

Cabinet



St Edmundsbury
BOROUGH COUNCIL

| | | |
|------------------------------|--|------------------|
| Title of Report: | Enterprise Zones: Update | |
| Report No: | CAB/SE/16/006 | |
| Report to and date/s: | Cabinet | 9 February 2016 |
| | Council | 23 February 2016 |
| Portfolio holder: | Alaric Pugh Portfolio Holder for Planning and Growth Tel: 07930 460899 Email: alaric.pugh@stedsbc.gov.uk | |
| Lead officer: | Steven Wood Head of Planning and Growth Tel: 01284 757306 Email: steven.wood@westsuffolk.gov.uk | |
| Purpose of report: | It was announced in the Autumn Statement that both the Enterprise Zone (EZ) bids submitted by our two Local Enterprise Partnerships (LEPs) were successful. This paper provides an update as to the current position and seeks Cabinet's recommendation to Council to include land at Suffolk Business Park and at Haverhill Research Park in the designated new EZs. | |
| Recommendations: | <p>Cabinet is asked to <u>NOTE</u> that the Enterprise Zone (EZ) bids by the New Anglia Local Enterprise Partnership (which includes 14 hectares of land at Suffolk Business Park) and the Greater Cambridge Greater Peterborough Local Enterprise Partnership (which includes Haverhill Research Park) were successful.</p> <p>It had been made clear to both LEPs that in the event that either of their applications were successful that full Council approval was still required.</p> <p><u>Cabinet is further asked to RECOMMEND</u> to Council that:</p> <p>(1) the allocation of the Enterprise Zones be accepted for implementation in April 2016 and delegated authority be given to Cabinet to negotiate and agree the details and precise terms of the Enterprise Zones (including entering into any</p> | |

| | |
|--|--|
| | <p>legal agreements), subject to inclusion of a clause that requires discussions and, if necessary, renegotiation of the terms around the possible changes that come with Business Rates Retention in 2020;</p> <p>(2) subject to (1) above, delegated authority be given to the Head of Planning and Growth in consultation with the s151 Officer to work with the Local Enterprise Partnerships and other bodies to promote the two Enterprise Zones;</p> <p>(3) delegated authority also be given to Cabinet to approve business cases for investment in on-site infrastructure to support the development of the EZs as and when these come forward and before any works can commence; and</p> <p>(4) Council approves the discretionary business rates discount for new businesses locating within the EZs as explained in paragraph 4.7 of Report No: CAB/SE/16/006.</p> |
| <p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p> | <p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p> <p>As the decisions require full Council approval.</p> |
| <p>Consultation:</p> | <p>NONE</p> |
| <p>Alternative option(s):</p> | <p>The alternative option is that neither Haverhill Research Park nor land at Suffolk Business Park is included within a LEP wide Enterprise Zone.</p> <p>This decision would mean that Business Rates growth achieved on these sites in future would remain as it currently is (detailed below).</p> <p>The economic benefits of Enterprise Zones would not be realised in West Suffolk. Suffolk Business Park and Haverhill Research Park may then have to compete with sites, locally and across the region with EZ status.</p> |
| <p>Implications:</p> | |
| <p><i>Are there any financial implications?</i> <i>If yes, please give details</i></p> | <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> As detailed in the report. |
| <p><i>Are there any staffing implications?</i> <i>If yes, please give details</i></p> | <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> |
| <p><i>Are there any ICT implications? If yes, please give details</i></p> | <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> |

| <i>Are there any legal and/or policy implications? If yes, please give details</i> | | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> The potential impact of Business Rates retention in 2020 and agreeing a local business case and EZ partnership agreement. | |
|--|---|--|---------------------------------------|
| <i>Are there any equality implications? If yes, please give details</i> | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | |
| Risk/opportunity assessment: | | <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i> | |
| Risk area | Inherent level of risk (before controls) | Controls | Residual risk (after controls) |
| Reduction in Business Rates income. (LEP agreement negotiated could mean that in the short term the EZs yield less immediate revenue than the council would otherwise receive from potential business rates growth). | Medium | Both sites are currently vacant land and therefore there is no business rates income at this time. Future development and business rates are unknown. Final terms, including business rates sharing, are to be agreed with the LEPs. | Medium |
| Reduction in Planning Fee's | Low | Possible reduction in Planning fee's through the implementation of a Local Development Order. This will be counterbalanced by the income share terms to be agreed with both LEPs. | Low |
| Ward(s) affected: | | All Wards | |
| Background papers: <i>(all background papers are to be published on the website and a link included)</i> | | Cabinet Report No: CAB/SE/15/064 | |
| Documents attached: | | None | |

Key issues and reasons for recommendations

1. Background

- 1.1 Established in 2012, Enterprise Zones (EZs) are at the heart of the Government's long term economic plan, supporting businesses to grow. EZs are designated 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 year period and councils must work with Local Enterprise Partnerships (LEPs) to deliver EZs.
- 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 for a total of 5 years (this is fully funded such that central government reimburse the Billing Authority, St Edmundsbury Borough Council, for the lost income). This is usually available to businesses basing themselves in the EZ within the first five years only. Any business rate discount after the first five years would have to be funded locally although this is not proposed at this time.
- 1.3 Local Authorities (LAs) are encouraged to introduce streamlined planning processes on EZs. For example, Local Development Orders (LDO) grant Permitted Development Rights for certain development (such as new industrial buildings or for changing how existing buildings are used) within specified areas, or Planning Performance Agreements.
- 1.4 All business rates growth generated by the Enterprise Zone over the 25 year period is returned to the Local Billing Authority although the LEP determines how it is spent. A local sharing agreement is then put in place with local partners (such as the LAs) to agree how and what it is spent upon, though there is the expectation that some of the business rates growth is used to fund infrastructure requirements in the EZ where necessary.
- 1.5 Statistics provided by Government in support of EZs highlight that, since their start in April 2012 (there were 24 areas with EZ status prior to the current bidding round, 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 first 24 EZs, the first 10 had been directly awarded to the largest cities outside London. A further 12 were awarded through a competition and include Alconbury and Great Yarmouth & Lowestoft Enterprise Zones (the latter of which is focussed on the energy sector). Two more were awarded to areas to compensate for economic shocks.
- 1.7 In addition to these first 24 Enterprise Zones, the Government announced earlier in 2015 the creation of 17 Food Enterprise Zones (FEZs). Whilst FEZs will not offer business rates incentives they will offer local development orders, streamlining planning procedures for businesses that meet the zones' criteria.

Mid Suffolk Planning Authority (Gipping Valley) and Babergh Planning Authority (Orwell food cluster) were two areas awarded FEZ status.

2. **Latest bidding round**

- 2.1 In the 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.
- 2.2 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 were expected in the autumn 2015 with the new EZs due to be operational from April 2016.
- 2.3 This latest round differed 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.
- 2.4 Sites that met the 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 the EZ criteria. Support was also sought from the relevant landowners.
- 2.5 Following this assessment an initial agreement was reached with both LEPs to include two sites from St Edmundsbury within the bidding round. Greater Cambridge Greater Peterborough Enterprise Partnership (GCGP) included land at Haverhill Research Park (HRP) within its bid, whilst the New Anglia Local Enterprise Partnership's (NALEP) bid included 14 hectares of land at Suffolk Business Park (SBP).
- 2.6 It was made clear to both LEPs that because of the scale of the likely financial implications of a successful EZ bid/s that, constitutionally, approval by full Council would still be necessary.
- 2.7 Approval of Report No: CAB/SE/15/064 gave delegated authority for the S151 and Monitoring Officers to pursue the Enterprise Zone discussions further in the event that either or both of the bids were successful.
- 2.8 In the 2015 Autumn Statement the Chancellor, George Osborne, announced the successful new EZs which included both the new EZ bids submitted by our two LEPs. These new EZs will commence from 1st April 2016.

The new multi-sited EZs are –

- GCGP 'Cambridge Compass' which alongside HRP includes land at Lancaster Way, Ely – East Cambridgeshire, Cambridge Research Park, Camborne Business Park and Northstowe in South Cambridgeshire.
- NALEP 'Space to Innovate' which alongside the 14 hectares at SBP includes sites at Norwich Research Park, Scottow Enterprise Park and Egmore Business Zone in North Norfolk, 4 sites in Greater Ipswich, Nar Ouse

Business Park, King's Lynn and Mill Lane Business & Enterprise Park, Stowmarket.

2.9 The Government announcement means, effectively, that St Edmundsbury will have two key commercial sites with EZ status from 1 April 2016 and authority is sought from Council to accept the allocation of EZ status.

3. **Current position**

3.1 Whilst Officers have been working to fully understand what this may mean to St Edmundsbury Borough Council's (SEBC) future share of business rates income before the start of the EZs, the timescales put before us have meant that it has not been possible to put together an acceptable businesses case at this date to aid this understanding. This situation affects all local authorities.

3.2 Officers have modelled potential income from an indicative development at both SBP and HRP. However, as both SBP and HRP are new 'Greenfield' sites, future commercial development is unknown, as is the actual share of business rates growth that St Edmundsbury Borough Council (SEBC) will receive.

3.3 Both sites are currently vacant 'Greenfield' land and there is no business rates income from either site at present.

3.4 Whilst we understand that discussions have taken place with businesses interested in locating to HRP, no final decisions have been taken to do so. At SBP development is dependent upon the completion of the Eastern Relief Road (ERR), the construction of which is due to commence this spring (2016). The ERR is likely to be completed in 12 to 18 months from its commencement.

3.5 However, EZ status brings the potential to positively bring forward and stimulate interest and commercial development. EZs offer benefits for businesses such as business rates discounts (where applicable) and a simpler route to development, as Local Authorities are encouraged to put in place simplified planning processes.

3.6 These incentives are supported by enhanced marketing to promote the unique EZ offer and by support from organisations such as UK Trade & Investment to assist in delivering growth within the EZ from abroad.

3.7 Locally, EZ designation means that all business rates growth sits outside of the existing arrangements, and is effectively retained by the relevant LEP for the life of the EZ (25 years). Key to the acceptability of this arrangement is that a share agreement is put in place to locally to redistribute this growth with local partners, such as LAs.

3.8 The Government's expectation is that some of the business rates growth within the EZs will be invested by the local partners, such as the LEPs, SEBC and Suffolk County Council (SCC), back into the EZ to deliver the necessary infrastructure. It is argued that investing in the EZ is usually essential for its success. It is extremely likely, therefore, that SEBC will need to make a contribution towards these costs from its anticipated business rates growth. Consequently only a portion of new rates income will be available for revenue use. No discussions have been held with SCC at this moment with regard to

this issue. SCC will clearly need to make this decision itself.

- 3.9 No decisions will be made regarding SEBC's possible investment in the on-site infrastructure without the provision of a business case. Delegated authority is requested for Cabinet to approve such a case.

4. **Remaining questions**

- 4.1 Whilst the announcement is welcomed, one or two questions remain and the position regarding the following still needs to be determined.

- 4.2 Business Rates Income – through the current business rates sharing arrangements St Edmundsbury Borough Council (SEBC) is able to retain approximately 26% of business rates growth. (SEBC's actual current share of growth is 40% but it actually retains 20% and pays the other 20% into the 'Suffolk Pool'. It then receives back 6%. Overall, SEBC retains 26% of the growth).

- 4.3 In contrast, both LEPs have taken a different approach to how business rates growth should be shared between the local partners within the EZs, and it is these figures that need to be negotiated and agreed as part of a wider business case that reflects possible infrastructure contributions. Whilst it is not possible to put a timeline on the completion of the business plan, officers will seek to complete this as soon as further information is available. No decisions will be made regarding SEBCs possible investment in the on-site infrastructure without the provision of a business case. Such a business case is likely to include the vision and objectives for the zone; the approach to development; the likely impact; the baseline; growth sectors and barriers to growth. In other areas this business case has been prepared by the LEP itself. Delegated authority is requested for Cabinet to approve such a case.

- 4.4 The proposals put to us by both LEPs for the 25 year term of the EZs include:

- (1) confirmation that a share of the business rates growth is retained locally by the LAs (SEBC/SCC);
- (2) an expectation that contributions will be made from the business rates growth on the EZ towards the delivery of any infrastructure costs that may need to be met; and
- (3) that the LEPs retain an amount of the business rates growth for investment in the wider LEP area. The details of these are also to be negotiated.

- 4.5 Business Rates Retention 2020 - it was also announced in the 2015 Autumn Statement that the Government would consult on its plans for Business Rates Retention (BRR) at some point in 2016. This is likely to be a new approach to how business rates will be shared, including how they are retained by LAs from 2020. Again, the details of BRR are unknown.

- 4.6 Though indications from DCLG are that these new local government finance arrangements will not alter the EZ position, these changes will undoubtedly occur during the term of the EZ agreement if they are approved by

Government. What this means to business rates income outside of an EZ, and how this compares with income from within an EZ, is unknown. It is therefore important to protect the Council's position from any negative unknown change to its income through the inclusion of a review clause in the 25 year local agreement with the LEPs.

4.7 Business Rates Discount – one of the benefits to a business of basing themselves on an EZ is the 100% business rate discount which they may be able to access (worth up to £275,000 per business over a five year period, up to the EU de minimus level). Whilst this is fully funded, as Government reimburses the Local Billing Authority, it is still a discretionary discount and Anglia Revenues Partnership has asked for it to be formally approved by the Council.

5. **Conclusion**

5.1 The Council's previous decision to support the principle of EZs is not affected, as the benefits are still demonstrable. Whilst the financial impacts of entering into the EZs are still being worked through, officers, under the guidance of Cabinet, will seek to agree a position with both LEPs whereby the longer term growth of the EZs will enhance overall local business growth and protect/potentially increase income to SEBC in the future. This is a position that will also deliver new local jobs for local people.

5.2 It could be argued that EZ status has a positive impact upon the amount of business rates income from the sites. If this is the case, the reinvestment of business rates growth in each EZ is likely to result in more business rates in the longer term.