

BROADLAND FOOD INNOVATION CENTRE - REVIEW

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Portfolio: Economic Development

Wards Affected: Great Witchingham

Purpose of the Report:

To review the Council's investment in the Broadland Food Innovation Centre including a financial assessment compared to predicted budgets for the first full year of operation and understanding progress against the desired outcomes.

Recommendations:

1. To note the progress being made in the delivery of the intended outcomes of the Broadland Food Innovation Centre project.

1. Summary

- 1.1 The Broadland Food Innovation Centre is a major intervention, led by Broadland District Council, to help generate economic opportunity and success for the food and drink sector in Norfolk and Suffolk. The centre is in Honingham, on the Food Enterprise Park and opened in Autumn 2022.
- 1.2 This project secured significant investment from the European Regional Development Fund (ERDF) and New Anglia Local Enterprise Partnership (NALEP) with the balance of funds coming from Broadland District Council, along with in-kind support from the University of East Anglia and Hethel Innovation Limited.
- 1.3 As part of the funding requirements, in addition to providing 13 British Retail Consortium compliant, BREEAM excellent rated food grade units within the centre, eligible businesses from across Norfolk and Suffolk can access fully funded Innovation Support and the Innovation Cluster.
- 1.4 This report outlines progress made against the contracted outputs and outcomes as required by the funders as well as the Council's wider aspirations associated with the development.

2. Background

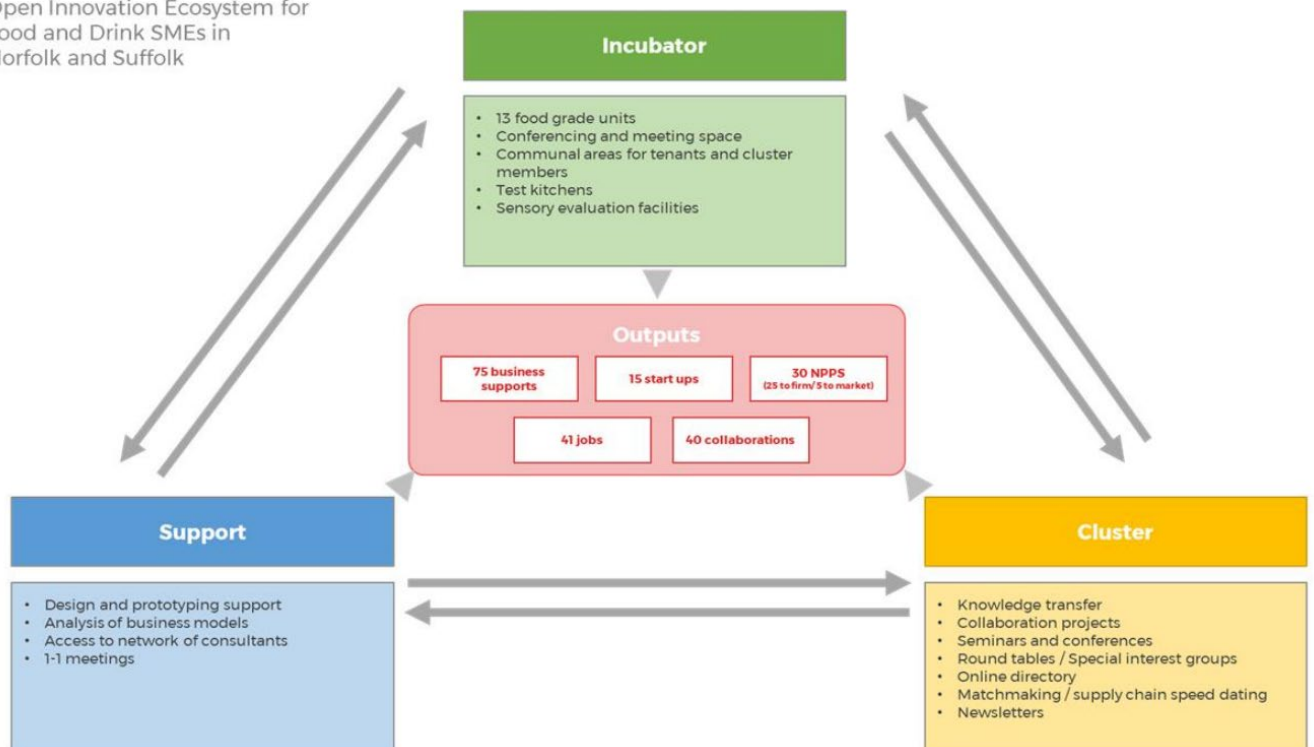
- 2.1 In February 2020, Broadland District Council approved the investment proposal for the Food Innovation Centre, allocating capital funds for delivery and to support partnerships and funding applications.
- 2.2 The project centred around developing the first innovation incubator facility aligned to the food and drink sector. The original proposal outlined the rationale for the centre:

'With over 110,000 jobs situated in the food and drink sector in Norfolk and Suffolk, and with traditional agricultural jobs declining, the last decade saw growth in higher valued jobs in the sector. This increase in higher valued jobs, coupled with the subsequent demand for increased technological capabilities, positions the Food Innovation Centre well to fill gaps in the market. If development of the centre is not progressed, businesses will have to seek support elsewhere in the UK, carrying the risk of established and innovative organisations in the sector leaving the region.'

The development of the Food Innovation Centre, the support services based within, and the cluster created as a result, will enable Norfolk and Suffolk to achieve its strategic goals. Cited in the 2017 Norfolk and Suffolk Economic Strategy, the development of the centre as part of the Food Enterprise Park will contribute to targeted growth of the local economy by £17.5bn by 2036, creating new jobs in a priority sector.'

- 2.3 The total project cost was estimated to be £11.4m, of which £10.4m was the capital cost of development. Broadland District Council agreed a total of £1,440,000 towards the project, plus £420,000 of contingency funding.
- 2.4 To enable the project to be delivered, £5,715,529 of ERDF and £4,140,000 of NALEP funding was secured. Additionally, the University of East Anglia and Hethel Innovation agreed to provide in-kind support to the project.
- 2.5 To secure external funding and support the aspiration for the project of growth within the agri-food sector, alongside the centre, the approved business case included a support programme for both the incubator tenants and wider food and drink cluster.
- 2.6 *'The Innovation-led Support Programme aims to provide practical and material support, and facilitate access to financial support, for the innovation process. The purpose of this programme is to remove the barriers to innovation that many SMEs face due to their size, resource availability, and visibility, to enable collaboration and innovation to take place. The outcome of this programme should be increased investment into research and new product, process, and service development resulting in business growth, job creation and market expansion'.* The funding agreement for ERDF and NALEP support included output and outcome requirements related to business support, growth, and jobs creation. These are monitored and reported back to the funders in line with agreed timelines. The image below shows the three elements of the project to provide a fully integrated approach for the sector:

Open Innovation Ecosystem for Food and Drink SMEs in Norfolk and Suffolk



3. Current positions/findings

- 3.1 The completed Broadland Food Innovation Centre (BFIC) opened in September 2022 and includes 13 food-grade units of varying sizes, test kitchen, a sensory testing facility and conference/meeting space. The total project cost as of 31 March 2024 was £11.6m, including £10.6m of capital investment. The construction phase of the project was delivered within the agreed budget (including some contingency), despite the significant challenges of weather and material price increases driven by a conflict in Europe. All funding through the NALEP and ERDF has now been claimed and received.
- 3.2 Brown & Co are contracted to act as the commercial agents for the centre, managing enquiries and securing tenancies from suitable businesses in the food and drink sector. The financial forecasts included within the business case for Council investment were based on an occupancy rate of 40-60% in year one, rising from 60-90% by the end of year two. An occupancy rate of 60% will result in payback of the Council's investment by the end of year 30, however occupancy at a rate of 90% reduces this to year 15.
- 3.3 Delays in completion of the building and tenancy negotiations taking longer than anticipated, resulted in a lower income than expected for 2023/24. As of 31 March 2024, however, all units within the centre have tenants who have either moved in and commenced operating or are in the process of finalising tenancy agreements. The tenant summary can be found in Appendix 1 (exempt).
- 3.4 A three-year contract for the management of the centre was awarded to Hethel Innovation Limited (HIL), commencing 1 July 2022. This contract is funded through the BFIC service account, ensuring income generated is reinvested into the development of the centre.
- 3.5 A contract for the management of the food cluster was awarded to UEA Consulting Ltd (UEA), for an 18-month period commencing 1 October 2023. This contract is funded through the Council's UK Shared Prosperity Fund (UKSPF) allocation to deliver cluster specific support to businesses.
- 3.6 The contracts with HIL and UEA support the Council's contracted outputs with the NALEP, ERDF and UKSPF commitments. Progress against agreed outputs is reported back to the council monthly. This can be seen in Appendix 2. The overall ambition of the centre was to support growth within the food and drink sector in the local area.
- 3.7 The benefits of the personalised support provided through the centre to tenants and the wider cluster are recognised by business owners. St Giles Gin have commented on the importance of the support provided for their business *"I must thank you for your very impressive work you have put in to help St Giles Distillery. The first thing I really must thank you for is the way you made us feel. We are a small growing Norfolk business and at times we feel we are on our own, fighting against a fast-flowing tide. You made us feel that we were not on our own, and that our problems are shared by many small businesses. The advice you have given has been*

fantastic and especially the work with us on our “Pitching Deck”, the work you put in to help us has been tireless. This knowledge from you has really streamlined and focused our plan for growth. We now feel confident that we can take our business to national distributors with a professional package. We will be working with the UEA MBA students, this is again another great opportunity to see what other academic minds might have on the growth and distribution of St. Giles.

- 3.8 Further testimonials from businesses are highlighted on the centre’s website www.foodinnovationbroadland.com/cluster/testimonials as well as through the Council’s direct marketing to businesses and local communities.
- 3.9 The events held by the Broadland Food Innovation Centre have significantly benefited the wider program by fostering innovation and collaboration within the food industry. These events provide valuable opportunities for networking, knowledge sharing, and professional development. Workshops and training sessions enhance skills in food safety, market trends, and new product development. Conferences and forums promote industry connections and showcase cutting-edge research and innovations. Overall, these events have driven the growth and success of food businesses, aligning with the Centre's mission to support and stimulate the regional food sector. For more details, visit the [Broadland Food Innovation Centre Events page](#).
- 3.10 A condition of the funding received from ERDF is for income generated by the site to be reinvested for a period of 20 years from completion. The expenditure and income accounts for 2023/24 are shown below.

Description	Budget	Actuals
Electricity	£ 23,000.00	£ 54,187.66
Water Sewerage	£ 11,000.00	£ 1,236.60
Waste Disposal	£ 20,000.00	£ 5,405.69
Business Rates	£ -	£ 145,943.32
Wifi & Telephones	£ 9,360.00	£ 11,588.67
Building Maintenance	£ -	£ 367.00
Grounds Maintenance	£ 7,200.00	£ 4,062.50
Contract Cleaning	£ 6,200.00	£ 7,305.80
Building Insurance	£ 6,755.00	£ 12,944.48
Supplies & Materials inc. postage	£ 240,254.00	£ 448,584.41
Contracted Services & Service Level Agreements	£ 230,806.00	£ 392,847.38
Test & Sampling	£ 8,000.00	£ 6,570.25
Fees & Charges	-£ 64,900.00	-£ 24,844.81
Other Grants	-£ 167,343.00	-£ 1,069,274.78
Rental Income	-£ 330,332.00	-£ 97,654.18
Total	£0	-£ 100,730.01

- 3.11 Each unit has a dedicated electricity meter with tenant consumption invoiced to them in arrears. The electricity budget shown above is the total consumed by the centre, with the income from recharges shown in fees and charges.

- 3.12 Business rates for vacant units and communal areas had not been budgeted for in 2023/24 however have been included in forecasting for future years.
- 3.13 As outlined, a requirement of the funding secured is the development and support for the food and drink cluster. These costs are included within the supplies and materials expenditure. The contract for ongoing cluster development is funded through the UK Shared Prosperity Fund through to March 2024 with opportunities for the cluster to be self-sustaining beyond this.
- 3.14 Centre Management is included within the contracted services expenditure. Initial budgets allowed for a salary for a centre manager, however Cabinet approved contracting this to an organisation specialising in managing an innovation centre to in the early stages of operation to allow for the centre's reputation to develop.
- 3.15 Additional costs incurred in 2023/24 for contracted services and supplies and materials have been offset by the final grant payments from ERDF being received. The surplus (£100,730) has been transferred into a service account to cover ongoing maintenance and running costs. Budgets for 2024/25 have been revised to reflect actual costs of insurance, utilities, and services etc.
- 3.16 The next investment within the centre, as approved by Cabinet in January 2024, is a content creation kitchen. This investment is funded through the Rural England Prosperity Fund and will provide shared facilities for use by both the tenants and wider food cluster. The designs are currently being finalised for installation in Quarter 2 of 2024/25.
- 3.17 The site is now also able to offer virtual tenancies, enabling additional organisations within the food and drink sector to benefit from the credibility associated with the Broadland Food Innovation Centre without renting physical space within the facility. This is an opportunity for an additional income stream for the centre and supports development of the wider cluster.
- 3.18 The Council's Economic Growth Strategic Plan includes a commitment to support the agri-food sector as a key opportunity for the district. Cluster support is currently funded through the Council's UKSPF allocation, however proposals for the ongoing sustainability and development of the cluster from are being considered. To continue to support innovation and the wider food and drink cluster, a website is also being finalised.
- 3.19 The innovation centre was developed to enable growth and innovation within the food and drink sector in a specially designed facility. As agreed, within the funding agreement, innovation support will continue to be provided as part of the ongoing commitments to the sector.

4. Issues and risks

- 4.1 **Resource Implications** – Broadland District Council currently has a three-year contract for Hethel Innovation Limited to manage the centre. This contract runs to

30 June 2025 and includes the option to extend by two further years. Further support to the centre is provided by the Economic Growth team including lease/tenant management and cluster support.

- 4.2 **Legal Implications** – A requirement of the ERDF secured, is that: For a period of 20 years from and including the Works Completion Date (“the Reinvestment Period”), any rental return received by Broadland from the Property (after deducting any VAT and any other taxes and the costs and expenses listed at shall be re-invested into the Project and shall not be taken as a profit.
- 4.3 Within the NALEP funding agreement, it specifies: *After the Re-investment Period, and for a period of 15 years, Broadland shall pay to Suffolk County Council (SCC) a sum equivalent to 50% of the rent (net of VAT and any other taxes) generated at the Property per quarter and which Broadland has received after deducting reasonable expenses incurred in the management of the building.* Following the dissolution of the NALEP, all assets within Norfolk passed to Norfolk County Council.
- 4.4 Virtual tenants are required to register with HMRC. Virtual tenants will be subject to identity checks etc. to ensure agreements are compliant with anti-money laundering regulations.
- 4.5 **Equality Implications** – no specific implications
- 4.6 **Environmental Impact** – the centre has been completed to BREEAM excellent standards, minimising the environmental impact.
- 4.7 **Crime and Disorder** – no specific implications
- 4.8 **Risks** – To mitigate the risk of not achieving the outputs and outcomes required by the funding bodies, the outputs and outcomes required are included within the contracts for Centre Management and Cluster Management as shown in Appendix 2.
- 5. Recommendations**
 - 5.1 To note the progress being made in the delivery of the intended outcomes of the Broadland Food Innovation Centre project.

Background papers

Cabinet report 11 February 2020 – Investment proposition for the Food Innovation Centre

Appendix 2 – Contracted Outputs

ERDF & NALEP Output	Contracted	Achieved	Variance	% Variance
C1 – number of enterprises receiving support	90	106	+16	+18%
C4 – number of enterprises receiving non-financial support	75	106	+31	+44%
C5 – number of new enterprises supported	15	18	+3	+20%
C8 – employment increase in supported enterprises	41	10.7	-30.3	-74%
C26 – number of enterprises cooperating with research entities	40	42	+2	+5%
C28 – number of enterprises supported to introduce new to the market products	5	48	+43	+860%
C29 – number of enterprises supported to introduce new to the firm products	25	118	+93	+372%
P2 – public or commercial buildings built or renovated	1	1	-	0%

Cluster Support Output/Outcomes (UKSPF)	No. to be achieved by 31 October 2024	Achieved by 31 March 2024 (first 6 months of contract)
Arrange at least 50 collaborations per year, between Cluster members and research institutions, other supporting stakeholders, or Cluster members with the aim of providing: <ul style="list-style-type: none"> • The commercialisation of ideas, • Creating local supply chains, • Innovation, • Peer to peer learning/sharing best practice, • Job creation. 	50	54
Deliver at least 18 events per year. Events should focus on advancing the Food and Drink sector in Norfolk and Suffolk	18	10