



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 7 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 Chris Farrow, Chair of Ellesmere Port Development Board, had been invited 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

Please note that commercially sensitive elements of this item have been restricted to EZ Board members only.

Item 6a) Quadrant Phase 2

WBC Birchwood Park Trustee Limited is seeking 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.

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

- (a) Negotiation and agreement of a finite investment envelope in order to reduce the payback period to the EZ;
- (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.

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

Please note that commercially sensitive elements of this item have been restricted to EZ Board members only.

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.

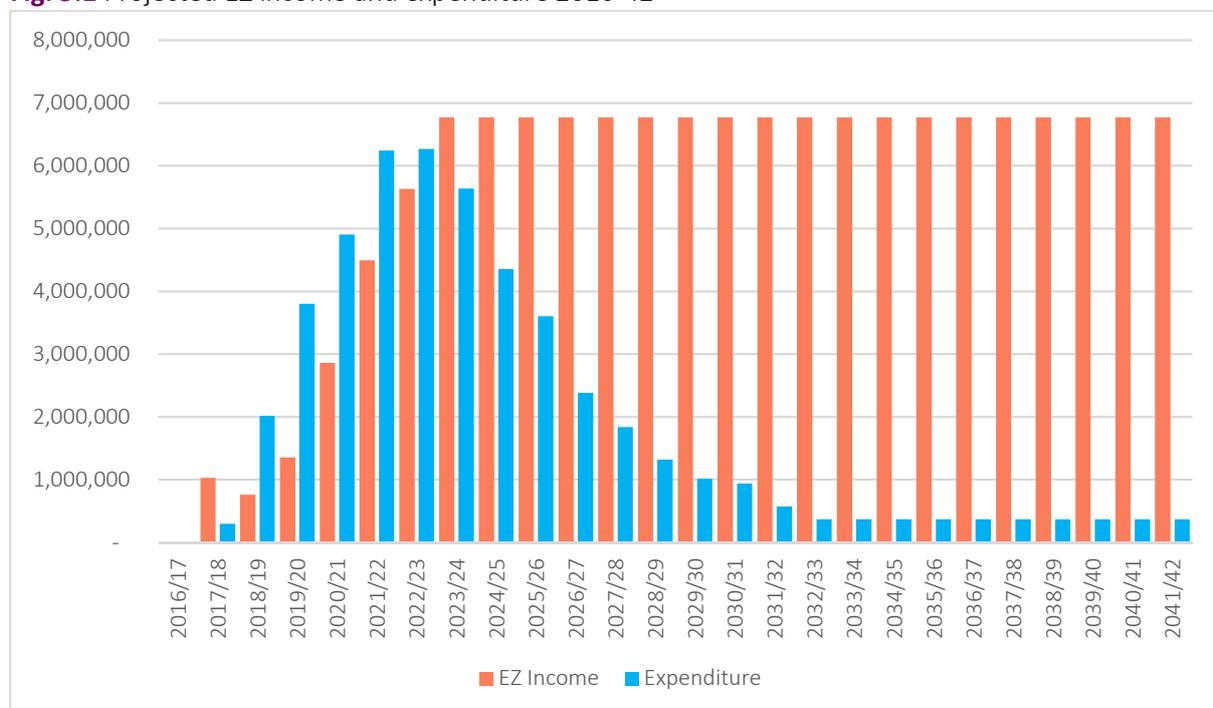
We have already started to generate retained business rate income from ‘organic’ growth in the Enterprise Zone (i.e. businesses moving into new or refurbished premises which we have not made any investment into). We also know that from 2019/20 onwards a number of additional occupiers have or will land 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.

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. 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.

The graph 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. 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.

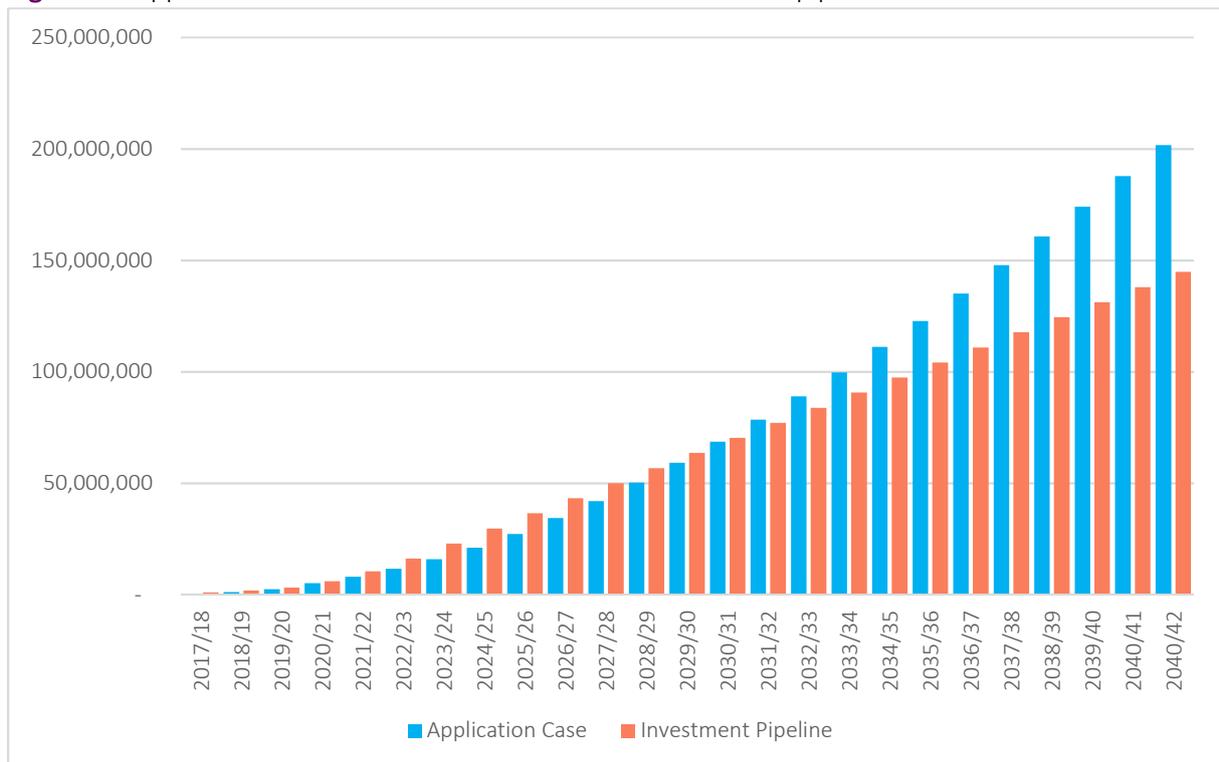
Fig. 9.1 Projected EZ income and expenditure 2016-42



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.

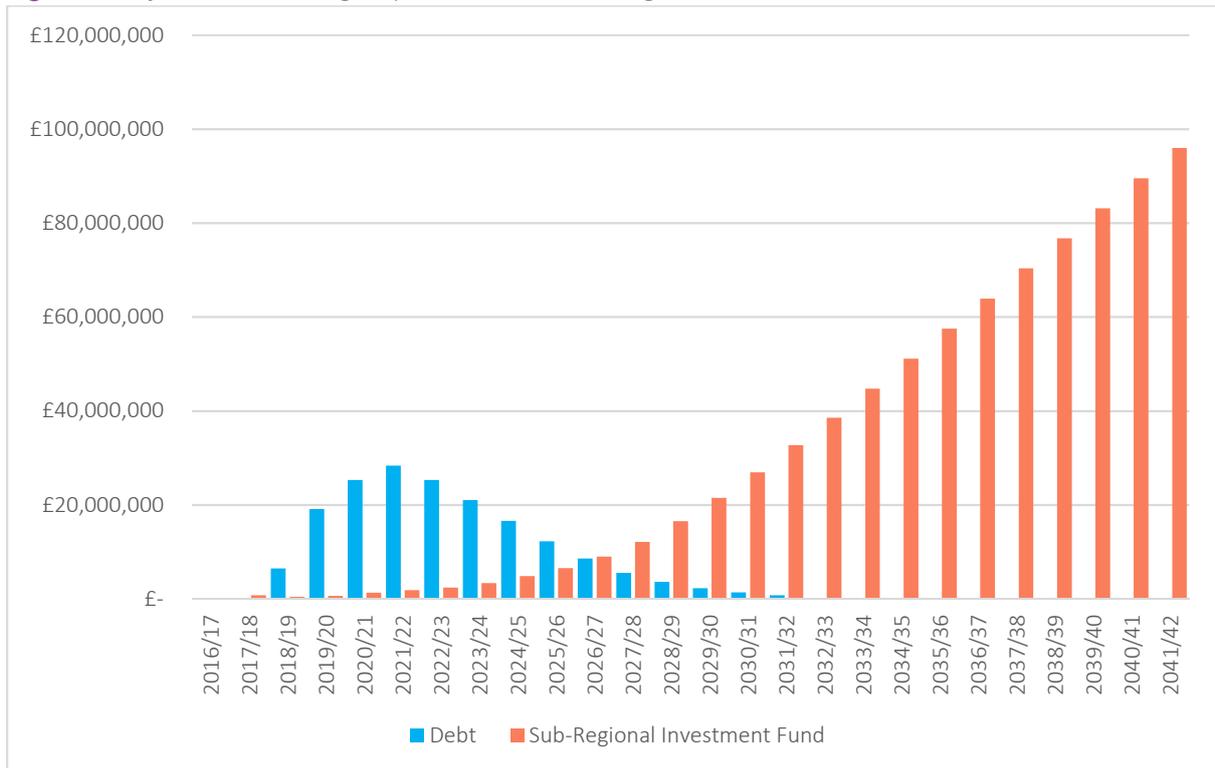
Figure 9.2 below shows the forecast retained business rates income as set out in the original EZ application against the existing forecast income from the current pipeline of investment projects. It demonstrates with the existing investment pipeline we are broadly on track, matching the pace of income 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. 9.2 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 9.3 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. 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.

Fig. 9.3. Projected borrowing requirement and sub-regional investment fund 2016-42



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.

Item 10 – AOB

Members are invited to table any other items of business.