

Hereford Enterprise Zone

Accelerating Delivery: Investment Strategy

Prepared on behalf of
DCLG
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DTZ, a UGL company

Contents

Executive summary	4
1 Introduction	9
1.1 Enterprise Zone rates additionality mechanism	9
1.2 Hereford Enterprise Zone	9
2 Market commentary	11
2.1 Context	11
2.2 Market baseline	11
2.3 Prospects for growth	12
2.3.1 General market conditions	12
2.3.2 Impact of the Enterprise Zone	12
2.3.3 Competing sites	13
2.3.4 Market summary	13
3 Scenario modelling	14
3.1 Scenario 1: Base case	15
3.1.1 Take-up assumptions	15
3.1.2 Land receipts	16
3.1.3 Interventions	17
3.1.4 Revenue expenditure	17
3.1.5 Financial analysis	18
3.2 Scenario 2: EZ interventions scenario (without River Wye Crossing)	19
3.2.1 Take-up assumptions	19
3.2.2 Land receipts	19
3.2.3 Interventions	20
3.2.4 Revenue expenditure	21
3.2.5 Financial analysis	21
3.3 Scenario 3: EZ interventions (River Wye Crossing completes 2021)	22
3.3.1 Take-up assumptions	23
3.3.2 Land receipts	24
3.3.3 Interventions	24
3.3.4 Revenue expenditure	25
3.3.5 Financial analysis	26
4 Findings & conclusions	29
4.1 Performance of the Enterprise Zone	29

4.2	Approach to funding	30
4.3	Recommendations	31
Appendix A: HCA employment density guidelines		33
Appendix B: Intervention measures		34
Appendix C: Capital Receipts		Error! Bookmark not defined.
Appendix D: Financing Arrangements		37

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Executive summary

The Rotherwas Industrial Estate was formally awarded Enterprise Zone (EZ) status on 17th August 2011. The site was nominated by the Marches Local Enterprise Partnership (LEP) with an aspiration to develop part of the site into a centre of excellence for the defence and security sector with additional employment hubs focused on advanced technologies, environmental technologies and food and drink technologies. The Marches LEP anticipates that the scheme will become a catalyst for enhanced economic growth throughout the Marches through the creation of highly skilled jobs and encouragement of overseas investment into the area.

The Estate is the largest estate in the Hereford City “sub area” and the county as a whole, extending to 125 hectares (300 acres). In terms of speculative new build industrial and warehouse units and land to be brought forward for development, the vast majority of supply for the city lies within the Rotherwas estate.

This report considers a range of intervention measures in enabling infrastructure and other site preparation investments in order to optimise the performance of the Enterprise Zone.

Although intervention by the Council to fund enabling and infrastructure works will accelerate development to a degree, critical to the success of the EZ is the completion of the River Wye Crossing by 2021. Without this key investment, the constraints on the highway network mean net new floor-space within the Zone will be limited to approximately 50,000 sq m.

The development of the River Wye Crossing is critical to the success of the EZ as without it almost 100,000 sq m of the total floor space proposed cannot be developed. This translates into an estimated loss of potential business rates income to the LEP of c. **£33.1m** over the life of the Enterprise Zone.

The LEP has already successfully applied for £27m funding via the Strategic Economic Plan (SEP) to build a road link in the South of the city between the A49 and A465. This represents the first leg of a potential full western relief road around the city. The following segment between the A465 and A438, which includes the River Wye Crossing, will cost an estimated additional £67m. Further investment is required to fund these works and this study considers the extent to which the income from business rates growth could contribute to this.

To illustrate the importance of the River Wye Crossing and the impact its construction would have on the business rates growth income, this report considers the financial position under three scenarios:

- **Scenario 1: ‘Base Case’**– summarises interventions and outcomes to date with no further proactive intervention then adopted.
- **Scenario 2: EZ Interventions partially implemented (River Wye Crossing is not completed)** – considers a range of further intervention measures designed to improve the performance of the EZ but on the understanding that the construction of the River Wye Crossing does not occur.
- **Scenario 3: EZ Interventions fully implemented and River Wye Crossing completes** – considers a full range of further intervention measures designed to optimise the performance of the EZ on the understanding that the River Wye Crossing will go ahead – and considers the capacity of the EZ to contribute to the cost of the crossing.

The table below summarises the total income and expenditure under each scenario and highlights that there is a significant risk that the later phases of development will not go ahead without the construction of the River Wye Crossing. This will have significant ramifications for LEP’s expected rates revenues.

	Scenario 1 (£m)	Scenario 2 (£m)	Scenario 3 (£m)
PROJECTED RATES INCOME*	21.3	33.3	79.4
CONTINGENCY (ON INCOME) @ 10%	(2.1)	(3.3)	(7.9)
Capital Receipts	0.7	0.8	3.5
Net Capital Expenditure	(3.8)	(10.1)	(17.3)**
Financing costs (4%)	(2.0)	(5.9)	(8.6)
GROSS CAP EX. (INCL. FINANCE COSTS @ 4% AND CAP RECEIPTS)	(5.1)	(15.2)	(22.4)**
REVENUE EXP.	(3.5)	(3.9)	(5.1)
SURPLUS/DEFICIT (INCL. CONTINGENCY)	10.6	10.8	43.9

*includes deduction of 3% to allow for bad debt and 2% allowance for rates reliefs

**Figure does not include contribution to River Wye Crossing

Figure 1: Net income summary

Figure 2 below shows the net income position under each Scenario over the 25 year appraisal period. This demonstrates that although it takes longer for the net income received under Scenario 3 to become positive due to the increased level of investment, once a positive position is reached, take-up increases rapidly and the income from year eight onwards is significantly greater than the anticipated net income under Scenarios 1 and 2.

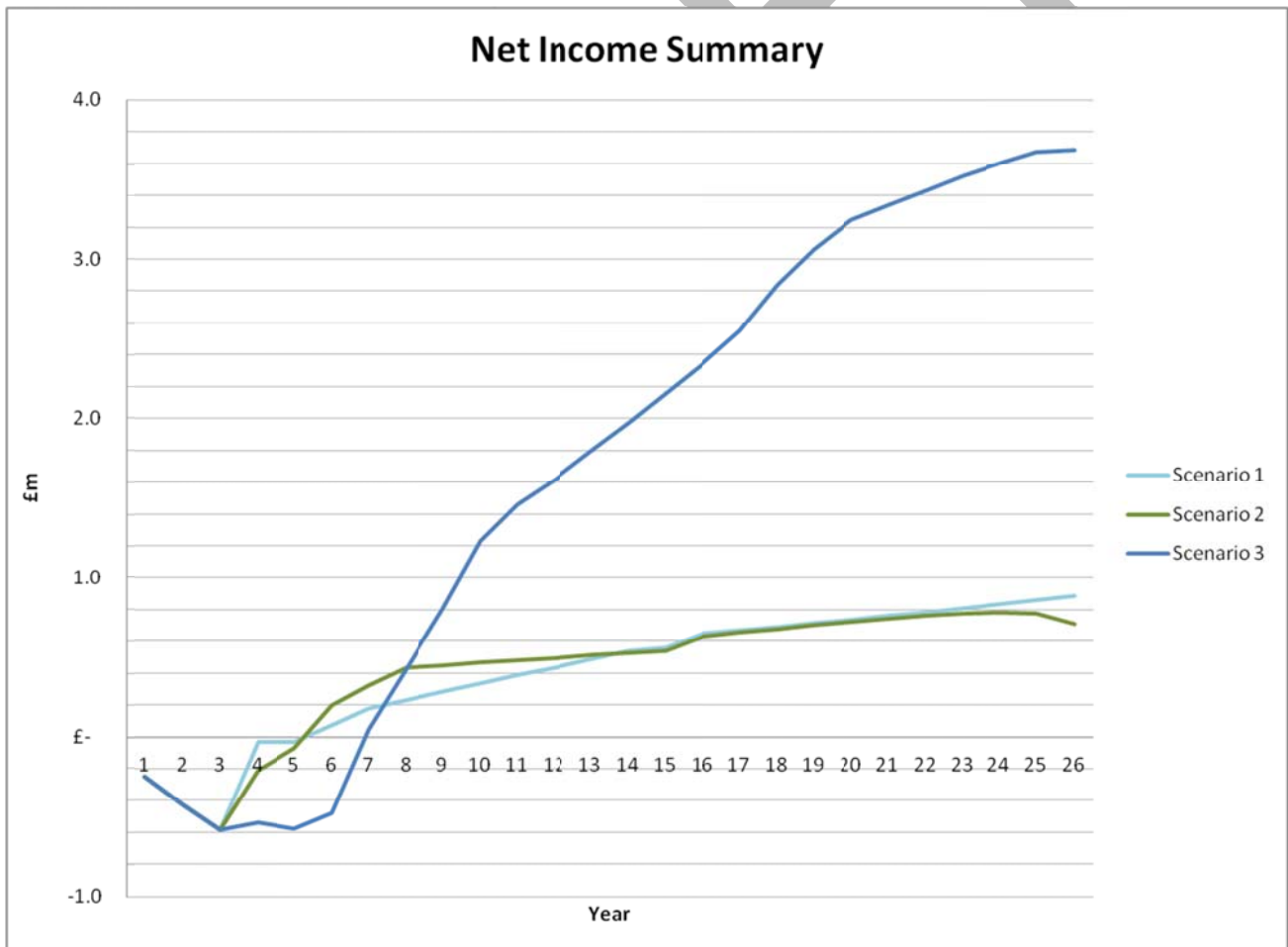


Figure 2: Net income summary chart

The net income position under each scenario is further illustrated by Figure 3 below. This graph demonstrates the significant increase in income which could be achieved under the Scenario 3 assumptions.

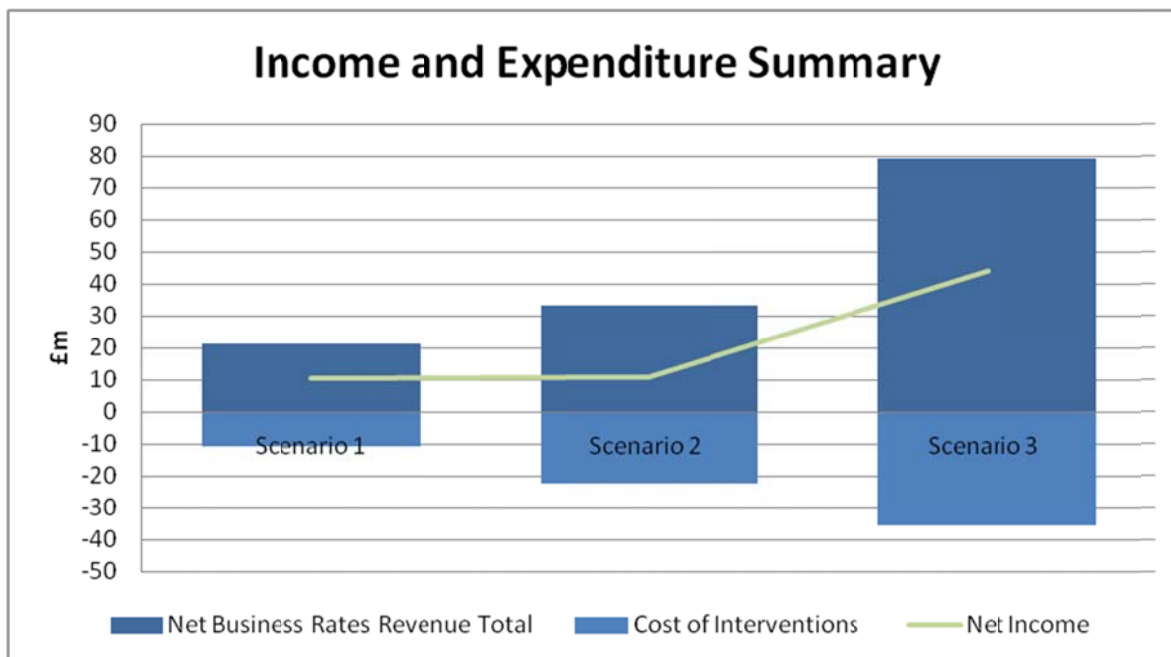


Figure 3: Income and expenditure summary

As is illustrated by Figure 1, the difference in net income under Scenario 1 and Scenario 2 is marginal at just under £250k over the 25 year appraisal period. If viewing this in purely financial terms, the risk of committing to the level of investment proposed may be considered to be too great for the return. However, the wider economic benefits should also be considered. The number of jobs created under each scenario can be outlined as follows¹:

	Scenario 1	Scenario 2	Scenario 3
Jobs created prior to 2021	986	1,858	3,965
Total jobs created	1,211	1,858	5,887

Figure 4: Jobs created

As shown in Figure 4, the number of jobs created in the period to 2021 under Scenario 1 is only half the total reached under Scenario 2 by this date. Job creation is therefore taking place at a much slower pace under Scenario 1. Furthermore, there is a significant difference in the overall jobs created over the life of the EZ of 647 between Scenarios 1 and 2. Figure 4 also serves to highlight the significant economic benefits to be realised by implementing the recommendations proposed under Scenario 3. In addition to the jobs created the EZ interventions would leverage commercial development worth an estimated value of up to £86.4m. This is summarised for each scenario in Figure 5.

	Scenario 1	Scenario 2	Scenario 3
Estimated value of commercial development	20.3	30.0	86.4

Figure 5: Estimated value of commercial development

¹ Job creation figures based on the per sq m rates outline in the Homes and Communities Agency's *Employment Densities Guide* (2010). See **Appendix A**

Both Scenarios 2 and 3 will also attract significantly more new businesses to the area than under the Scenario 1 assumptions and through the development of a greater level of innovation space will encourage more start-up activity in the region which will further contribute to the local economy.

The approach to modelling each of the scenarios relies on HC taking a risk on the investments in advance of the business rate income as the LEP is not permitted to borrow. It is then assumed that the cost of funding the interventions will be reimbursed to HC from the LEPs business rates growth income.

One approach to funding these interventions could be to insist that all business rates growth income is directed towards the priority repayment of borrowings for the interventions approved. However, if this approach were adopted then all revenues from rates income growth available to the LEP under Scenario 3 would be committed until 2026 and no further investment could be considered until the approved investments were cleared.

The above analysis has therefore been prepared on the basis that the approved interventions are all financed using annuity loans over the remainder of the life of the EZ such that all debts are fully paid down by the time these expire (i.e. 2038). An interest rate of 4% has been used. Adopting this approach, the forecast rates growth income under Scenario 3 exceeds the cost of funding the interventions (but not including the River Wye Crossing) from 2018 onwards so that there is an estimated surplus of **£43.9m** over the 25 year life of the EZ which can either be accumulated or used by the LEP for other purposes.

RECOMMENDATIONS

This study has identified several issues to which we recommend further consideration should be given. These can be summarised as follows:

1. There is a causal link between the development of the River Wye Crossing and the level of rates income the LEP can expect to achieve over the life of the EZ. Consideration should be given to using these expected revenues as part of the funding package for the River Wye Crossing. The level of contribution appropriate requires further consideration from the LEP in view of alternative sources. Clearly it will be preferable for DfT to fund the full cost.
2. Herefordshire will require an undertaking from the LEP in order to carry out the interventions proposed. The LEP should therefore consider the balance of cost, risk and return and the extent to which these represent value for money and are appropriate for the socio-economic outcomes achieved.
3. Whilst the difference between Scenarios 1 and 2 in terms of the net business rates income receivable is minimal at an estimated £250k over the life of the EZ, the economic benefits to be realised by implementing the interventions assumed under Scenario 2 are substantial. The value to the region of the anticipated jobs created, the increased value of commercial development and investment in the region through the re-location of new businesses to the area should all be considered in any future discussions around the appropriate level of intervention required and how this will be funded.
4. Since the Resource Review and proposals for authorities' to retain 50% of rates growth between rebase periods, Herefordshire Council could lose out on this income in relation to new development within the EZ where the income goes to the LEP. Furthermore, Herefordshire Council will also incur further administrative time and costs in dealing with the EZ and is taking a risk on the investments in advance of the business rate income. The LEP should consider making provision to recognise the impact on the Council. It is understood

that this has been agreed at the Bristol and West of England EZ and has been raised as an issue in a number of other Zones.

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1 Introduction

DTZ has been appointed to assess the robustness of the business rate growth income projections for the Hereford Enterprise Zone. This report outlines projections of Business Rate Growth Income (BRGI) across the Zone and reviews the scope of EZ Business Rate Income to cover the cost of financing investment in enabling works and intervention measures.

1.1 ENTERPRISE ZONE RATES ADDITIONALITY MECHANISM

Under the EZ regulations, the Marches Local Economic Partnership (LEP) is entitled to retain all additional business rates generated within the EZ boundary annually for a period of 25 years. The LEP is entitled to redistribute these business rates across the LEP area according to their economic objectives and priorities. The business rate income therefore represents an important source of funding for local economic development.

However, the scale of this additional funding depends on the delivery, and crucially, the timing of delivery of new development and therefore business rate income within the EZ boundary. This is because the business rate retention provision is time limited for a fixed period of 25 years, which started at April 2013. As this 25 year programme is already running and diminishing with time, there is extra incentive on LEPs to accelerate the delivery process so as to maximise the amount of money in the business rate pool.

The delivery of development within the EZ is therefore critical to both unlocking and maximising business rate additionality. Accordingly, some Local Authorities are looking to borrow against the projected business rate income to forward fund infrastructure and enabling works, using prudential borrowing or loan finance from revolving investment funds. This form of Tax Increment Finance (TIF) can be used to unlock barriers to development and accelerate the delivery process.

1.2 HEREFORD ENTERPRISE ZONE



The Hereford Enterprise Zone is a 71 ha site to the south east of the city, centred around the Rotherwas Industrial Estate.

The EZ is divided into seven distinct but linked mini zones and already benefits from the Rotherwas access road which completed in June 2008 and provides the estate with direct access to the A49, and therefore the M50 and the rest of the motorway network.

Each of the sites across the Zone are in various states of development readiness relating to other on and off site infrastructure requirements. £3.8m has already been committed in the site through business rate income which has helped to overcome a number of the barriers to development. However, there remain some significant constraints affecting the immediate development of large areas of the remainder of the EZ land area with a level of intervention required to address the barriers to development varying across each of the sites.

The on-site infrastructure requirements can be summarised as follows:

- **Significant Intervention required:**
 - North Magazine: The development of this 20 hectare “mini zone” relies on a significant investment in utilities diversions, especially electricity across the River Wye, currently estimated at £1.5m
 - Chapel Road – high demolition costs
- **Limited intervention required:**
 - Straight Mile South Magazine – close to main road and utilities, just requirement for access roads in places
 - South Magazine : Limited investment in utilities and broadband; access roads already in place

In order to address these issues, the Council has identified a package of intervention measures totalling **£17.3m**. Full details of the proposed interventions can be found in **Appendix B ‘Intervention Measures – B3 Scenario 3 Interventions’**.

The agreed package of intervention measures is ‘game changing’ in that it addresses barriers to occupation for at least a significant amount of the EZ land and will promote immediate development of units for occupiers. This study works on the basis that the present package of interventions is certain and considers further actions that the LEP/Local Authority can take to promote the acceleration of economic growth within the EZ to avoid the momentum being lost.

However, irrespective of the pace of enabling infrastructure and other site preparation investments in the immediate environment of the Zone, a critical investment is completion of the River Wye Crossing by 2021 which will link the EZ with the primary road network. Without this key investment, the constraints on the highway network will mean net new floor-space at the EZ will be capped through the LDO at approximately 50,000 sq m. A significant programme of investment in the relief road is planned between 2016 and 2023, but the River Wye Crossing is required by 2021, and a contribution from the Zone may facilitate other investment.

2 Market commentary

To inform our view on take up throughout the life of the EZ, we have reviewed the nature of the commercial property market in the City.

2.1 CONTEXT

The Rotherwas industrial estate is over 125 hectares in size and has over 125 companies operating within it. This site was formerly a war time munitions factory which has been subject to piecemeal development since the 1970s. The entire site is covered by policy E5 in the Unitary Development plan (UDP) as safeguarded employment land and buildings. However, a number of specific sites within the estate are allocated as E1 sites for new B1, B2 and B8 development. Available development land within the estate can be divided into the following four areas:

- Various plots within the estate, predominantly fronting 'The Straight Mile' (Holme Lacy Road);
- The Southern Magazine site, accessed from an extension to a local estate road (Haugh Road);
- Phase 3: The Northern Magazines site, accessed via a new link road from Vincent Carey Road;
- Phase 4: The Chapel Road area.

Alongside the allocations set out in the UDP, the site is also subject to the Herford Enterprise Zone Local Development Order (LDO) which was adopted in April 2013. The LDO provides for the following:

- Granting developers planning permission subject to conditions for development within Classes B1, B2 and B8. New development is effectively capped through the LDO at 50,000 sq m due to highways constraints.
- Removing the need to submit some information in relation to statutory environment, flood and transport impact assessments
- Withdrawing the need to contribute towards necessary infrastructure
- Withdrawing the requirement to pay for pre-application advice for proposals complying with the LDO

The Rotherwas Industrial Estate was formally awarded Enterprise Zone (EZ) status on 17th August 2011. The site was nominated by the Marches Local Enterprise Partnership (LEP) with an aspiration to develop part of the site into a centre of excellence for the defence and security sector with additional employment hubs focused on advanced technologies, environmental technologies and food and drink technologies. The Marches LEP anticipates that the scheme will become a catalyst for enhanced economic growth throughout the Marches through the creation of highly skilled jobs and encouragement of overseas investment into the area.

2.2 MARKET BASELINE

The baseline is that employment land take up in Hereford is low, which in part is related to the area's peripheral position. This constrains interest to a relatively local market, which, in DTZ's view would make it rare for take up to regularly exceed 50,000 sq ft per annum. Notwithstanding this, there is also evidence that demand is constrained by a lack of supply – there are relatively few vacancies across the Rotherwas Industrial Estate considering its large size, which led the most recent Employment Land Review to suggest that interest in the site is high.

Indeed, regarding potential development land in the environs of the estate, all of it to varying degrees has been encumbered by supply constraints:

- Land around the Straight Mile and Southern Magazine is most readily available for development, offering a range of plot sizes and with new road infrastructure recently to serve new development within the Phase 2 Southern Magazine site.
- The Northern Magazine site is considered to be a medium term proposition requiring the provision of infrastructure and addressing existing environmental site constraints such as ground contamination (given the former munitions factory use) and ecology (including the potential for great crested newts and bats).
- The Chapel Road area is seen as a long term opportunity, with an aspiration to redevelop existing 'Romney Huts' and other existing buildings of poorer quality.

Notwithstanding site level development constraints, demand that might have driven further development at Rotherwas has been further constrained by what has been perceived as the wider geographic limitations of its position "south of the river", where demand has traditionally been more limited than to the north. Despite this the ELR [Employment Land Review], Drivers Jonas Deloitte 2012] revealed that the development community considered that a southern by-pass was highlighted as being an infrastructure project that would be particularly beneficial. Given the cap of 50,000 sq m, the development of the River Wye Crossing is essential to the success of the EZ.

The ELR reported that the view of agents regarding Rotherwas on supply is mixed. Some agents consider that the supply is sufficient to meet current demand (apparently based on historical take up rates, other agents however suggested that supply is restricted [by an inherent lack of available land due to fundamental infrastructure constraints].

The fundamental premise of the EZ is that investment in addressing the site's development constraints, both macro (access to the strategic road network, including the relief road and River Wye Crossing), and micro (various infrastructure capacity issues around the Estate and generally variable development readiness at the site level) will release development sites to address demand.

2.3 PROSPECTS FOR GROWTH

2.3.1 General market conditions

Overall, development at the site has been constrained by a number of factors:

- Fundamental Development Viability Constraints: Demand in Hereford is predominantly for small scale premises from local businesses, which serves to constrain rentals, drive unfavourable development yields, and hence result in capital values not sufficient to make speculative development viable; whilst these same businesses are not of a scale to be able to fund their own be-spoke developments
- Significant **Micro** or "Site Based" Infrastructure Constraints; Notwithstanding the above, opportunities for progressing potential gap funding schemes involving a developer have been constrained by the significant upfront costs of delivering site enabling infrastructure pushing up the viability gap to such a level of grant requirement to make the scheme untenable
- The fundamental **Macro** infrastructure constraint - the overall poor accessibility of the Rotherwas Industrial Estate derived from being "south of the river" and the cap placed on development of 50,000 sq m which has been put in place until the completion of the River Wye Crossing.

2.3.2 Impact of the Enterprise Zone

The constrained nature of supply means that it is difficult to accurately forecast demand. The creation of the EZ and associated availability of employment sites appears to have had the affect of stimulating activity, possibly unlocking 'pent-up'/latent demand. Three plots have already sold and another seven or eight are under detailed discussions.

2.3.3 Competing sites

The Turner and Company Market Demand Report (August 2013), highlighted the potential competition from the Moreton Park, to the north of the city, but concluded that early development at Rotherwas would establish the location ahead of Moreton Park: -

“important to note that there could be competition to any development in the Rotherwas Industrial Estate Enterprise Zone area. Moreton Park has planning permission for 550,000sqft of accommodation and some of this space could be developed to compete with the Enterprise Zone and any prospective small employment unit schemes within the area. Of course, there are some land allocations also north of the river, such as around the new cattle market area which may realise some competition in time.

However, we believe that if development within the Enterprise Zone can take place in the reasonably near future it should be able to capitalise on the established credentials of Rotherwas Industrial Estate and get ahead of the competition. In so doing, the Rotherwas area will enhance and improve its own standing locally and become an even bigger draw to local businesses, even in relation to those who prefer the northern side of the city at the current time”.

2.3.4 Market summary

The site faces numerous development constraints:

- The nature of the market is that speculative development to serve the local company base, is not viable
- Site related infrastructure constraints serve to push up development cost so as to make potential gap funding support to developers of speculative space, untenable
- Further growth of the Rotherwas Industrial Estate from potential outside investors has been constrained by the fundamental accessibility constraint of being “south of the river”
- Development will be limited to approximately 50,000 sq m until the completion of the River Wye Crossing.

Notwithstanding this, proposed Enterprise Zone interventions will directly address these constraints;

- Herefordshire Council as direct developer of a number of business space schemes for sector specific, small businesses, enabled by “gap funding” from the EZ
- Site Specific infrastructure interventions (detailed below)
- The funding of the River Wye Crossing to ensure delivery by 2021

On this basis, the EZ has been able to build a significant development pipeline of known requirements, which are at various stages of the development process. The schedule of known take up requirements is a dynamic schedule and gives a good degree of confidence as regards take up in the initial years of the EZ.

3 Scenario modelling

The performance of the EZ in terms of the new development and job creation achieved will be dependent on the approach taken by Herefordshire Council. To date, the Council has adopted a proactive approach to promoting the EZ through a range of positive intervention measures. In the following section we consider scenarios reflecting a range of intervention measures to further enhance the performance of the EZ.

- **Scenario 1: 'Base Case'**– summarises interventions and outcomes to date with no further proactive intervention then adopted.
- **Scenario 2: EZ Interventions partially implemented (River Wye Crossing is not completed)** – considers a range of further intervention measures designed to improve the performance of the EZ but on the understanding that the construction of the River Wye Crossing does not occur.
- **Scenario 3: EZ Interventions fully implemented and River Wye Crossing completes** – considers a full range of further intervention measures designed to optimise the performance of the EZ on the understanding that the River Wye Crossing will go ahead – and considers the capacity of the EZ to contribute to cost of the crossing.

The schedules below have been constructed with HC with due consideration given to the timing and pace of the EZ infrastructure programme, the scale and pattern of known investments to date, and what take up is likely to revert to in the longer term, once initial “pent up” / latent demand for space from local businesses (in the target sectors) has been essentially satisfied.

The geographical pattern of investment is closely related to the likely availability of serviced land across the EZ, which will be a function of the scale of infrastructure investment required.

- Land around the Straight Mile and Southern Magazine is most readily available for development, offering a range of plot sizes and with new road infrastructure to serve new development within the Phase 2 Southern Magazine site.
- The Northern Magazine site is considered to be a medium term proposition requiring the provision of infrastructure and addressing existing environmental site constraints such as ground contamination (given the former munitions factory use) and ecology (including the potential for great crested newts and bats).
- The Chapel Road area is seen as a long term opportunity, with an aspiration to redevelop existing 'Romney Huts' and other existing buildings of poorer quality.

DTZ has devised a model which brings together the overall financial impacts of the EZ including business rates additionality arising from new development set against investment in interventions and administrative / revenue costs of running the EZ. The model can be used to analyse a range of scenarios for intervention by the LEP. This can be done on a site-by-site basis or information aggregated for the EZ as a whole. The model enables the LEP to demonstrate the value of intervention and returns on any upfront investment required to ensure new development starts. This analysis enables the LEP to develop an investment plan or package of intervention measures that will optimise the performance of the EZ and considers the following:

1. Forecast business rates income
2. Land receipts
3. Investments/intervention measures
4. Revenue Expenditure

We have developed the model for the Hereford EZ to include:

- Projected business rate income from each anticipated hereditament
- Site by site infrastructure / enabling investment requirements
- Modelling of scenarios to show the impact on business rate income of accelerating development.

The key assumptions applied to the model are as follows:

- Inflation has been applied at 2.5% in-line with the Bank of England's target rate of inflation
- Evaluation period of 25 years.
- start date of 1 April 2013
- Multi site model to calculate income and expenditure profiles
- Each site phased, based on an assumed take up profile linked to market analysis
- Discounted cash flow analysis to calculate net present costs, using a nominal discount rate of 6.09% (real discount rate of 3.5% in accordance with HM Treasury Green Book)
- Contingency of 10% applied to all business rate growth forecasts, further allowances bad debt and reliefs totalling 5%.

All estimates of future take up and rates revenues are agreed with HC. These are estimates only and there can be no guarantee of future development or future business rates growth income.

3.1 SCENARIO 1: BASE CASE

The Base Case scenario assumes that no further investment is made in the site beyond the intervention measures already implemented. Whilst this is not being considered as an option by the Council, it has been included within this report for the purposes of comparison.

3.1.1 Take-up assumptions

Whilst the current package of interventions identified for the EZ is sufficient to enable development across a small portion of the site, without further investment in the wider EZ, it is likely that this momentum will be lost and future development will be delayed. The assumption has therefore been made that all future development beyond 2015 will be delayed if no further investment is made. Additionally, there will be elements of the proposed development which will not take place at all due to the significant investment required in specific parts of the EZ. This includes the development of Skylon Court 2, Fuse House, and the Food Technology Centre, all proposed development on Chapel Road and the North Magazine site. These sites have therefore been removed completely from the take-up assumptions and assumed to produce nil rates income over the life of the Enterprise Zone.

Based on the assumption that no further interventions are made beyond those already committed, the following level of take-up can be anticipated:

Year	(Take-up Sq m)
2014	1,600
2015	15,550

Year	(Take-up Sq m)
2016	0
2017	1,775
2018	3,000
2019	1,800
2020	1,600
2021	1,450
2022	1,550
2023	1,450
2024	1,375
2025	1,375
TOTAL	32,525

Figure 6: Scenario 1 Take-up

The figures to 2018 are based on known enquiries, tailing off to circa 1,375 sq m in 2025. As the cumulative take-up of space increases year-on-year, the level of business rates income becomes greater. This is illustrated by the projected business rates income shown in Figure 10.

3.1.2 Land receipts

With the development of each new Hereditament will also come a land receipt to Herefordshire Council as owner of the land. A portion of the land receipt will consist of “betterment” value created through the proposed interventions, and it is this “betterment” which is recycled into the EZ model upon the sale of the land, with Herefordshire Council retaining the “pre-betterment” land value.

The pre-betterment value has been calculated by Herefordshire Council on the basis of the approach of:

Serviced Land Value (S) less Cost of additional infrastructure works required (R) = Betterment (B)

The timing and values of these receipts are inherently linked to the take-up of space and will therefore vary under each scenario. The following assumptions have been made under the Base Case scenario:

Year	Capital Receipt (£000)
2013	23
2014	296
2015	-
2016	-
2017	60
2018	67
2019	-
2020	53
2021	-
2022	53
2023	51
2024	51
TOTAL	654

Figure 7: Scenario 1 land receipts

A more detailed breakdown of these receipts can be found in **Appendix C**.

3.1.3 Interventions

To date, **£3.8m** of investment has been made to promote immediate development of units for occupiers as follows:

Year	Cost of interventions per annum (£000)
2012	994
2013	1,317
2014	1,462
	3,773

Figure 8: Scenario 1 interventions

Under the Base Case no further interventions/investments are planned. As for all options the analysis has been undertaken on the basis that these works are funded over the life of the EZ using annuity loans at an interest rate of 4% such that all investments are fully paid down by 2038. This is illustrated in Figure 10.

A more detailed breakdown of the expenditure can be found in **Appendix B**.

3.1.4 Revenue expenditure

In order for development to occur in-line with the take-up assumptions outlined above, the Council will need to resource the project appropriately to manage development. Revenue expenditure of **£2.9m** for staffing and operational costs has been identified. This effectively represents a management of the existing surge of activity in terms of the sales and construction and then a modest tick over to deal with enquiries and interest.

Year	Annual Revenue Expenditure (£000)
2012	200
2013	300
2014	400
2015	200
2016	200
2017	150
2018 to 2026	900 (100 pa)
2027 to 2037	550 (50 pa)
TOTAL	2,900

Figure 9: Scenario 1 revenue expenditure

For all options, these costs are treated as revenue expenditure in year. This is illustrated in Figure 10.

3.1.5 Financial analysis

Figure 10 below shows the income and expenditure profile of the Enterprise Zone in each year over the life of the EZ. Based on current projections, affordability of finance will be an issue in the early years with a positive net income only being received from 2017 onwards. However, beyond 2017 the EZ produces a surplus in each year for the remainder of the life of the EZ.

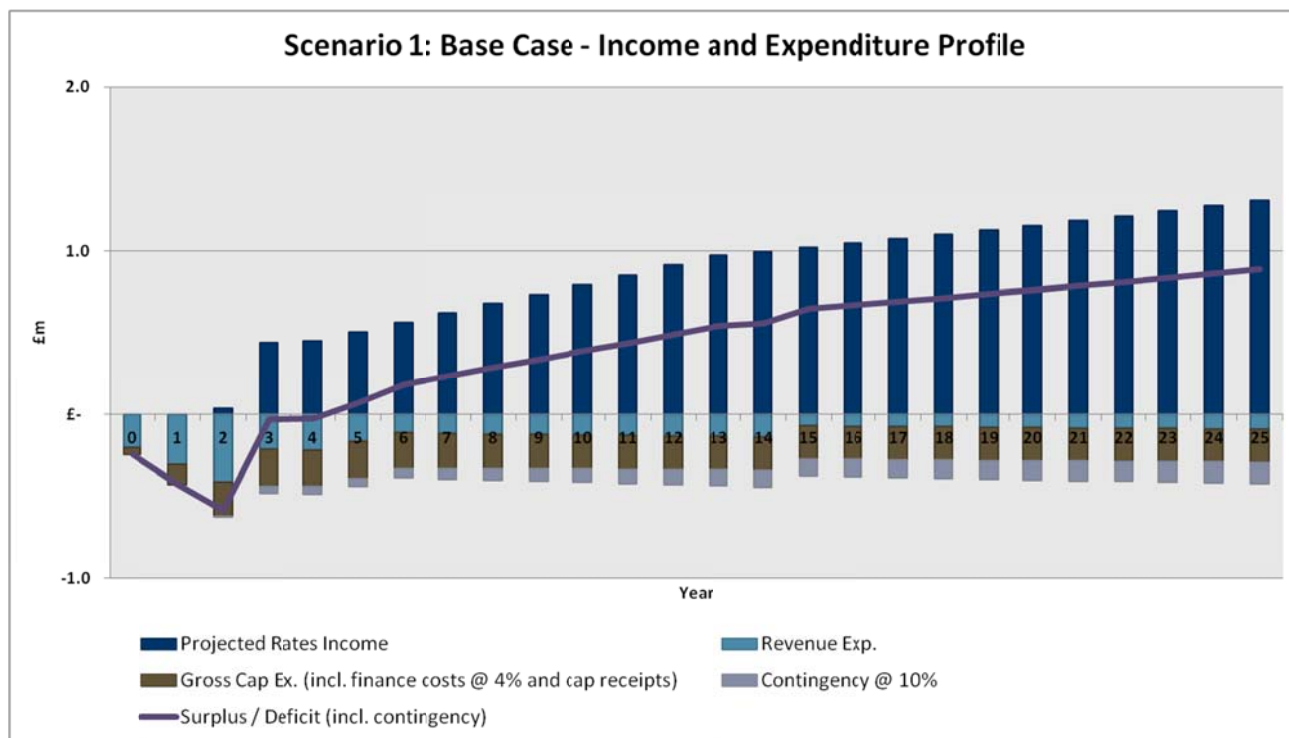


Figure 10: Scenario 1 income and expenditure profile

As accountable body for the EZ, HC is financing the interventions and revenue funding required. It is expected these costs will be recovered from rates growth income although as the graph indicates, there could be a near term cash flow requirement. HC will bear financing costs but terms should be agreed between HC and the LEP to minimise this risk by ensuring a priority call on business rates growth income. Further consideration of such arrangements is provided in section 4.2 below and in Appendix D.

Figure 11 below shows the aggregate position. Under the assumptions made in Scenario 1, the Hereford EZ would generate a surplus of **£10.6m** over the 25 year appraisal period.

	£m
PROJECTED RATES INCOME*	21.3
CONTINGENCY (ON INCOME) @ 10%	(2.1)
Capital Receipts	0.7
Net Capital Expenditure	(3.8)
Financing costs (4%)	(2.0)
GROSS CAP EX. (INCL. FINANCE COSTS @ 4% AND CAP RECEIPTS)	(5.1)

	£m
REVENUE EXP.	(3.5)
SURPLUS/DEFICIT (INCL. CONTINGENCY)	10.6

*includes deduction of 3% to allow for bad debt and 2% allowance for rates reliefs

Figure 11: Scenario 1 net income summary

3.2 SCENARIO 2: EZ INTERVENTIONS SCENARIO (WITHOUT RIVER WYE CROSSING)

This scenario assumes that the Council makes further interventions to accelerate the delivery of development within the EZ but that the River Wye Crossing is not built. Both the levels of intervention and take-up are greater in this scenario than under the Base Case assumption but given the cap placed on development by the planning framework, there are certain sites within the EZ which will not be developed unless the River Wye Crossing is constructed. The total quantum of development is therefore constrained and the intervention measures proposed reflect this (i.e. no investment is proposed in sites which cannot be developed if the construction of the River Wye Crossing does not take place).

3.2.1 Take-up assumptions

Due to the current pressures on the road network the Local Development Order effectively sets a cap of 50,000 sq m. Although this cap would be lifted if the River Wye Crossing was built, the take-up assumptions in this scenario assume that the construction of this element of the relief road does not take place and therefore no further development takes place beyond 2018 when this cap is reached.

Based on the assumption that the interventions outlined below are implemented but the construction of the River Wye Crossing does not take place, a total of **49,438 sq m** of development is anticipated which can be broken down as follows:

Year	(Take-up sq m)
2014	1,600
2015	15,947
2016	12,607
2017	12,835
2018	6,450
TOTAL	49,438

Figure 12: Scenario 2 Take-up

As the cumulative take-up of space increases year-on-year, the level of business rates income becomes greater. This is illustrated by the projected business rates income shown in Figure 16.

It should be noted that discussions are ongoing with the Highways Agency to increase the traffic trip numbers for the Zone which would equate to moving from a cap of 50,000 sq m to 65,000 sq m of development. Were an agreement to be reached at this level the rates income position would be significantly improved, however, as it is not certain whether the Highways Agency will agree to increase this, this study assumes the lesser figure of 50,000 sq m.

3.2.2 Land receipts

Figure 13 sets out the assumptions that have been made in relation to the anticipated land receipts. These receipts reflect the timing and scale of development assumed under this scenario and total **£781K** which is broken down as follows:

Year	Capital Receipt (£000)
2013	23
2014	296
2015	350
2016	70
2017	42
TOTAL	781

Figure 13: Scenario 2 land receipts

A more detailed breakdown of these receipts can be found in **Appendix C**.

3.2.3 Interventions

In addition to the, £3.8m of investment already committed, the Council has identified a further package of intervention measures to accelerate development of the Enterprise Zone bringing the total investment to **£10.1m**. The works proposed under this scenario take into consideration the assumption that the River Wye Crossing will not be built and consequently the scale of development of the EZ will be restricted and therefore the Council's opportunity to intervene to accelerate development is limited.

The works identified under this scenario are as follows:

Year	Cost of interventions per annum (£000)
2012	994
2013	1,317
2014	1,462
2015	1,701
2016	1,970
2017	750
2018	500
2019	200
2020	100
2021	100
2022	100
2023	100
2024 to 2026	300 (100 pa)

Year	Cost of interventions per annum (£000)
2027 to 2037	550 (50 pa)
	10,144

Figure 14: Scenario 2 interventions

It is assumed that these works are funded over the life of the EZ using annuity loans at an interest rate of 4% such that all investments are fully paid down by 2038. This is illustrated in Figure 16.

A more detailed breakdown of the proposed investments can be found in **Appendix B**.

3.2.4 Revenue expenditure

In order for development to occur in-line with the take-up assumptions outlined above, the Council will need to resource the project appropriately to manage development. This includes an intensification of effort into 2016/17 to reflect the number of direct developments in place. Figure 15 outlines the assumptions that have been made and reflects the fact that there will be no further development beyond 2018 in this scenario. Revenue expenditure of **£3.3m** for staffing and operational costs has been identified.

Year	Annual Revenue Expenditure (£000)
2012	200
2013	300
2014	400
2015	300
2016	300
2017	200
2018	200
2019 to 2026	800 (100 pa)
2027 to 2037	550 (50 pa)
TOTAL	3,250

Figure 15: Scenario 2 revenue expenditure

The above costs are treated as revenue expenditure in year. This is illustrated in Figure 16.

3.2.5 Financial analysis

Figure 16 below shows the income and expenditure profile of the Enterprise Zone in each year over the life of the EZ based on the assumption that the interventions outlined in section 3.2.3 take place. Although the level of expenditure is significantly greater under this scenario than under Scenario 1, the income received increases at a much faster rate than under the base case assumption. However, it should be noted that the affordability of finance remains an issue in the early years with a positive net income only being received from 2017 onwards.

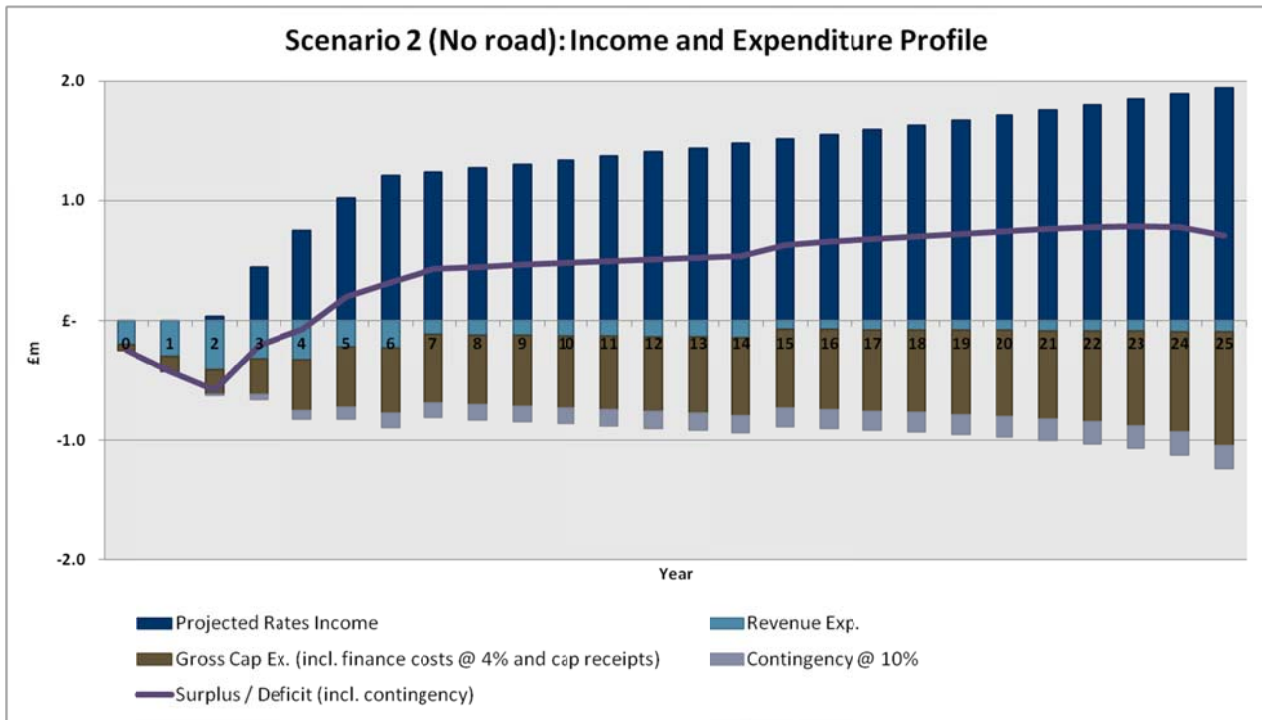


Figure 16: Scenario 2 income and expenditure profile

Figure 17 shows the aggregate position. Under the assumptions made in Scenario 2, the Hereford EZ would generate a surplus of **£10.8m** over the 25 year appraisal period.

	£m
PROJECTED RATES INCOME*	33.3
CONTINGENCY (ON INCOME) @ 10%	(3.3)
Capital Receipts	0.8
Net Capital Expenditure	(10.1)
Financing costs (4%)	(5.9)
GROSS CAP EX. (INCL. FINANCE COSTS @ 4% AND CAP RECEIPTS)	(15.2)
REVENUE EXP.	(3.9)
SURPLUS/DEFICIT (INCL. CONTINGENCY)	10.8

*includes deduction of 3% to allow for bad debt and 2% allowance for rates reliefs

Figure 17: Scenario 2 net income summary

3.3 SCENARIO 3: EZ INTERVENTIONS (RIVER WYE CROSSING COMPLETES 2021)

As previously covered in this report, there are certain sites within the EZ for which development hinges on the construction of the River Wye Crossing. Under this scenario it is assumed that this section of the relief road is completed and that in conjunction with this, the Council implements its full package of proposed interventions to maximise development within the EZ.

On this basis, the initial future investments are focused at the South Magazine, which is the area most readily available for development, before progressing to the Northern Magazine and then Chapel Road as these two areas are

opened up completely by the accelerated infrastructure investment programme proposed by the EZ that will see **£17.3m invested** (excluding the proposed investment in the River Wye Crossing) over the life of the EZ. The importance of this accelerated programme of infrastructure investment cannot be underestimated, on the basis that by the early opening up of the whole of the EZ, it allows each of the “mini zones” to play to their respective strengths early in the life of the EZ.

3.3.1 Take-up assumptions

Based on the assumption that the interventions identified below are implemented and the construction of the River Wye Crossing takes place, a total of **146,925 sq m** of development is anticipated which can be broken down as follows:

Year	(Take-up sq m)
2014	1,600
2015	15,947
2016	14,273
2017	15,733
2018	16,648
2019	13,600
2020	11,300
2021	11,500
2022	11,850
2023	6,825
2024	4,875
2025	4,875
2026	4,875
2027	4,875
2028	4,875
2029	3,275
TOTAL	146,925

Figure 18: Scenario 3 Take-up

Starting off in 2014, with the establishment of the Beck Group in the EZ, take up picks up substantially in 2015 with eight of the “pipeline” firms taking occupation in the EZ, alongside the establishment and 95% of take up of space at Skylon Court. The momentum is maintained into 2016, 2017 and 2018 with the establishment of further Herefordshire Council funded rented speculative space for small businesses at the Innovation Centre, Skylon Court 2, and the Food Technology Centre, alongside development in the South and then North Magazine.

The Enterprise Zone has received a number of enquiries from small businesses looking to rent rather than buy and the private sector is not meeting that demand at the moment. Furthermore Herefordshire is home to number of small scale producers that require next stage space to expand and grow further and cost of this is inhibitory. There is also a desire to encourage more start up activity through the provision of innovation space and again the nature of the business audience is that it is not attractive for the private sector to meet those requirements.

Herefordshire Council intend that these developments will target different and non-related occupier sectors and as such do not expect the three facilities to compete for occupiers. Moreover, these three facilities will target small enterprises who cannot afford to buy and build their own units, and so Herefordshire Council are of the view that take

up of space within these facilities will not be at the expense of plot take up at the North and South Magazines which will be taken by larger firms able to fund their own space.

Take up is expected to gradually tail off from 2018 onwards as the Herefordshire Council speculative space becomes fully occupied, and the initial pent up demand for space within the Enterprise Zone apparent in the early years of its life is addressed, such that from 2022 onwards annual take up is closer to the circa 50,000 sq ft take up per annum DTZ would ordinarily expect it to be in Hereford prior to the awarding of the Enterprise Zone.

As the cumulative take-up of space increases year-on-year, the level of business rates income becomes greater. This is illustrated by the projected business rates income shown in Figure 22.

3.3.2 Land receipts

Figure 19 sets out the assumptions have been made in relation to the anticipated land receipts. These receipts reflect the timing and scale of development assumed under this scenario and total **£3.5m** which is broken down as follows:

Year	Capital Receipt (£000)
2013	23
2014	296
2015	350
2016	70
2017	560
2018	286
2019	682
2020	551
2021	638
TOTAL	3,456

Figure 19: Scenario 3 land receipts

A more detailed breakdown of these receipts can be found in **Appendix C**.

3.3.3 Interventions

In addition to the, £10.1m of investment already proposed under Scenarios 1 and 2, the Council has identified a further package of intervention measures to accelerate development of the Enterprise Zone bringing the total investment requirement to **£17.3m**. The works assumed under this scenario represent the full package of intervention measures proposed by Herefordshire Council on the assumption the River Wye Crossing is constructed and the maximum level of development is permitted. The works identified under this scenario are as follows:

Year	Cost of interventions per annum (£000)
2012	994
2013	1,317

Year	Cost of interventions per annum (£000)
2014	1,462
2015	3,951
2016	4,720
2017	2,000
2018	1,000
2019	500
2020 to 2028	100
2029 to 2037	50
	17,294

Figure 20: Scenario 3 interventions

It is assumed that these works are funded over the life of the EZ using annuity loans at an interest rate of 4% such that all investments are fully paid down by 2038. This is illustrated in Figure 22.

A more detailed breakdown of the interventions proposed can be found in **Appendix B**.

3.3.4 Revenue expenditure

In order for development to occur in-line with the take-up assumptions outlined above, the Council will need to resource the project appropriately to manage development including an intensive period of infrastructure investments and direct developments. Figure 21 outlines the assumptions that have been made. Revenue expenditure of **£4.3m** for staffing and operational costs has been identified.

Year	Annual Revenue Expenditure (£000)
2012	200
2013	300
2014	400
2015	500
2016	500
2017	500
2018	300
2019	200
2020	200
2021 TO 2028	800 (100 pa)
2022 to 2037	450 (50 pa)
TOTAL	4,350

Figure 21: Scenario 3 revenue expenditure

The above costs are treated as revenue expenditure in year. This is illustrated in Figure 22.

3.3.5 Financial analysis

Figure 22 below shows the income and expenditure profile of the Enterprise Zone in each year over the life of the EZ based on the assumption that the River Wye Crossing is built and the full list of interventions is made. Based on current projections, affordability of finance will be an issue in the early years with a positive net income only being received from 2018 onwards. This is one year longer than under either Scenarios 1 or 2 due to the higher level of investment in the earlier years. However, this early investment leads to a significant increase in revenues to the LEP totalling **£33.1m**.

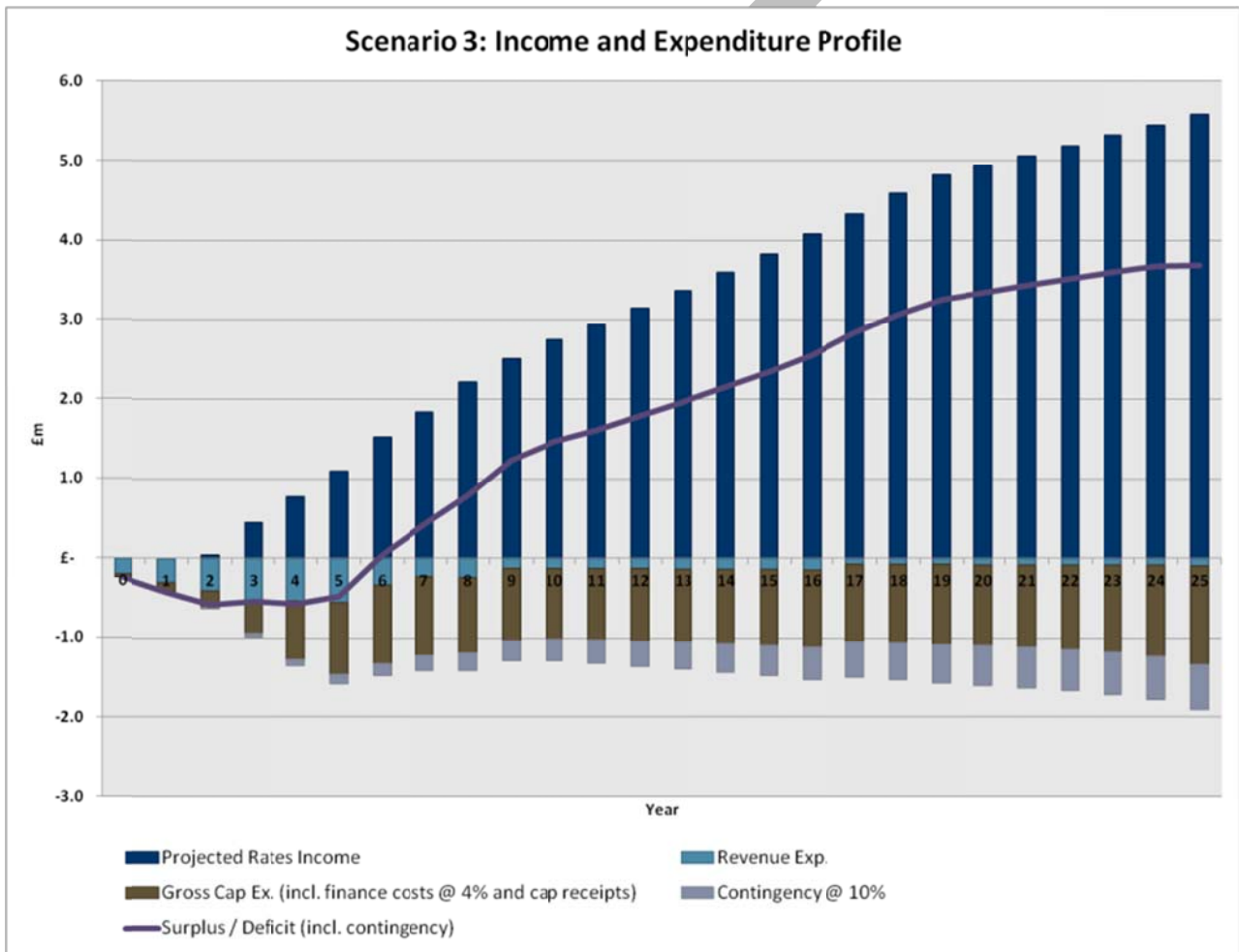


Figure 22: Scenario 3 income and expenditure profile

Figure 23 shows the aggregate position. Under the assumptions made in Scenario 3, the Hereford EZ would generate a surplus of **£43.9m** over the 25 year appraisal period.

	£m
PROJECTED RATES INCOME*	79.4
CONTINGENCY (ON INCOME) @ 10%	(7.9)
Capital Receipts	3.5

	£m
Net Capital Expenditure	(17.3)**
Financing costs	(8.6)
GROSS CAP EX. (INCL. FINANCE COSTS @ 4% AND CAP RECEIPTS)	(22.4)**
REVENUE EXP.	(5.1)
SURPLUS/DEFICIT (INCL. CONTINGENCY)	43.9

*includes deduction of 3% to allow for bad debt and 2% allowance for rates reliefs

**Figure does not include contribution to River Wye Crossing

Figure 23: Scenario 3 net income summary

This surplus of £43.9m will only be achieved if the River Wye Crossing is built. This piece of infrastructure is required by 2021, and a contribution from the Zone may facilitate other investment and ensure that these works are carried out.

In order to demonstrate the impact that making a contribution to the cost of building the crossing would have on the net income position, a further scenario has been modelled. This scenario is based on the same assumptions as Scenario 3 but includes an investment/contribution of £10m towards the cost of the Wye Valley Crossing in 2019.

Figure 24 below shows the income and expenditure profile of the Enterprise Zone in each year over the life of the EZ based on the assumption that the River Wye Crossing is built and the full list of interventions are carried out including a £10m contribution towards the cost of the crossing.

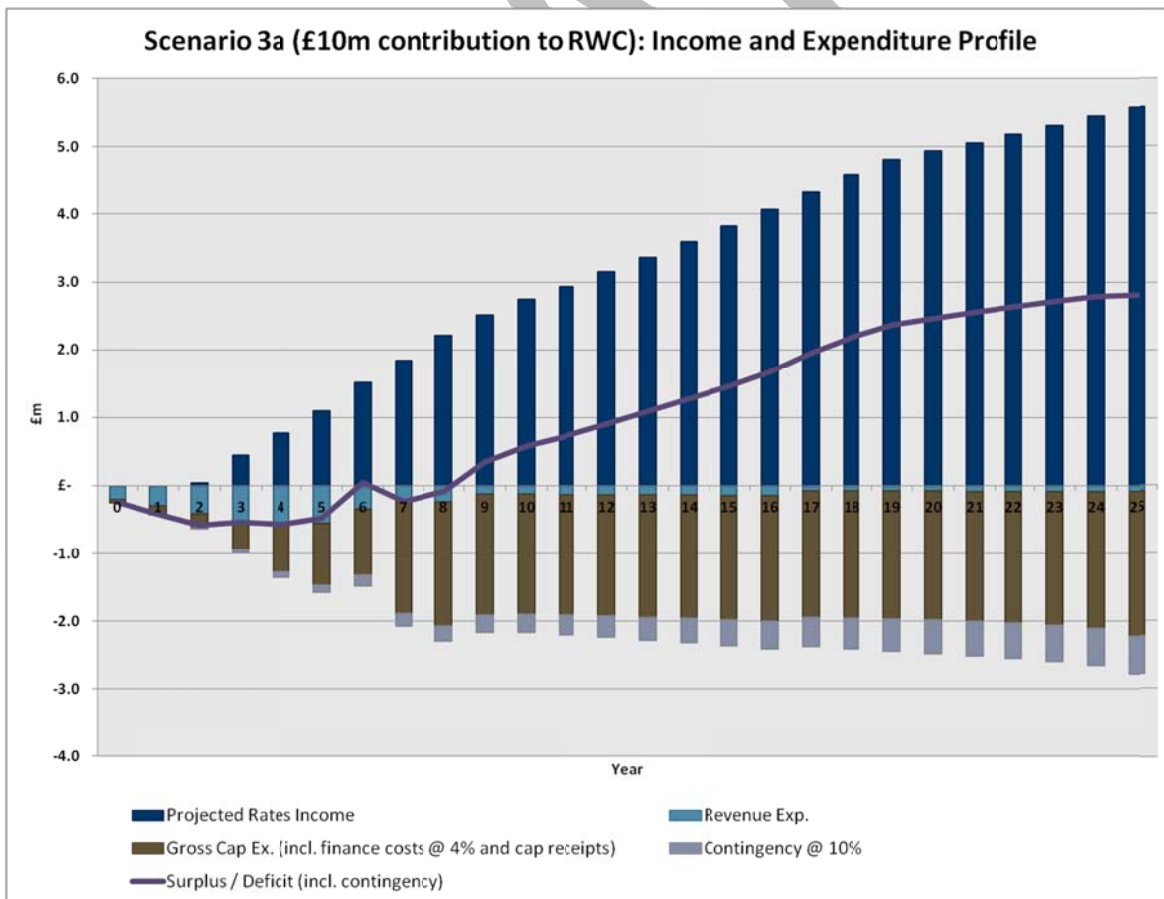


Figure 24: Scenario 3a income and expenditure profile

Figure 25 shows the aggregate position. Under the assumptions made in Scenario 3a, the Hereford EZ would generate a surplus of **£27.4** over the 25 year appraisal period.

	£m
PROJECTED RATES INCOME*	79.4
CONTINGENCY (ON INCOME) @ 10%	(7.9)
Capital Receipts	3.5
Net Capital Expenditure	(27.4)**
Financing costs (4%)	(15.0)
GROSS CAP EX. (INCL. FINANCE COSTS @ 4% AND CAP RECEIPTS)	(38.9)
REVENUE EXP.	(5.1)
SURPLUS/DEFICIT (INCL. CONTINGENCY)	27.4

*includes deduction of 3% to allow for bad debt and 2% allowance for rates reliefs

Figure 25: Scenario 3a net income summary

Although the net income position is **£16.5m** less than under Scenario 3, the forecast business rates growth under Scenario 3 will not be received without the construction of the River Wye Crossing. Ideally the Department for Transport (DfT) would finance the full cost of these works, in which case the full £43.9m can be used to fund other projects in the region. However, the funding position is not yet clear and the LEP should therefore consider what positive action can be taken on its part to facilitate other investment and ensure that the Enterprise Zone can be developed-out to its full potential. If making a contribution to the River Wye Crossing ensures that it is completed on time then this investment should be considered to provide value for money for the LEP. Based on an investment of £10m in 2019, the LEP would still receive a total of **£16.6m** more in business rates growth income over the life of the EZ than under Scenario 2 where it is assumed that the road is not built and development is capped at 50,000 sq m.

4 Findings & conclusions

4.1 Performance of the Enterprise Zone

The performance of the EZ differs significantly between each of the scenarios both in terms of the wider economic benefits achievable and also the net income generated from business rates income for the LEP.

Figure 26 below summarises the potential economic benefits to be realised under each option. The benefits achievable under Scenario 3 are significantly greater than those achievable under Scenarios 1 and 2, highlighting the importance of the development of the River Wye Crossing in order to maximise the success of the Enterprise Zone.

	Scenario 1	Scenario 2	Scenario 3
New workspace created (sq m)	32,525	49,438	146,925
Jobs created	1,211	1,858	5,887
Gross Development Value (£m)	20.3	30.0	86.4

Figure 26: Economic benefits

This point is further emphasised by the financial analysis undertaken which shows the potential for rates additionality for the LEP to be significant. Based on the above projections, the net revenues from the accelerated development under Scenario 3 would equate to **£43.9m** in total over the life of the EZ. This compares to Scenario 1 which is forecast to generate **£10.6m** and Scenario 2 which is forecast to generate **£10.8m**.

	Scenario 1 (£m)	Scenario 2 (£m)	Scenario 3 (£m)
PROJECTED RATES INCOME*	21.3	33.3	79.4
CONTINGENCY (ON INCOME) @ 10%	(2.1)	(3.3)	(7.9)
Capital Receipts	0.7	0.8	3.5
Net Capital Expenditure	(3.8)	(10.1)	(17.3)**
Financing costs (4%)	(2.0)	(5.9)	(8.6)
GROSS CAP EX. (INCL. FINANCE COSTS @ 4% AND CAP RECEIPTS)	(5.1)	(15.2)	(22.4)**
REVENUE EXP.	(3.5)	(3.9)	(5.1)
SURPLUS/DEFICIT (INCL. CONTINGENCY)	10.6	10.8	43.9

*includes deduction of 3% to allow for bad debt and 2% allowance for rates reliefs

**Figure does not include contribution to River Wye Crossing

Figure 27: Hereford EZ net income summary

There remains significant risk that the later phases which are reliant on the development of the River Wye Crossing will be delayed or in fact, not happen at all which would have significant ramifications for LEP's expected rates revenues as illustrated by Figure 27.

Figure 28 below further highlights the differences in take-up for each scenario and serves to illustrate the risk position and significant reliance on the completion of the River Wye Crossing.

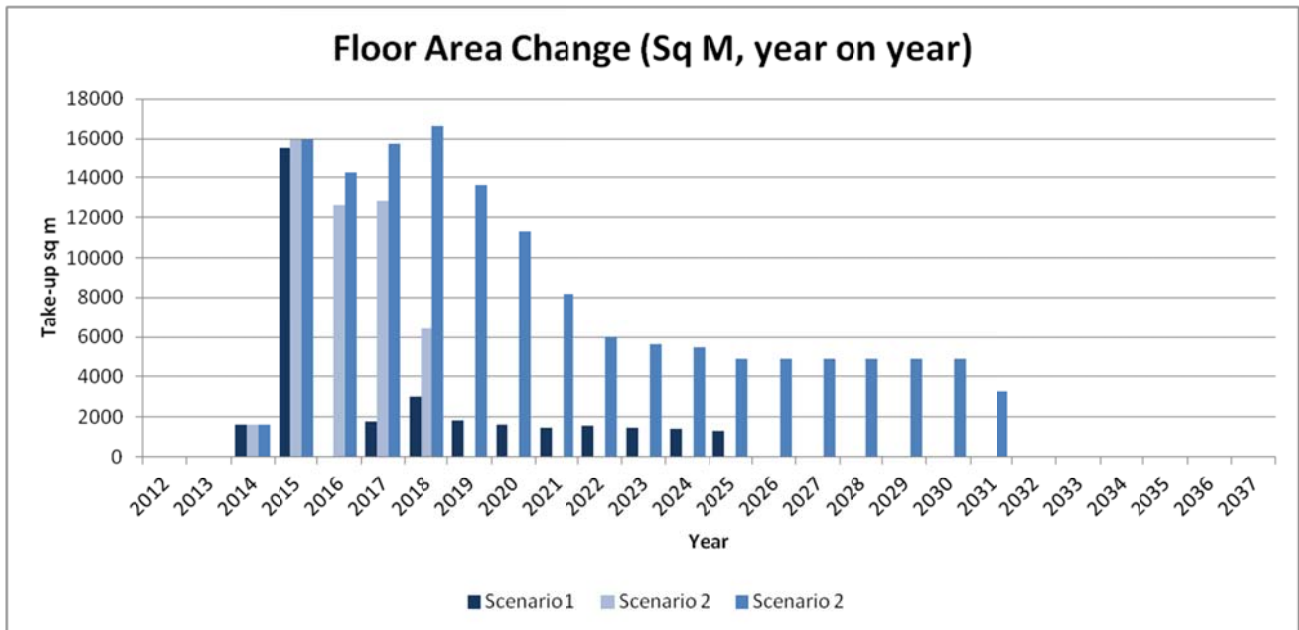


Figure 28: Hereford EZ take-up summary

Figure 28 illustrates the importance of the construction of the River Wye Crossing and the impact this will have on the take-up of space within the EZ. The cap currently placed on development of 50,000 sq m will significantly restrict take-up and therefore rates revenues for the LEP resulting in an estimated loss of income from business rates of **£33.1m**. As this income will not be received without the construction of the River Wye Crossing, the LEP should consider what positive action can be taken on its part to ensure that the Enterprise Zone can be developed-out to its full potential and the extent to which the anticipated growth in business rates income can be used to provide funding towards the River Wye Crossing.

4.2 APPROACH TO FUNDING

The above analysis has been prepared on the basis that the approved interventions are all financial using annuity loans over the remainder of the life of the EZ such that all debts are fully paid down by the time these expire i.e. 2038, an interest rate of 4% has been used.

Adopting this approach, we can see the forecast rates growth income exceeds the cost of funding the interventions in each year so that there is a faster revenue surplus which can either be accumulated or used by the LEP for other purposes.

The surplus revenue can be used to address further interventions desired and not yet approved.

An alternative approach could be to insist that surplus revenues are all directed towards the priority repayment of borrowings for the interventions approved. If this approach were adopted then all revenues from rates income growth available to the LEP would be committed until 2026. This is shown in Figure 29 below.

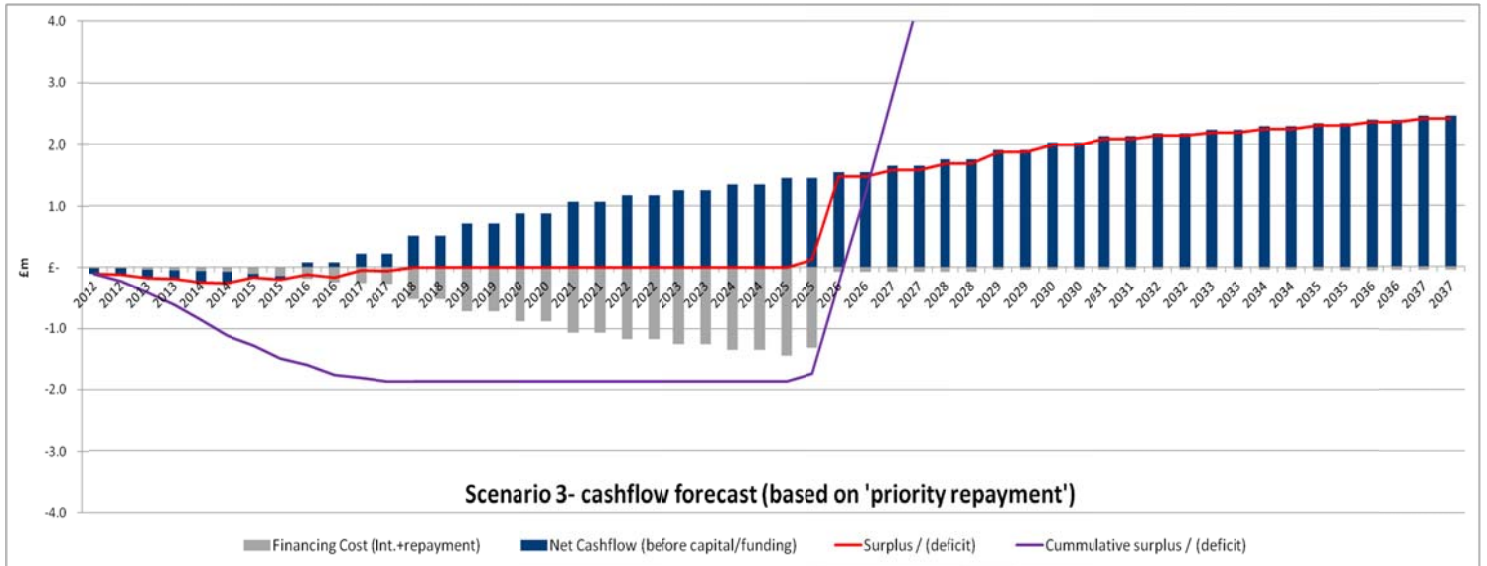


Figure 29: Priority repayment cashflow forecast

Alternatively, as modelled throughout this study, funding of approved interventions could be on the basis of annuity loans to be repaid from rates growth income such that the balance is fully paid down over the remaining life of the EZ. HC should seek assurance from the LEP that if it approves the interventions the LEP will guarantee to provide revenues from the rates growth income in order to meet these future loan costs. This would free-up a revenue stream that the LEP could use to support further interventions, for example to partially fund the River Wye Crossing. This is shown in Figure 30 below.

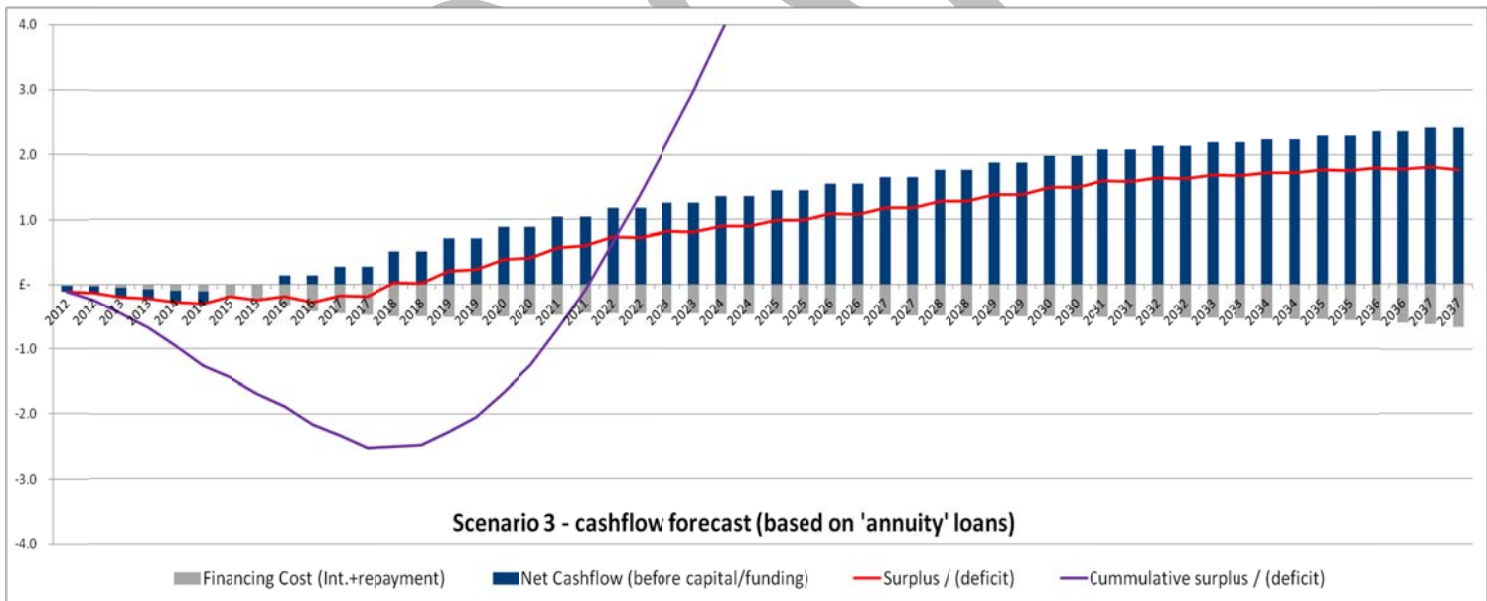


Figure 30: Annuity loans cashflow forecast

A summary of the cashflow forecast for each of the options can be found at Appendix D.

4.3 RECOMMENDATIONS

RECOMMENDATIONS

This study has identified several issues to which we recommend further consideration should be given. These can be summarised as follows:

1. There is a causal link between the development of the River Wye Crossing and the level of rates income the LEP can expect to achieve over the life of the EZ. Consideration should be given to using these expected revenues as part of the funding package for the River Wye Crossing. The level of contribution appropriate requires further consideration from the LEP in view of alternative sources. Clearly it will be preferable for DfT to fund the full cost.
2. Herefordshire will require an undertaking from the LEP in order to carry out the interventions proposed. The LEP should therefore consider the balance of cost, risk and return and the extent to which these represent value for money and are appropriate for the socio-economic outcomes achieved.
3. Whilst the difference between Scenarios 1 and 2 in terms of the net business rates income receivable is minimal at an estimated £250k over the life of the EZ, the economic benefits to be realised by implementing the interventions assumed under Scenario 2 are substantial. The value to the region of the anticipated jobs created, the increased value of commercial development and investment in the region through the relocation of new businesses to the area should all be considered in any future discussions around the appropriate level of intervention required and how this will be funded.
4. Since the Resource Review and proposals for authorities' to retain 50% of rates growth between rebase periods, Herefordshire Council could lose out on this income in relation to new development within the EZ where the income goes to the LEP. Furthermore, Herefordshire Council will also incur further administrative time and costs in dealing with the EZ and is taking a risk on the investments in advance of the business rate income. The LEP should consider making provision to recognise the impact on the Council. It is understood that this has been agreed at the Bristol and West of England EZ and has been raised as an issue in a number of other Zones.

Appendix A: HCA employment density guidelines

Use Class	Use Type	Area per FTE (m ²)	Floor Area Basis	Comment on potential variation
Industrial				
B2	General	36	GIA	Range of 18 - 60 m ²
B1(c)	Light Industry (Business Park)	47	NIA	
Warehouse & Distribution				
B8	General	70	GEA	Range of 25 - 115 m ² The higher the capital intensity of the business, the lower the employment density
B8	Large Scale and High Bay Warehousing	80	GEA	
Office				
B1(a)	General Office	12	NIA	Includes HQ, Admin and 'Client Facing' office types
B1(a)	Call Centres	8	NIA	
B1(a)	IT/ Data Centres	47	NIA	A blended rate of the above B1(a) uses where they are found in out of town business park locations
B1(a)	Business Park	10	NIA	
B1(a)	Serviced Office	10	NIA	
Retail				
A1	High Street	19	NIA	Town/ City Centre
A1	Food Superstores	17	NIA	
A1	Other Superstores/ Retail Warehouses	90	NIA	
A2	Financial & Professional Services	16	NIA	Includes the back office function area as well as the customer facing areas
A3	Restaurants & Cafes	18	NIA	
Leisure & Visitor Attractions				
C1	Budget Hotels	1 employee per 3 bedrooms plus casual staff		
C1	General Hotels (3 star)	1 employee per 2 bedrooms		
C1	4/ 5 Star Hotels	1 employee per 1.25 bedrooms		
D1	Cultural Attractions	36	GIA	Very wide range exists, so use with caution. Excludes external areas
D2	Cinemas	90	GIA	
D2*	Amusement & Entertainment Centres	70	GIA	Range of 40 - 100 m ² - excludes external areas
D2	Sports centres and Private Clubs	65	GIA	Range of 30 - 100 m ²

Appendix B: Intervention measures

B1 - SCENARIO 1 INTERVENTIONS

Year	Cost of interventions per annum (£000)	Items of Expenditure	Cost (£000)
2012	994	Flood attenuation works Master planning Site works and studies Utilities work and studies Estate management	Total = 994
2013	1,317	Site works and studies Utilities work and studies Access Road Demolition of buildings Estate management	Total = 1,317
2014	1,462	Site works and studies Utilities work and studies Access Road Demolition of buildings Estate management	Total = 1,462
	3,773		

B2 - SCENARIO 2 INTERVENTIONS

Year	Cost of interventions per annum (£000)	Items of Expenditure	Cost (£000)
2012	994	Flood attenuation works Master planning Site works and studies Utilities work and studies Estate management	Total = 994
2013	1,317	Site works and studies Utilities work and studies Access Road Demolition of buildings Estate management	Total = 1,317
2014	1,462	Site works and studies Utilities work and studies Access Road Demolition of buildings	Total = 1,462

Year	Cost of interventions per annum (£000)	Items of Expenditure	Cost (£000)
		estate management	
2015	1,701	Access Road - plot C1 Broadband ducting General utilities work General costs to bring sites forward for development Gap funding for Skylon Court 2	150 100 250 250 951
2016	1,970	Plot works including ground remediation and levelling General utilities and costs bringing other sites forward Small scale interventions Gap funding for Fuse House	300 250 200 1,220
2017	750	General utilities and costs bringing other sites forwards Plot works including ground remediation and levelling Small scale interventions	250 250 250
2018	500	General utilities and costs bringing other sites forward Small scale interventions	250 250
2019	200	Cost to bring sites forward for development	200
2020	100	Small scale interventions to bring sites forward for development	100
2021	100	Small scale interventions to bring sites forward for development	100
2022	100	Small scale interventions to bring sites forward for development	100
2023	100	Small scale interventions to bring sites forward for development	100
2024 to 2026	100	General site care and maintenance	100
2027 to 2037	50	General site care and maintenance	50
	10,144		

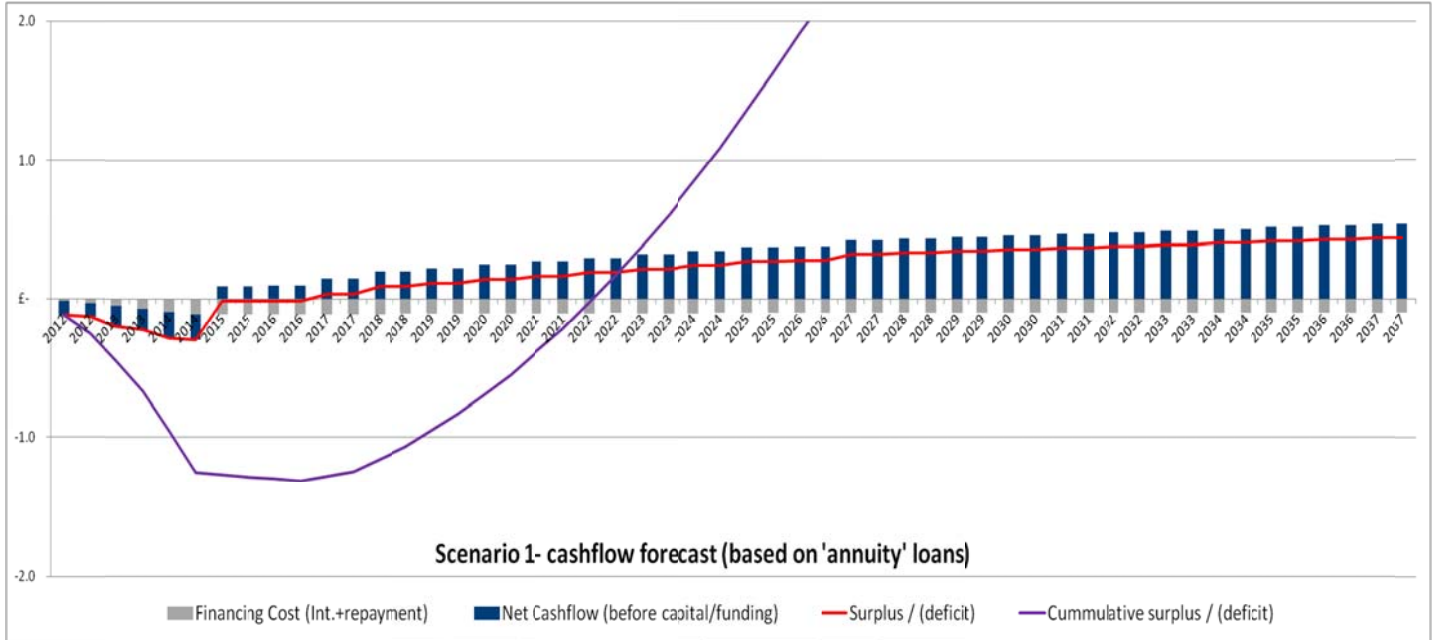
B3 - SCENARIO 3 INTERVENTIONS

Year	Cost of interventions per annum (£000)	Items of Expenditure	Cost (£000)
2012	994	Flood attenuation works Master planning Site works and studies Utilities work and studies Estate management	Total = 994
2013	1,317	Site works and studies Utilities work and studies Access Road Demolition of buildings Estate management	Total = 1,317

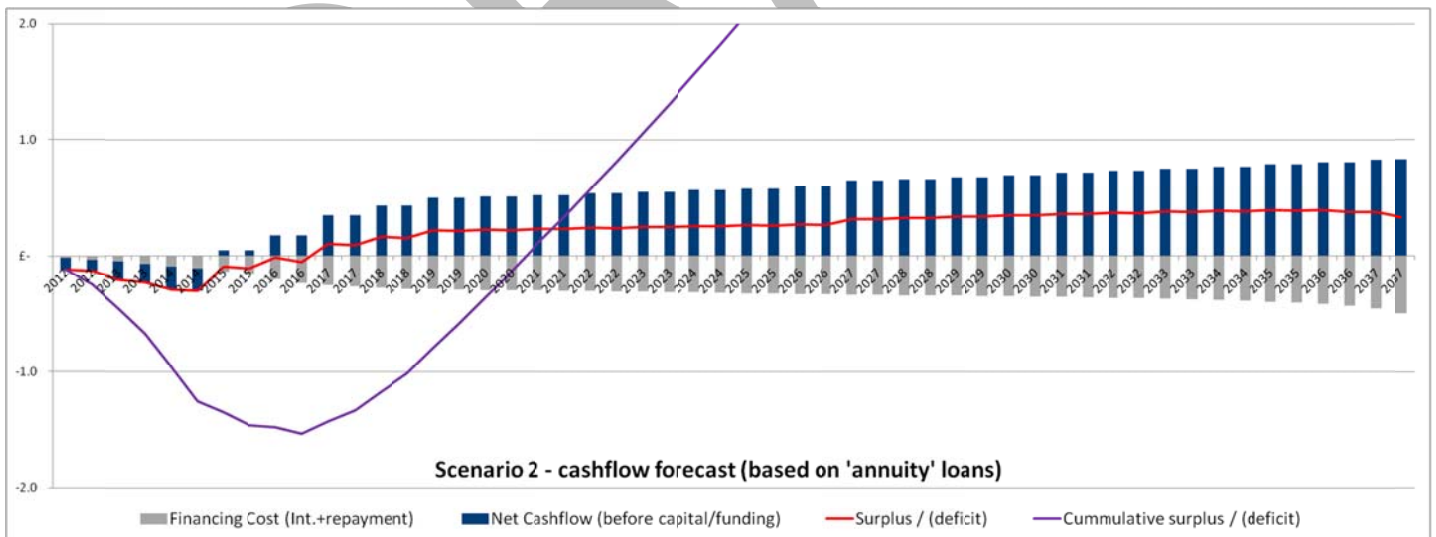
Year	Cost of interventions per annum (£000)	Items of Expenditure	Cost (£000)
2014	1,462	Site works and studies Utilities work and studies Access Road Demolition of buildings Estate management	Total = 1,462
2015	3,951	North Magazine electricity works Removal of NM spoiled heap NM pumping station Access road - plot C1 Broadband ducting General utilities work Gap funding for Skylon Court 2	1,500 500 500 150 100 250 951
2016	4,720	North Magazine access road and landscaping Chapel Road demolition works Plot works including ground remediation and levelling General utilities and costs bringing other sites forwards Small scale interventions Gap funding for Fuse House Gap funding for Innovation Centre	400 250 400 250 200 1,220 2,000
2017	2,000	Chapel Road demolition General utilities and costs bringing other sites forwards Plot works including ground remediation and levelling Small scale interventions Gap funding for Food Technology Centre	250 250 250 250 1,000
2018	1,000	Chapel Road site preparation and infrastructure costs General utilities and costs bringing other sites forward Small scale interventions	500 250 250
2019	500	General cost to bring sites forward for development	500
2020 to 2028	100	General care and maintenance costs	100 pa
2029 to 2037	50	General care and maintenance costs	50 pa
	17,294		

Appendix D: Financing Arrangements

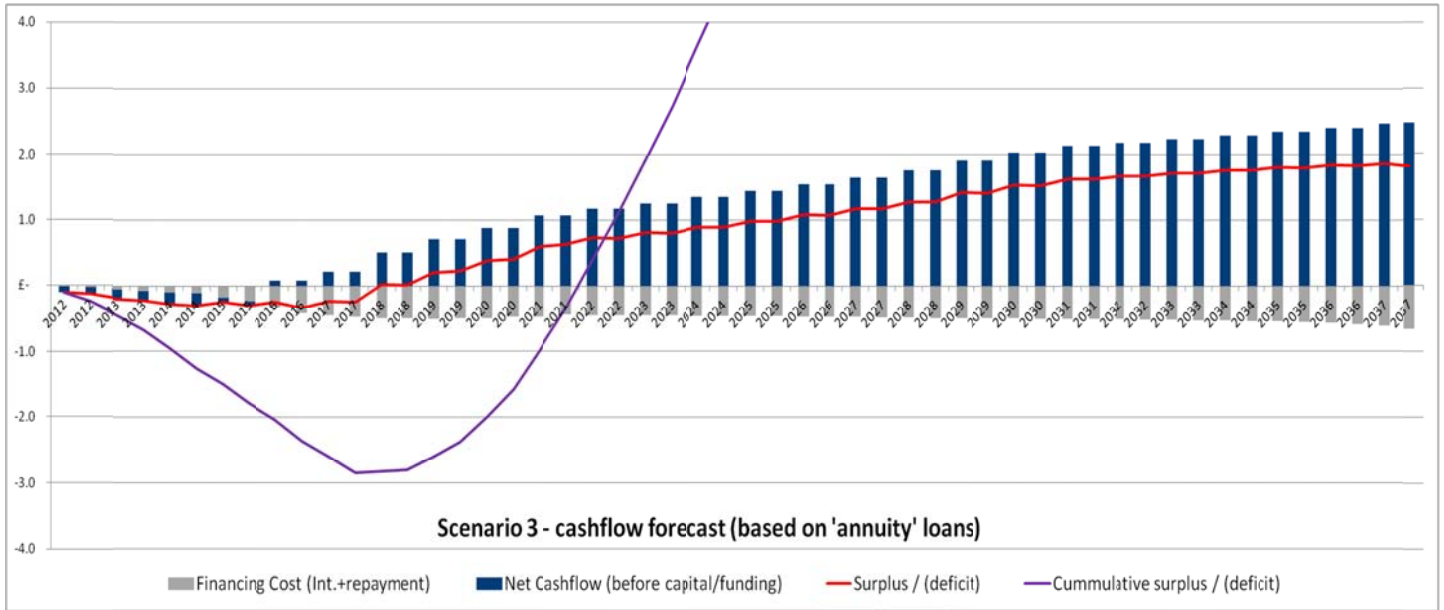
D1 - SCENARIO 1 REPAYMENT PROFILE



D2 - SCENARIO 2 REPAYMENT PROFILE



D3 - SCENARIO 3 REPAYMENT PROFILE



DRAFT