# Cabinet

St Edmundsbury
BOROUGH COUNCIL

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| **Title of Report:** | **Enterprise Zones** | |
| **Report No:** | **CAB/SE/15/064** | |
| **Report to and dates:** | **Cabinet** | 20 October 2015 |
| | **Council** | 17 November 2015 |
| **Portfolio holder:** | Councillor Alaric Pugh<br>Portfolio Holder for Planning and Growth<br>**Tel:** 07930 460899<br>**Email**: alaric.pugh@stedsbc.gov.uk | |
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| **Purpose of report:** | Local Enterprise Partnerships (LEPs) were recently invited by central Government to make an application into the latest Enterprise Zone bidding round which closed on 18 September 2015.<br><br>This paper provides an update regarding the approach taken by our two LEPs, Greater Cambridge Greater Peterborough and New Anglia, in response to this invitation. It also details the site submissions agreed by officers at this time and an explanation of the reasoning behind these decisions.<br><br>The report also seeks delegated authority to pursue the next stages of the decision making process in the event that one or both of the LEPs are successful in their application. | |
| **Recommendations:** | **(1) Cabinet is asked to <u>NOTE</u> that at this time, Local Enterprise Partnerships (LEPs) are awaiting a decision by central Government regarding the award of Enterprise Zone status. The latest bidding round is once again a competitive process and Government will decide which applications are successful.**<br><br>**It has been made clear to both LEPs that, in the event that either of their applications are successful, that the sites submitted within St** | |

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| | **Edmundsbury will still require consideration by full Council.**<br><br>**(2) It is therefore <u>RECOMMENDED</u> that subject to the approval of full Council due to the potential financial implications of a successful Enterprise Zone bid, as detailed in Section 2 of Report No: CAB/SE/15/064, the S151 and Monitoring Officers be given delegated authority to pursue the Enterprise Zone discussions further in the event that either or both bids submitted by the Local Enterprise Partnerships are successful.** |
| **Key Decision:**<br><br>*(Check the appropriate box and delete all those that* ***<u>do not</u>*** *apply.)* | *Is this a Key Decision and, if so, under which definition?*<br><br>Yes, it is a Key Decision - ☐<br>No, it is not a Key Decision - ☒<br>As the decision requires full Council approval. |

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| **Consultation:** | None |
| **Alternative option(s):** | The alternative option is that neither Haverhill Research Park nor land at Suffolk Business Park is included within a LEP wide Enterprise Zone.<br><br>This decision would mean that Business Rates growth achieved on these sites in future would remain as is, within the Suffolk Business Rates Pool.<br><br>The economic benefits of Enterprise Zones would not be realised in West Suffolk and Suffolk Business Park and Haverhill Research Park may have to compete with sites in the region with Enterprise Zone status. |

| **Implications:** | |
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| *Are there any* ***financial*** *implications? If yes, please give details* | Yes ☒ No ☐<br>• As detailed in the report. |
| *Are there any* ***staffing*** *implications? If yes, please give details* | Yes ☒ No ☐<br>• Possible time and resources of existing staff to enable the project to progress. |
| *Are there any* ***ICT*** *implications? If yes, please give details* | Yes ☐ No ☒<br>• |
| *Are there any* ***legal and/or policy*** *implications? If yes, please give details* | Yes ☒ No ☐<br>• As detailed in the report. |
| *Are there any* ***equality*** *implications? If yes, please give details* | Yes ☐ No ☒ |

| **Risk/opportunity assessment:** | | *(potential hazards or opportunities affecting corporate, service or project objectives)* | |
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| **Risk area** | **Inherent level of risk** (before controls) | **Controls** | **Residual risk** (after controls) |
| Reduction in Business Rates income | Low | Confirmation of final NNDR offer to be agreed. | |
| Reduction in Planning Fee's | Low | Possible reduction in fee's counterbalanced by NNDR share. | |
| **Ward(s) affected:** | | All Wards | |
| **Background papers:** *(all background papers are to be published on the website and a link included)* | | None | |
| **Documents attached:** | | None | |

**Key issues and reasons for recommendation(s)**

## 1. Background

1.1 Established in 2012, Enterprise Zones (EZ) are at the heart of the Government's long term economic plan, supporting businesses to grow. EZs are effectively designated commercial areas of land that offer incentives to businesses, which in turn increase the likelihood of bringing forward commercial development sooner than would otherwise be achieved. EZ status is granted for an initial 25 years period.

1.2 Businesses basing themselves on Enterprise Zones can access a number of benefits such as up to 100% business rate discount worth up to £275,000 per business over a five year period (central Government reimburse the billing authority).

1.3 Local Authorities (LAs) are encouraged to introduce streamlined planning processes on EZs, for example, through Local Development Orders (LDO) that grant Permitted Development Rights for certain development (such as new industrial buildings or changing how existing buildings are used) within specified areas, or through a Planning Performance Agreement over the 25 year term of the EZ.

1.4 Previously successful EZs have also had Government support to unblock any barriers to delivery, such as Department for Transport support on transport infrastructure, Defra support on addressing environmental issues and UK Trade and Investment (UKTI) advice on marketing to international investors. EZs are considered important to attracting foreign investment into the country, bringing jobs and businesses across England.

1.5 Statistics provided in support of EZs highlight that, since 'their start in April 2012' (there are currently 24 areas with EZ status, including Alconbury and Great Yarmouth & Lowestoft in the East) 'they have laid down the foundations for success for 540 businesses, attracting over £2.2 billion pounds of private sector investment, building world class business facilities and transport links and attracting 19,000 jobs. Momentum is now building across the programme and many zones are poised for substantial development in the coming months and years'.

1.6 Of the existing 24 Enterprise Zones, the first 10 had been directly awarded to the largest cities outside London. A further 12 were awarded through a competition (including Alconbury and Great Yarmouth & Lowestoft Enterprise Zones, the latter which is focussed on the energy sector). Two more were awarded to areas to compensate for economic shocks.

1.7 In addition to these 24 Enterprise Zones, the Government announced earlier this year the creation of 17 Food Enterprise Zones (FEZs). Whilst FEZs will not offer business rates incentives they will offer LDOs, streamlining planning procedures for businesses that meet the zone's criteria. Mid Suffolk Planning Authority (Gipping Valley) and Babergh Planning Authority (Orwell food cluster) were two areas awarded FEZ status.

1.8 Enterprise Zone status is for 25 years. All business rates growth generated by the Enterprise Zone over the 25 year period is kept by the relevant Local Enterprise Partnership – (discussed in more detail below).

1.9 In the emergency budget (July 2015) Chancellor George Osborne announced plans to create further Enterprise Zones, and a new bidding round was officially launched on 15 July 2015.

1.10 Local Enterprise Partnerships were again asked to lead the bidding process and the management of the zones. The deadline for completion and submission of bids was Friday 18 September 2015. Announcements on the success of bids are expected in autumn 2015 with the new EZs due to be operational from April 2016.

1.11 This latest round differs from the previous Enterprise Zone bidding rounds in that Government expressed its desire to bring forward a range of different sites across smaller towns and rural places, as opposed to single, larger sites.

The criteria used to judge the latest round of submissions will focus on locations that offer:

(1) **Delivery of strong economic growth.** Proposals must have: a clear strategy, aligned with the LEPs Strategic Economic Plans; a strong commercial proposition; and a strong location drawing on local assets or infrastructure.

(2) **Strong value for money.** Proposals must show: Economic Benefits exceed costs – the cost of creating the zones should deliver a positive return; activity generated is genuinely additional, so doesn't just support jobs that would have happened anyway or have just been moved from other locations; and that the proposal delivers wider economic benefits beyond the zone itself.

(3) **Implementation.** Sites should be clear and ready for occupiers (clear sites without existing buildings make the impacts easier to measure); no complicated land issues e.g. infrastructure, remediation etc; clear support from local partners – LAs and landowners; and clear arrangements for managing the zone.

## 2. <u>Our Approach: Assessment and Submission</u>

2.1 At the end of July 2015 both the Greater Cambridge Peterborough Enterprise Partnership (GCGP) and the New Anglia Local Enterprise Partnership (NALEP) approached the LAs within their geographic boundaries for discussions on suitable commercial sites.

2.2 Sites that met the above criteria were assessed, both internally by officers (taking into account the impacts and benefits from a change/increase in the business rates collected), and then externally by agents appointed by the LEPs, for suitability against this criteria. Support was also sought from the relevant landowners.

2.3 Following this assessment, an initial agreement was reached with both LEPs to include sites from St Edmundsbury within the current bidding round. GCGP has included land at Haverhill Research Park (HRP)within its bid, whilst NALEP has included 14 hectares of land at Suffolk Business Park (SBP) within their bid.

From a West Suffolk perspective, land at Red Lodge was withdrawn from latter stage discussions on the advice of the land agent, as it is effectively 'under offer'.

2.4 It was made clear to both LEPs that because of the likely financial implications of a successful EZ bid (detailed below), that approval by full Council is necessary.

2.5 Further, point 1 of the EZ criteria looks to align this round of EZs with the aims and ambitions of the LEP's Strategic Economic Plans. Whilst HRP fits well with the themes embodied within the GCGP bid (expand the benefits of Cambridge i.e. technology, innovation etc), we have also expressed to NALEP our reluctance to accept any restriction on the types of businesses that may wish to locate at Suffolk Business Park, because of the interest that is being shown in the park. Whilst we agree with the sectoral focus proposed by NALEP we would not want to jeopardise any of the current discussions that are taking place with employers.

## 3. <u>What are the potential benefits and implications of EZ status for West Suffolk Councils (WSC) and St Edmundsbury Borough Council (SEBC)?</u>

3.1 Financial - WSCs are signed up to the Suffolk Business Rates Pool (SBRP) sharing agreement. Under normal circumstances new business rates income is shared 50% to central Government, 40% to the billing authority and 10% to the county council. If this is "growth" then the billing authority is allowed to keep 50% of its share (representing 20% of the total business rates income) and the remainder is paid into the Suffolk Pool. Through the pooling arrangements, it is estimated that the WSCs will receive a further share amounting to a further 6% of the total rate income. (Total of 26%).

3.2 In contrast, EZ status (which is for a 25 year period) means that whilst the billing authority retains 100% of NNDR1 EZ income (outside of the SBRP), there is an implicit assumption that this is passed on completely to the LEP. It is then for LEPs and partners to identify the best way to reinvest any benefits from business rates growth to meet local needs. Both GCGP and NALEP have different approaches as to how they will share the business rate growth from an EZ.

3.3 The GCGP proposal is for LAs to retain 70% of business rate growth in the first 5 years, and then 50% of growth from years 6 to 25.

3.4 NALEP has proposed that LAs retain 10% of business rate growth, whilst 35% is ring fenced for investment in the EZ. The remaining 55% is paid to NALEP to create a fund to invest in development across the entire LEP area.

3.5 Importantly, NALEP has confirmed that they will not pursue any agreement on an EZ that is detrimental to the LA. Further discussions and agreement will, therefore be required.

3.6 Depending on the final agreement re LDOs, there may be an impact in planning fee income. However, this impact can be balanced against the potential for increased retained NNDR.

3.7 Possible implications with regard to the Suffolk Pooling Agreement, though these are not fully known at this time.

3.8 Consideration may need to be given to the interaction between future business rates pooling arrangements and any changes to the business rates arrangements in Suffolk arising from the ongoing devolution discussions.

3.9 Further, the Government's recent announcement that from 2020 Councils will be handed the power to both set business rates, and to retain 100% of all locally raised business rates, will also need to be considered.

3.10 State Aid – EZs have to accord with State Aid. Projects will need to be State Aid compliant.

## 4. Modelling and outcome of the proposed SEBC sites

4.1 Currently both Haverhill Research Park and Suffolk Business Park are 'Greenfield' and undeveloped, therefore, no business rates are collected.

4.2 Officers have therefore modelled the likely impact upon business rates collection, based on assumed development scenario's modelled at both locations (on a net developable area), applying the percentage shares proposed by both LEPs.

4.3 The scenarios modelled included an assumed spread of building types (including light research laboratories, manufacturing laboratories, general commercial offices, large commercial offices/call centres, general factory/ warehouse /storage, refrigerated warehouse/storage and light industrial units).

4.4 Points that we need to consider further:

The GCGP offer is greater that the current Suffolk Pool offer of 26%.

4.5 NALEP's current offer to us is less than the current Pool Offer though a further discussion with NALEP will take place in the event their bid is successful. However, NALEP has recognised the need to invest in the EZ sites, and there is likely to be a requirement that a proportion of rates retained from the GCGP offer is invested in the EZ site.

As mentioned above NALEP has confirmed the LA will not be worse off.

## 5. Current position and next steps

5.1 Government is to announce the successful bids in the 'autumn', no precise date given as yet.

5.2 In the event that either, or both, bids are successful, full Council approval for the inclusion of SEBC sites will be required (because of the possible financial impact on business rates and SEBC income from an EZ). Both LEPs are aware.

5.3 In conclusion, both HRP and SBP have been put forward by GCGP and NALEP respectively as part of their bids for EZ status. If EZ status is confirmed it is likely to kick start these Greenfield sites and offer additional support to help bring the sites forward.

The precise financial implications for the West Suffolk councils are still being worked through and will also depend upon the negotiations with NALEP.