floorspace illustrates that over the period, the study area has seen a net reduction in the amount of available floorspace.** This is the opposite of the national trend which has seen a net gain over the same period.

6.4 Additionally, there has also been a **net loss of office space in Norfolk and Suffolk over the last five years.** This is a trend mirrored nationally, with the England average also showing a net loss of office space over the period.

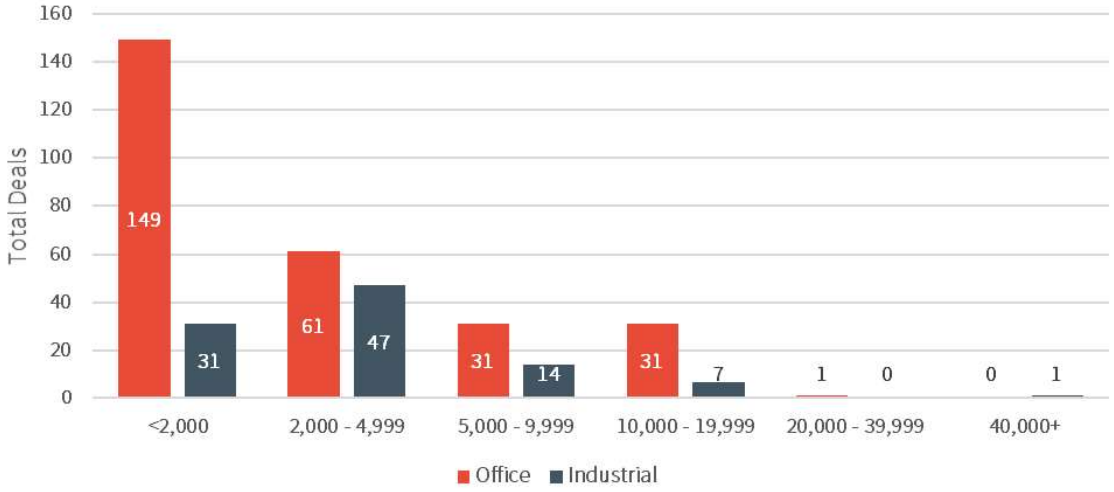
Figure 6.2 Office and Industrial Floorspace Growth (Indexed: 2012=100)



Source: Co-star, 2018

Deals

Figure 6.3 Total Office and Industrial Deals by sq ft, 2012-2017



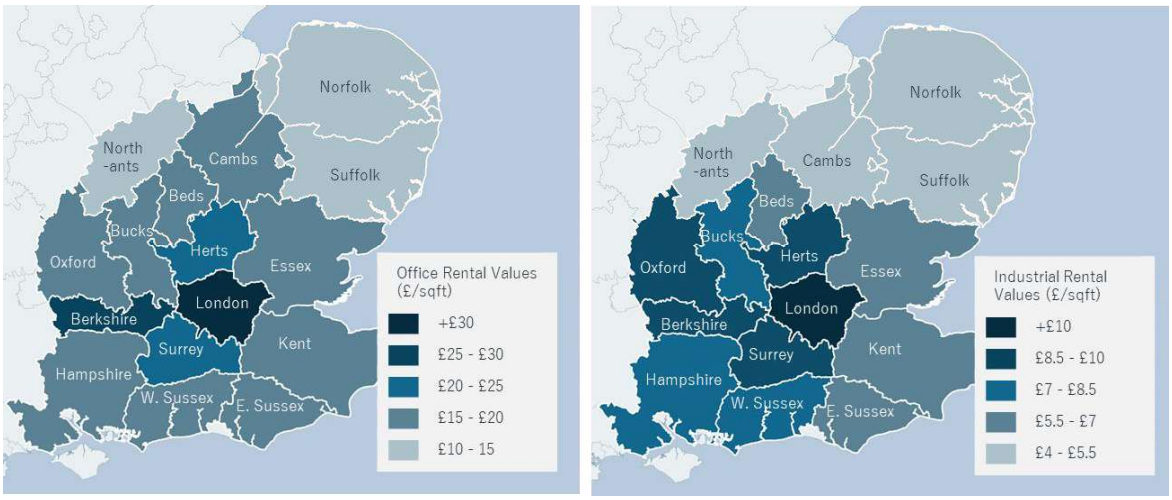
Source: Co-star, 2018

6.5 Office space in Norfolk and Suffolk appears to be in demand. **Smaller office spaces (under 5,000 sq. ft.) have been most popular, with 210 deals completed in the region between 2012 and 2017.** There was also some demand for office space up to 19,999 sq ft, however there was limited demand for larger office developments (only 1 deal was completed for office space over 20,000 sq ft between 2012 and 2017).

6.6 There also appears to be demand for industrial space. **The most popular industrial space size in Norfolk and Suffolk was 2,000 – 4,999 sq ft with 47 deals completed between 2012 and 2017.** There was also some demand for spaces ranging from <2,000 to 40,000 sqft, however there was limited demand for larger space (1 deal was completed for industrial space over 20,000 sq ft between 2012 and 2017).

Retail Values

Figure 6.4 Average Commercial Rental Values by Region (Office: Left; Industrial: Right)



Source: Co-star, 2017

6.7 Mapping of the average commercial rental values show that the study area is currently significantly cheaper than most of the South East. In Norfolk and Suffolk, office rental values are an average of £11 per sqft, which is significantly cheaper than London where the average price is over £30 per sq ft.

6.8 Similarly, industrial rental values are cheaper in Norfolk and Suffolk compared with many Counties the wider South East. In the study area, industrial rental values average at £4 per sqft, which is higher than other areas along the east coast such as Essex (£8 per sqft).

Significant Sites

6.9 Great Yarmouth has a wide range of industrial and commercial areas including two Enterprise Zones (EZ), Beacon Park and South Denes, which are considered key employment sites for businesses in the Core Energy Sector or its supply chains. The district also benefits from Assisted Area Status and is designated as a Centre for Offshore Renewable Engineering.

Beacon Park – there is a growing presence of high-tech and light industrial operations businesses. The 16.7ha site, home to 22 businesses, offers a range of bespoke design-and-build opportunities for growing companies, in addition to high-quality, ready-built offices and workshops for businesses seeking immediate occupation.

South Denes and Outer Harbour – the 58.8 ha site is Great Yarmouth's largest industrial area and provides important space for port-related industries and services. Its strategic location, next to the North Sea, means it is uniquely placed for companies to take advantage of the vast potential of the offshore wind energy industry. Furthermore, the EZ is close to the Great Yarmouth Energy Park. The proposed O&M facility would fall within this area.

Implications for Great Yarmouth

6.10 The low commercial vacancy rate, diminishing floorspace and number of commercial deals suggests that there could be demand for new office and industrial development in Great

Yarmouth. This demand may be influenced by businesses seeking to take advantage of cheaper rents in Norfolk and Suffolk compared to other areas in the wider region.

6.11 While there is most demand for small to medium office premises in the region, there is less demand for very large office facilities. Similarly, there is most demand for a range of sizes of industrial space with the exception of very large sites.

7. Regional Growth Potential

7.1 Due to the strong performance of the Core Energy Sector in Norfolk and Suffolk in recent years, it is important to understand wider regional growth potential and whether future growth can be accommodated within the study area.

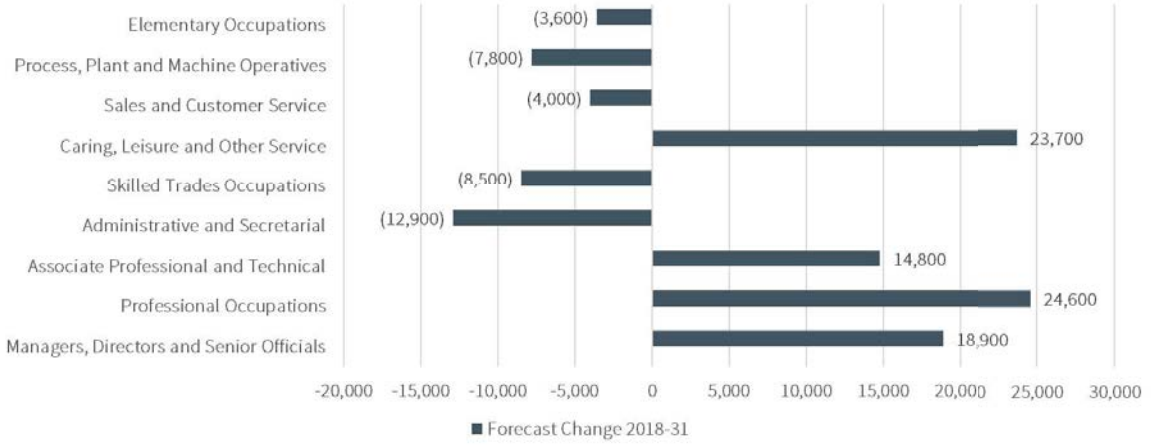
Employment Growth Projections

7.2 The East of England Forecasting Model (EEFM) projects that by 2031, employment will increase by 5.53% in the New Anglia LEP area. This forecasts an overall increase of 45,000 people in employment in 2031.

7.3 Using the EEFM, it is also possible to assess the proportion of this growth forecast to be absorbed by Great Yarmouth. This mirrors wider regional employment growth, forecasting 6.13% growth by 2031. This equates to an additional 2,400 people projected to be in employment in the Borough by 2031.

7.4 The East of England Forecasting model also projects the changing occupation profiles of the New Anglia LEP area. Several occupational groupings are projected to shrink by 2031. The most significant changes will be in the 'Administrative and Secretarial' and 'Skilled Trades' occupations which are forecast to fall by 12,900 and 8,500 jobs respectively. A projected increase in the number of higher-level 'Associate Professional and Technical' and 'Professional Occupations' could service the future growth of the energy sector.

Figure 7.1 New Anglia LEP Occupational Change Projections (2018-31)



Source: East of England Forecasting Model, 2018

Note: Categories have been condensed from 25 sectors into 9 along the lines of best fit

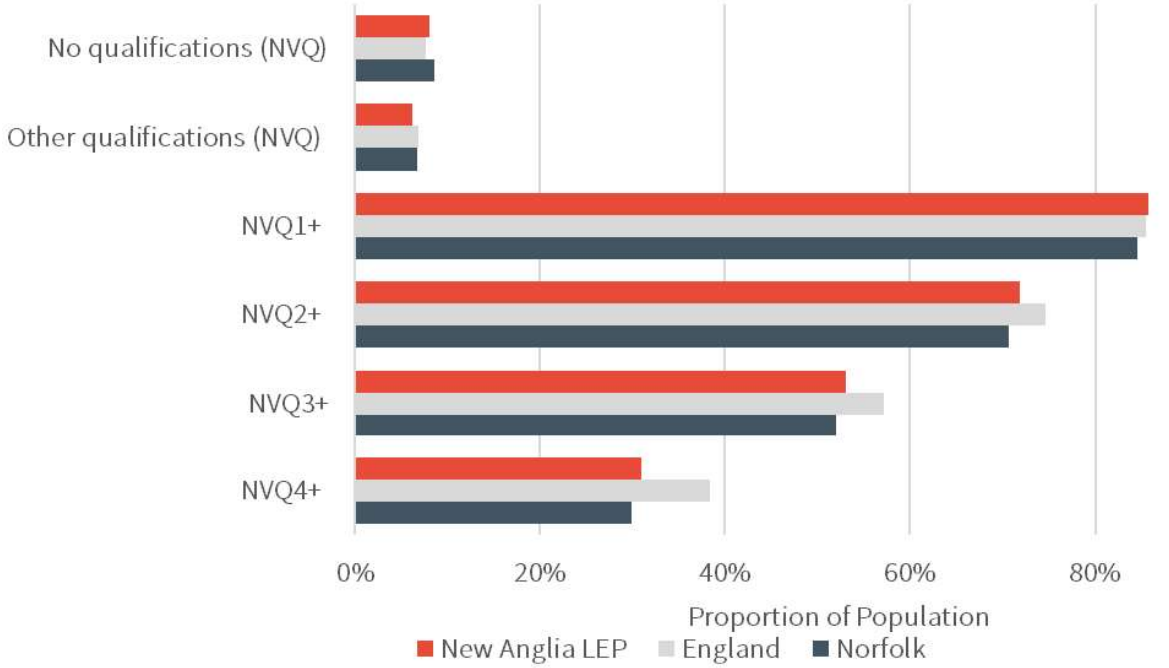
Skills and Universities

Qualification Profiles

7.5 Overall, the region's qualification profile reflects the national picture with some slight variances. **The New Anglia LEP area has a lower proportion of residents with NVQ Level 4+ qualifications (30.9%) than the England average (38.3%).** New Anlgia LEP (8%) and Norfolk

(8.6%) have a marginally higher proportion portion of people with no qualifications compared with the national average (7.6%).

Figure 7.2 Qualification Levels by Percentage of the Population



Source: Annual Population Survey, 2017

Higher and Further Education

7.6 Despite the relatively low NVQ Level 4+ qualifcations figures within the region, **Norfolk and Suffolk have several established Further and Higher Education Institutions** which could support the growth of the energy sector locally and nationally.

Table 7.1 HE/FE Institutions and Relevant Courses

HE/FE Institution	Relevant Courses
The University of East Anglia (UEA)	UEA has a range of Undergraduate and Postgraduate courses which can support the growth of the sector. These include: • BEng and MSc Energy Engineering with Environmental Management – these courses were established following strong support and demand from industry. Working with practicing engineers, the course covers wind turbines, micro-hydro schemes, nuclear power and biofuels • BEng and MEng Engineering – these are flexible engineering courses which can cover mechanical, electronic, electrical and energy engineering In addition to these taught programmes, UEA has several primary PhD and studentship research themes relating to the sector. This includes a focus on low carbon and renewable energy systems.
The University of Suffolk	The University of Suffolk offer flexible programmes and qualification levels. This includes vocational Higher National Diplomas (HND) and Higher National Certificate (HNC) courses which can provide key pathways to both employment and Higher Education. Qualifications related to the energy sector include: • HNC in Engineering (Operations Engineering) – this course offers a foundation in the key elements of operations engineering including engineering mathematics and engineering science BEng in Operations Engineering – degree level qualification open to students with a relevant HND. Sector specific modules include turbomachinery and power generation
East Coast College	East Coast College has campuses in Lowestoft and Great Yarmouth. Courses include: • Energy Skills Foundation Programme (NVQ Level 2) – this pre-apprenticeship course aims to introduce students to the main engineering disciplines required within the energy industry to enable informed career choices. • Level 3 apprenticeships in a range of sector-related industries such as 'Marine Engineering' and 'Engineering Maintanence' • Range of offshore wind Basic Safety Training modules including 'Offshore Wind Emergency Response' and 'Marine Transfer Training'. In 2017, the college received £10m New Anglia LEP funding to develop a new Energy Skills Centre which will focus on technical training at NVQ level 3, 4, 5 and 6.

Source: Hatch Regeneris, 2018

7.7 The region's education provision is **supplemented by engaged industry groups which coordinate and articulate the wider skills needs of local energy businesses.** These groups are actively working with HE/FE providers to support curriculum development and delivering the sector's long-term talent requirements.

The University of East Anglia's links with industry

UEA has developed strong links with the local energy sector. This industry-HE collaboration has begun to engender a locally-sourced talent pipeline for business and enhanced employability opportunities for graduates. The University is working closely with 3sun; a company based in Great Yarmouth which provides support to the offshore energy industry with training and inspection services. This has generated work placements and permanent graduate entry level positions.

Local energy businesses have also been proactive in developing the local talent pipeline in partnership with UEA. Scottish Power are currently operating out of Lowestoft in preparation for the installation of Europe's largest wind farm, East Anglia ONE. As part of wider investment in the region, Scottish Power have sponsored scholarships for UEA's MSC Engineering students.

Much of this **collaboration is facilitated through the East of England Energy Group's (EEEGR) Skills for Energy Board**. EEEGR seek to ensure alignment between HE curriculums and the needs of industry. Through a nuanced understanding of the industry's skills requirements, EEGR are working to address the shortage of high-calibre graduates working in energy engineering.

There is the potential to consolidate these positive developments with a new Institute of Productivity and an engineering centre at UEA in the future. UEA's Engineering students are currently based in the Mathematics faculty meaning the region's closest dedicated Engineering Department is located at the University of Cambridge.

Graduate Retention

Figure 7.3 Graduate Retention Rate

Source: HESA, 2017

7.8 Despite strong links between industry and education providers, the number of students staying within the East of England post-graduation is relatively low. **46% of graduates from East of England Universities find employment outside the region.** This is significantly lower than areas such as London, where around three quarters (76%) of students stay to work post-graduation.

7.9 Analysis of graduate destinations shows that the **East of England is losing over a quarter (26%) of its graduates to London.** Whilst over half (54%) of graduates stay within the East of England to work, there is clear potential to retain a greater number of graduates within the region which can be realised through the growth of the Core Energy Sector.

Figure 7.4 Regional Graduate Retention

Region of Employment	Region of HE Provider											
	East Midlands	East of England	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire and The Humber
East Midlands	44%	3%	1%	2%	2%	1%	1%	2%	2%	2%	6%	8%
East of England	8%	54%	6%	3%	2%	1%	1%	7%	4%	2%	4%	4%
London	16%	26%	74%	11%	7%	3%	7%	26%	19%	9%	12%	9%
North East	1%	1%	0%	60%	1%	1%	1%	1%	0%	0%	1%	3%
North West	4%	2%	1%	6%	71%	2%	2%	3%	2%	5%	5%	10%
Northern Ireland	0%	0%	0%	0%	1%	89%	1%	0%	0%	0%	0%	0%
Scotland	1%	0%	0%	1%	1%	1%	79%	0%	1%	0%	0%	1%
South East	8%	9%	12%	4%	3%	1%	2%	47%	14%	8%	7%	4%
South West	3%	2%	2%	2%	2%	1%	2%	8%	53%	12%	5%	2%
Wales	1%	0%	0%	0%	2%	0%	0%	1%	2%	54%	1%	0%
West Midlands	9%	2%	1%	2%	5%	1%	1%	3%	4%	6%	56%	3%
Yorkshire and The Humber	6%	1%	1%	9%	5%	1%	1%	2%	1%	2%	2%	56%

Source: HESA, 2017

Sector Skills Needs

7.10 Employment profiles and education levels can be contextualised by aligning the regional profile with the skills requirements articulated by industry. The Energy and Utilities Skills Partnership published a Skills Needs Review for the sector in 2014. Whilst wider than the Core Energy Sector in its remit, the review revealed some key skills issues:

- Skills shortage vacancies reported to be most common in Skilled Trades, Professionals and Associate Professionals occupation grouping
- Technical and Practical Skills were highlighted as skills that most need improving
- Poor engagement between universities and employers

7.11 Consequently, the projected occupation profile changes within Norfolk and Suffolk combined with stronger industry and education relationships could mean that the region can facilitate and absorb future new growth within the sector. There is also a clear opportunity to overcome some of the identified skills issues.

Implications for Great Yarmouth

7.12 Norfolk and Suffolk's employment numbers are projected to grow significantly. This is supplemented by a projected shift towards higher level professions which is likely to make the area attractive to business and could create demand for Energy Sector developments.

7.13 Established industry-provider collaborations can ensure that Great Yarmouth has the skills required to service proposed developments. Through enhanced employment opportunities catalysed through the growth of the Energy Sector, there is clear scope to retain greater numbers of graduates within the region.

8. Demand for Operations and Maintenance Facility

8.1 To assess sector demand for the proposed O&M facility, consultations were undertaken with a range of Tier 1 companies, supply chain companies and industry experts. Through this, a rich qualitative picture has been constructed which demonstrates demand for the right developments to be brought forward in Great Yarmouth. This represents an evolving picture based on the consultations held to date. Detailed conversations were held with the following organisations:

- **Innogy** - established Tier 1 company, Innogy Renewables UK operates more than 1.1GW of renewable energy capacity through a significant offshore operation. Great Yarmouth was the assembly and installation port for Innogy's Gallopper Offshore Wind Farm
- **Scottish Power Renewables** - Tier 1 company with the rights to construct up to four offshore wind projects off the coast of East Anglia. Scottish Power has recently begun construction on the Operations and Maintenance facility to service the East Anglia ONE windfarm in Lowestoft
- **Vattenfall** - Swedish-owned Tier 1 which has been active in the UK for ten years. Undergone significant business diversification in recent years and have recently agreed a deal with Peel Ports to locate their Norfolk Operations and Maintenance base in Great Yarmouth
- **E.ON** - In the UK, E.ON's renewables focus is on onshore and offshore wind. Locally, they are currently based at Scroby Sands in Norfolk which was the UK's first consented offshore windfarm and generates enough energy to power over 40,000 homes
- **Peel Ports** - operating multiple ports across the UK, Peel Ports Great Yarmouth is England's premier offshore support port with capabilities to handle a range of offshore support vessels. Peel are also the long-term lease holder of several of the areas identified for development in Great Yarmouth
- **Proserv** - company providing a range of support services to clients in the oil and gas and renewables sector. Proserv are currently operating out of the Orbis Centre in Lowestoft.
- **3Sun** - engineering company supporting the oil, gas and renewables sector in Great Yarmouth. 3Sun also have a range of individual companies focused on testing, installation of turbines
- **The East of England Energy Group** - industry representative group for over 300 members across the region covering energy producers to supply chain companies
- **4C Offshore** - specialist offshore energy and market research consultancy

Figure 8.1 Consultation Key Themes

Source: Hatch Regeneris, 2018

Timing of proposed development

8.2 A central theme running through the consultations was the opportunity presented by the sector's growth trajectory. The following large-scale projects were identified as exemplars of growth during the consultation process:

- **Sofia Offshore Wind Farm** – In 2015, Innogy received consent for a new windfarm off the coast of the North East of England. This project has an installed capacity of up to 1200 megawatts, making it Innogy's largest project to date
- **East Anglia TWO, THREE and FOUR** – As part of the East Anglia Array, three additional consented wind farms will be located 30 miles off the coast of East Anglia. Scottish Power Renewables will be actively looking for locations to service these developments
- **The Crown Estate's Offshore Wind Extensions** – several sites off the east coast (including the Galloper offshore wind farm) satisfied the Crown Estate's assessment criteria to increase capacity. This is likely to drive significant additional investment in the sector within the region

8.3 Whilst consultees could not commit to Great Yarmouth as a location for future developments at this stage, **all relevant consultees said that they would consider Great Yarmouth should the right development become available at the right time**. This demonstrates a potential nascent demand for Operations and Maintenance (O&M) facilities in the near future.

8.4 There are several factors influencing consultees' choice of location. **The main consideration for Tier 1 operators is the location of the windfarm and the ease of undertaking O&M**. Vattenfall also referenced the quality of the local labour market to be a critical factor in their decision-making.

8.5 Despite the opportunity this could unlock for Great Yarmouth, significant competition was identified at various sites along the east coast, most notably at Lowestoft, Grimsby, Hull and Hartlepool. Lowestoft was highlighted by consultees as being an exemplar location due to its advanced Offshore Wind capacity. However, it was also noted that **Lowestoft is potentially now at capacity and businesses are looking elsewhere for expansion.**

Challenges and opportunities

8.6 All consultees were positive about the strength and potential of the offshore energy sector in Great Yarmouth, however it was also stated that more could be done to raise its national profile. **Two consultees pinpointed Vattenfall's decision to locate in Great Yarmouth to be a major boost for the town's O&M profile which could attract other companies in the future.**

8.7 Consultations revealed that from a technical perspective, there was confidence that Yarmouth is a competitive location to service offshore energy operations. **Vattenfall cited Great Yarmouth's steaming time and ease of berthing servicing vehicles as important reasons for their decision to locate in the area**. Other consultees referenced Great Yarmouth's proximity to where the nation's energy demand is concentrated (London and the wider South East). This was cited as important because less energy is lost in transmission.

8.8 **On the proposed development site, consultees noted the potential opportunity associated with proximity from time to field**. One consultee believed that this could save a significant amount of technician time which can drive efficiencies and represent an attractive option for operators. Additionally, Peel Ports said that the location of the proposed development means that the space would not interfere with other existing port operations.

8.9 Despite this, there were some concerns about Great Yarmouth's connectivity. **Logistics (road and rail) routes were highlighted as being particularly poor**, however it was conceded that this is a region-wide (rather than Yarmouth specific) issue. Consultees did note that efforts are being made to address transport connectivity locally. One consultee made specific reference to the benefits to be delivered by the Third River Crossing over the River Yare which is due to open in 2023.

8.10 Whilst most consultees were restricted in their response due to commercial confidentiality considerations, one interviewee **expressed concerns over Great Yarmouth's port rates**. It was asserted that this could hinder the competitiveness of Great Yarmouth compared with other ports along the east coast.

Mixed opinions on shared facilities

8.11 Consultations exposed the changing attitudes and lack of sector consensus in relation to sharing facilities with other operators. Whilst one consultee said that they would not favour a shared, purpose-built facility, four others said that the changing demands of the sector mean that they would now **consider sharing facilities if it delivered cost savings and other associated efficiencies.**

8.12 Two respondents that were open to sharing facilities also noted the need for masterplanning to be considerate of individual security requirements. Vattenfall cited proximity to competitors

and conflicts of interest as key reasons why they opted against a shared facility. Therefore, consultees reinforced the importance of the development incorporating individual workshop **space to store and secure equipment and office space design which ensures commercial sensitivity is protected**.

8.13 If this design can be delivered, interviewees noted several benefits to be achieved from sharing facilities and making more sustainable use of sites. Primarily, **efficiency savings around facilities management**. One consultee noted that their business currently spends a significant amount of time on contracting and contract management of facility management services and would welcome this being coordinated centrally.

Demand for the right development

8.14 Aside from the strategic projects which could service demand for this facility in the medium to long term, two other consultees stated that they are likely to be actively looking for new premises in the short to medium term. The drivers for these businesses considering other options were lease expiration and space constraints at their current facilities. Whilst consultees were currently exploring alternative options, both said that **they would consider a new facility in Great Yarmouth if it were priced competitively and could meet their expansion demands**. If the sample size was extended to a wider pool of consultees, this could reveal additional expansion or relocation aspirations which could further inform the demand for new developments

8.15 Consultees had differing views about what should be incorporated within the proposed development. One consultee believed that this development should **partly seek to address Great Yarmouth's lack of quality office space, whereas a design which is too storage focussed is unlikely to generate a significant uplift in employment numbers**. This perspective is aligned with the commercial market data which highlighted the high-levels of demand for office space in Norfolk and Suffolk.

8.16 Several consultees noted that facilities which linked warehousing and office space with water and increased SOV berthing capacity would be attractive. **It was noted that the proposed development site presented a unique opportunity locally to house clean and dirty activities on one site**. For one other consultee, it was crucial that the masterplan considers how the site can be flexible and sustainable to adapt with the changing needs of the industry.

8.17 Despite overall positivity for the proposed development plans, there were also mixed views about how construction of the site should be prioritised. **All consultees favoured a non-phased development which included warehousing and office space alongside SOV/CTV berthing being brought forward at the same time** (if given the option). Consultees noted the importance of service vehicle berthing for attracting operators into the office and warehousing facilities. However, one consultee also stated that phasing concerns could be mitigated if managed effectively. Therefore, phasing would need to be close together and potentially overlap to ensure that momentum and interest in the development is maintained.

Clear steer on aviation and ancillary developments

8.18 Consultations demonstrated that whilst on-site aviation facilities could enhance its competitiveness against other ports, it is only likely to benefit a handful of operators. Consultees referenced the benefit of reduced servicing times and not having to transport staff long distances. This was stated as an issue with the old heliport in Great Yarmouth which was deemed to be too far away from where it was required meaning that time savings were diluted. Despite

this, **one consultee noted that aviation facilities could have positive economic impacts as it could help to attract helicopter supply chain companies to the area**. Conversely, when Vattenfall looked at the potential for aviation facilities, it opted to use pre-existing regional facilities (namely Norwich Airport). Additionally, two other consultees commented on the size of the site, suggesting that it already looks fairly constrained to house adequate aviation facilities.

8.19 Whilst Great Yarmouth was viewed to be lacking in conferencing facilities generally, **consultees questioned the wider demand to justify the construction of purpose-built conferencing facilities.** Consultees noted that capacity restrictions at the Orbis Centre means that Norwich is the only viable location in the region to host conferences. However, this was caveated by one consultee stating that even facilities at the Orbis Centre are poorly utilised currently.

8.20 Although most consultees stated that ancillary developments such as hotel facilities near the site could enhance competitiveness of the development, it is not essential for its success. Primarily, the reason stated for this was the fact that Great Yarmouth **is already relatively well served for hotels, reducing demand for similar new developments.**

Figure 8.2 Summary of Consultation Messages

Source: Hatch Regeneris, 2018

9. Demand for Incubation Space

9.1 There is also potential to assess demand for incubation space proposals in addition to proposals for O&M facilities. This could include surveying energy sector businesses and their supply chains in existing incubators within the region to assess potential demand.

9.2 Consultations suggested that there **could be demand for energy sector-related incubation space in Great Yarmouth for less mature operators**. Scottish Power Renewables noted multiple benefits of being based at the Orbis Centre at Lowestoft. While they have now outgrown the need for incubation, Scottish Power said that being located close to other developments facilitated business growth through access to important sector stakeholders and increased opportunities for project collaboration. Other consultees stated that an Orbis-style facility in

Great Yarmouth would represent an attractive proposition if it could recreate a good working environment which provides support to small companies.

9.3 While such space is evidently beneficial to smaller operators and supply-chain companies, consultations demonstrated that additional incubator space is **unlikely to enhance the attractiveness of O&M facility proposals**. Additionally, other consultees highlighted recent office developments in Great Yarmouth as evidence that public sector intervention may not be required to bring forward new office space. Haven Bridge House was cited as evidence that an incubator facility might not be required in Great Yarmouth as it is already housing energy companies such as Aker Solutions.

9.4 A business survey could supplement the feedback received in consultations. This would provide a snapshot of demand for incubator facilities and would begin to quantify nascent demand. Norfolk County Council will decide whether they wish to progress plans for incubator facilities in due course.

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