Malvern Hills District Council

Employment Land Allocation at QinetiQ Malvern

Final Report

April 2015
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Appendix A - High Technology Business Sector
Appendix B - Knowledge Intensive Services
1 Introduction

1.1 Overview

1.1.1 AMION Consulting and Thomas Lister were appointed by Malvern Hills District Council (MHDC) to review the evidence to support the adopted Local Plan target of 4.5 hectares (ha) of specialist employment land on the QinetiQ site in Malvern, which has been carried forward into the emerging South Worcestershire Development Plan (SWDP). The SWDP policy seeks to allocate this land for Class B1 (b) employment uses.

1.1.2 The site is one of the Worcestershire Local Enterprise Partnership (WLEP) ‘Game changer Programme’ sites of strategic significance, “which occupy strategic locations within their markets and provide major opportunities to lever market-led investment and deliver growth and jobs. Four initial sites have been selected because of their scale, economic impact potential and deliverability.”¹ The expansion of Malvern Hills Science Park (MHSP) and creation of grow on accommodation is identified as supporting the growth of the cyber/defence/IT sector, which is an identified target sector for WLEP.

1.1.3 QinetiQ has recently consulted on proposals that would bring forward 3.1 ha rather than the allocated 4.5 ha of employment land as part of the redevelopment of surplus land totalling 14 ha and contend that this is all that is required up to 2030 - although no evidence to support this contention has so far been supplied.

1.2 Approach

1.2.1 The approach to this assignment comprised the following:

- site visits;
- consultations – including with MHDC, MHSP, Worcestershire County Council (WCC), local property agents and a developer;
- review of the policy context – including in particular relevant national and local economic policies;
- assessment of economic data and forecasts produced by Cambridge Econometrics, Experian and Oxford Economics²; and
- analysis of planning and property market data and transactions.

1.3 Structure

1.3.1 The report continues in four sections. Section 2 reviews the context to the proposed allocation including briefly the planning background, QinetiQ’s proposals, the performance of the adjacent MHSP, the criteria for a successful science park and the economic context and prospects. Section 3 then reviews national and local economic policy and considers how the proposed allocation fits with these. Potential demand, competing supply and viability are assessed in Section 4. Finally, Section 5 summarises the conclusions of the research.

¹ Worcestershire Local Enterprise Partnership (March 2014), Strategic Economic Plan
² These forecasts were commissioned by the South Worcestershire Councils in 2013 as part of their work to develop an Objective Assessment of Housing Need
2 Context

2.1 Introduction

2.1.1 This section sets out the context for the proposed allocation of the employment land in terms of local planning policy, the growth and development of MHSP to date, the factors that have been identified as being important in the success of science parks, and economic and employment trends and prospects in Malvern Hills.

2.2 Planning policy - site allocation

2.2.1 Currently, the adopted development plan for Malvern Hills District consists of the saved policies of the Malvern Hills District Local Plan (MHDLP) 1996-2011 (July 2006) together with the Worcestershire Minerals Core Strategy (November 2012) and the saved policies of the Hereford and Worcester Minerals Local Plan (April 1997).

2.2.2 Policies DS.9 and DS.10 of the adopted MHDLP allocate an element of the QinetiQ site for a minimum of 4.5 ha of Class B1 (b) employment uses.

2.2.3 Policy DS.10 (2) states that if additional development capacity is released by QinetiQ it will be reserved for primarily Class B1 (b) uses, but the reasoned justification does not preclude other uses - therefore leaving some opportunity for uses such as residential on any further land brought forward. The QinetiQ site extends to some 26 ha in total, with QinetiQ now proposing to release 14 ha for development while they have consolidated on the remaining core area.

2.2.4 Policies DS.9 and DS.10 were directly linked to Central Technology Belt objectives in the former Regional Spatial Strategy (RSS), specific RSS policies (PA.4 and PA.6), and objectives associated with the West Midlands Regional Economic Strategy. None of these are in place now or have any weight in current planning decisions. As a result, a current evidence base is required to support the specific policy requirements going forward in the SWDP.

2.2.5 The SWDP is proposed to replace the ‘old style’ saved local plan policies. It is a joint Development Plan Document involving collaborative work between Malvern Hills District, Worcester City and Wychavon District Councils. This document combines the previously proposed South Worcestershire Joint Core Strategy (SWJCS) and Site Allocations and Policies DPDs into a single plan.

2.2.6 The emerging SWDP (SWDP 53, as modified) allocates Malvern Technology Centre (QinetiQ) for at least 4.5 hectares of Class B1 (b) employment uses and (amongst other things) approximately 300 dwellings.

2.2.7 Detailed consideration of objections to the SWDP allocation at QinetiQ will be heard in Phase 2b and 2c of the SWDP examination which will take place in April and May 2015. The Council’s position is that it accepts that MHDLP policies DS.9 and DS.10 are time-limited, but that:

- they have saved development policy status;
- they are consistent with the National Planning Policy Framework (NPPF), taking into account the economic development case and protection of employment uses;
notwithstanding that the regional policy framework which supported the policies has been abolished, the policy drivers which support the policy approach is considered to remain valid by virtue of:

- confirmation of ongoing need for specialist employment use in this location has been carried forward by the WLEP in the Strategic Economic Plan (SEP) and in support of the National Cyber Security Strategy 2011 and the 2014 review of progress and forward plans;
- ‘Game changer’ status of the site – one of four county-wide sites of strategic significance that have been identified to offer a ready-made solution for both inward investment and indigenous business growth;
- the ‘brownfield’ nature of the site - the specific location and characteristics of which (proximity to QinetiQ and MHSP) are limited elsewhere in the district or the wider county;
- the success of MHSP and expansion proposals supports the case for ongoing protection of the allocation under Policies DS.9 and DS.10 for specialist employment uses;
- while only limited weight can be placed on the specifics of emerging policy SWDP.53 as a result of the unresolved objection and because the policy has not yet been tested at examination, the protection of employment land is appropriate for reasons that include:
  - the Inspector at the Examination of the SWDP has considered the overall provision of employment land across South Worcestershire and has not sought to reduce the provision, suggesting that the current plan provision is treated as a ‘minimum’. Therefore, the local authorities and WLEP argue that there is no overriding case to reduce or remove the protected allocations, particularly in relation to strategic sites that would meet specialist employment needs that cannot be replicated elsewhere; and
  - the emerging SWDP makes positive provision for its full, objectively assessed, housing need.

2.3 QinetiQ redevelopment proposal

2.3.1 QinetiQ has identified land that is surplus to the operational requirements of the company totalling 14 ha, which form an ‘L’ shape to the south and east of their existing site. Excluding the retained operational area, the surrounding land uses are established residential properties which are principally large semi-detached and detached properties. The exception being the Chase School and playing fields which is situated to the north east of the surplus site and is accessed from Geraldine Road. The MHSP is situated to the north of the Chase School and around 75 metres north of the surplus land – with an existing sports field between the surplus land and the MHSP.

2.3.2 QinetiQ has previously sought planning policy support for residential uses within the surplus land to support the viability of the delivery of employment uses within Class B1 (b) employment uses.
2.3.3 QinetiQ’s current proposed redevelopment includes approximately 3.1 ha of high-technology employment land, up to 400 new homes on 9.6 ha of land, and 2.2 ha of public open space. The preferred proposal is illustrated in Figure 2.1. The employment land would be adjacent to the entrance to the site from St. Andrews Road. Residential elements would be served through the Poolbrook Gate onto Poolbrook Road as well as from St. Andrews Road. The proposals would provide for the QinetiQ retained site to be accessed on foot and cycle from the Fountain Gate onto St. Andrews Road with vehicular access via the North Gate, as well as any retained access rights through the Main Gate.

**Figure 2.1: Proposed redevelopment**

2.3.4 The proposal for 3.1 ha of employment land is 1.4 ha (31.1%) less than the figure of 4.5 ha identified in the emerging policy SWDP.53. The identified location is also on the edge of the existing site, some distance from the existing MHSP and not as originally envisaged directly to the south of the MHSP site.

2.3.5 It is also understood that QinetiQ may be able to further consolidate on their existing site and release space within one of the main office buildings.

2.4 Malvern Hills Science Park

2.4.1 MHSP was created to accommodate and nurture science-based businesses generated through changes at the Defence Evaluation Research Agency (DERA), part of which was
privatised as QinetiQ in 2001/02. DERA/QinetiQ was envisaged as playing the role of a host research institution. QinetiQ is Malvern’s largest employer, with some 900 people employed at its base adjacent to the Science Park, although this is lower than the figure of 2,500 of recent years. MHSP is focused on defence applications, also known as ‘cyber security’. The Science Park is owned by WCC, MHDC and the Herefordshire & Worcestershire Chamber of Commerce.

2.4.2 The Science Park has been developed over three phases, is currently fully let and currently accommodates 30 technology-rich companies employing over 300 people. Phase 1 opened in 1999, Phase 2 in 2002 and Phase 3 in 2009. Phase 4 has received funding and planning consent with building works underway onsite from January 2015. Phase 4 will provide some 2,322 sq m (25,000 sq ft) of Technology/R&D workspace for a major MHSP tenant to expand into. This will release space within the existing phases for growth by existing tenants and to accommodate new businesses.

2.4.3 With the completion of Phase 4, the present MHSP landholding will be developed out, with approximately 10,000 sq m of floorspace being provided across the whole Science Park. The Science Park Company and its key stakeholders agree that more floorspace is required to meet the changing needs of technology-based businesses, particularly for grow-on space. This level of ambition was set out in MHSP’s Strategy for Growth 2013 – 2023, which noted that this scale of operation would support new ventures, grow-on space and inward investment. The further extension of the Science Park across 4.5 ha would also significantly support strategic national and sub-regional objectives relating to innovation and economic growth (see Section 4).

2.4.4 The particular strengths of MHSP are that it is established and has a specific niche, with links to DERA / QinetiQ and a history of tenant success. It also benefits from a supportive ownership structure with the local authorities playing a leading role, and experienced and ambitious management. Furthermore, there is strong demand for space at the Park, with full-occupation and a waiting list. This demand also includes related activities such as forensics.

2.4.5 However, MHSP is still relatively small and has limited links with any host / partner institution. Furthermore, beyond Phase 4, there is little opportunity for expanding the site in the short-term as no land can be brought forward quickly. In addition, there is only a limited innovation eco-system across the area and links with Malvern Cyber Security Community network and HEIs need to be enhanced. The site is also not in a prominent location.

2.4.6 Despite these weaknesses, there are opportunities to enhance MHSP’s offer. There is a willingness on the part of partners to address governance issues and engage with partners as part of forward-looking strategy. In addition, as noted above, MHSP is one of four ‘game-changer’ sites in the SEP and provisional funding to support expansion has been obtained through the Growth Deal (see Section 3.3 below). Furthermore, the business service offer is being developed and has the potential to help tenants grow and strengthen MHSP’s market position.

2.4.7 The potential threats to the growth of MHSP are that there is no certainty that major suppliers and contractors will engage with small businesses of the type that are located on MHSP. This may impact on the potential growth of tenants and of MHSP as a whole. However, this has not prevented the successful development of the Science Park to date. In addition, the strong focus on activity relating to security means that it is likely to be difficult to build ‘communities of common interest’ within a highly competitive environment. The
Science Park also lacks a unique selling point in broader fields. Another issue is that potential partner institutions in both the private and public sectors often prefer to keep related business activities close by for easy access to researchers’ facilities.

2.4.8 Located close to MHSP is Dytecna, a manufacturing company with operations in Fareham, Welshpool as well as Malvern who occupy a property of around 7,000 sq m on a site of 1.8 ha. The freehold of the property is in the ownership of WCC and Dytecna hold a lease expiring in June 2015. The firm has entered administration and it is understood that the business has now been sold by the administrator and the purchaser is now in dialogue with WCC in respect of the future operation of the site.

2.5 Factors for a successful Science Park

2.5.1 A number of factors have been identified which can play a role in the success (or otherwise) of Science Parks. These include:

- a long-term investment perspective from founders – both WCC and MHDC have been supportive in this respect;
- leadership and management capacity is in place to build a distinctive role and presence – the team at MHSP now offers a more holistic support service rather than just accommodation, despite the small scale of MHSP and relatively limited resources;
- a two-way relationship with a research-driven strategic partner – MHSP has a flow of tenants through DERA/QinetiQ, although this is becoming more limited. There is no longer an operating relationship with DERA/QinetiQ and no obvious successor partner institution;
- commercial and quasi-commercial management – MHSP has a management approach which recognises specific funding and growth issues, as well as the importance of balancing commercial criteria and broader economic objectives;
- an evident scale of potential demand – early demand through DERA/QinetiQ has developed a presence for MHSP. Although this flow is unlikely to be repeated, quality of life factors in the area will continue to support a niche offer;
- a range of sites/accommodation – MHSP offers space of various sizes. New development on the site will release smaller units from autumn 2015, which will meet immediate needs. Future development potential is likely to be for a mix of new enterprises, grow-on space and free-standing corporates if expansion land is available;
- wider engagement and leadership – MHSP has had only limited engagement on a wider scale to date, although there is a recognition that relationships need to be developed, for example with Worcester University and the Malvern Cyber Security Cluster; and
- the development and adaptation of a Science Park strategy over time – to date, there has been little change in MHSP’s governance and strategy, despite changes in the wider environment.

2.5.2 MHSP has been successfully developed to date and has in place a number of the factors necessary for a successful Science Park. However, its future potential to contribute to growth will depend on the availability of expansion land.
2.6 Economic context and prospects

2.6.1 Socio-economic conditions

2.6.1.1 Malvern is situated around 11 miles south west of Worcester and around 10 miles from Junction 7 of the M5 motorway and 8 miles from Junction 1 of the M50 Motorway. The town has an existing population of 31,012 (2011 census) spread across the various settlements which make up Malvern – the largest of which is Great Malvern.

2.6.1.2 It is a distinctive place with a recognised high quality of life and house prices are in consequence relatively high. Both the town and the wider district are attractive to people in higher income bands, including some looking to start or relocate their own business. This is clearly a potential asset to the Science Park. But high property prices, and the scale and lifestyle features on offer, also impacts on the age profile of the town which is skewed towards and older and more affluent profile.

2.6.1.3 Key factors relating to Malvern’s local economy are summarised below:

- a small population, just over 31,000 in the town at the time of the 2011 Census, with under 75,000 people in the District and a relatively old demographic;
- an estimated 35,600 economically active in 2013/14, and a higher than average economic activity rate locally - 81.1 % of 16-64 year olds - compared with 77.4% in GB as a whole, and a higher percentage of self-employment (14.2%) than in GB (9.8%);
- a relatively well-qualified working age population: 37.1% to NVQ4 or above, compared with 35.0% in Worcester and 37.2% in GB;
- a relatively high status occupational mix, with 40.7% of the workforce classed as managers, directors, senior officers and professionals, compared to 33.7% in Worcestershire and 30.1% nationally;
- approximately 300-350 businesses are created in a typical recent year in Malvern Hills, and there are relatively good local survival rates, but the figure for new businesses dipped in 2012, and business deaths have exceeded births in each of the last three years for which information is available (this compares with a net increase in GB in 2011 and 2012); and
- earnings for both male and female full-time workers in Malvern are below the national average.

2.6.2 Economic Growth and Competitiveness Index (EGCI)

2.6.2.1 Based on a database of thirty socio-economic indicators a national (England) Index of Economic Growth and Competitiveness (the EGCI) has been developed to provide an illustration of relative performance across a range of economic criteria for individual local authority district areas (see Figure 2.2).
2.6.2.2 The EGCI ranks individual district authorities (out of 325 district areas across England) in relation to each of the pillars, economic activity and target outcomes, both in terms of current performance (cross sectional) and recent trends (longitudinal).

2.6.2.3 Reflecting in part the presence of MHSP and QinetiQ, Malvern Hills performs strongly in terms of key indicators of knowledge and innovation performance and is ranked as the 16th best performing district in England. This reflects very high levels of employment in high technology sectors\(^3\) and knowledge intensive services, alongside high levels of employment in higher order occupations (managerial, professional or associated professional). As illustrated in Figure 2.3, Malvern Hills is ranked 62 for employment in high technology sectors and 129 for employment in knowledge intensive services out of 325 districts within England\(^4\). Alongside this, a high proportion of the resident working population is employed within higher order occupations (managerial, professional and associate professional occupations), with Malvern Hills ranked 59 out of 325 districts within England\(^5\).

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3 A definition of high technology sectors is included at Appendix A
4 Based on Business Register and Employment Survey data for 2013. Sector definitions for the High Technology Sector and Knowledge intensive Services are set out in Appendix B.
5 Based on Annual Population Survey data for the period July 2013-June 2014
2.6.2.4 While Malvern Hills performs strongly in terms of key indicators of knowledge and innovation, it is noted that employment growth within knowledge intensive services and high technology sectors over the period 2009 to 2013 has been less strong than comparator areas. Reflecting this, based on trends over this period Malvern Hills is ranked 243 out of 325 districts for knowledge and innovation in terms of recent trends. This may well be due, in part, to the net effect of job losses at QinetiQ over recent years. Subject to a continuation of these trends, there is a risk that opportunities to build upon this local strength could be lost and it will be important to ensure that appropriate supply-side conditions (including the availability of suitable land) are in place.

2.6.3 Economic forecasts

2.6.3.1 Employment forecasts for Malvern Hills vary, although all predict employment growth to 2030. Experian predict that employment will grow from 29,410 in 2015 to 31,300 in 2030, an increase of 6.4%. Oxford Economics forecast a higher growth rate of 6.9%, with employment increasing from 31,310 to 33,460. Cambridge Econometrics forecast the highest growth rate, 11.0%, with employment rising from 29,000 to 32,200. Figure 2.4 shows the indexed change in employment from 2015 to 2030.
2.6.3.2 Table 2.1 sets out the employment forecasts for Malvern Hills for sectors of relevance to MHSP for the period 2015 to 2030.

**Table 2.1: Forecasts for employment change in relevant sectors for Malvern Hills, 2015 to 2030**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Experian</th>
<th>Oxford Economics</th>
<th>Cambridge Econometrics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2030</td>
<td>Change</td>
</tr>
<tr>
<td>Computer and Electronic products</td>
<td>790</td>
<td>480</td>
<td>-310</td>
</tr>
<tr>
<td>Media Activities</td>
<td>270</td>
<td>340</td>
<td>70</td>
</tr>
<tr>
<td>Telecoms</td>
<td>60</td>
<td>60</td>
<td>0</td>
</tr>
<tr>
<td>Computing and Information</td>
<td>630</td>
<td>720</td>
<td>90</td>
</tr>
<tr>
<td>Professional Services</td>
<td>3,510</td>
<td>4,240</td>
<td>730</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,260</strong></td>
<td><strong>5,840</strong></td>
<td><strong>580</strong></td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2030</td>
<td>Change</td>
</tr>
<tr>
<td>Information and Communication</td>
<td>970</td>
<td>1,150</td>
<td>180</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Activities</td>
<td>3,110</td>
<td>3,710</td>
<td>600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,080</strong></td>
<td><strong>4,860</strong></td>
<td><strong>780</strong></td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2030</td>
<td>Change</td>
</tr>
<tr>
<td>Electronics</td>
<td>410</td>
<td>330</td>
<td>-80</td>
</tr>
<tr>
<td>Electrical Equipment</td>
<td>70</td>
<td>70</td>
<td>0</td>
</tr>
<tr>
<td>Media</td>
<td>360</td>
<td>350</td>
<td>-10</td>
</tr>
<tr>
<td>IT Services</td>
<td>750</td>
<td>840</td>
<td>90</td>
</tr>
<tr>
<td>Head Offices and Management Consultants</td>
<td>970</td>
<td>1,380</td>
<td>410</td>
</tr>
<tr>
<td>Other Professional Services</td>
<td>1,390</td>
<td>1,820</td>
<td>430</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,950</strong></td>
<td><strong>4,790</strong></td>
<td><strong>840</strong></td>
</tr>
</tbody>
</table>

Figure 2.4: Malvern Hills – Indexed Employment Changes, 2015 to 2030 (2015=100)
2.6.3.3 All of the forecasts predict strong growth overall in relevant sectors, ranging from growth of 11.0% under Experian’s forecasts to 21.3% under forecasts prepared by Cambridge Econometrics. However, as can be seen from the table, the three forecasts categorise sectors differently.
3 Economic Policy

3.1 Introduction

3.1.1 This Section reviews the relevant national and local economic policies. It assesses the extent to which the proposed allocation would fit with and contribute to the delivery of these.

3.2 National policy

3.2.1 The Government has been implementing policies to reduce the deficit, rebalance the economy and promote sustainable economic growth. A number of these are particularly relevant to Malvern Technology Centre and the expansion of MHSP.

3.2.2 The UK Cyber Security Strategy (2011) has identified 11 academic centres of excellence in cyber security research, including Bristol and Birmingham. The concept of a cyber security belt between these two cities is supported as advocated by Innovate UK. MHSP has a potentially significant role in this, facilitating and accommodating demand from cyber security businesses and associated fields. The UK Information Economy Strategy (2013) identifies Malvern as one of the primary locations in the UK for the research, development and commercialisation of cyber security products and services.

3.2.3 Table 3.1 demonstrates the proposed expansion will contribute towards delivering a range of national policies.

<table>
<thead>
<tr>
<th>Table 3.1: Strategic context</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy for Sustainable Growth (BIS, 2010)</strong></td>
</tr>
<tr>
<td><strong>UK Information Economy Strategy (BIS, 2013)</strong></td>
</tr>
</tbody>
</table>
UK Cyber Security Strategy (2011) | The vision of the Strategy is for the UK ‘to derive huge economic and social value from a vibrant, resilient and secure cyberspace, where our actions, guided by our core values of liberty, fairness, transparency and the rule of law, enhance prosperity, national security and a strong society.’ The Strategy has four objectives. These are for the UK to:

- tackle cyber crime and be one of the most secure places in the world to do business in cyberspace;
- be more resilient to cyber attacks and better able to protect our interests in cyberspace;
- have helped shape an open, stable and vibrant cyberspace which the UK public can use safely and that supports open societies; and
- have the cross-cutting knowledge, skills and capability it needs to underpin all our cyber security objectives.

Development at Malvern Technology Centre will support all of these objectives by supporting the growth of cyber businesses, with consequential impacts on cyber security and skills growth within the sector.


- equip digital innovators with technical and business expertise and resources; and
- grow digital ecosystems.

Development at Malvern Technology Centre is consistent with these objectives as it will provide digital businesses with facilities and support the growth of a network of digital businesses on the Science Park.

Our Plan for Growth: Science and Innovation (HM Treasury, BIS, 2014) | This strategy sets out the Government’s approach to boosting business investment in innovation and ensuring UK success in the global economy. Among the aims of the Strategy are investing in scientific infrastructure. Development at Malvern Technology Centre is consistent with this aim as it will provide further facilities for the benefit of businesses involved in R&D.

Tech Nation: Powering the Digital Economy (Tech City, 2015) | The report provides an analysis of the clusters powering the UKs digital economy. The key findings of the report revealed that digital job growth will outperform all other occupation categories by 2020, and that 90% of the UK’s digital companies expect their revenues to rise in 2015.

The report specifically identifies Great Malvern as a key national cluster with around 80 small companies and acknowledges the effect of QinetiQ in creating spinout businesses. The area in and around Malvern, known as “Cyber Valley”, is now recognised as a growing centre in the UK for the research, development and commercialization of cyber security products and services.

The report indicates digital employment within Great Malvern to be some 9,353 and anticipates digital employment growth of 0.7% between 2013 and 2020.
3.3 Worcestershire Strategic Economic Plan

3.3.1 Figure 3.1 summarises the strategic framework for the WLEP SEP. Alongside broad policy interventions a number of sectors have been identified within the SEP as key growth drivers and a particular focus for targeted support.

**Figure 3.1: Worcestershire SEP Strategic Framework**

- **Create a World Class business location**
- **Provide individuals with World Class Skills**
- **Develop World Class competitive and innovative businesses**
- **Sustainable Sites and Premises**
- **International Profile and Recognition**
- **Infrastructure**
- **Skills for Growth**
- **Centres of Excellence**
- **Social and Economic Inclusion**
- **Business Growth Offer**
- **Innovation**
- **Development for Growth**
- **Inward Investment Service**
- **Transport Investment Programmes**
- **Skills Development Programmes**
- **Centre for Excellence (Agri-tech)**
- **Social Inclusion Programme**
- **Social Economic Inclusion Consortium**
- **Tailored Business Support Programme**
- **growth Hub**
- **Innovation Programme**
- **Joint Property Vehicle**
- **Place and Destination Promotion**
- **Other Infrastructure Programmes**
- **Enhanced FE and HE Growth Offer**
- **Centre of Excellence (Technology)**
- **Business Finance**
- **Business Engagement**
- **Innovation Fund**
- **Housing Implementation Plan**
- **Connecting Schools and Businesses**
- **UK Regulation Exemplar**

3.3.2 Cyber security/defence/IT is identified as one of the three key growth sectors, based in particular on a nationally recognised cyber security cluster in Malvern and the wider ‘Cyber Valley’ area, which represents a significant local strength. This wider cluster, made up of 50 - 100 businesses, is identified by the UK Information Economy Strategy (2013) as “one of the primary locations in the UK for the research, development and commercialisation of cyber security products and services.” Malvern is identified as an exemplar of the benefits of clustering within this sector. In particular, the effective use of shared marketing, driven by key individuals within the sector, allows the Small and Medium-sized Enterprises (SMEs) at Malvern to punch above their weight in terms of brand awareness (Pierre Audoin Consultants, Competitive analysis of the UK cyber security sector (2013)).

3.3.3 The SEP identifies challenges to the cyber security cluster in relation to skills, innovation, R&D support, access to finance, low levels of business / HE collaboration and a lack of local centres of excellence. The WLEP has already responded to these challenges through, for example, supporting the creation of an engineering skills facility and new National Cyber Training Centre at Malvern Science Park.

3.3.4 The WLEP working with the County Council and Districts has developed the Worcestershire ‘Game Changer Programme’ to identify key development opportunities, co-ordinate public sector activity and work with private sector partners to deliver sites of strategic significance, which occupy key locations within their markets and provide major opportunities to lever market-led investment and deliver growth and jobs. The ‘Game Changer Programme’ also forms a key part of the SEP. MHSP’s expansion is one of four designated sites reflecting the
national profile of its established cyber security/defence/IT cluster alongside the scale and economic impact potential of expansion proposals.

3.3.5 In recognition of the importance of the expansion of the MHSP to the development of the Worcestershire economy and the cyber security/defence/IT sector in July 2014 the government announced approval in principle to the investment of £4 million Local Growth Fund in the development of MHSP.
4 Demand, supply and viability

4.1 Introduction

4.1.1 This section considers the supply of sites and premises, both within Malvern and other competing science and technology parks, and demand in terms of recent and current evidence and forecast future economic activity. It also briefly considers the viability of development and public sector funding.

4.2 Supply of sites and premises

4.2.1 Malvern

4.2.1.1 Employment land within Malvern is principally located within the Spring Lane Industrial Estate and Enigma Business Park at Malvern Link, and the Blackmore Business Park, as well as the employment uses around QinetiQ and MHSP in Great Malvern.

4.2.1.2 The proposed SWDP provides for the following proposed employment allocations:

- SWDP 53 Malvern Technology Centre – 4.5 ha;
- SWDP 54 Blackmore Park – an additional allocation of 4.5 ha with particular emphasis on environmental technologies uses;
- SWDP 55 Three Counties Showground – countryside related uses only; and
- North East Malvern – 10 ha part of a mixed use urban extension close to the A449.

4.2.1.3 Each of the other employment allocations are very different in terms of the nature of their location and the proposed use than the land allocated at Malvern Technology Park.

4.2.1.4 Each of the existing employment areas has been briefly reviewed as follows:

**Spring Lane Industrial Estate and Enigma Business Park**

4.2.1.5 Spring Lane Industrial Estate was substantially developed in the 1960’s and is situated close to the A449 within the Malvern Link area. Enigma Business Park has been developed from the 1990’s onward on adjacent sites in conjunction with the Malvern Link Retail Park and Morrison Foodstore development. The most recent scheme comprises the development of a new hotel for Premier Inn.

4.2.1.6 There are no additional sites marketed for development for employment uses within this area.

4.2.1.7 There are a total of 17 properties available for sale or to let within the area providing a total of 5,743 sq m although it is noted that 16 of the properties are within a range of 126 - 306 sq m and there is only one larger unit – Orion House, Spring Lane South comprising of a single industrial unit of 2,693 sq m which is available for sale or to rent. The property comprises dated industrial accommodation developed in the 1960s.
4.2.1.8 The majority of vacant properties comprise of modern workshops within the Malvern Business Centre and Clifton Centre with rental values between £59.20 - £78.04 sq m and capital values of up to £1,076.40 per sq m. Existing offices are available within properties such as Nimrod House where a rental of £110.98 per sq m is sought for a suite of 180 sq m.

**Blackmore Park**

4.2.1.9 The scheme is situated within a rural location between the B4208 Blackmore Park Road and the B4211 between Malvern Wells and Hanley Swan and around 0.25 miles from the Three Counties Showground.

4.2.1.10 The remaining development plots on the scheme have been acquired by local business, Essential Supply Products, for the development of new premises for their own occupation.

4.2.1.11 The draft SWDP has identified a potential further allocation of 4.5 ha (SWDP 15) and given its location it is likely that the site will be attractive for distribution or similar uses.

4.2.1.12 A single office unit of 102 sq m is advertised as being available with an asking rental of £92.89 per sq m inclusive of car parking.

**Malvern Hills Science Park**

4.2.1.13 MHSP comprises, as noted above, the development of a site of 2.2 ha within 4 separate phases since 2001 and includes the following:

- Phase 1 – Innovation Centre providing a net area of 1,902 sq m;
- Phase 2 – Regional Technology Exchange providing a net internal area of 1,013 sq m;
- Phase 3 – Comprising of a net internal area of 2,790 sq m; and
- Phase 4 – Comprising of a research and development building totalling 2,322 sq m where development has recently commenced for a building which is subject to a pre-let to UTC Aerospace. The scheme is due to be completed in January 2016 when UTC will vacate around 1,440 sq m, which they occupy within the Phase 2 & Phase 3 buildings.

4.2.1.14 Following the completion of the Phase 4 building which is being delivered by Trebor Developments Ltd – MHSP will be fully developed.

4.2.1.15 MHSP is seeking to create a cluster around the cyber defence, security and IT sectors – seeking to benefit from the proximity of the QinetiQ campus, as well as the following:

- attractive environment;
- ability to attract skills within the cyber, defence and IT sectors;
- availability of flexible accommodation on short term leases;
- availability of common facilities to support business growth; and
- a cluster of companies within similar sectors.

4.2.1.16 MHSP has been fully let since September 2013 and therefore the Science Park has not been seeking new tenants since that time.
4.2.2 Competing science and technology parks

4.2.2.1 The situation of the surplus land within a mixed use area close to Great Malvern town centre and adjacent to the retained QinetiQ site results in the site not being comparable to general employment sites within the area or indeed sites which are reliant upon access to the main highway or motorway network. The proximity of existing residential uses means the surplus site is unsuitable for B2 general industrial uses.

4.2.2.1 Great Malvern does not have an established office occupier or investor market and therefore the demand for the surplus site is anticipated to be based upon the location adjacent to the retained QinetiQ site as well as the MHSP.

4.2.2.2 There are various science and technology parks within the Midlands which are generally seeking to attract research and development uses based upon the proximity of educational institutions with examples including:

- Aston Science Park;
- Warwick Science Park;
- Coventry University Technology Park;
- Birmingham Research Park;
- Wolverhampton Science Park; and
- Keele Science Park.

4.2.2.3 Each of the schemes provide a range of accommodation including incubation and innovation centres and have a focus upon specific market sectors to create a cluster within such uses. However, the most directly competing existing and potential future opportunities are considered to be as follows:

**Skylon Park (Hereford Enterprise Zone)**

4.2.2.4 The 71 ha site comprises part of the Rotherwas Industrial Area which is being promoted for industrial uses with specific targets within the defence & security, advanced technologies, food & drink and aerospace sectors. Site remediation and servicing works have been undertaken, although additional utilities are required to part of the site.

4.2.2.5 It is understood that 4 plots are ‘under offer’ totalling 6 ha, subject to contract and planning. Agents are quoting plots values of £625,000 per ha.

4.2.2.6 However, the development capacity within Skylon Park is limited to around 50,000 sq m due to the constraints imposed by the current highways network and further development will require the construction of a new crossing over the River Wye and a connection into the Hereford Western Relief Road which will need investment in the order of £20 million.

4.2.2.7 Herefordshire County Council are currently reviewing the options for the funding of these works in conjunction with the Marches LEP seeking to repay the costs of works through the uplift in business rates within the Enterprise Zone.
4.2.2.8 Skylon Park is considered a competitor to the subject site in that it is seeking to attract occupiers within the sectors where the surplus site is considered to be marketed to. However the site is more industrial in nature but does benefit from Enterprise Zone status with advantages in relation to simplified planning and enhanced capital allowances.

**Worcester Technology Park**

4.2.2.9 The site comprises a greenfield site of 71 ha which is situated adjacent to Junction 6 of the M5 motorway and was identified for the expansion of Worcester Bosch operations within the renewable technologies sector.

4.2.2.10 In 2014, the landowner appointed Stoford Developments Ltd as the preferred developer for the scheme and it is understood that good levels of interest have been received for various properties on a design and build basis.

4.2.2.11 The site is an attractive greenfield development opportunity adjacent to the M5 motorway and Worcester and could potentially attract footloose investment projects considering investment within Worcestershire. However, these are likely to be larger and more industrial in nature than those anticipated to occupy space at the Malvern site.

4.3 Demand

4.3.1 Current demand

4.3.1.1 In order to assess demand for sites and premises within Malvern – discussions have been undertaken with local agents, Harris Lamb & John Goodwin, developers Trebor Developments Ltd as well as representatives of MHSP, WCC and MHDC. A review has been undertaken of transactions within the Co-Star property database as well as information recorded by the Local Authority.

4.3.1.2 Records maintained by MHDC have identified the grant of planning permission for employment uses totalling 12.5 ha between 2006 - 2013 and set out details of permissions granted over the past 3 years as follows:
4.3.1.3 A number of the schemes provide for a change of use for agricultural buildings into employment uses.

4.3.1.4 Discussions with MHSP highlighted the following points:

- MHSP operate a gateway policy with all occupiers requiring to demonstrate linkages with research and engineering. Occupiers are approved by the MHSP Board;
- there are around 330 people employed within the MHSP with the largest employer being UTC Aerospace who employ around 130;
- most occupiers enter into a lease of 3-5 years with rentals within the range of £139.93 - £161.460 per sq m exclusive of service charge, rates and utilities;
- occupiers are provided common reception services, café/hub and common meeting rooms;
- MHSP receive 1-2 enquiries per month from companies seeking suites in the range of 45.5 – 92.9 sq m – with businesses seeking to relocate from small offices within the area or new businesses; and
- in addition, there is an existing dialogue with 3 businesses seeking additional accommodation within the Science Park to support the growth of their businesses. It is anticipated that these companies will acquire 743 – 929 sq m of the accommodation vacated by UTC Aerospace when they relocate to their new property – although this will also result in the businesses vacating existing suites totalling around 279 sq m.

4.3.1.5 The following issues were identified through the discussions with WCC:
• MHSP is identified as a key employment site within Worcestershire and part of the ‘Game changer’ strategy which seeks to promote economic growth within the County through delivery of key employment opportunities. WCC are also a partner within the MHSP company;

• WCC consider that MHSP will require additional land in order to expand and properly function as a science park to provide opportunities for ‘grow on’ accommodation and design and build opportunities for companies who wish to remain in close proximity;

• the example of UTC Aerospace was identified by WCC as an example of a company who had developed the business (previously called Goodrich) within MHSP but required a self-contained building to accommodate the growth of the business. UTC were keen to retain their existing skilled workforce within the town. The business undertook an extensive property search within the area and concluded that the only suitable site within Malvern and the surrounding area to meet their requirements comprised of Phase 4 MHSP. Without a site to meet their requirements – an expanding business with 130 employees would be lost to the area; and

• it is noted that UTC have entered into an Agreement for Lease for a 15 year term with the benefit of a guarantee provided by the US parent company. Whilst the scheme was funded through the partners of the MHSP such that the scheme would remain as part of the Science Park - however the terms are considered to be commercially viable based upon the lease term and covenant provided subject to a typical level of specification. Such opportunities would be lost to MHSP and Malvern without the availability of suitable sites; and

• it was noted that a Round 1 Local Growth Fund allocation of £4 million had been identified within the Worcestershire LEP Strategic Economic Plan to support the growth of MHSP.

4.3.1.6 Discussions with Trebor Developments identified the following key points:

• Trebor were aware of 3-4 existing enquiries from occupiers within Malvern seeking new or modern properties within Malvern which could not be accommodated and would consider premises on a design and build basis;

• it is understood that the enquiries comprise a mix of office and light industrial uses and were keen to remain within Malvern; and

• a search had been undertaken for suitable sites within the town but none had been identified.

4.3.1.7 A discussion was also undertaken with commercial agents at John Goodwin and Harris Lamb and the following points were discussed:

• Malvern comprises a local office market which has traditionally struggled to attract larger office enquiries due to the proximity of Worcester with a larger population and proximity to the Motorway network.

• Malvern has therefore attracted local enquiries and office rental values have remained at a discount to level achieved in Worcester and are generally around £107.64 - £129.17 per sq m. New development at these levels of value are marginal and
schemes have generally been of average specification and sold to businesses or their pension schemes.

4.3.1.8 The exception has been at the MHSP where agents perceive that occupiers pay a higher level of rental to reflect both a higher quality of accommodation and a location adjacent to the QinetiQ site.

4.3.2 Forecast demand

(i) Expansion of Malvern Hills Science Park (GVA, October 2012)

4.3.2.1 GVA was appointed by MHSP in September 2012 to establish if there was a rationale to increase the size of the Science Park. Three scenarios were considered to establish the amount of floorspace required. Under the highest growth scenario, 5.1 ha of land would be needed over a ten year period, rather than the fifteen years being considered in relation to the SWDP.

4.3.2.2 The following extract is taken from Conclusions of the GVA report:

“12.17 The average annual increase in floor space requirement over the last 10 years has been 7.8% pa and we have utilised this as a first scenario (Scenario A) to establish the amount of accommodation that will be required working into the future. Taking into account the potentially significant growth to the market and the past barriers to growth (in the main accommodation availability) we have also run a high rate scenario (Scenario B) providing an annual increase in demand of 15.6% pa. In order to provide a backstop we have also run Scenario C, based upon a lower annual increase of 5.9% pa. The lowest scenario suggests a 77% increase of floor space over the next 10 years. The medium rate growth would anticipate a 112% change and a high growth rate would anticipate a requirement for growth in floor space of approximately 327%.

12.18 This leads to a position where up to a total of 21,100 sq m net of accommodation could be required, compared to the existing 4,954 sq m by 2023. This equates to 16,046 sq m of net new floor space (18,887 sq m gross).

12.19 In land terms this equates to an additional 5.1 gross hectares of land required to accommodate the highest growth predictions based upon GVA’s assumptions. This reinforces the case for ongoing dialogue with QinetiQ to secure the available contiguous commercial development sites, alongside the Dytecna site, should that become available in the future.

12.20 It is highly likely that the public sector will need to be involved in the early phases of expansion to facilitate and support development. However, based on the potential economic impact as a result of the potential growth outlined within the report and highlighted below, a case for public sector intervention should be supported.

12.21 Based upon projected occupation levels, employment on the Science Park could increase from a current position of approximately 331 full time equivalent (FTE) jobs to 701 FTE jobs after ten years (medium growth Scenario A). Under the high growth Scenario (scenario B) total employment after ten years is projected to be 1,411 FTE jobs...”
(ii) Economic forecasts

4.3.2.3 Future net demand for employment space has been assessed based on the economic projections for Malvern Hills prepared by Cambridge Econometrics, Experian and Oxford Economics. These have been converted into estimates of future employment space and land demand in line with key assumptions and adjustments. Each of the assumptions and adjustments has been applied as follows:

- **Net employment change** - The net employment change has been calculated between 2015 and 2030. Each of the identified employment sectors has been allocated to appropriate use class, including office and research space (B1(a) and B1(b)) and manufacturing (B2 and B1c). This has been informed by a review of the type of activity associated with each sector. The assessment has focussed on office based and research and development activity, reflecting the nature of the existing and future provision at Malvern Hills Science Park.

- **Net employment floorspace change** – an employment density of 17 sq m per employee has been applied reflecting current density levels across the existing Science Park. This has enabled the occupied employment space (net internal area (NIA)) demanded as a result of the forecast net change in employment to be calculated. Analysis would suggest that the current employment densities within current accommodation at Malvern Hills Science Park are high relative to other science parks within the UK, providing a prudent assessment of the likely floorspace requirements associated with projected employment growth.

- **Adjustments to gross occupied floorspace** – the estimate of floorspace has been adjusted to gross internal area (GIA) based on a GIA:NIA ratio of 80%. This is consistent with guidance set out in the HCA Employment Densities guidance (2010). Allowance has also been made for a level of vacancy at 10%. A level of vacant space is required for the efficient operation of the facility, and reflects relatively high levels of churn within science park environments. This is considered to be appropriate reflecting national and local trends. These adjustments provide an estimate of the total GIA floorspace requirement.

- **Employment land requirement** – the quantum of land required to accommodate this floorspace has been estimated through applying site density benchmarks for business park environments. A standard business park benchmark of 40% has been applied, notwithstanding the fact that many science parks adopt a campus environment, with very low development density levels.

4.3.2.4 Table 4.1 summarises the results of this assessment for each of the projections. The analysis indicates that between 4.6 ha and 5.4 ha of land could be required under these baseline economic scenarios.
Table 4.1: Net employment and land requirements based on forecast employment change (2015-30)

<table>
<thead>
<tr>
<th></th>
<th>Oxford Economics</th>
<th>Experian</th>
<th>Cambridge Econometrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net employment change for relevant sectors</td>
<td>780</td>
<td>580</td>
<td>840</td>
</tr>
<tr>
<td>Total net employment change within MHSP use classes</td>
<td>780</td>
<td>890</td>
<td>920</td>
</tr>
<tr>
<td>Total net floorspace change (NIA)</td>
<td>13,260 sq m</td>
<td>15,130 sq m</td>
<td>15,640 sq m</td>
</tr>
<tr>
<td>Total net floorspace change (adjusted to GIA and allowing for vacancy)</td>
<td>18,230 sq m</td>
<td>20,804 sq m</td>
<td>21,505 sq m</td>
</tr>
<tr>
<td>Total net employment land requirement</td>
<td>4.6 ha</td>
<td>5.2 ha</td>
<td>5.4 ha</td>
</tr>
</tbody>
</table>

4.4 Development viability and public sector funding

4.4.1 The development of small units in the form of incubation and innovation centres has traditionally required public sector intervention to support viability – as a result of short term leases and the lesser covenants provided by small businesses. Earlier phases of the MHSP already provide for a range of small unit sizes and it is anticipated that further phases of the scheme will seek to accommodate grow on space or offer sites available for design and build opportunities. Both of these options are significantly more financially viable than the development of the earlier phases of the existing scheme.

4.4.2 The development of new premises for UTC Aerospace is currently being delivered on the basis of a 15 year lease commitment and rental value of £161.46 per sq m. The terms reflect full market rental value and are considered to be commercially viable in current market conditions given the covenant provided.

4.4.3 As noted above, a Local Growth Fund allocation of £4 million has been made to support the expansion of MHSP.
5 Conclusion

5.1 There is a strong policy context for the provision of at least 4.5 ha of Class B1 (b) employment land on the QinetiQ site provided in the existing saved policies of the Malvern Hills District Local Plan (MHDLP) under Policies DS.9 and DS.10 and in the emerging SWDP under draft Policy 53 based on a number of key factors:

- the on-going need for specialist employment use in this location;
- the designation of the site as a ‘Game changer’ of strategic significance;
- the opportunity provided by its brownfield condition;
- the expansion proposals for activity at MHSP;
- support for the nationally significant cyber security and defence cluster; and
- current Examination has not sought to reduce the allocation of employment land and, as such, it has been treated as a minimum provision.

5.2 The QinetiQ proposal is identified on land surplus to operational requirements totalling some 14 ha, which forms an ‘L’ shaped site to the south and east of the existing site. The proposed redevelopment would comprise approximately 3.1 ha of high-technology employment land, up to 400 new homes on 9.6 ha of land, and 2.2 ha of public open space. The proposed 3.1 ha of employment land would represent a reduction of 1.4 ha (31.1%) on the provision of 4.5 ha set out in the MHDLP and the emerging SWDP.

5.3 The MHSP is currently fully let and accommodates 30 technology-rich companies employing over 300 people. Phase 4 is currently on site and will provide a further 2,323 sq m to meet the expansion needs of a major MHSP tenant. With the completion of Phase 4, the present MHSP landholding will be fully developed out and therefore the 4.5Ha at QinetiQ will be invaluable in providing additional capacity for complementary grow-on space. The Science Park Company and its key stakeholders agree that additional floorspace is required to meet the changing needs of technology-based businesses, particularly for grow-on space, meeting the level of ambition set out in MHSP’s Strategy for Growth 2013 – 2023.

5.4 MHSP enjoys a number of strengths, such as that it has established a specific niche, as well as opportunities to enhance its offer. While MHSP has been successfully developed to date and has in place a number of the factors necessary for a successful Science Park, nevertheless its future potential to contribute to growth will depend on the availability of expansion land.

5.5 In terms of its socio-economic standing, Malvern Hills has a relatively small economy but with a relatively well-qualified working age population that enjoys a relatively high status occupational mix, and a recognised high quality of life that is attractive to people. The Index of Economic Growth and Competitiveness (EGCI) indicates that Malvern Hills performs strongly in terms of key indicators of knowledge and innovation performance and is ranked as the 16th best performing district in England. However, employment growth in knowledge-intensive services and high-technology sectors has been less strong than comparator areas in recent years. Nevertheless, employment forecasts for Malvern Hills provided by a range of commercial forecasters predict strong overall growth in key sectors to 2030, ranging from 11% to 21% over the period 2015 - 2030.
5.6 Expansion of the MHSP will contribute to key aspects of national policy, including the Strategy for Sustainable Growth and the UK Information Economy, the UK Cyber Security Strategy, the Digital Economy Strategy, and the Plan for Growth in Science and Innovation. Its contribution to the Worcestershire Strategic Economic Plan (SEP) is of strategic importance to the local economy, especially in terms of cyber security, defence, and IT - which is identified as one of three key overall growth sectors that represent a significant local strength.

5.7 Malvern Hills benefits from a number of existing employment locations, including Spring Lane, Enigma Business Park, Blackmore Park, Skylon Park, and Worcester Technology Park, as well as MHSP. Within this context, a report was commissioned from GVA in 2012 to establish if there was a rationale to increase the size of MHSP. This established that up to an additional 5.1 ha of land is required under a High Growth Scenario and reinforces the case that ongoing dialogue with QinetiQ is required to secure commercial development sites and the important employment benefits. In addition, an assessment of future net demand for employment space has been undertaken based on economic projections for Malvern Hills. This indicates that the total additional employment land requirements to 2030 within MHSP relevant sectors and use classes are within the range of 4.6 ha to 5.4 ha.

5.8 Analysis has also indicated that the predominant form of development identified - grow-on space for design and build opportunities to meet the needs of company expansion - is becoming significantly more financially viable than the development of earlier phases of MHSP. In addition, public resources, such as the allocation of £4m of Local Growth Fund support through the Local Enterprise Partnership to support the expansion of MHSP, has the ability to assist delivery of the additional floorspace that is required.
# Appendix A - High Technology Business Sector

<table>
<thead>
<tr>
<th>SIC07 group</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>201</td>
<td>Manufacture of basic chemicals, fertilisers and nitrogen compounds, plastics and synthetic rubber in primary forms</td>
</tr>
<tr>
<td>202</td>
<td>Manufacture of pesticides and other agrochemical products</td>
</tr>
<tr>
<td>203</td>
<td>Manufacture of paints, varnishes and similar coatings, printing ink and mastics</td>
</tr>
<tr>
<td>204</td>
<td>Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations</td>
</tr>
<tr>
<td>205</td>
<td>Manufacture of other chemical products</td>
</tr>
<tr>
<td>206</td>
<td>Manufacture of man-made fibres</td>
</tr>
<tr>
<td>211</td>
<td>Manufacture of basic pharmaceutical products</td>
</tr>
<tr>
<td>212</td>
<td>Manufacture of pharmaceutical preparations</td>
</tr>
<tr>
<td>261</td>
<td>Manufacture of electronic components and boards</td>
</tr>
<tr>
<td>262</td>
<td>Manufacture of computers and peripheral equipment</td>
</tr>
<tr>
<td>263</td>
<td>Manufacture of communication equipment</td>
</tr>
<tr>
<td>264</td>
<td>Manufacture of consumer electronics</td>
</tr>
<tr>
<td>265</td>
<td>Manufacture of instruments and appliances for measuring, testing and navigation; watches and clocks</td>
</tr>
<tr>
<td>266</td>
<td>Manufacture of irradiation, electromedical and electrotherapeutic equipment</td>
</tr>
<tr>
<td>267</td>
<td>Manufacture of optical instruments and photographic equipment</td>
</tr>
<tr>
<td>268</td>
<td>Manufacture of magnetic and optical media</td>
</tr>
<tr>
<td>271</td>
<td>Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus</td>
</tr>
<tr>
<td>272</td>
<td>Manufacture of batteries and accumulators</td>
</tr>
<tr>
<td>273</td>
<td>Manufacture of wiring and wiring devices</td>
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<td>274</td>
<td>Manufacture of electric lighting equipment</td>
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<td>275</td>
<td>Manufacture of domestic appliances</td>
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<tr>
<td>279</td>
<td>Manufacture of other electrical equipment</td>
</tr>
<tr>
<td>281</td>
<td>Manufacture of general purpose machinery</td>
</tr>
<tr>
<td>282</td>
<td>Manufacture of other general-purpose machinery</td>
</tr>
<tr>
<td>283</td>
<td>Manufacture of agricultural and forestry machinery</td>
</tr>
<tr>
<td>284</td>
<td>Manufacture of metal forming machinery and machine tools</td>
</tr>
<tr>
<td>289</td>
<td>Manufacture of other special-purpose machinery</td>
</tr>
<tr>
<td>291</td>
<td>Manufacture of motor vehicles</td>
</tr>
<tr>
<td>292</td>
<td>Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semitrailers</td>
</tr>
<tr>
<td>293</td>
<td>Manufacture of parts and accessories for motor vehicles</td>
</tr>
<tr>
<td>302</td>
<td>Manufacture of railway locomotives and rolling stock</td>
</tr>
<tr>
<td>303</td>
<td>Manufacture of air and spacecraft and related machinery</td>
</tr>
<tr>
<td>Code</td>
<td>Description</td>
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<tr>
<td>------</td>
<td>-----------------------------------------------------------</td>
</tr>
<tr>
<td>304</td>
<td>Manufacture of military fighting vehicles</td>
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<tr>
<td>309</td>
<td>Manufacture of transport equipment n.e.c.</td>
</tr>
<tr>
<td>331</td>
<td>Repair of fabricated metal products, machinery and equipment</td>
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<td>332</td>
<td>Installation of industrial machinery and equipment</td>
</tr>
</tbody>
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## Appendix B - Knowledge Intensive Services

<table>
<thead>
<tr>
<th>SIC 2007 group</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>Water transport</td>
</tr>
<tr>
<td>51</td>
<td>Air transport</td>
</tr>
<tr>
<td>61</td>
<td>Telecommunications</td>
</tr>
<tr>
<td>62</td>
<td>Computer programming, consultancy and related activities</td>
</tr>
<tr>
<td>63</td>
<td>Information service activities</td>
</tr>
<tr>
<td>64</td>
<td>Financial service activities, except insurance and pension funding</td>
</tr>
<tr>
<td>65</td>
<td>Insurance, reinsurance and pension funding, except compulsory social security</td>
</tr>
<tr>
<td>66</td>
<td>Activities auxiliary to financial services and insurance activities</td>
</tr>
<tr>
<td>68</td>
<td>Real estate activities</td>
</tr>
<tr>
<td>69</td>
<td>Legal and accounting activities</td>
</tr>
<tr>
<td>70</td>
<td>Activities of head offices; management consultancy activities</td>
</tr>
<tr>
<td>71</td>
<td>Architectural and engineering activities; technical testing and analysis</td>
</tr>
<tr>
<td>72</td>
<td>Scientific research and development</td>
</tr>
<tr>
<td>73</td>
<td>Advertising and market research</td>
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<tr>
<td>74</td>
<td>Other professional, scientific and technical activities</td>
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<td>75</td>
<td>Veterinary activities</td>
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<td>77</td>
<td>Rental and leasing activities</td>
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<tr>
<td>85</td>
<td>Education</td>
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<tr>
<td>86</td>
<td>Human health activities</td>
</tr>
<tr>
<td>90</td>
<td>Creative, arts and entertainment activities</td>
</tr>
<tr>
<td>91</td>
<td>Libraries, archives, museums and other cultural activities</td>
</tr>
</tbody>
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