

Report to: Cabinet
Date of Meeting: 6 March 2019
Public Document: Yes
Exemption: None

Review date for release None

Agenda item: 18

Subject: Exeter and East Devon Enterprise Zone Update

Purpose of report: To update Cabinet on the financial position of the Enterprise Zone to support the proposed revenue programme and capital investment.

Recommendation: It is recommended that Cabinet:
Notes the progress with the operation of the Enterprise Zone designation.

Reason for recommendation: Cabinet last received a paper on the financial position of the EZ in April 2018. During the intervening period work has focused on gaining approval for projects that support the delivery of the EZ, in terms of overcoming identified barriers and catalytic investments that can increase the pace of delivery for new commercial space and jobs.

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Financial implications: This report informs members of the current financial position with Enterprise Zone which as can be seen from the report is a better position than originally budgeted.

Legal implications: There are no legal implications arising from the content of the report.

Equalities impact: Low Impact
Potential impacts on equality will be managed through the Implementation Plan for the Zone.

Risk: Medium Risk

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 since it went live in April 2017. This has included a paper in April 2018 which sought approval for borrowing against ring fenced business rates incomes from the four sites in the Zone.
- 1.2 An update paper provides an overview of the current financial forecast for the EZ and supports the other papers presented to March 2018 Cabinet on Long Lane Enhancement Scheme and Simplified Planning.

2. Financial position

- 2.1 In April 2018 Cabinet received a proposed Enterprise Zone Budget (Table 1). This budget had been conservatively estimated on the level of floor space likely to come forward within the EZ.

Year	Total EZ income	Programme Management	Revenue Budget (studies, professional advice, etc)	Revenue Budget to support borrowing	Total borrowing available
2017/18	£136,305	£26,500	£109,805	£0	£0
2018/19	£170,000	£27,825	£42,000	£100,175	£4,097,158
2019/20	£260,000	£29,216	£44,100	£106,684	£4,363,365
2020/21	£350,000	£30,677	£46,305	£183,018	£7,485,434
2021/22	£440,000	£32,211	£48,620	£209,169	£8,555,016
2022/23	£500,000	£33,822	£51,000	£215,178	£8,800,780

- 2.2 However, through 2018 monitoring of the Enterprise Zone has identified that progress made on site is exceeding initial estimates and we are in a moderately improved financial position (Table 2 and Figure 1).

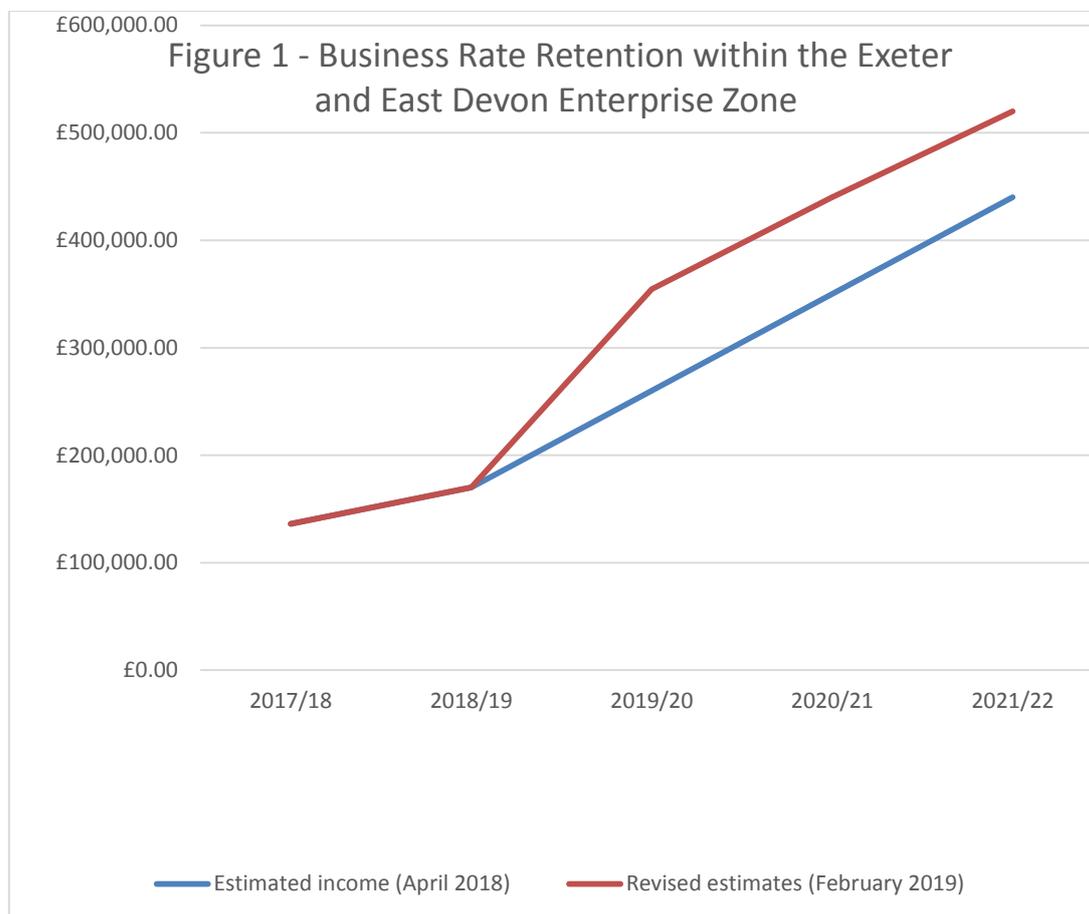


Table 2 – Revised Enterprise Zone Budget to support borrowing

Year	Total EZ income	Programme Management	Revenue Budget (studies, professional advice, etc)	Revenue Budget to support borrowing	Total borrowing available
2017/18	£136,305	£26,500	£109,805	£0	£0
2018/19	£170,000	£27,825	£42,000	£100,175	£5,008,750
2019/20	£354,524	£29,216	£75,000	£140,308	£7,015,400
2020/21	£440,000	£30,677	£75,000	£160,000	£8,000,000
2021/22	£520,000	£32,211	£75,000	£160,000	£8,000,000
2022/23	£600,000	£67,644	£51,000	£160,000	£8,000,000

2.3 The reasons for this improved financial position are:

- Delivery of site has been quicker than estimated – the timescale for delivery of buildings on site included slippage, whereas most of the buildings have been completed on time.
- Rateable values are higher than estimated – initial estimates were based upon a limited information due to limited number of buildings within the EZ sites

2.4 The revised budget provides an opportunity to review the EZ programme, including areas that have not progressed. Table 3 provides a revised overview, including repayment of borrowing.

3. Simplified Planning

- 3.1 In July 2017 EDDC Strategic Planning Committee approved the commencement of work on an LDO at Exeter Science Park. This work was not progressed as the subsequent procurement process aimed at getting a consultancy team on board was unsuccessful.
- 3.2 The approach to introducing LDOs has been reviewed and it is now recommend that the EZ budget is used to fund an additional member of staff rather than a consultant. This will mean that the technical expertise developed will be retained in-house and the member of staff will deliver all of the proposed LDOs.
- 3.3 The revised budget provides an opportunity to have a dedicated budget for the member of staff and sufficient budget to support technical studies without impacting upon repayment of borrowing.

4. Provision of Grants

- 4.1 The initial financial programme included the provision of both grants and loans to support the barrier and catalyst projects. Therefore the initial budget included capital repayments from developers.
- 4.2 As schemes have been developed it has become apparent that some schemes will need to be part grant/part loan to ensure timely delivery of infrastructure. Particularly when schemes are delivered after development is completed as there is no legally enforceable rebate mechanism for securing contributions retrospectively.
- 4.3 Therefore provision is made within the budget for the EZ to support full capital repayment of schemes, to minimise risk to EDDC and stalling of development of the EZ. Approval will continue to be sought for each scheme through Cabinet for each investment proposition.

5. Conclusion

- 5.1 The EZ designation is already demonstrating clear benefits to supporting delivery of new commercial space and jobs in the West End of the District.
- 5.2 The retained business rates are providing demonstrable support to both capital and revenue programmes. With the EZ Team developing projects that help to overcome identified barriers to delivery and/or have a catalytic impact in terms of accelerating the pace of new commercial development.

Table 3 – Revised Enterprise Zone Budget to support repayment of borrowing									
Year	Total Business Rate Income	Programme Management	Simplified Planning Management	Revenue Budget (studies etc)	Revenue budget to support borrowing	Total borrowing available (to cover interest)	Budget for repayment of revenue grant borrowing	Budget for repayment of principal (capital borrowing)	Repayment of loan by third parties (developers etc)
2017/18	£136,305	£26,500	£0	£109,805	£0	£0	£0	£0	£0
2018/19	£170,000	£27,825	£0	£42,000	£100,175	£5,008,750	£0	£0	£0
2019/20	£354,524	£29,216	£60,000	£75,000	£140,308	£7,015,400	£50,000	£0	£0
2020/21	£440,000	£30,677	£63,000	£75,000	£160,000	£8,000,000	£111,320	£0	£0
2021/22	£520,000	£32,211	£66,150	£75,000	£160,000	£8,000,000	£186,636	£0	£0
2022/23	£600,000	£67,644	£0	£51,000	£160,000	£8,000,000	£262,053	£59,300	£500,000
2023/24	£741,500	£68,996	£0	£52,020	£160,000	£8,000,000	£0	£460,481	£0
2024/25	£990,402	£70,376	£0	£53,060	£160,000	£8,000,000	£0	£706,963	£500,000
2025/26	£1,267,787	£71,784	£0	£54,122	£160,000	£8,000,000	£0	£981,878	£0
2026/27	£1,541,255	£73,220	£0	£55,204	£160,000	£8,000,000	£0	£1,252,828	£0
2027/28	£2,125,793	£74,684	£0	£56,308	£160,000	£8,000,000	£0	£1,834,798	£0
2028/29	£2,508,643	£76,178	£0	£56,871	£160,000	£8,000,000	£0	£2,215,591	£0
2029/30	£2,905,171	£77,702	£0	£57,440	£0	£0	£0	£2,770,029	£0