



## Report to Cabinet

<b>Date:</b>	Cabinet 7 June
<b>Title:</b>	<b>Enterprise Zone Memorandum of Understanding update</b>
<b>Cabinet Member(s):</b>	Cllr Martin Tett, Leader of the Council
<b>Contact officer:</b>	Lisa Michelson
<b>Ward(s) affected:</b>	n/a
<b>Recommendations:</b>	<p><b>Cabinet supports the recommendations that have been agreed by the Aylesbury Vale Enterprise Zone Board to</b></p> <ul style="list-style-type: none"><li><b>a) Refresh the Memorandum of Understanding to reflect changes in governance since the EZ's inception</b></li><li><b>b) Change the split of surplus income generated by the EZ from 70:30 (Bucks LEP:Bucks Council) to 50:50 to reflect the Council's 50% share of uplift on business rates</b></li><li><b>c) Not to activate the EZ MoU provision for distribution of 'Surplus' income in the period up to March 2026 to enable the EZ to maximise use of funding to maintain momentum and accelerate development of the EZ sites, and support other relevant initiatives for the recovery and growth of the Buckinghamshire economy.</b></li></ul>

***Reason for decision: To gain Council support for changes to the Enterprise Zone's governance arrangements.***

### **1. Executive summary**

- 1.1** At its Board meeting in September 2021 the Aylesbury Vale Enterprise Zone (AVEZ) Board agreed that a new Memorandum of Understanding be developed for the new

five-year business plan to reflect the changes in governance including government surrendering their original interest in the initiative.

## **2. Content of report**

- 2.1 AVEZ was established in 2016 under the government's Enterprise Zone policy to attract and develop new business investment and promote growth in three key locations in the Aylesbury Vale area. It began as a partnership between 4 parties (Ministry of Housing, Communities and Local Government, Buckinghamshire Local Enterprise Partnership, Aylesbury Vale District Council and Buckinghamshire County Council).
- 2.2 A Year 5 evaluation of the EZ was undertaken in early 2021 and a new Implementation Plan has been prepared for the period 2021-26. The first 5 years (2016-21) has focused on EZ set up and establishment of development within the zone. The next period will focus on accelerating site development and providing greater business, skills, and inward investment support.
- 2.3 AVEZ was set up as an informal partnership under a Memorandum of Understanding (Appendix 1) that was signed in 2017 and lasted for 4 years. In December 2021 it changed its name to Buckinghamshire Enterprise Zone following agreement with government.
- 2.4 A MOU is a statement of serious intent that is entered into voluntarily by the respective parties. It has moral force but does not create legal obligations, unless it is expressly stated that it is to be a legally binding document. Now expired, the original MoU holds little weight and the EZ relies on the goodwill of the parties to continue working together, as they have done. The absence of a MoU could be problematic if there is an issue or disagreement between partners.
- 2.5 Given the passage of time and new local government and policy context since the original MoU it is important to refresh it with a new agreement to govern the EZ. BC officers have worked with EZ/LEP staff to review the MoU to identify the main provisions to be retained, updated, or removed in creating a new MoU.

### **MoU Financial Provisions.**

- 2.6 The basic principle of the original EZ MoU was that the councils would not be made financially worse off by loss of business rates receipts under the EZ arrangements than they would without the EZ designation.
- 2.7 Business rates from premises existing at 31st March 2016 in the designated EZ sites at Silverstone, Westcott, and Woodlands continue to accrue to the rating authority in the usual way. Business rates generated from new development completed after 1st April 2016 within the EZ is 100% 'ring fenced' for BLEP to apply, initially to the development of the EZ sites and then towards other growth priorities.



- 2.8 The body with the right to receive the EZ income over its 25-year lifetime is BLEP. As outlined above when the EZ was established in 2016 the councils (then AVDC and BCC) were concerned they should not be financially disadvantaged by creation of the EZ. It was agreed that provision to share 'Surplus' EZ income would be included in the MoU.
- 2.9 As at 31st March 2016 of the general business rates income generated in Aylesbury Vale AVDC retained 20% of gross business rates collected, and BCC retained 10% (9% directly plus 1% for Fire and Rescue). This combined 30% retention was the origin of the 30% 'Surplus' payment in the MoU to be allocated to the two Local Authorities. BLEP would retain 70% of 'Surplus' income.
- 2.10 However, the Council flagged to the EZ Board that the Council technically retains 50% uplift on business rates (with 1% relating to fire). The Council has maintained that this 50:50 split of EZ of 'surplus' income rates should be reflected in the new MoU thereby increasing the council's proportion from 30% to 50%.
- 2.11 The original MoU provided that the parties would only take their share of surplus income 'when and if it can be afforded and when approved EZ Implementation/Business Plan commitments have been funded.' It also specified the priority order for investment of retained business rates was to fund:
- a) priority infrastructure interventions identified within the AVEZ application, subject to due diligence and business case approval by the Strategic Board;
  - b) approved overheads and revenue costs;
  - c) further priority interventions for AVEZ infrastructure subject to approval of the business cases by unanimous agreement of the Strategic Board. This can include physical infrastructure and research, skills and business support programmes.
  - d) To fund BTVLEP local economic development priorities and Relevant Local Authorities' operational priorities.
- 2.12 The MoU's intent was that a 'Surplus' payment to BC or BLEP would arise only once EZ priority infrastructure interventions/commitments identified in the Implementation Plan, or other priority interventions approved by the EZ Board, had been funded.
- 2.13 The EZ Board supports the view that neither the LEP nor Council should take out a 'Surplus' payment at this time, enabling the EZ to continue investing in projects to maximise the potential to generate additional business rates, floorspace, jobs and GVA growth. Use of EZ funding to 'pump prime' development can be a powerful tool. It is therefore recommended that during the next 5-year EZ Implementation Plan period there is no distribution of 'Surplus' income as the EZ continues to create a critical mass of development to contribute to the economic recovery and growth of Buckinghamshire.

- 2.14 Reinvesting surplus income recognises that the main purpose of the EZ is to secure floorspace development to enable productivity and economic growth. Reinvesting EZ retained rates to 'pump prime' key projects in the early years of its 25-year lifespan supports this objective. To date the EZ has successfully delivered over 70,000m<sup>2</sup> floorspace with a further 60,000m<sup>2</sup> under construction (meaning combined delivery achieved by year 7 will be over 40% of total projected EZ floorspace). This rate of delivery enables faster capture of business rates, which in the longer term will provide increased income. In the next 5 years (as identified in the Implementation Plan) there is likely to be a need to provide further funding support to projects / infrastructure at Woodlands and Westcott to maintain accelerated development momentum and create conditions to maximise economic growth opportunities for Buckinghamshire.

### **3. Other options considered**

- 3.1 It is not considered feasible to continue in the current state as the original MoU has expired and therefore has no enforceable status and is inaccurate given changes in governance.
- 3.2 The proposed change to the split of surplus income between the Council and LEP is considered desirable to the council as it corresponds with the council's 50% retention of uplift on business rates (before government Tariff).
- 3.3 Alternative options would have been not to ringfence the surplus income in the next five-year business plan period. However the EZ has contingent liabilities of £8.2M from primarily prudential borrowing for delivery of projects in the first five year period which will need to be funded and continued ringfencing will enable the EZ to develop further and pump prime projects in the zone and promote economic growth.

### **4. Legal and financial implications**

- 4.1 The new MoU has been drafted by the council's Legal Service and is included at Appendix 1, and therefore ensures that the council's interests in the EZ will be preserved.
- 4.2 The council legal team identified areas for further consideration concerned with the governance arrangements in place for the BLEP and the Enterprise Zone. These were noted and set to be addressed by the ongoing economic governance review.
- 4.3 Legal services advised that the council should consider undertaking a review of the processes and procedures undertaken by BLEP in relation to subsidy control (new state aid regime) to ensure their processes were robust and comply with all relevant legislation.

## **5. Corporate implications**

- 5.1 The Enterprise Zone covering Silverstone, Westcott and Woodlands is a key foundation of our growth ambitions and hosts many of our important economic assets for the county which we are keen to support and nurture.

## **6. Local councillors & community boards consultation & views**

- 6.1 N/A

## **7. Communication, engagement & further consultation**

- 7.1 N/A

## **8. Next steps and review**

- 8.1 The MoU will be finalised along with the Enterprise Zone.

## **9. Background papers**

- 9.1 None

## **10. Your questions and views (for key decisions)**

- 10.1 If you have any questions about the matters contained in this report, please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by email [claire.phillips@buckinghamshire.gov.uk or [Mark.preston@buckinghamshire.gov.uk](mailto:Mark.preston@buckinghamshire.gov.uk)]



## Appendix 1: Buckinghamshire Enterprise Zone Revised Memorandum of Understanding

