

## PLYMOUTH CITY COUNCIL

**Subject:** Progress report on the Development of the Oceansgate Enterprise Zone and a General Employment Update

**Committee:** Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee

**Date:** 7 November 2018

**Cabinet Member:** Councillor Evans OBE (Leader of the Council)

**CMT Member:** Anthony Payne (Strategic Director for Place)

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**Ref:**

**Key Decision:** No

**Part:** I

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**Purpose of the report:** To update the Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee on development of the Oceansgate Enterprise Zone, a key employment site in the City for marine businesses and a major centre for innovation and collaboration. The report will also provide a general update on employment trends and other key employment initiatives that the Council is involved in.

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**Corporate Plan:** Oceansgate Enterprise Zone makes a significant contribution to our 'A Growing City' priority by creating up 1200 highly productive jobs in the marine sector

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**Implications for Medium Term Financial Plan and Resource Implications:  
Including finance, human, IT and land:**

This report is an update to the Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee and is not requesting finance or resources.

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**Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:**

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**Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? Yes

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**Recommendations and Reasons for recommended action:**

The Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee to consider the contents of this report

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**Alternative options considered and rejected:**  
N/A

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**Published work / information:**

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

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**Sign off:**

Fin	Leg	Mon Off	HR	Assets	IT	Strat Proc
Originating SMT Member David Draffan						
Has the Cabinet Member(s) agreed the content of the report? Yes						

## 1.0 Introduction

- 1.1 This report provides an update on development of the **Oceansgate Enterprise Zone**, a key employment site in the City for marine businesses and a major centre for innovation and collaboration. The report will also provide a general update on employment trends and other key employment initiatives that the Council is involved in.

## 2.0 Oceansgate Introduction

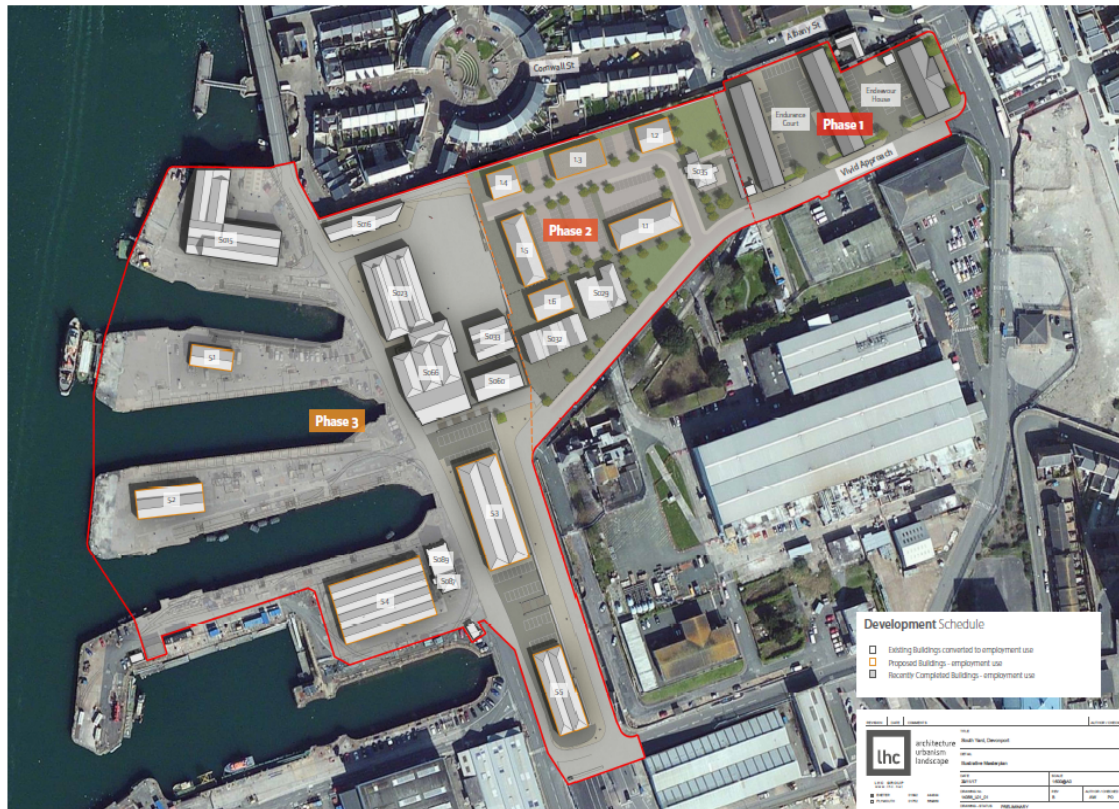
- 2.1 Oceansgate Enterprise Zone is part of South Yard located, at the southern end of Devonport Naval Base in Plymouth. The site is approximately 35ha, and comprises a range of under-utilised, obsolescent and historic industrial buildings, docks and jetties. For a number of years South Yard has been the subject of discussions between Plymouth City Council, local businesses and the MoD over the transfer of the Yard into private sector and local authority ownership, with the aim of making the site more productive. There has been significant success to date with Princess Yachts taking a 7ha freehold plot to build a new generation of yachts in 2010.
- 2.2 In 2014, as the flagship project of Plymouth and Peninsula City Deal, the Government allowed Plymouth City Council to negotiate the transfer of 7.5ha of South Yard from the MoD to local authority ownership. This was to enable the development of Oceansgate as a major marine hub. The marine sector is already Plymouth's largest and most productive sector directly employing around 7100 accounting for 21% of the UK's marine manufacturing sector. Leading names such as Babcock International, Princess Yachts, Thales, Fugro and Sonardyne are located in Plymouth. However, despite these strengths it was recognised that economic growth in the marine sector was being suppressed by lack of access to commercial marine sites with access to water to enable companies to **undertake deep water testing and marine product commercialisation activities**.
- 2.3 Oceansgate has local, regional and national importance. It represents one of Plymouth City Council's largest employment sites and also contributes to the delivery of **Pledge 2 and 3**, which supports economic growth and employment. It is one of two sites in the South West region identified as a focus for Advanced Engineering and it is one of the Heart of the South West LEP's 'Transformational Opportunities'.
- 2.4 A master plan for the site has been produced and outline planning consent secured in 2014. This allows for the creation of 25,000m<sup>2</sup> of floor space, employing up to 1,200 people in three phases of development. In 2015 Oceansgate was designated an **Enterprise Zone**, a 25 year designation, which has helped stimulate demand from marine businesses through the provision of Business Rate Discounts and enabled the Council to increase the amount of borrowing as a result of the Business Rate Retention benefit.
- 2.5 Through the City Deal, stakeholders developed the Vision for the Oceansgate site which is:

***To bring together marine based businesses  
to create a world class hub for marine industries, with  
opportunities for research, innovation and production  
in a collaborative environment.***

- 2.6 This will require Oceansgate to be much more than a business park. Central to achieving this vision is the need to create the right conditions that can drive collaboration and innovation. Working with knowledge partners including the University of Plymouth, the University of Exeter, Plymouth Marine Laboratory and the Marine Biological Association the Council has

launched a **Marine Business Technology Centre** headquartered in Oceansgate. This will bring businesses together with expertise provided by the knowledge partners and enable access to a unique and comprehensive set of 'in-sea' test facilities in waters around Plymouth Sound as well as connectivity to the wider marine / advanced engineering sectors.

**Figure 1 Oceansgate Masterplan**



### 3.0 Progress to Date

3.1 **Phase I** was complete in May 2018 creating 2,600m<sup>2</sup> of floor space and 177 jobs and 99 construction jobs created by the contractor. Accommodation comprises two light industrial units (Endurance Court) containing 14 units and one office building (Endeavour House) containing 12 office suites. To date three light industrial units have been let to Princess Yachts suppliers Surejust and Trend Marine and two office units let to the Maritime and Coastguard Agency and the Marine Business Technology Centre. These lettings have created a total of 19 jobs. A further nine industrial units are currently under negotiation with three potential tenants.



**Figure 2 Endeavour House in Phase I**



- 3.2 Funding for **Phase 2** is currently being assembled amounting to £13.4m including £2.2m of ERDF. Construction is due to start in April 2019 with completion due in the spring of 2020. Kier Construction have been appointed as construction contractors to build four buildings; one office and three light industrial units creating 2,900m<sup>2</sup> of floor space and 150 jobs and 99 construction jobs.
- 3.3 Contained within Phase 2 is the Devonport Naval Heritage Museum, which occupies a number of buildings on the site. The Council is currently working with the National Museum of the Royal Navy (NMRN), based in Portsmouth and Devonport Naval Base to relocate the Museum to an adjacent site in South Yard. The NMRN have a long term plan to significantly increase visitor numbers by expanding the exhibition space and berth the de-commissioned nuclear submarine HMS Courageous in a nearby dock. The vacated buildings in Phase 2 will then be freed up for redevelopment by the Council to create further employment space.

**Figure 3 CGI Design for Phase 2**



- 3.4 Phase 3, which incorporates the waterfront, is the largest and most challenging phase but also generates the greatest market interest and economic impact with the creation of up to 600 jobs. The Council's strategy is to attract a strong presence of innovative marine businesses that require access to in sea test facilities along with a managing marine business who can act as port authority for the dock facilities in Phase 3. In all forty marine businesses are actively interested in Phase 3.
- 3.5 In order to prepare Phase 3 for commercial use the Council needs to separate the site from the rest of Devonport Naval Base. This involves re-providing new utilities such as power, communications and drainage and at the same time erect security fences and a new security guard post at the northern end of the site. The Council has agreed a three year costed programme with the MoD to undertake this work which will proceed once additional funding has been secured. When the Council started the Oceansgate project, it was recognised there would be a significant public funding gap of £28m to complete the development. The Council has been successful in obtaining additional support that has enabled significant progress on Phases 1 and 2 and reduced costs in Phase 3 which in turn has reduced the overall gap significantly to £14m. The Council is working with Heart of the South West LEP and Government to develop financial options to close this gap. It is estimated that this funding would yield an additional £20m in private sector investment to bring the docks, jetties and buildings back in to full commercial use.
- 3.6 The Council will also be responsible for the ongoing annual cost of securing the enclaved site once occupied which currently amounts to £544k per year. The Council has developed a financial model driven by the need to generate sufficient revenue income from within the project to meet MoD's ongoing additional annual security costs. This has required the Council to act as developer in Phases 1 & 2 and ring-fence the rental and NNDR income from each to cover MoD's security costs. The retention of NNDR growth within the Oceansgate Enterprise Zone is critical to the funding of the project.

**Figure 4 Phase 3 including three docks and associated buildings**





- 3.7 **The infrastructure works** currently under way at Oceansgate bring new utility services into the dock yard approach road to provide connections into the Councils future developments in Phases 2 and 3. In addition, we are constructing the first part of new mains drains including a flood relief sewer that will connect into the neighbouring residential network that is close to capacity and reduce the risk of flooding.
- 3.8 The works commenced in January 2018 and have progressed steadily despite the very difficult ground conditions. The drainage work is deep in places, being cut through the rock strata up to 6m deep. In addition, there are numerous existing service cables, pipes and ducts that serve the neighbouring MoD buildings, requiring extremely cautious work around them for safety reasons. We have also encountered live ordnance, with a wartime mortar shell unearthed.
- 3.9 The Council's contractor, Balfour Beatty recently achieved a significant milestone when the two gangs working on the new relief sewer from opposite ends met and joined the pipes. The new gas and water installations are largely complete, awaiting meter swaps to MoD buildings before the old services can be turned off. The Council is working with Western Power on the provision of a new high voltage electrical supply that is being brought into the development from Cumberland Street. The communications ductwork is close to completion, with high speed broadband services successfully connected to the first tenants in Phase I.
- 3.10 Remaining works to complete include junction alterations at the entrance to Oceansgate to improve pedestrian and cycle access and upgrading of the carriageway drainage on the existing dock yard approach road. Completion is likely early in 2019. **Superfast broadband has successfully been connected to Phase I** by BT Openreach; Virgin is close behind to give tenants a choice of services to meet their individual needs in both offices and workshops alike.

#### 4.0 Marketing and Demand

- 4.1 Business demand for Oceansgate is strong with market interest exclusively from the marine sector. Business enquiries come from a number of sources including the Oceansgate website <http://www.oceansgateplymouth.com>. To date over 300 enquiries have been handled by the Oceansgate team and the Economic Development Service. In addition to the website, market interest is generated by attendance at national trade shows such as Seaworks in Southampton and Oceanology in London and local events such as the **Plymouth Marine Tech Expo** hosted earlier in 2018 at the University of Plymouth. The next planned Plymouth Marine Tech Expo will be in 2020 to coincide with Mayflower 2020 celebrations.
- 4.2 Market interest to date fits well with the vision of the Oceansgate. Interest can be segmented into three broad areas.
- **Marine technology** businesses seeking accommodation with waterside access for design, manufacture and product development utilising test facilities in Plymouth Sound
  - **Marine manufacturing** businesses seeking waterside space including docks and jetty space to either construct boats or repair and convert vessels
  - **Supply chain** businesses looking to locate close to either Princess Yachts and Babcock International

#### Marine Business Technology Centre

- 4.3 The Marine Business Technology Centre (MBTC), which is headquartered in Phase I represents a major new collaboration between Plymouth City Council, Plymouth University, Exeter University, Plymouth Marine Laboratory and the Marine Biological Association (MBA). The MBTC will support marine businesses to innovate and test 'near to market' products by

providing seamless access to ‘in sea test’ facilities in Plymouth Sound and to the expertise of the various Knowledge Partners. The aim of the project is place Plymouth at the forefront in the development of new technologies such as; marine autonomy, alternative propulsion, sensors and instrumentation and advanced manufacturing.

- 4.4 The MBTC is generating a strong relationship with businesses not just in Plymouth but across the UK and abroad to consider Plymouth as location for testing and investment. Locally this is coordinated through the FAST (Future Autonomy at Sea Technologies) Cluster group which includes businesses such as Thales, Sonardyne, Msubs, Valeport and Seiche. Strong links are also made with the South Coast Marine Cluster, a strategic collaboration between key south locations including Plymouth, the Solent, Weymouth and Cornwall.
- 4.5 The project is ERDF funded for three years and whilst funding only all and an important objective will be to sustain the service beyond this period. The MBTC will be responsible for generating 100 business assists which will include bringing new products to market.

**Figure 5 Western Channel Observatory Part of the ‘in sea’ test range**





## 5.0 Employment update

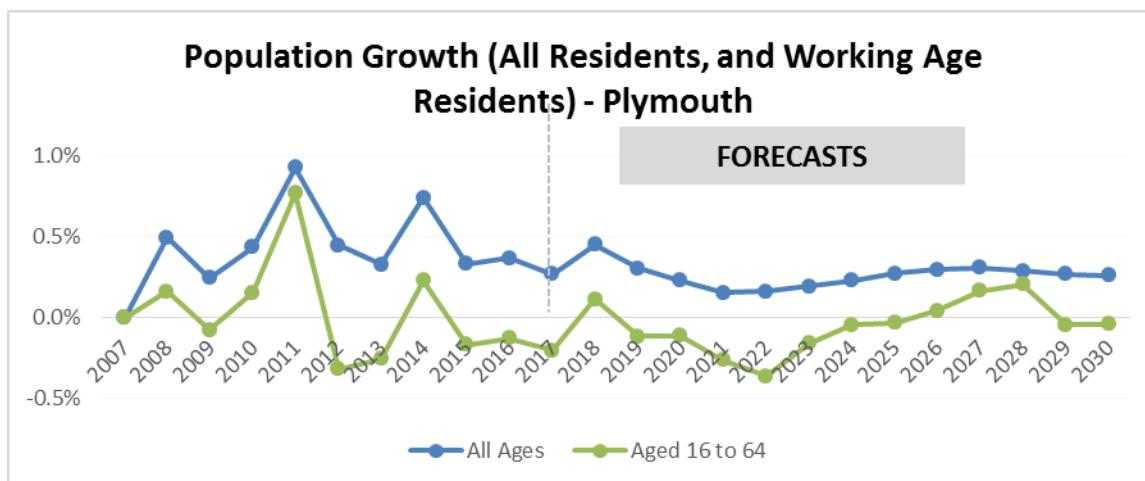
### 5.1 The current employment headlines for Plymouth are –

- Our population continues to grow slowly (263,070 residents in 2017)
- We have marginally more people economically active (75.2% / 106,000) than nationally (74.8%)
- Claimant unemployment is now at the lowest rates for 10 years (4,825)
- Plymouth's workers' earn around £519.80 p/w compared to £538.70 nationally
- Between 2011 and 2016 private sector jobs growth mostly seen in construction, self-employment, accommodation & food services, and manufacturing
- We have around 4,500 jobs available each quarter – demand particularly from Plymouth's largest sectors: Health, Education, and Wholesale & Retail Trade
- Jobs available mostly in low-, mid-skill, and mid-higher-skill occupations paying between £15k- £50k

### 5.2 The Council's Employment Interventions aim to create economic growth that benefits as many people as possible –

- Continuing to build additional factories such as Header Court
- Support for City Centre and Waterfront Business Improvement Districts
- Continued support for Plymouth Science Park
- Business Support through Business Relationship Programme, Growth Hub, Start Up, Growth Support Programmes, sector support such as Marine Business Technology Centre, Connected Plymouth, Destination Plymouth, Fisheries support, Defence Industry support etc
- Drawing inward investment to create high-value and volume jobs e.g. Fugro, Thales, BD, Sitel
- Our own PCC managed workspace provision at City and East End Business Centres
- Ensuring that our work with the voluntary and community sector, social enterprises, cooperatives and mutuals creates inclusive economic growth
- Education and skills talent pipeline projects through the skills/education team (Employment Skills Board, STEM Strategy, Plymouth Challenge, and Building Plymouth etc)

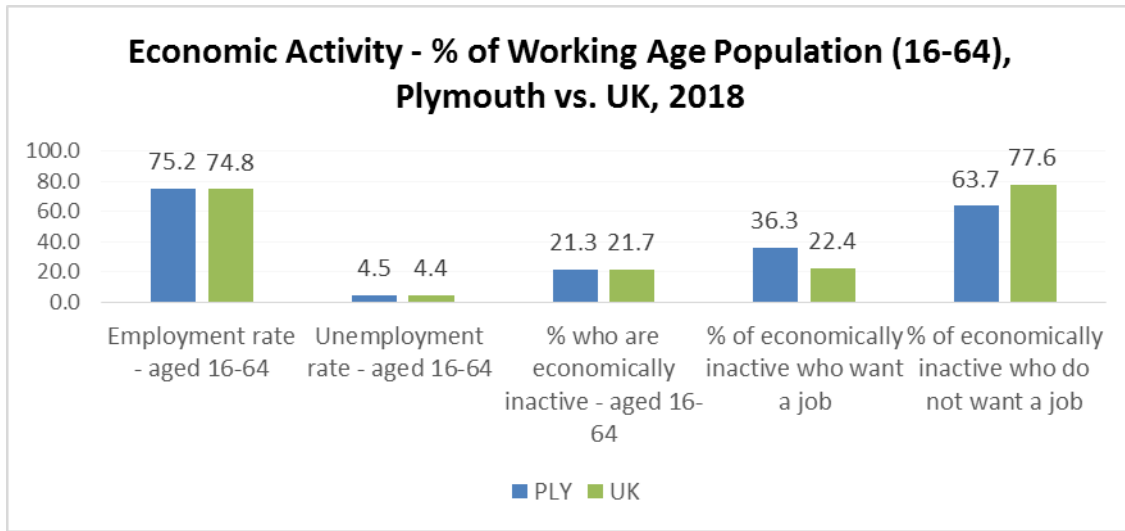
### 5.3 Population Analysis



- Population growing slow over recent years
- Working age population growing at slower rates than our total resident population

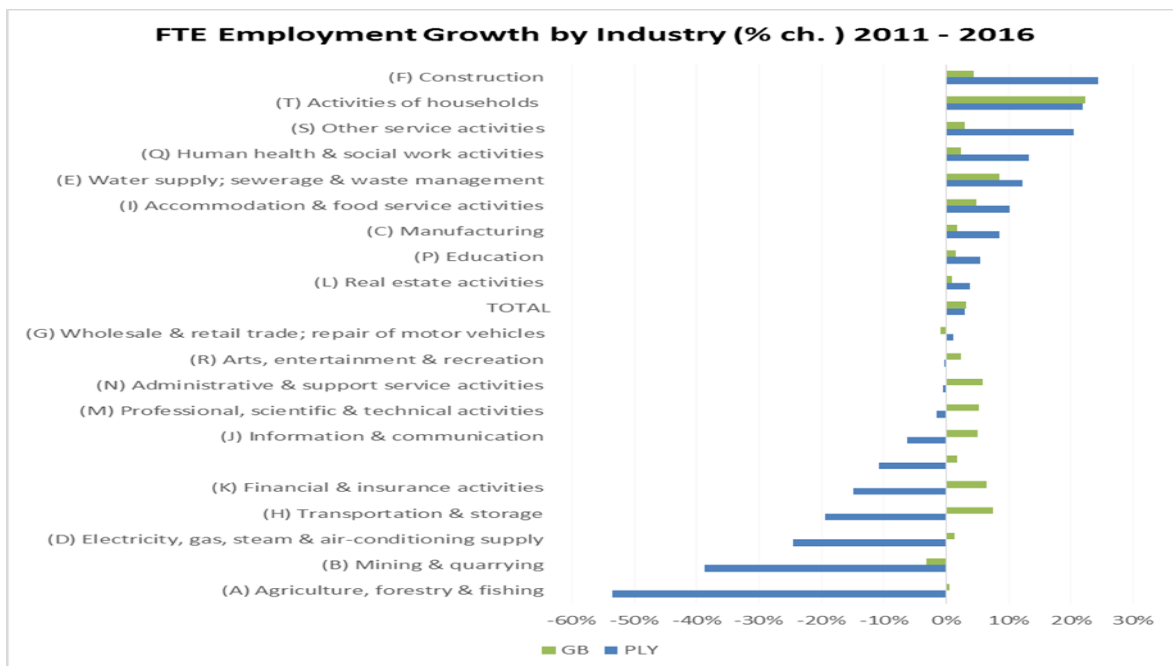
- 263,070 residents in Plymouth in 2017, 64% of which (i.e. 168,264) were aged 16 – 64
- This is projected to reach 272,275, and 167,225 respectively by 2030

## 5.4 Economic Activity



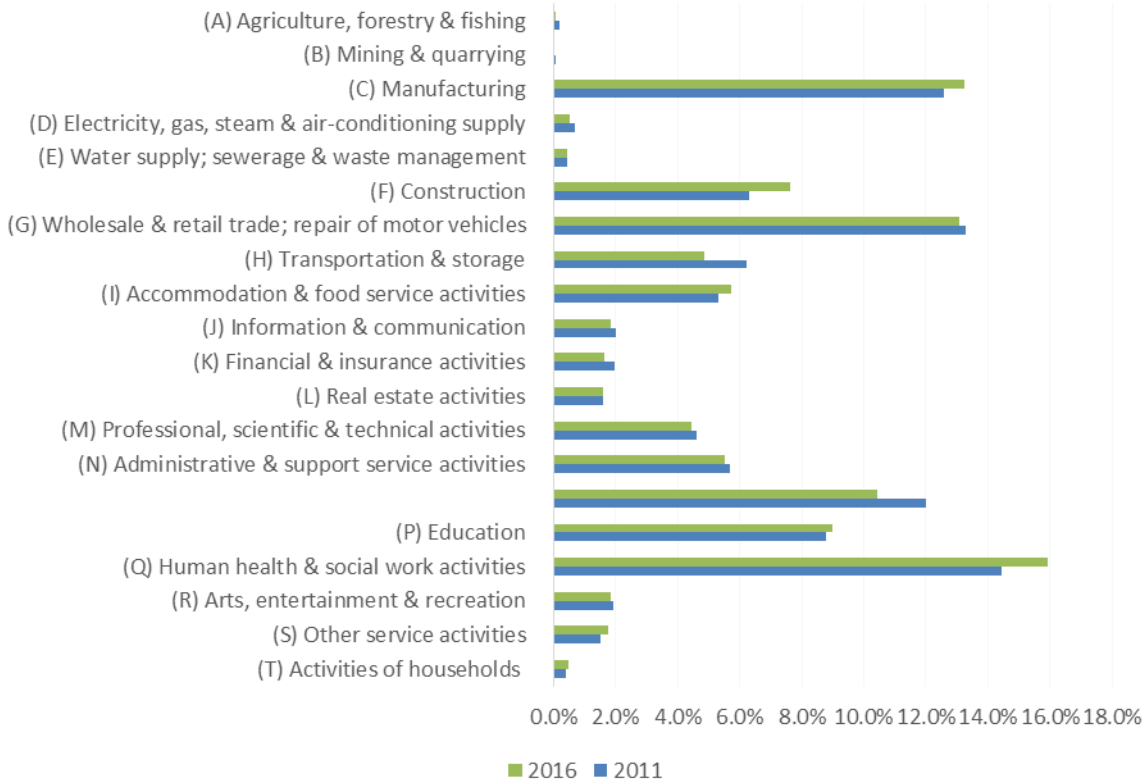
- Plymouth’s economic activity rate is marginally higher than nationally
- The number of residents in employment has risen over the period 2011 to 2018 by 9.3% in Plymouth, compared with 8.9% nationally. This number reached 127,200 jobs at the end of 2017, or 105,647 FTEs<sup>1</sup>.
- Claimant unemployment has seen a significant recovery post-recession and is now at one of its lowest rates in over 10 years
- We have 4,825 claimants (of which 1,025 were aged 18 – 24)
- The number of people claiming JSA or Universal Credit was 30% lower in 2014 than in the year 2000, with the number of 16 – 24 year olds claimants 36% lower.

## 5.5 Employment Trends



<sup>1</sup> | Full-Time Equivalent job is the equivalent of a 37 hour per week job.  
OFFICIAL

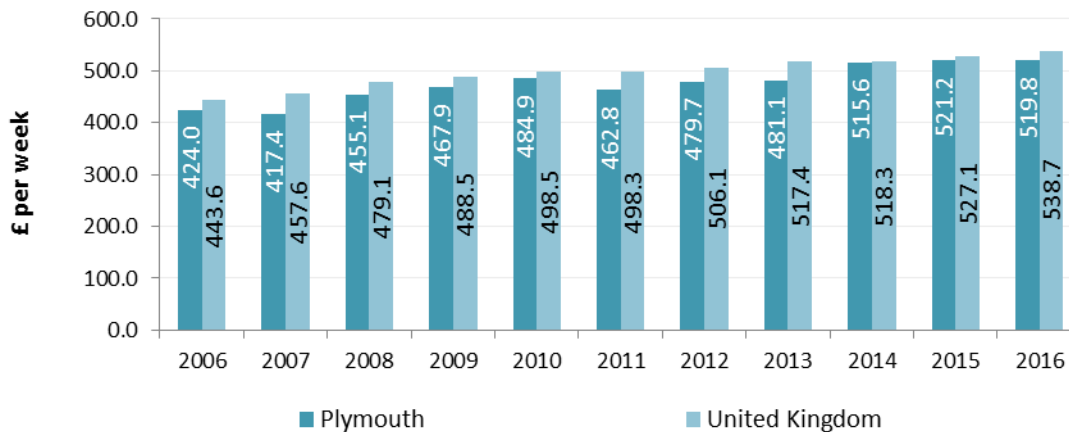
### FTE Employment by Industry (% of Area Total) - Plymouth, 2011 vs. 2016



- The expansion in employment since the recession has been mostly driven by full-time jobs, whilst part-time employment began to contract.
- Public sector (including military) accounts for 35.3% of FTE employment (36,758 FTE jobs)
- Private sector growth mostly seen in construction, self-employment, accommodation & food services, and manufacturing.

### 5.6 Earnings

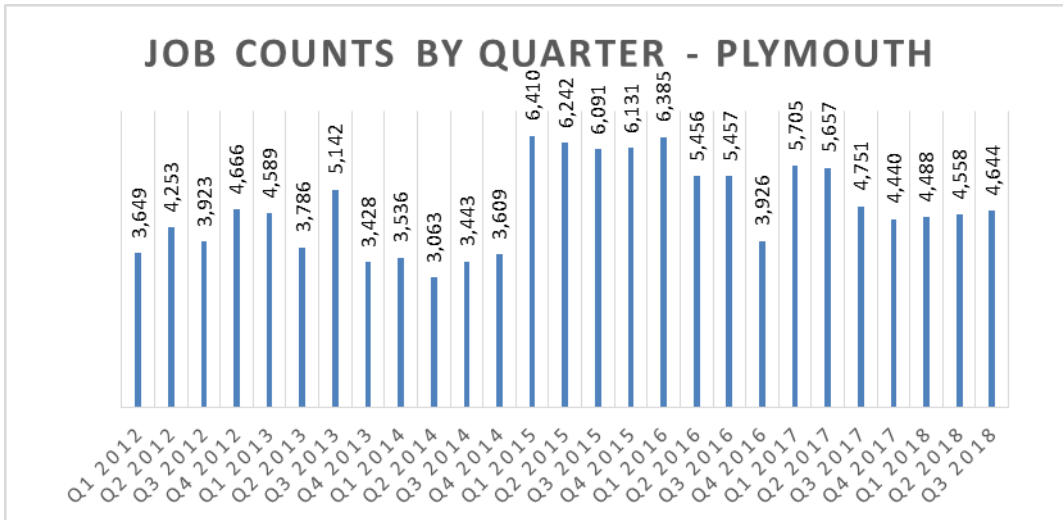
#### Median Gross Weekly Pay - Workplace Analysis



- Plymouth’s workers’ earn around £519.80 p/w compared to £538.70 nationally
- We nearly closed the gap in 2014

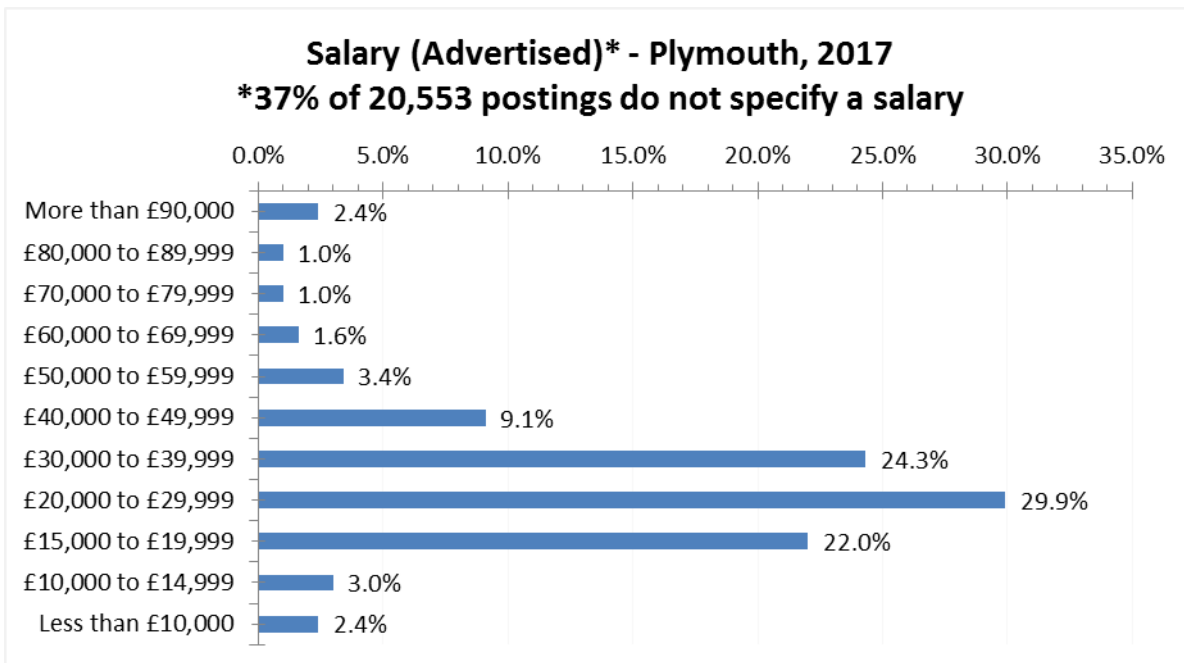


## 5.7 Employment Demand



- Stronger demand for jobs since 2015
- This is consistent with the increase in the number of jobs in the city and the fall in unemployment
- In the last year demand for jobs continued to come Plymouth's largest sectors: Health, Education, and Wholesale & Retail Trade
- Engineering, construction, manufacturing, and public administration and defence are also amongst the top industries employing over 16/17

## 5.8 Average Advertised Salaries



- Demand mostly lies in low-, mid-skill, and mid-higher-skill occupations at £15k- £50k.