

CHESHIRE EAST COUNCIL

Joint Portfolio Holder Decision – Finance and Assets and Regeneration

Date of Meeting: 29 March 2016

Report of: Executive Director for Economic Growth and Prosperity

Subject/Title: Contribution to the Square Kilometre Array Project at Jodrell Bank.

Portfolio Holder: Cllr Peter Groves and Cllr Don Stockton

1.0 Report Summary

- 1.1 Cheshire East Council is committed to supporting the growth and success of the Jodrell Bank site as a unique asset in the Cheshire Science Corridor, and the Council continues to work closely with partners across the region to support its central role in both the scientific research and visitor economy landscapes.
- 1.2 Following a Cabinet decision in April 2015, the Council committed to contribute £1m to assist the national effort to secure the headquarters of the Square Kilometre Array project at Jodrell Bank by way of the following resolutions:
 - 1.2.1 Approves the investment of £1million by the Council via the capital programme into a package of activity and support, focusing on connectivity and asset enhancement as part of the SKA project and headquarter retention;
 - 1.2.2 Delegates the final investment decision to the Executive Director of Economic Growth and Prosperity in consultation with the Portfolio Holder for Jobs and Housing, and the Portfolio Holder for Finance and S151 Officer; and
 - 1.2.3 Requests that officers undertake all necessary due diligence including the development of a full business case, subject to the retention of the SKA project at Jodrell Bank.
- 1.3 This capital contribution was in addition to a commitment to explore opportunities for improved highways access for the site, as part of the Council's Borough-wide £280m investment in road and rail connections over the next 5 years.
- 1.4 The Council's public commitment to supporting the retention of the SKA HQ at Jodrell Bank has been cited as a contributing factor in the decision, announced in April 2015, to locate the permanent headquarters of the project at the site.

- 1.5 It is estimated that successfully retaining the permanent headquarters will leverage £1billion of private sector investment and create 200 highly skilled jobs, in addition to the positive reputational benefits of being home to an internationally significant research project.
- 1.6 Following the Council's commitment in April, further external advice has been taken as to the mechanism by which this could be delivered, and the Business Case has subsequently been updated.

2.0 Recommendations

It is recommended that:

- 2.1 The revisions to the Business Case are noted, in addition to the recommendations from the additional due diligence undertaken since the Cabinet decision in April 2015.
- 2.2 The Executive Director of Economic Growth and Prosperity, in consultation with the Portfolio Holder for Finance and S151 Officer, makes the final investment decision on the terms set out in the Business Case.
- 2.3 The Director of Legal Services and S151 Officer be authorised to undertake all necessary actions required to enact the transfer of the Council's £1m grant to the University of Manchester, including entering into all necessary contractual arrangements including but not limited to a Grant Agreement.

3.0 Reasons for Recommendations

- 3.1 Following the Cabinet decision in April 2015, the Council has made a commitment to contribute to £1m grant to the University of Manchester to support the retention of the SKA Headquarters at Jodrell Bank. The recommendations provided in this report are necessary to enable the Council to deliver that commitment.

4.0 Wards Affected

- 4.1 Jodrell Bank is located on the border of Gawsworth and Dane Valley wards, although the significance of the site and the SKA project makes it of relevance to all wards.

5.0 Local Ward Members

- 5.1 The local ward members to the site are Councillor Lesley Smetham (Gawsworth) and Councillors Andrew Kolker and Councillor Les Gilbert (Dane Valley)

6.0 Policy Implications

- 6.1 The project relates directly to the Council's key priority: *A growing and resilient local economy*. It is also prioritised in the Council's Three Year Plan:
- Outcome 2: *Cheshire East has a strong and resilient economy*
 - Priority 1: *Local Economic Development*
 - Change Project 1.3 (*Investment to support business growth*).

This proposal also accords with, and is complementary to the following:

Ambition for All: Sustainable Communities Strategy 2010-2025: Priority 2 Create conditions for business growth

- Harness emerging growth opportunities;
- Create a climate attractive to business investment.

Cheshire East Economic Development Strategy

- Ensure that Cheshire East maintains and enhances its role as a 'knowledge economy';
- Facilitate economic growth through progressing schemes that will create jobs and improve the attractiveness of the area as a place to invest, live and visit;
- Macclesfield and its hinterland sustain their current position as one of the most successful parts of the regional economy.

7.0 Implications for Rural Communities

- 7.1 Jodrell Bank's location on the outskirts of Holmes Chapel means that it is at the heart of a number of rural communities, including Goostrey and Twemlow. The location of an internationally significant research facility, in addition to an increasingly popular visitor attraction impacts positively on the local community due to the provision of job opportunities and investments in local infrastructure.

8.0 Financial Implications

- 8.1 Following the Cabinet decision in April 2015, £1m was earmarked within the 2015-16 capital programme, to be funded from available resources to fund the Council's contribution to the SKA project. This funding remains in place.

9.0 Legal Implications

- 9.1 The reasoning and benefits of this grant are set out in the report to Council in April 2015 and is set out in the business case.
- 9.2 When considering such grants, the Council has to be mindful of both it's, and the recipients, responsibilities under State Aid. The principles of State Aid are to ensure that recipients do not receive an unfair advantage and that competition is not distorted.

- 9.3 Historically grants to educational organisations fell within an exemption to State Aid. However as the structuring of educational organisations such as Manchester University have become more complex combined with the collaborative working between education and other organisations such as industry the availability of the exception has become less clear.
- 9.4 Therefore in making this grant the Council has to be mindful to stipulate that the funding be put to the element of the project which is least likely to be considered State Aid. In addition it is understood that before accepting the any grant or funding the University will also undertake its own risk assessment in relation to State Aid.
- 9.5 In addition the grant will be subject to a grant agreement. A grant agreement by its very nature is not a contract as it cannot place detailed conditions on how the funding will be used. It can however set out the principles under which the funding is offered and the general purpose for which it will be used.

10.0 Risk Management

- 10.1 The risk of the Council's grant being declared unlawful state aid and an order requiring it to be repaid can be mitigated by including a clause in the Grant Agreement that requires repayment if it is required under any European Union State Aid laws.
- 10.2 There is a reputational risk to the Council if the grant is declared unlawful state aid.

11.0 Background and Options

- 11.1 Cheshire East sits at the heart of a region that has one of the strongest science and technology clusters in the UK, boasting world class academic, research and innovation support infrastructure. The Science Corridor generates £970m GVA per annum and employees over 11,000 people.
- 11.2 In line with its commitment to grow the Science Corridor, the Council is committed to supporting the growth and success of the Jodrell Bank site as a unique asset in the Cheshire Science Corridor, and the Council continues to work closely with partners across the region to support its central role in both the scientific research and visitor economy landscapes.
- 11.3 Following a Cabinet decision in April 2015, the Council committed to contribute £1m to assist the national effort to secure the headquarters of the Square Kilometre Array project at Jodrell Bank.
- 11.4 This capital contribution was in addition to a commitment to explore opportunities for improved highways access for the site, as part of the

Council's Borough-wide £280m investment in road and rail connections over the next 5 years.

11.5 The Council's public commitment to supporting the retention of the SKA HQ at Jodrell Bank has been cited as a contributing factor in the decision, announced in April 2015, to locate the permanent headquarters of the project at the site. As a member of the International SKA Organisation, the UK Government also committed £100m of investment as part of this bidding process, via the Science and Technology Facilities Council (STFC).

11.6 It is estimated that successfully retaining the permanent headquarters will leverage £1billion of private sector investment and create 200 highly skilled jobs, in addition to the positive reputational benefits of being home to an internationally significant research project.

11.7 The SKA Organisation was formed in November 2011 to develop the SKA project. The international organisation is comprised of 10 member states (including the UK, Australia, Canada, and the Netherlands). Once completed, the SKA will be the largest scientific project on Earth with significant telescope arrays operational in both Australia and South Africa. The size of the international collaboration means that the project will deliver transformational science for 50 years and will provide vital clues into the earliest stages of the Universe and the origins of life.

11.8 Construction of the new headquarters facility at Jodrell Bank is being managed by the University of Manchester and is estimated to cost £13.7m. Construction is due to commence in September 2016.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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