

Report to: Cabinet

Date of Meeting: 2 January 2019

Public Document: Yes

Exemption: None

Review date for release None



Agenda item: 16

Subject: Exeter and East Devon Enterprise Zone

Purpose of report: To seek approval from Cabinet to borrow against future ring fenced business rate income to invest £1.11m in the Open Innovation Building on Exeter Science Park.

Recommendation: It is recommended that Cabinet:

That Cabinet recommends to Council that £1.11m is invested in the Open Innovation Building on the Exeter Science Park and that delegated authority is given to the Chief Executive to make payments in respect of the project, subject to the completion of appropriate legal documentation in consultation with the Strategic Lead (Governance and Licensing).

Reason for recommendation: Cabinet last received a paper on the Enterprise Zone in April 2018. This sought approval for the principle of borrowing up to £8m against ring-fenced business rate income, with detailed approval for investing up to £3.4m for four specific projects. During the intervening period work has focused on the delivery of the approved projects, along with supporting the development of other opportunities, including the delivery of floor space at Exeter Science Park.

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Financial implications: Financial details are contained in the report

Legal implications: The principle of borrowing against future income is acceptable. It will be necessary for the Council to satisfy itself that each project is legally compliant (including in relation to State Aid requirements should this remain applicable) and moreover that appropriate legal documentation is in place in respect of the funding. In that regard the legal team will carry out appropriate due diligence to ensure that it is legally sound and that appropriate documentation is drawn up and entered into.

Equalities impact: Low Impact

Potential impacts on equality will be managed through the Implementation Plan for the Enterprise Zone.

Risk:

Medium Risk

This paper seeks approval for borrowing against future ring-fenced business rate income to provide grant funding to support the development of floor space at Science Park. The business rate income is ring fenced for a 25 year period (from April 2017) and is dependent upon the delivery of new floor space to deliver benefit to the local authorities.

This project has been subject of a detailed project appraisal and subsequently considered by the Enterprise Zone Board.

The key project risks and associated mitigation have been considered and are frequently reviewed as part of the Implementation Plan for the Enterprise Zone.

Links to background information:

- [Overview report – January 2016](#)
- [Cabinet Paper May 2016](#)
- [Cabinet Paper November 2016](#)
- [Cabinet Paper March 2017](#)
- [Cabinet Paper November 2017](#)
- [Cabinet Paper April 2018](#)

Link to Council Plan:

Working in and funding this outstanding place.

The Council Plan identifies a range of activities to deliver economic growth – including developing ways to deliver economic benefits, promoting inward investment and working with the Heart of the South West Local Enterprise Partnership to deliver growth.

1. Introduction

- 1.1 Cabinet has received a series of papers on the Enterprise Zone (EZ) designation which went live in April 2017. The EZ is now in its second year of operation, with businesses on three of the four designated sites benefiting from the Government funded business rates relief. There are also regular enquiries and applicants received from businesses seeking to move into new premises.
- 1.2 The designation also provides the ability to borrow against ring-fenced business rate income generated from the four sites in the EZ. In April 2018 the Council agreed in principle to borrow up to £8m, with detailed approval for £3.4m of expenditure. Three of the four approved projects have progressed (enhanced bus service, Park & Change and design work for Long Lane upgrade). The fourth project (Airport Instrument Landing System upgrade) is likely to be funded by an alternative funding source.

2. Proposal

- 2.1 This report seeks approval for £1.11m to be borrowed against future ring-fenced business rate income.
- 2.2 Exeter Science Park Ltd (ESPL) is requesting a £1.11m Enterprise Zone grant to support delivery of the 20,000ft Open Innovation Building on Exeter Science Park. The Open Innovation Building will provide accommodation that will cater for medium sized SMEs that comply with the site's gateway policy and will form part of a continuum of accommodation offered on the site. Space is predominantly anticipated to be for office rather than laboratory use, reflecting the nature of enquiries to date.

- 2.3 The project's funding package is substantively secured, including a £5.5m grant from the Heart of the South West Local Enterprise Partnership (HotSW LEP) and a land value contribution of £0.191m. Enterprise Zone investment will support the site infrastructure required to unlock development and the fit out of the Open Innovation Building floor space to Category A open plan standard.
- 2.4 Development of the Open Innovation Building will allow the Science Park to reach the critical mass of accommodation needed by STEMM businesses – both those already located on the Science Park (within ESPL buildings and the Met Office's Collaboration Building) and incoming – to take the next step in their growth and innovation journey, as well as the income to create a sustainable operation.
- 2.5 Without additional funding only the basic shell of the Open Innovation Building can be built, therefore making it hard to attract businesses who require fully fitted office space. The LEP has confirmed they require the match funding to be in place to allow the full specification to be delivered as this has the best prospect of securing STEMM jobs. A failure to secure the final element of the funding package would therefore put the whole project at risk. Site infrastructure would also remain undelivered, presenting a further challenge to overall scheme deliverability and the effective operation of the site. This approval of EZ match funding is a critical component in creating a fully functional building and allowing the scheme to proceed.
- 2.6 The Open Innovation Building is forecast to accommodate 134 jobs, which could rise to 158 jobs if the building is 100% occupied. The proposal has been the subject a detailed project appraisal which has been considered by the Enterprise Zone Board. This demonstrates that the proposed investment represents good value for money. The requested grant represents 15% of the total cost of the project which will deliver a further 2,000sq m of employment space on the Science Park. This will ensure continued growth of business rate income, jobs and delivery of floor space within the Enterprise Zone.
- 2.7 If EZ funding is approved it is planned that the Open Innovation Building will be completed by Summer 2020.

3. Conclusion

- 3.1 The Enterprise Zone designation provides a positive way of supporting the delivery of new commercial space and jobs within the designated sites. The delivery of the Open Innovation Building on Exeter Science Park is dependent upon match funding from the EZ to deliver a fully functional building and ensure delivery of the scheme.