



Cheshire Science Corridor Enterprise Zone Board

Date: Thursday 22 November 2018

Time: 13:00-15:00

Location: Thornton Science Park

Agenda

- (1) Attendees and apologies
- (2) Declarations of interest
- (3) Previous minutes from the EZ Board of 17 May 2018
- (4) Thornton Science Park Update
- (5) Governance
- (6) EZ investment business cases
 - (a) Quadrant Phase 2 (Birchwood Park)
- (7) Operational update
 - (a) Growth Director's update
 - (b) Business Rate Discount applications
- (8) Marketing and communications
 - (a) Marketing and promotion update
- (9) Finance
 - (a) Marketing and promotion update
- (10) AOB

PLEASE NOTE: If members of the public wish to attend the Enterprise Zone Board to observe then please email: john.adlen@871candwep.co.uk at least 5 days prior to the meeting.

Item 1 – Attendees and Apologies

EZ Board Members:

Robert Mee, Chair of EZ Board and LEP Board Member
Cllr Paul Bates, Cheshire East Council
Tony Bochenski, Independent Member
Cllr Brian Clarke, Cheshire West & Chester Council
Chris Farrow, Independent Member

In Attendance:

John Adlen, Cheshire & Warrington LEP
Chris Capes, Cheshire West & Chester Council
Philip Cox, Cheshire & Warrington LEP
Stephen Fitzsimons, Warrington & Co.
John Willis, Skills & Growth Company

Apologies:

Cllr Russ Bowden, Warrington Borough Council
Christine White, Astra Zeneca
Lisa Harris, Cheshire West & Chester Council

Item 2 – Previous Minutes

Meeting Title	Cheshire Science Corridor Enterprise Zone Board	
Date	20 September 2018	
Time	13:00-15:00	
Location	Birchwood Park	
Agenda Item		Action/Decision
1.	<p>Attendees and apologies</p> <p>EZ Board Members: Robert Mee, Chair of EZ Board Tony Bochenski, Independent Board Member Cllr Rus Bowden, Warrington Borough Council Cllr Brian Clarke, Cheshire West & Chester Council Chris Farrow, Independent Board Member Christine White, Astra Zeneca</p> <p>In Attendance: Philip Cox, Cheshire and Warrington LEP Stephen Fitzsimons, Warrington & Co. Philip Kerr, Skills & Growth Company Joel Tagg, Cities & Growth Unit</p> <p>Apologies: John Adlen, Cheshire and Warrington LEP Cllr Paul Bates, Cheshire East Council Lisa Harris, Cheshire West & Chester Council Gary Steen, LEP Board Member John Willis, Skills & Growth Company</p>	
2.	<p>Previous EZ Board minutes</p> <p>All matters arising from the previous EZ Board held on 19 July 2018 have been actioned or will be covered in this board.</p>	Minutes agreed and signed off
3.	<p>Declarations of interest</p> <p>(a) Cllr Brian Clarke declared an interest in Newport Business Park (b) Philip Kerr declared an interest in Alderley Park on behalf of Cheshire East Council (c) Chris Farrow declared an interest in sites in Ellesmere Port as Chair of the Ellesmere Port Development Board</p>	
4.	<p>Birchwood Park Update</p> <p>Martin O'Rourke from Patrizia gave a brief presentation on past and future development at Birchwood Park. He highlighted that Patrizia will be applying for planning consent for the next phase of its Quadrant development in October, with a view to starting on site in December/January and completion in December 2019.</p>	

5.	<p>Governance</p> <p>Robert Mee informed the Board that he had invited Chris Farrow, Chair of Ellesmere Port Development Board, to become a full member of the EZ Board. He noted that Chris would not vote on EZ projects in the Ellesmere Port area.</p>	Approved
6.	<p>EZ investment cases</p> <p>Philip Cox took EZ Board members through the three investment cases that had been approved in principle at the last EZ Board and which had draft legal agreements and term sheets in place. It was noted that once these had been finalised, the LEP’s Performance and Investment Committee would ratify the EZ Board’s decision in terms offer value for money, etc. after which the main LEP Board would need to ratify the agreement.</p> <p>a) Helix Business Park (Phase 2)</p> <p>Philip Cox took the Board through the Investment Term Sheet for Helix Business Park (Phase 2). He asked the Board to agree to delegate to officers responsibility for finalising the detailed contract, subject to it remaining within the parameters of the term sheet. The Board agreed, subject to receiving further detail of the overage proposals within the terms.</p> <p>b) Aviator (Hooton Business Park)</p> <p>Philip Cox took the Board through the Investment Term Sheet for Aviator Phase 1 at Hooton Park. The Board agreed to delegate to officers responsibility for finalising the detailed contract and then to pass it to the P&I Committee and main Board for ratification.</p> <p>c) Rhino Products (Newport Business Park)</p> <p>Philip Cox took the Board through the Investment Term Sheet for Rhino Investments. It was noted that the EZ Board had agreed this investment in principle via correspondence in August following receipt of a number of clarifications from the applicant. The Board agreed to delegate to officers responsibility for finalising the detailed contract and then to pass it to the P&I Committee and main Board for ratification.</p> <p>Tony Bochenski suggested there may be ways to streamline the process of negotiating agreements with investors. He agreed to follow up with John Adlen.</p>	<p>Approved</p> <p>Approved</p> <p>Approved</p> <p>Action: Tony Bochenski to follow up with John Adlen</p>
7.	<p>Operational update</p> <p>d) Growth Director’s update</p> <p>The EZ Board considered and noted the Growth Director’s report on key development activities undertaken during the last period.</p> <p>e) Business Rate Discount applications</p> <p>No Business Rate Discounts were received during the last period.</p>	

8.	<p>Marketing and communications</p> <p>a) Marketing and promotion activities No specific marketing or promotional activities were undertaken over the summer apart from regular social media posts on Twitter, LinkedIn, etc.</p> <p>b) Upcoming events The Growth Director reported that he had been invited to speak at the North West Business Insider's 'Golden Triangle' breakfast event on 25 September at Alderley Park.</p>	
9.	<p>Finance update</p> <p>The Board noted the report of the Growth Director on the preparation of an EZ Investment Proposal for the three local authorities to consider financing the EZ investment pipeline utilising their prudential borrowing capabilities.</p>	
10.	<p>AOB</p> <p>There being no other business, the Chair thanked everyone for their attendance and closed the meeting.</p> <p>Following the meeting Robert Mee formally signed the Glasshouse investment agreement.</p>	

Item 3 – Declarations of interest

EZ Board members and attendees to declare any personal or professional interests in an agenda item in line with the Cheshire and Warrington Local Enterprise Partnership's Local Assurance Framework.

Any Board member or attendee declaring an interest can remain in the meeting while the item is discussed but are only allowed to answer direct questions about that item and should refrain from promoting the item in any way.

Item 4 – Thornton Science Park update

Paul Vernon to provide an update to the EZ Board on progress at Thornton Science Park.

Item 5 – Governance

Nothing to report.

Item 6 – EZ investment business cases

Item 6a): Quadrant Phase 2 Business Case

Author: John Adlen

Date: 22 November 2018

1. Summary

This paper presents a proposal from WBC Birchwood Park Trustee Limited (as Trustee of the WBC Birchwood Park Unit Trust) for an investment of between £2.7m and £4.93m to deliver a £15.2m project to develop five industrial units totalling 15,773 sq m (169,785 sq ft) at Birchwood Park, Warrington. The scheme could generate c.£436k per annum in retained business rates, providing a payback of between 5.3 and 11.3 years and potentially generating up to £9.1m in retained business rates over the lifetime of the EZ. The applicant is seeking grant funding on the basis of a gap in the overall financial viability of the scheme on the basis of an undeliverable return on investment owing to risk without EZ support.

2. Recommendations

That the EZ Board approves the investment in principle, subject to:

- (a) Negotiation and agreement of a finite investment envelope to incorporate the void and interest cover, the road and electricity infrastructure;
- (b) The provision of further information and clarifications as set out in Cushman & Wakefield's appraisal; and
- (c) The submission of a revised business case to be brought back to the January Board for final approval.

3. Background

Warrington Borough Council bought Birchwood Park from Patrizia in September 2017. Birchwood Park is held in a trust with Warrington Borough Council as the sole shareholder. Patrizia have been retained as Asset Manager for the site. In 2016, Patrizia developed phase 1 of the Quadrant scheme, comprising three industrial units 711 (13,911 sq ft), 713 (21,750 sq ft) and 720 (37,500 sq ft) Cavendish Avenue, all of which let within one year of practical completion.

4. Proposal

Patrizia is proposing to develop a phase 2 scheme of five industrial units totalling 15,773 sq m (169,785 sq ft). The full investment case is provided as **Appendix A**.

The development will comprise the following units:

- Unit 717 – 1,699 sq m (18,290 sq ft)
- Unit 718 – 1,699 sq m (18,290 sq ft)
- Unit 719 – 2,236 sq m (24,072 sq ft)
- Unit 720 – 5,467 sq m (58,850 sq ft)
- Unit 721 – 4,671 sq m (50,283 sq ft)

The investment case has three broad elements:

- (a) **Access road infrastructure** – a contribution of £650,000 is sought from the EZ towards the costs of providing an access road into the site, which are considered abnormal infrastructure costs which are impacting on scheme viability.
- (b) **Void and interest cover** – the EZ to cover the void costs (including service charges and void rates) and finance costs for a maximum of 5 years on a reducing basis as each unit is let, which reduces the risk for the developer/landowner in the event of a market slowdown and provides the ability to offer more generous rent occupier incentives (i.e. free periods, etc.).
- (c) **Electricity infrastructure** – a £1m contribution from the EZ (only if required) to cover reinforcement works to the local electrical infrastructure network to serve all development sites. This contribution will provide sufficient capital to enhance the network to enable additional capacity to be provided should this be required from a prospective high energy user.

As such, the scale of the ‘ask’ from WBC Birchwood Park Trustee Limited varies dependent upon the pace of lettings on the new scheme and whether the electrical infrastructure works are required. The table below shows the estimated cost and payback period to the EZ depending on the scale of the ask.

Scheme Element	Best Case Scenario (£)	Business Case Minus Electricity Infrastructure (£)	Assumed in Business Case ⁽¹⁾ (£)	Worst Case Scenario (£)
Road infrastructure	650,000	650,000	650,000	650,000
Void Cover	-	281,000	281,000	1,405,000
Interest Cover	-	375,000	375,000	1,875,000
Electrical Infrastructure	-	-	1,000,000	1,000,000
Total	650,000	1,306,000	2,306,000	4,930,000
Payback Period (years)	1.5	2.9	5.3	11.3

(1) Assumes 1 year of rental and interest cover

5. Technical appraisal

Cushman & Wakefield have undertaken an initial technical appraisal of the proposed investment (**Appendix B**) which concludes that overall the project does provide a good case for EZ investment, noting that:

- The project demonstrates a good strategic fit with the overarching Cheshire Science Corridor Development and Investment Strategy; the site-specific Development Plan for Ellesmere Port and a number of wider local and national strategies for economic growth.

- There is a clear demand for the project given the evidenced scale of business enquiries received and lack of available supply of high quality industrial units of this mid-scale within Warrington and the wider sub-region. The need and rationale for public sector support is demonstrated by the unwillingness of the market to risk speculative development and for occupiers requiring space for immediate occupation, resulting in the loss of some enquiries to competing areas and constrained growth of Birchwood Park.
- The project appears to represent good value for money on a cost per job basis relative to the EZ ask. The project can also demonstrate delivery of wider benefits in the form of bringing a long term vacant brownfield site back into economic use; providing local employment across a range of skills; supporting the construction supply; and footfall, spend and indirect jobs within the Park's wider amenities.
- In terms of delivery, the site is in the freehold ownership of the applicant and is understood to have received planning consent for the proposed scheme and a clear and appropriate delivery strategy is in place. Patrizia is an established and experienced Asset and Development Manager who successfully delivered the first phase of development in 2016.

However, Cushman & Wakefield do have concerns about the uncertainty in relation to the scale of EZ investment being requested. The best-case scenario could see the EZ making a £650k contribution towards the costs of the access road, which would payback in just 1.5 years. However, the worst-case scenario could see the EZ investing £4.9m with a payback of over 11 years.

They have also flagged up a number of areas which require further clarification or more detailed information, including:

- Clarification of the applicability of public procurement requirements
- Provision of a State Aid legal opinion
- Assessment of net economic impact and additionality
- Confirmation of Warrington Borough Council's commitment to provide funding for the scheme
- Negotiation of an overage agreement and clawback provision
- Assessment of other potential funding sources
- Further detail on cost assumptions in the development appraisal

6. Benefits

The benefits associated with the investment case are set out in the table below.

Benefit	Quantum
New commercial floorspace (sq ft)	169,785
Brownfield land reclaimed (ha)	5.62
Number of new businesses attracted to the EZ	5
Number of gross new permanent jobs created	480
Number of net new permanent jobs created	223
Number of temporary construction jobs created	100
Gross Value Added (£)	7m
Annual Retained Business Rates (£)	436,000
Total Retained Business Rates (£)	9.1m
Public/Private Sector Leverage (£)	13.9m

7. Risks

The following key risks for the EZ Board are associated with this proposal:

Risk		Impact	Likelihood	Mitigation
1.	Uncertainty around the level of investment required	Increases exposure of the EZ to increased levels of investment. Worst-case scenario is £4.9m versus an assumed investment of £2.3m	Moderate	Negotiate a finite investment envelope with the Applicant to provide more certainty on the level of investment required to the EZ Board (i.e. if the electricity infrastructure is required this reduces the monies available for void and interest cover and vice versa).
2.	Estimated level of retained business rates not achieved	Would impact on the ability of the LEP to repay funding.	Low	Cushman & Wakefield have assessed the estimates provided by Patrizia as reasonable and benchmarked them against available VOA data on comparable properties at Birchwood Park.
3.	Developers do not deliver projects on time or on budget	Delays in completion of schemes would impact on level of retained business rates, whilst budget overruns would further increase the viability gap on schemes.	Moderate	Patrizia UK is an established and pro-active international Asset and Development Manager that has delivered new development in excess of £180m in Gross Development Value, including 135,000 sq ft of industrial and office development at Winnersh Triangle, Berkshire; 175,000 sq ft office building at First Street, Manchester; and 85,000 sq ft of industrial in Glasgow. They have a good track record of refurbishing and developing new property at Birchwood Park, including Quadrant Phase 1. Warrington Borough Council as the landowner/funder is generally considered to be well resourced and WBC's accounts indicate a Balance Sheet of £239.5m as at 31st March 2018.
4.	Schemes do not achieve practical completion, which does not trigger the payment of business rates	Would impact on the ability of the LEP to repay funding.	Moderate	Track record of the develop and a longstop completion date set within the legal agreement, with clawback penalties for under-performance.
5.	Developers deploy rate mitigation schemes to avoid empty rates	Could reduce empty rates payable to 25%, would impact on the ability of the LEP to repay funding.	Low	A 'no rate mitigation' clause built into the EZ investment legal agreement.
6.	Schemes do not attract occupiers	Limited impact as developers still have to pay empty rates	Moderate	Applicant has evidenced market demand through a market report provided by a B8 property agents as well as being able to demonstrate strong enquires for this type of property and even lost enquires which they have been unable to satisfy due to lack of suitable premises.
7.	Investments are not deemed to be State Aid compliant	Limited impact as the risk on State Aid sits with the developer	Low	Provision of a State Aid opinion as part of the legal agreement, which is assessed by the LEP's legal advisers. Clawback provisions in the EZ investment legal agreement are triggered by any State Aid breach.

Item 7 – Operational update

Item 7a) Growth Director's update

The following key development activities were undertaken during the last period:

- Supporting the Thornton Science Park Taskforce in the appointment of a consultancy team to undertake due diligence and produce a prospectus for a joint venture partner.
- Supported the development of the successful bid to Innovate UK for an energy systems feasibility study in Ellesmere Port to advance the proposals to create an Energy Innovation District.
- Negotiating terms and overseeing the drafting legal agreements for EZ investments in Helix Business Park, Rhino Newport and Hooton Park.
- Presentations to the Local Government Association Post-Brexit Commission and the Cheshire West & Chester Council Post-Brexit Commission on the potential impact of Brexit on the Cheshire and Warrington economy.
- Meeting with Wood Group exploring how the EZ can support their long-term property requirements at Birchwood Park.
- Production and submission of an Investment Proposal to create a £30m borrowing facility to fund EZ investment to the three Cheshire and Warrington local authorities.
- Meeting with Patrizia regarding the development of their EZ investment case.
- Meeting with a clean gas company regarding the potential to develop a clean gas facility at Protos.

Item 7b) Business Rate Discount applications

The following Business Rate Discount applications have been approved by the EZ Steering Group and are recommended for ratification by the EZ Board:

- (a) **Veramed Limited** (Alderley Park) – is a specialist Contract Research Organisation that provides a range of high quality biostatistics and programming services for the design, reporting and analysis of clinical trials. The company has expanded at Alderley Park moving from 510 sq ft of space to 1,045 sq ft of space, an increase of 104%. The company passes both the sector and growth tests.
- (b) **Manchester Biogel Limited** (Alderley Park) – provide hydrogels and bioinks to the life science industry to support bioprinting, liquid handling and 3D cell culture to develop new technologies. The company currently occupies 317 sq ft of space at Alderley Park and is increasing this to 640 sq ft, an increase of 102%. The company passes both the sector and growth tests.

Item 8 – Marketing and communications

Item 8a) Marketing and promotion update

The following marketing and promotional activities were undertaken during the last period:

- EZ stand at the Regen 2018 conference and exhibition between 7-8 November
- LEP/EZ table at the Place Tech Dinner on 20 November with 10 guests
- Launch of Cheshire and Warrington MIPIM delegation 01 November

Item 9 – Finance update

Item 9a):	EZ Finance Update
Author:	John Adlen
Date:	22 November 2018

1. Purpose

To provide an update to EZ Board members on the financial position of the Enterprise Zone (EZ), including retained business rate income, investments and funding.

1. Background

A key feature of EZ status is the ability to retain any new business rate growth over a 25-year period from the inception of the EZ, which can be reinvested into the economic development priorities of the sub-region. Our strategy for the EZ is to unlock and accelerate development in order to create new commercial floorspace and attract occupiers into the EZ and maximise the benefits of EZ status. The more commercial floorspace that we can create in the EZ, particularly (but not exclusively) within the first 5-years of operation, the more occupiers we can attract with the Business Rate Discount and Enhanced Capital Allowances incentives. The more occupiers we attract to the EZ (and the quicker we can attract them) the more business rates we retain over a longer period, which can then be reinvested back into new projects in the EZ and the wider sub-region.

2. Retained business rate income

We have already started to generate retained business rate income from the EZ. Table 2.1 below shows the actual and forecast income from retained business rates between 2017-2021. Note that retained business rate income is paid one year in arrears, so income generated in 2016-17 is shown as income to the LEP in 2017-18.

Table 2.1 Actual and forecast retained business rate income 2017-2020

Income source	2017/18	2018/19	2019/20	2020/21
CEC	999,949	640,777	560,770	560,770
CWAC	29,339	118,162	195,478	195,478
Cavendish Nuclear	-	-	142,383	284,765
Royal London	-	-	394,491	788,982
Thyson Technologies	-	-	30,735	30,735
Cook Compression	-	-	30,735	30,735
Total	1,029,288	758,939	1,354,592	1,891,465

This retained business rate income is from 'organic' growth in the Enterprise Zone, i.e. businesses moving into new or refurbished premises which we have not made any investment into. The majority of retained business rate income from organic growth to date has come from Alderley Park, with a small proportion from sites in Ellesmere Port and Thornton Science Park. To date no retained business rate income has come from Warrington Borough Council, because business rate income from Birchwood Park is sitting just below the baseline originally set for the EZ. We believe that this is due to a combination of the 2017 revaluation, the assumptions being made by WBC in their calculations of business rate income and potentially from the demolition of a property on the site. We also know that from 2019/20 onwards a number of additional occupiers have or will land in the EZ such as Cavendish Nuclear at Birchwood Park, Royal London and Alderley Park and Thyson Technologies and Cook Compression at Helix Business Park.

Forecast and actual retained business rate income from the EZ has been fluctuating since the outset of the EZ in April 2016. The estimation and calculation of retained business rate income from the EZ is complex, with a number of factors impacting on the level of retained business rates. The Cheshire Science Corridor EZ is particularly complex given the high-levels of existing built stock at Alderley Park, Birchwood Park and, to a lesser extent, Thornton Science Park. At Alderley Park the situation is made more complex by the shift from a single hereditament under Astra Zeneca to multiple hereditaments under MSP. The retained business rate income should settle down over the next few years as we start to develop more new stock in the EZ and Astra Zeneca hand over the remainder of their space at Alderley Park and by 2020/21 we expect to be generating c.£1.8m per annum from organic retained business rate income.

3. EZ investments

In order to accelerate the development of floorspace in the EZ and thus maximise the level of retained business rates, we have identified a pipeline of investment projects that could create c.1.5m sq ft of new commercial floorspace, generating c.£100m in retained business rates over the next 22 years. The EZ Board has already approved £8.2m in five investment projects to date that will create c.395k sq ft of new commercial floorspace and generate £1.3m in retained business rates annually and £26.1m over the next 22 years.

Table 3.1 Approved EZ investment projects

Project	Site	New Commercial Floorspace (Sq ft)	EZ Investment (£)	Annual Retained Business Rates (£)	Total Retained Business Rates (£)	Payback Period (Years)
Glasshouse	Alderley Park	148,000	3,872,876	792,000	17,226,000	5.5
Helix Phase 2	Helix Business Park	40,011	659,347	67,000	1,457,250	11.7
Rhino Newport	Newport Business Park	82,023	1,390,250	146,000	3,175,500	6.1
Aviator Phase 1	Hooton Park	124,980	1,701,418	342,676	4,305,375	10.2
NBR Substation	Ellesmere Port	-	612,400	-	-	-
Total		395,014	8,236,291	1,347,676	26,164,125	6.7⁽¹⁾

(1) Average payback period

Table 3.2 EZ investment pipeline

Project	Location	New Commercial Floorspace (Sq ft)	Estimated EZ Investment (£)	Annual Retained Business Rates (£)	Total Retained Business Rates (£)	Payback Period (Years)
Warrington West	Birchwood Park	-	2,000,000	-	-	-
Quadrant Phase 2	Birchwood Park	187,000	2,703,605	459,016	9,754,090	6.7
Block 21	Alderley Park	32,289	1,750,000	177,105	3,719,205	12.0
CWAC	Newport Business Park	100,000	1,000,000	156,077	3,277,617	7.4
Gaerwen	Newport Business Park	80,000	1,000,000	124,862	3,238,598	9.6
Innovation Terrace	Thornton Science Park	100,000	1,000,000	156,977	8,268,564	7.4
Block 19 & 22	Alderley Park	72,650	4,000,000	398,485	2,559,671	12.3
Wood Group	Birchwood Park	100,000	3,000,000	557,418	10,869,671	6.3
Aviator Phase 2	Hooton Park	320,000	3,600,000	499,447	10,113,802	8.3
Sellafield	Birchwood Park	200,000	5,000,000	1,145,030	22,041,828	4.9
Total		1,191,939	25,053,605	3,674,417	73,843,046	8.3⁽¹⁾

(1) Average payback period

In addition, we have an identified further pipeline of investment projects set out in Table 3.2 requiring c.£25m of investment, which could create a further 1.1m sq ft of floorspace, generating £3.6m per annum in retained business rates and £73.8m over the lifetime of the EZ.

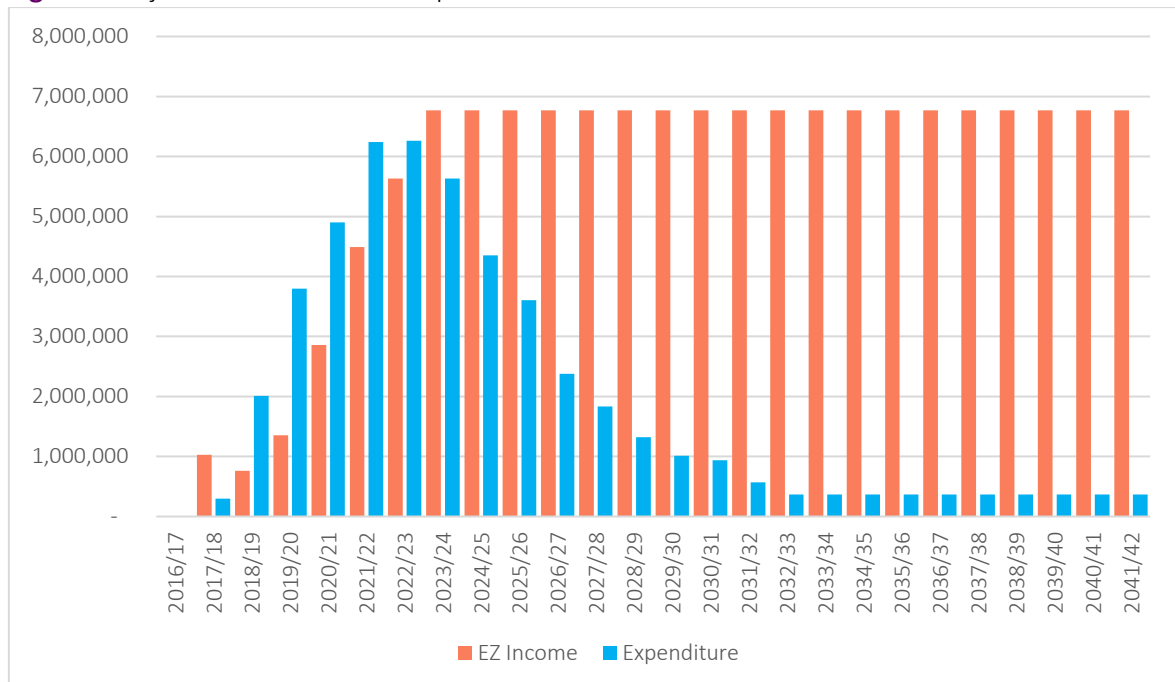
4. Investment proposal

We are currently in discussions with the three local authorities to create a £30m borrowing facility, funded via local authority borrowing from the Public Works Loan Board, to fund the EZ investment pipeline (see Investment Proposal attached as Appendix C). This borrowing will be repaid through the retained business rates generated. Once the initial debt is repaid, the retained business rates from these schemes will revert into a sub-regional investment fund to be reinvested back into economic development projects in the sub-region.

Figure 4.1 below shows the projected income and expenditure over the lifetime of the EZ based on the existing retained business rate income and investment pipeline. The expenditure for the EZ includes the existing operational expenditure (i.e. Growth Director’s salary, consultancy and marketing budgets) and the forecast debt repayment from local authority borrowing.

The EZ is forecast to generate a total of £144.7m over the next 22-years, with total expenditure forecast at £48.8m, leaving a net surplus of c.£96m.

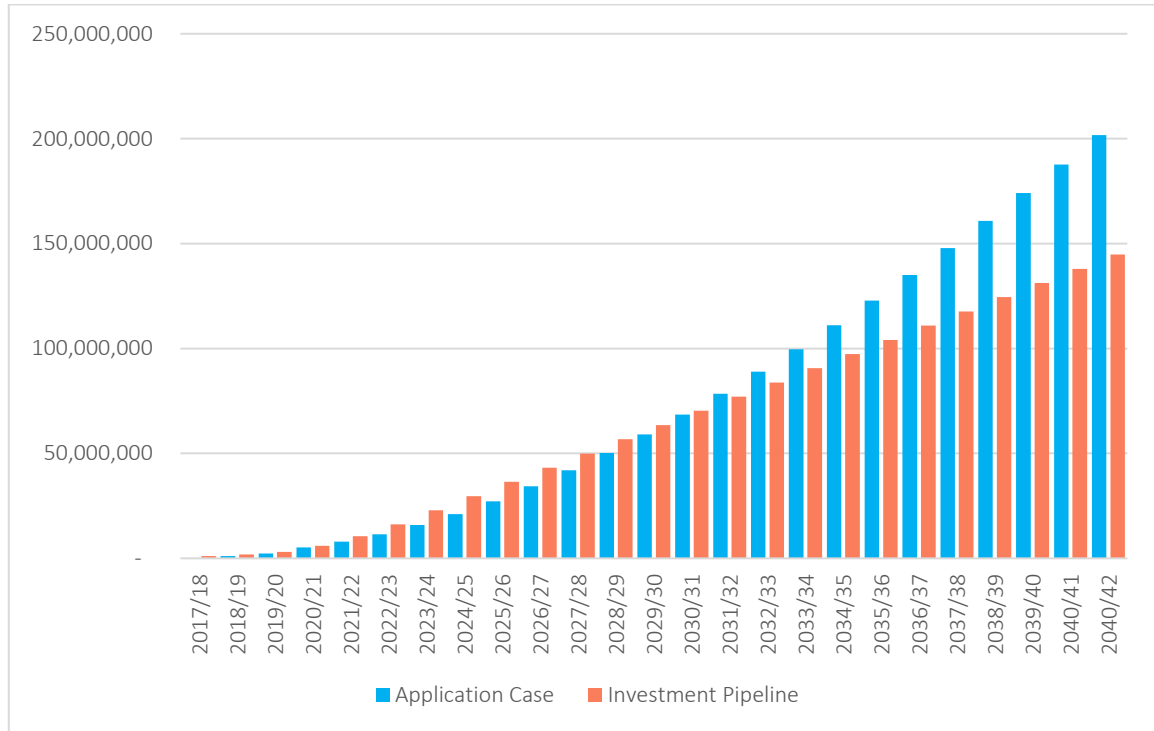
Fig. 4.1. Projected EZ income and expenditure 2016-42



Income is projected to grow rapidly over the next 5-years as new investments come on stream, before levelling off at c.£6.7m in 2023/24. Similarly, expenditure is projected rise to a peak of c.£6.2m per annum in 2021/22 and 2022/23 before starting to decrease as debt is repaid. The debt against the existing investment pipeline is forecast to be fully repaid by 2032/33.

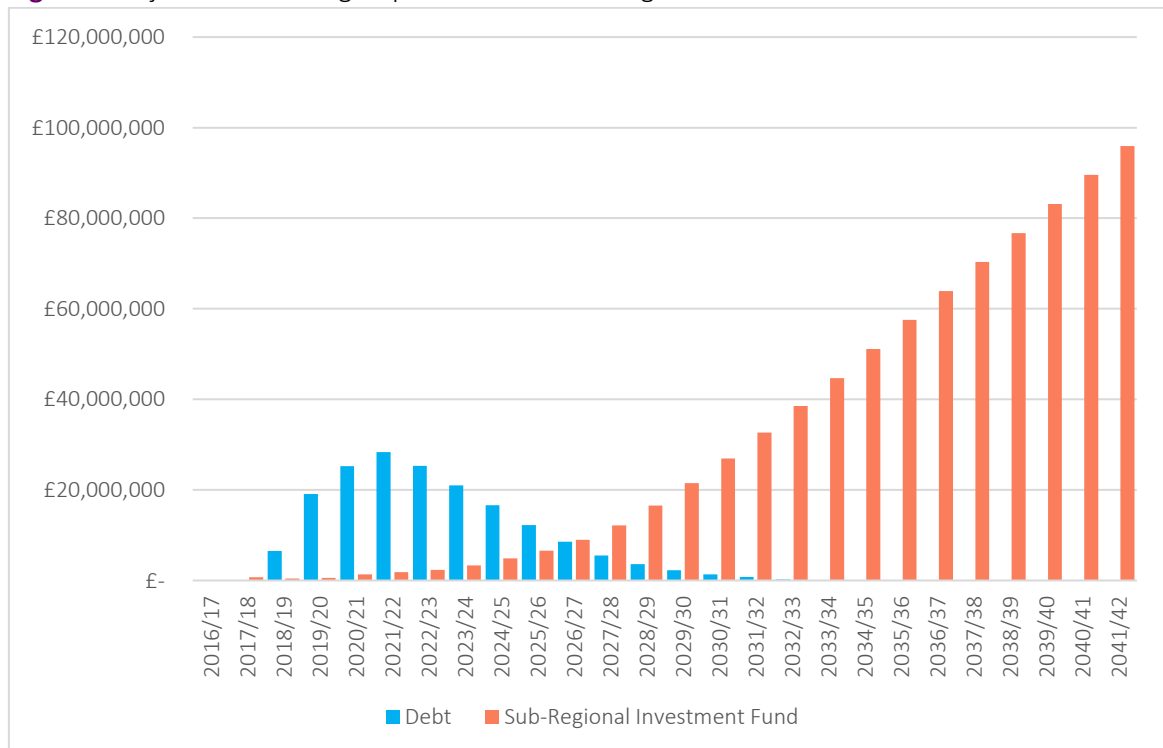
Figure 5.2 below shows the forecast retained business rates income as set out in the original EZ application against the existing forecast income from the current pipeline of investment projects. It demonstrates with the existing investment pipeline we are broadly on track, matching the pace of income growth projected in the original application until c. 2027/28 after which the forecast from the original starts to pull away. It must be noted, however, that the current investment pipeline does not cover the whole of the remaining land available within the EZ and excludes for example all of Protos, the vast majority of Thornton Science Park and significant proportions of Alderley Park and Birchwood.

Fig. 5.2. EZ application case income versus current and investment pipeline Income



Each investment project will repay its own debt through the retained business rates generated from that project, after which the retained business rates will revert into a sub-regional investment fund. Figure 5.2 below shows the profile for the total borrowing requirement (debt) of the EZ and the income into the sub-regional investment fund as debt is repaid.

Fig. 5.3. Projected borrowing requirement and sub-regional investment fund 2016-42



Based on the existing pipeline, the EZ will carry a peak borrowing requirement of c.£28.3m in 2021/22. We are already starting to generate retained business rate income from organic growth and the first retained business rates from investment projects will start to pay into the sub-regional investment (the Glasshouse) by 2025/26, after which the fund will grow steadily, generating a net surplus of £96m after operating expenditure.

5. Conclusions

Despite early fluctuating income, the EZ is forecast to generate c.£1.8m per annum in retained business rates by 2020/21 from 'organic' growth. The identified pipeline of investment projects could generate an additional c.£100m in retained business rates over the lifetime of the EZ. As such, the EZ is forecast to generate a total of £144.7m over the next 22-years, with total expenditure forecast at £48.8m, leaving a net surplus of c.£96m which can be reinvested into economic development projects in the EZ and the wider sub-region.

The next steps in terms of EZ finances are:

- (a) Agree the £30m borrowing facility with the three local authorities in order to fund the existing investment pipeline.
- (b) Continue to refine and develop the cashflow model for future EZ investments and income, including making provisions for appeals and bad debt.
- (c) Identify the exact reasons why EZ income is sitting below the baseline at Birchwood Park.

Item 10 – AOB

Members are invited to table any other items of business.