

HEART OF THE SOUTH WEST LOCAL ENTERPRISE PARTNERSHIP

Expression of Interest for an Enterprise Zone for the Exeter and East Devon Growth Point Area covering sites within the city of Exeter and the designated employment sites immediately to the east of the city all coming under the umbrella of the Exeter and East Devon Growth Point.

Summary

Exeter and East Devon is a designated Growth Point. This is in recognition of the aspirational growth and development programme planned for the area. In the early part of this century the area performed strongly, attracting significant investment (including the relocation of the Met Office) and delivering over 15,000 new jobs. As a centre for public administration the city is however vulnerable to public sector job reductions.

The area has many intrinsic qualities which make it attractive as an investment location. These include a leading University and good transport connectivity including an expanding Airport. The area is well placed to deliver substantial additional private sector led economic growth in the future. It will act as a growth pole and help to spread the benefits of growth to the wider Local Enterprise Partnership area.

Recent research has quantified that over 26,000 jobs can come forward as part of the of the Growth Point development programme. Designation of an Enterprise Zone will help to bolster investment and to significantly accelerate the creation of new jobs in the area.

Background

Exeter and East Devon was designated as a New Growth Point in 2006. The vision is to realise the full economic potential of Exeter and East Devon - to provide a range of employment opportunities alongside new communities where people will have the ability to live close to where the majority of jobs will be provided.

The Exeter and East Devon local authority partners made a commitment to deliver a number of strategic developments with the aim of helping the area to reach its full economic potential. Over 300,000 sq.m of new commercial space is planned to be delivered over the next 15 to 20 years. Providing a sustainable way of living by planning and delivering whole new employment locations and communities to high standards of design and contributing to sustainability is integral to this ambition. This includes the Cranbrook new community, the first large scale zero carbon housing development in the country. A summary of the 26,000 jobs forecast to be created by all the developments is attached in the chart at the end of this document.

The Growth Point represents a long term partnership for growth between private and public sectors built on an established track record of delivery and innovation. Progress has been made but our real challenge now is to adapt rapidly to the new policy and

financial environment, in order to maximise the local benefits arising from existing and planned investment and ensure continuity of delivery over the long term.

The city has a working population of 92,300, which equates to 30% of all jobs in Devon and over 50,000 more than the next largest district in the county. Over the last decade Exeter's performance in terms of GVA growth has been good: GVA increased by 5.7% per annum between 2000 and 2005 and by 1.8% per annum between 2005 and 2010 while the county grew by 4.1% per annum and 0.5% per annum respectively.

The impact of the economic downturn has been significant in the area. Exeter is a major centre of public administration. Over 36% of jobs are in the public sector including government agencies, local councils, education and health. This compares with the average for England of 26.4%. We are already losing a number of these jobs, and independent analysis indicates that Exeter could lose around 6,000 jobs in public administration, education and health as a result of spending cuts and other financial measures over the next four years.

The city's economic influence spreads at least well into the neighbouring district council areas. Exeter occupies a pivotal position in the South West between Plymouth, Torbay and Bristol sitting at the nexus of the M5/A30/303 and A38 corridors, as a hub for main line railway traffic and with its growing airport. It is well placed to spread economic benefit and prosperity further afield, capitalising on existing functional economic linkages and supply chains.

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The successful realisation of the vision for the Growth Point area will bring considerable benefits for the wider sub-region. It will help to project economic development and growth across the wider peninsular and to diversify, rebalance and strengthen the economy.

Development Programme

The Growth Point development programme represents a substantial and ambitious private sector development programme worth well over £1bn. This includes the delivery of a number of key strategic projects;

- Skypark - a strategic employment site with planning permission adjacent to Exeter Airport which is expected to deliver circa 130,000 sq.m of office and industrial manufacturing space as part of a development agreement between St Modwen and Devon County Council. It is also the location of the energy plant which will fuel the Combined Heat and Power system for the Cranbrook new community.
- Cranbrook prototype eco town - a new community of at least 5,000 new homes

and the first development of this scale to have a biomass fuelled Combined Heat and Power (CHP) system.

- Inter-modal freight terminal - this will be a distribution based development with a rail spur to the Exeter-Waterloo rail line.
- Science Park - the Science Park Company brings together Exeter University, the Peninsula College of Medicine and Dentistry, the Met Office and the Local Authority partners. The site has consented outline planning permission for over 70,000 sq.m of office/research space aimed at capitalising on the pre-recession growth in knowledge based employment and in the undoubted assets of the University of Exeter, the Met Office and the Peninsula College of Medicine and Dentistry which has the bulk of its research activity based in the city
- Flybe training academy - now open to students (March 2011) and when fully operational will be Flybe's main training centre, including flight simulators which will be used to train pilots from many international airlines as well as Flybe crew, engineering workshops, customer service and cabin crew training facilities.
- Airport business park - an extension of 5 hectares to the existing business park
- Matford - a 15 hectare site with outline planning permission for over 41,000sq.m of employment development
- Newcourt - a 16 hectare site proposed within the Core Strategy for employment development
- Honiton Road – a 5 hectare site proposed within the Core Strategy

There are three further mixed use urban extensions which will directly relate in their planning and delivery to these developments.

Recent research has revealed that the total scale job creation associated with the Growth Point development programme is 26,600. A breakdown of this is given at Appendix 1. Importantly this covers a very wide spectrum of new employment opportunities from developing the knowledge economy at the Science Park to distribution based jobs at the Inter Modal Freight Terminal.

Very considerable progress has been made over the last 3 years in preparing the sites for delivering the Programme of Development;

- Works have been undertaken to upgrade the capacity of Junction 30 of the M5. The Department for Transport has also recently confirmed funding for upgrading Junction 29, a critical part of the phased infrastructure improvements to support development to the east of Exeter and work can commence this year (2011)
- A new pedestrian and cycleway bridge has been lifted into place over the M5, funded through the Community Infrastructure Fund as a key additional access route for the Science Park.

- Initial works have started on the Clyst Honiton Bypass which is critical to the delivery of Cranbrook, Skypark and the Inter Modal Freight Terminal. This is utilising the both Growth Point and Regional Infrastructure Fund monies.
- The infrastructure works for the Science Park have started utilising funding form the South West Regional Development Agency and the site will have a direct connection to the M5 when works on Junction 29 are complete..
- Masterplans have either been commissioned or completed for all the major development areas including the Airport.
- A green infrastructure study has been undertaken identifying the key strategic provision that needs to be made to enable development to come forward.
- Further work has been commissioned to ensure the early introduction of the Community Infrastructure Levy across the Growth Point area.
- We are undertaking a multi utility study to ensure that utility provision, including the roll out of superfast broadband, is planned and made in the most cost effective and sustainable way possible.

Why gaining Enterprise Zone status is so important

The economic downturn continues to have a significant impact in terms of bringing forward commercial development. We need to put in place meaningful measures that will both stimulate demand and provide confidence to investors. This will help us to both deliver new jobs alongside new housing and to rebalance the economy of the area.

An enterprise zone approach will help to address the following barriers to delivery;

Development viability; The current market conditions remain challenging in the short to medium term for commercial development. Developers/investors are not undertaking speculative development and will not until demand returns or up front uncertainties and costs are addressed. An Enterprise Zone approach can provide a real stimulus for investment. Most of the development sites listed are available for consideration by potential occupiers but with the sites not yet established as recognised commercial locations and business confidence needing underpinning with visible development and successful occupier deals in train, these “conditions” are additional barriers in the current economic climate.

Planning constraints; Simplified planning regimes will certainly be required to contribute to improving the viability of developments including improved delivery time from concept through to build starting and certainty of approval of new build proposals. Our intention is to use Local Development Orders in advance with the developer to set out and agree for each site the required design code for development, acceptable use classes and transport plans/strategy in order to minimise “up front”

time and costs and raise the confidence and certainty which the developer needs in the development approval process. . We will also revisit existing section 106 agreements where these are making development unviable in the current market.

Community Infrastructure levy; The introduction of the Community Infrastructure Levy will include a robust assessment of the potential impact of different charging rates on development viability. This will ensure that an appropriate balance is struck between securing funding for infrastructure and bringing development forward. The ability to collect the Levy from a variety of developments, both in terms of scale and type, will help to deliver additional funding for infrastructure projects and will provide developers with much more certainty 'up front' about how much money they will be expected to contribute.

Upfront infrastructure costs; Overcoming prohibitive upfront costs for essential infrastructure is a key challenge. There are a number of ways that we are seeking to address this including considering the timing and phasing of infrastructure improvements. The ability to use new mechanisms, such as Tax Increment Financing, will help to provide critical infrastructure at an early stage and accelerate the delivery of development.

Timely provision of utilities; Having a coordinated programme of development is essential to ensuring the timely provision of high quality utilities. We are undertaking a multi utility study so that we can actively engage with a very wide range of utility providers to ensure that potential economies of scale, for example in relation to low carbon infrastructure, are identified and tapped. This is coupled with more detailed engagement with particular utilities such as BT Openreach. Further funding to accelerate the roll out of super fast broadband will an important dimension to attracting investment.

Overall we are well placed to help to drive future growth and job creation and to rebalance the economy of the area. We recognise that there is much still left to do and our approach must necessarily be different moving forward.

Our challenge is to adapt rapidly to the new policy and financial environment, maximise the local benefits arising from existing and planned investment and ensure continuity of delivery over the long term. We stand on the brink of very significant growth and development coming forward. We need to put in place innovative and creative delivery mechanisms that can drive delivery locally over the short, medium and longer term.

The Enterprise Zone menu

The “standard” benefits as listed in the prospectus including the business rate discount, retention and reinvestment of business rates, simplified planning and rolling out of significant broadband capability will all be essential elements of the proposed Enterprise Zone. Branding the zone so as to dispel any connotations of the area being highly problematic, an undesirable image with which historically enterprise zones in previous years have been associated. The following also sets out some of the anticipated additional distinguishing aspects of our approach in order to secure maximum benefit and effectiveness from establishing the new zone. We will:-

- Secure as much local economic benefit as possible and further help to rebalance the local economy by maximising opportunities for local procurement through the establishment of a local web portal in conjunction with the Exeter Chamber of Commerce, East Devon Business Forum and Exeter Airport Business Park Group
- Pursue the establishment of construction skills academies to maximise the potential for apprenticeship programmes in conjunction with local further education colleges working with the local Employment and Skills Board
- Implement new funding initiatives to promote and support development including the early introduction of the Community Infrastructure Levy and explore the use of the New Homes Bonus
- Develop an Infrastructure Delivery and Funding Strategy with wide consultation with communities and service providers
- Explore the creation of a local Revolving Infrastructure Fund, potentially re-using capital from existing Regional Infrastructure Fund investments and

capital from the New Homes Bonus, to ensure the accelerated delivery of key infrastructure, for example the new rail station to serve Cranbrook.

- Work with utility providers to ensure cost effective roll out of high quality infrastructure including super fast broadband
- Build on existing working relationships and ensure that the needs of business informs our future approach
- Encourage inward investment by working with key partners to deliver a coordinated programme of promotion and marketing which recognise the area's unique attributes with support from UKTI.

Value for money

The Growth Point development programme is already supported by a package of public sector investments totally nearly £50m. For example this includes investments in new transport infrastructure and adjacent residential development. The designation of an Enterprise Zone would provide the opportunity to further realise the catalytic impact of these investments and to ensure maximum leverage. Whilst we have not, at this stage, quantified the likely cost per job we are confident that this proposal offers real value for money. It provides the opportunity to significantly accelerate the delivery of new jobs and to support economic recovery.

Next Steps

We have put forward a range of sites that can potentially be included in the Enterprise Zones. Our next steps are;

- To firm up on the choice of sites – this will determine the overall size of the zone
- To agree the range and mix of employment opportunities – it has always been the aim the strategic employment sites offer a complimentary range of employment opportunities. In the case of the Science Park potential occupiers are governed by a gateway policy which is enshrined in a legal agreement.
- To agree the package of measures that can be put in place – we need to ensure that these compliment existing activity, for example around attracting inward investment.

Conclusion

We are confident that the Exeter and East Devon area provides a genuine and substantial economic opportunity. An Enterprise Zone approach will help to stimulate investment and ensure the accelerated delivery of new jobs across a broad range of sectors. This will help to rebalance the local economy and to secure benefits across a much wider area.

Forecast Gross Direct Jobs Supported by Major Growth Point Developments

Growth Point Development	Business services	Transport & storage	Retail & hospitality	Food & drink	Advanced engineering	Biosciences & health	LCEGS	Other sectors	Total	Total jobs
1. Monkerton	3%	3%	4%	1%				2%	3%	700
2. Flybe Training Academy			3%					1%	1%	150
3. Exeter International Airport		32%							4%	1,000
4. Skypark Business Park	43%	16%		86%				31%	29%	7,600
5. Exeter Science Park			3%		90%	86%	76%	0%	11%	2,890
6. Cranbrook	7%		5%					6%	5%	1,200
7. Newcourt	12%	14%	18%	6%				8%	11%	2,910
8. Intermodal Freight Terminal		16%							2%	500
9. Redhayes	4%	5%	6%	2%				6%	4%	1,100
10. Pinhoe	1%		1%					1%	1%	200
11. Alphington	2%	2%	2%	1%				1%	2%	400
12. Matford	8%	9%	12%	4%				5%	7%	1,910
13. West of Ibstock	3%	3%	4%	1%				2%	2%	600
14. Exeter University			1%		10%	14%	24%	11%	4%	1,000
15. Exeter City Centre	18%		40%						14%	3,600
16. Construction Jobs								26%	3%	900
Sector total	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Sector share	44%	12%	14%	4%	4%	4%	5%	13%		100%
Job total (#)	11,850	3,130	3,760	1,080	1,030	1,080	1,230	3,500		26,660

