

Report to: Cabinet



Date of Meeting 3 March 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Exeter Science Park Ltd (ESPL) - Letter of comfort/support

Report summary:

The Council has been asked along with all shareholders to provide ESPL with a letter of comfort/support. A template letter has been provided given below with a request that this is returned to the Company by the 5 March in order for the accounts to be filed for year ending 31 March 2020 as a going concern and to demonstrate the commitment of shareholders.

The Company states: *"-We are expecting to submit accounts with an improved balance sheet for the year ended 31 March 2020, however we remain loss making and the letters of comfort still provide useful evidence as to the Shareholders' commitment which underpin our treatment of issues such as the release of the deferred grant liability and ESPL's continued compliant use of the grant funded properties –"*

Letter of comfort requested to be sent:

Dear Sirs

We are aware that the company is loss-making in FY2019 and is expected to remain loss making through FY2020. This situation is as was projected in the FY2018 to FY2022 Business Plan with the company expecting to reach positive EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) from FY2021 onwards.

It is the intention of <Shareholder Name> to provide financial support to the Company for a period of at least 12 months from the date of approval of the Company's financial statements to enable the Company to continue as a going concern.

The intention expressed in this letter is by way of comfort only and nothing expressed or implied in this letter is intended to create legal relations between us.

Yours faithfully

For and on behalf of <Shareholder Name>

EDDC has a shareholding of 18.75% in ESPL, along with Devon County Council 46.02%, Exeter City Council 19.89% and the University of Exeter 15.34%. The Council's shareholding investment being £825,041.

From an ESPL perspective, the letter is important as it reduces the perceived risks within ESPL which underpins some accounting treatments, such as whether the accounts are prepared on the going concern basis (i.e. that ESPL is a viable business) or the release of grant liabilities, by giving

confidence that the shareholders' support and involvement will remain committed to the company moving forward.

EDDC is a shareholder along with other public entities and is involved through an appointed Director (Deputy Leader of the Council and Portfolio Holder Economy and Assets) and Shareholder Representative (Portfolio Holder Finance) whom together work in the interest of the Company and the Council respectively.

The letter is giving a clear understanding by all shareholders that the Company is a going concern and the Council along with the other shareholders are key influences in making this so. This letter gives the auditors confidence that the Council is committed to the continuance of the company and has no alternative objectives. The letter does not commit the Council beyond already stated obligations and objectives and does not tie the Council to support the company beyond that to what already exists in that of shareholder. If necessary suitable support would be considered, if needed, but this would require a specific and separate decision of the Council and the letter does not alter that position.

Recommendation:

That Cabinet agree that as a Shareholder of ESPL the letter as detailed in the report is sent on behalf of the Council to acknowledge the continued support of the Company for the next 12 months

Reason for recommendation:

To provide support to ESPL who play a key part in the economic objectives of the Council.

Officer: Simon Davey – Strategic Lead Finance, sdavey@eastdevon.gov.uk

Portfolio(s) (check which apply):

- Climate Action and Emergencies
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Culture, Tourism, Leisure and Sport
- Democracy and Transparency
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities

Financial implications:

There are no immediate implications arising from the recommendation

Legal implications:

The legal implications are detailed in the report and no further comment is required.

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information

Link to [Council Plan](#):

Priorities (check which apply)

- Outstanding Place and Environment
- Outstanding Homes and Communities
- Outstanding Economic Growth, Productivity, and Prosperity
- Outstanding Council and Council Services