

1. Purpose

- 1.1 To provide Members with an update on the arrangements for the establishment and operation of the Aylesbury Vale Enterprise Zone (AVEZ) and to seek authority to enter into a formal agreement with other AVEZ partners.

2. Recommendations/for decision

That Cabinet is asked to resolve:

- 2.1 Formal approval of the Enterprise Zone designation and proposed Governance and operating procedures, to be embodied in a Memorandum of Understanding (MOU) and supporting Partnership Agreement.
- 2.2 To delegate authority to the Director with responsibility for Finance in consultation with the Leader to finalise the terms of the agreement.

3. Executive summary

- 3.1 In the latter stages of 2015, working closely with public and private sector partners, Bucks Thames Valley Local Enterprise Partnership (BTVLEP) submitted an application for an Aylesbury Vale Enterprise Zone (AVEZ) with the support of AVDC, which was subsequently accepted by central government.
- 3.2 Enterprise Zones are an important part of the Government's programme to devolve responsibility for leadership of local growth and provide a powerful tool for areas to develop their local economy.
- 3.3 The award of the Aylesbury Vale Enterprise Zone stands as testament to positive partnership working between AVDC, BCC, BTVLEP, Silverstone Park, Westcott Venture Park and Arla Dairies.
- 3.4 Whilst the award of funding for the Enterprise Zone follows closely on the heels of the announcement of the Local Authority funding model also shifting to a rates retention model, the partners involved in developing our proposals have sought to develop a proposition which provides a win-win for all parties.
- 3.5 Businesses basing themselves on Enterprise Zones can access up to 100% business rate discount worth up to £275,000 per annum over a 5 year period. This benefit can only be offered up until March 2022, from which point the benefit will taper until the offer expires in March 2027.
- 3.6 In addition, Enterprise Zones benefit from 100% retention of business rate growth for LEPs to reinvest in development on the Enterprise Zones (through discussion and negotiation with partners).
- 3.7 For the LEP, Landowners and Local Authority Partners, Enterprise Zones will also continue to benefit from 100% growth of business rates retention for 25 years with 100% protection from any future reset or redistribution and as such, will sit outside the standard LA rates retention arrangements that will exist outside Enterprise Zones.
- 3.8 Business rate growth on an Enterprise Zone will not count towards an authority's business rate baseline income and, as a result, will not be used in the calculation for local authority top ups or tariff payments. Furthermore

EZ's business rate discounts and capital allowances that are fully funded by the Government will generate business rates income that would not otherwise have arisen.

- 3.9 Importantly, all of the Business Rates generated on the Enterprise Zone sites will be under the control of the Enterprise Zone's Governance Board. The District and County Councils will not automatically receive any proportion of the Business Rates generated on these sites (currently 20% to AVDC and 9% to BCC, 1% to Fire and Rescue) unless specifically negotiated as such.
- 3.10 Because of this fact, the outline submission to the Government (referred to below) included the prerequisite that neither authority should financially be any worse off from the creation of these Enterprise Zones. This is particularly important when it is considered that a significant proportion of the Vale's business rates growth over the next 2½ decades might have been located within these areas.
- 3.11 Following a series of negotiation meetings the draft agreement presented here does allow for the protection of the current council shares once the necessary costs of site investment and administrative costs are covered

4. The Aylesbury Vale Enterprise Zone comprises: (see Annexe 1)

- 4.1 The Space Related element of the **Westcott Venture Park** site. Only the Space Propulsion element of the site is covered by EZ status. This element of the site has not really seen any major development since the 1940s. It only concerns the Space Propulsion land, in recognition of the fact that this allocated land would attract the higher value knowledge economy type business and investment. Investment in the Space sector is currently heavily controlled by Government through the European and UK Space Agencies.
- 4.2 This leaves the rates from the remainder of the site with the Council, through the new arrangements government has established for LA rates retention.
- 4.3 Westcott has both the recognition and support of these agencies and BTVLEP has been working actively with the agency about some plans they have for investing in this site, ultimately re-positioning this site for the increasing opportunities arising from space exploration and travel, ensuring that this strategic site is more than just an historic WW2 Heritage site. On a positive note, AVDC are working closely with Westcott and a major space engineering company to locate to Westcott and hopefully will be established and up and running by March 2017. We are working with them currently on pre-application planning advice.
- 4.4 For the **Silverstone site**, it is only the currently **undeveloped site K** that is part of the Enterprise Zone which will help accelerate and bring forward the investment in the enabling infrastructure, where there is currently a gap. It will support the acceleration of the development of the site and attract businesses in earlier than would have been the case without the Enterprise Zone designation. Site K has outline planning permission for employment uses and a recent detailed planning permission on a first phase of development totalling some 11,000m² of new floor space.
- 4.5 On **Arla/Woodlands** the site includes a mix of consented and unconsented land something that was necessary to make the proposal viable. The consented element of the Enterprise Zone covers the Arla development and the unconsented element is being led by Buckinghamshire Advantage. This

site is intended to have a focus on Food and Drink, Health and Care related activities.

5. Governance of the Enterprise Zone

- 5.1 As far as the prospective governance framework for Enterprise Zones are concerned:
- 5.2 The guidance published ahead of the bid submission clearly stated that LEPs were the primary body responsible for overseeing the development of Enterprise Zones, but that they were expected to work 'closely with the local authorities in which the EZs were based';
- 5.3 In February 2016, the government provided a draft **Memorandum of Understanding** to move towards formal approval and operation.
- 5.4 Since then, the relevant parties have held a series of meetings to refine the form of the MoU to the point where they are generally content with its contents. Although this document will frame the key parameters for the Enterprise Zones, there is still a level of detail which will need to be agreed in terms of day to day operational arrangements and these terms will now fall to the Board to resolve, within the framework set out in the MoU.
- 5.5 The MoU is intended to be a flexible document which may have various iterations before the Enterprise Zones conclude after their 25 year term. The proposals contained here represent the first version and are intended to last until 2020. The agreement has to be signed by BTVLEP, the landowners and the local authorities.
- 5.6 BTVLEP Board will delegate the Aylesbury Vale Enterprise Zone management to the Strategic Board. This comprises the Aylesbury Vale Advantage Local Board local authority members plus a BTVLEP Board member and their Chief Executive. The Strategic Board will oversee 3 Operational Boards for each site, which will include the landowners. Each of the 4 members will have one vote each.
- 5.7 The MoU requires that one of the local authorities should act as an Accountable Body for the Enterprise Zones and as Aylesbury Vale District Council is responsible for collecting the Business Rates it has been agreed that it will assume this role.

6. This EZ Strategic Board will be responsible for:

- 6.1 Ensuring that the Aylesbury Vale Enterprise Zone is able to maximise the potential of this location to benefit Buckinghamshire.
- 6.2 Managing the delivery of the strategic vision.
- 6.3 Overseeing the marketing and co-ordination of development across the Enterprise Zone sites and monitoring the performance of the Enterprise Zone against key measures, including the fiscal and employment outcomes to be secured across the Zone.
- 6.4 Recognising that landowners may not want to get into open discussions with each other about their development pipelines and their financial models, a number of Operational Boards will be established, (overseen by the Strategic Board), centred on the individual sites.
- 6.5 The MOU sets out how monies will be allocated and defines the key elements of the final governance arrangements. These arrangements can be kept

under review and altered or renegotiated as the local situation changes. An agreement reached now could, for example, therefore be revised in full or part in 2020 when the arrangements for wider business rates devolution are expected to come into force.

- 6.6 The MoU brought to Cabinet for agreement is based on a distribution of retained business rates as follows;
1. To fund priority initial infrastructure interventions identified in the AVEZ application, subject to due diligence and business case approval by the Strategic Board. [This represents the initial investment required to remove the barriers currently preventing the sites from delivering accelerated growth]
 2. To fund the approved overheads and revenue costs of the Enterprise Zones
 3. To fund further priority interventions for AVEZ infrastructure subject to approval of the business cases by unanimous agreement of the Strategic Board. [This may be approved ahead of point 4, but only on the basis that all parties agree and there is a sound invest to save business case underpinning the proposal]
 4. To fund BTVLEP local economic development priorities and Relevant Local Authorities operational priorities in the proportion 70:30

7. Resource Implications

- 7.1 The allocation of resources set out in the previous section is designed to ensure that the local authorities will receive the same share of gain from business rates growth as currently happens under the Business Rates Retention system.
- 7.2 Under the current system 70% of business rates growth goes to the Government, either as central share or as a disproportionate growth share. Under the Enterprise zone designation all business rates are retained locally.
- 7.3 This retained share, after the initial infrastructure costs are financed and the costs of administering and promoting the Zones are met, will now be retained by the Buckinghamshire Enterprise Zone for funding economic infrastructure investment in accordance with their priorities.
- 7.4 Whilst not specifically ring fenced for Aylesbury Vale, the Chair of the Enterprise Zone recognised that as the majority of growth in Buckinghamshire would be centred on Aylesbury Vale he thought it would follow that the majority of Buckinghamshire LEP funding would follow the direction of growth accordingly.

8. Scrutiny Consideration

- 8.1 Economy and Business Scrutiny Committee considered the Enterprise Zone proposals at their meeting on 15th March 2016. Whilst not concluded at that time, the Committee was supportive of AVDC's Cabinet moving forward and formally approving a Memorandum of Understanding and supporting partnership Agreement for the establishment of the Aylesbury Vale Enterprise Zone.

9. Next steps

- 9.1 Once the MoU is signed by all parties the detail policies will need to be agreed in relation to the business rate discounts on offer and to whom they are offered, the operational budget requirements and the initial works programmes will also need to be understood, verified and validated.
- 9.2 Subject to reaching early agreement with landowners it is hoped to commence promotion and development of the sites as early as possible in 2016/17.
- 9.3 The National Enterprise Zone team led by Paul Spooner visited Aylesbury in April 2016. During a series of meetings he expressed his optimism for these sites and the strength of their development potential.

10. Supporting information

- 9.1 This is fantastic news for Aylesbury Vale. The approval of Enterprise Zone status provides an enormous boost to help us grow our existing businesses and attract and accelerate new investment in 3 strategically key sites and in key knowledge based manufacturing and technology sectors for the Vale in which the UK is a global leader.
- 9.2 Our application is one of only 4 new sites in the South East of England that has been approved and has helped to buck the trend of national investment into the “Northern Powerhouse.”
- 9.3 Further inward investment benefits will be realised beyond the 3 EZ sites, helping increase the total business rate revenue for the Vale and benefit the Council’s overall financial position.
- 9.4 Our ED strategy and BTVLEP’s Strategic Economic Plan (SEP) is to move away from a reliance on the service economy and replace the loss of former industry by the next generation of globally recognized high technology companies and engineering supply chains across the Midlands Engine and South East.
- 9.5 The proposal sets out our plans to establish Aylesbury Vale Enterprise Zone (AVEZ), covering three key strategic employment sites (**Silverstone, Westcott Venture Park and Arla/Woodlands**) but not Aston 41, all of which are co-located with nationally significant research/test facilities that could stimulate the development of a number of emergent ‘Plan for Growth’ sectors – High performance Technologies and motorsports, Space Propulsion and Environmental technologies and Food and Drink manufacturing and Human Health
- 9.6 The Enterprise Zone status will help unlock further significant private and national investment in the 3 sites including agencies such as the UK Space Agency who have already shown considerable interest in the Westcott Site and there are currently innovation hub European bids underway to support cluster and innovation activity on these sites.
- 9.7 In total, Enterprise Zone designation is being sought over the 96 hectares identified as being the most suitable for creating higher value uses at the three locations in question. In total there is potential for the creation of 8665 new direct jobs - the strength of our application is the quality of jobs being created.
- 9.8 Whilst Buckinghamshire is the highest ranking ‘significant rural’ innovative region in the whole of the our economy has also historically been characterised by the largest micro firm economy in the country; the highest proportion of firms with low levels of employment growth; the highest

proportion of out-commuting; and the third lowest level of new commercial office floor-space development

- 9.9 The scale and specialised nature of the development, the mix of uses and the highly strategic position, at the heart of the 'Golden Triangle' and at the centre of the 'Oxford to Cambridge Arc' will enable Aylesbury Vale Enterprise Zone to challenge internationally as a new major employment location during the full 25 year period.

Contact Officer Andrew Small ext 5507
Background Documents None

Attachments:

- Annex 1** - Enterprise Zones Site Designations (three separate site plans)
Annex 2 - Frequently Asked Questions
Annex 3 - Quarterly Management Information Reporting Requirements

ANNEXE 1

ENTERPRISE ZONE SITE DESIGNATIONS

SEE DOCUMENTS SEPARATELY ATTACHED FOR THE THREE SEPARATE SITE
PLANS FORMING THE ENTERPRISE ZONES

Frequently Asked Questions

1. What is an Enterprise Zone?

- 1.1 Enterprise Zones are single or multiple sites designated for business development which may offer business rate discounts or enhanced capital allowance for new businesses locating on the sites.
- 1.2 *“Enterprise Zone” means one or more sites which under the Regulations (as amended from time to time) are able to offer specific business incentives and permitted by the Secretary of State to market themselves as such.*

2. When was the application submitted to Government?

- 2.1 The application was submitted by BTVLEP by 18th September 2015, following discussion with the stakeholders and developers involved in the designated sites, and received notification of approval on the date of the Autumn Statement in November 2015.
- 2.2 *“Application” means the application for Enterprise Zone status submitted to the Secretary of State by the Local Enterprise Partnership by 18th September 2015 (as may be amended from time to time after the date of this agreement).”*

3. What is required to get them formally established legally and approved by our Council?

- 3.1 Enterprise Zones are designated as such by the Secretary of State with the agreement of the Chancellor of the Exchequer and operated by an Accountable Body in agreement with the Local Enterprise Partnership.
- 3.2 It is intended that AVDC and Bucks CC will be taking a Partnership Agreement and MOU paper to their Cabinets in April for formal approval and adoption.

4. What are the Governance arrangements and what is AVDC’s role?

- 4.1 This is something that needs to be agreed in the MOU, in line with the information set out in the body of the paper.
- 4.2 In order to finalise and agree the governance arrangements BCC, AVDC, and BTVLEP have agreed that a working group needs to be established which will draw in the landowners and other stakeholders as the proposal progresses. To pre-empt the outcome of these discussions would be highly risky and not allow partners to fully consider a range of potential options.
- 4.3 There will need to be Governance arrangements in place which will oversee strategic and operational decisions. This shall include representatives of each relevant local authority and shall meet at least quarterly (“**Governance Group**”).

5. What are the arrangements for the allocation and retention of business rate revenue and uplift?

- 5.1 The Enterprise Zone Strategic Board is generally responsible for deciding how business rates they collect from each Enterprise Zone might be used to support the further development of the Enterprise Zone although some elements of this may be delegated to third parties (like the Enterprise Zone Operational Boards) for expediency.

- 6. How does the operation of the Enterprise Zone and Business rates operate in practice and over what period?**
- 6.1 Central government will reimburse to the relevant local authorities the cost of providing each business occupying an Enterprise Zone site a 100% discount on business rates for five years up to the maximum state aid de minimis threshold.
- 6.2 For businesses that enter the zone before 31 March 2022 e.g. if a business enters the zone on 31 March 2022, it can receive the discount (subject to de minimis) until 30 March 2027.

ANNEXE 3

QUARTERLY REPORTING MANAGEMENT INFORMATION REQUIREMENTS

- Q1 What was the value of the retained rates that were reinvested in the Enterprise Zone in the last financial year?
- Q2 What was the value of the retained rates that were reinvested in the LEP area in which the Enterprise Zone is situated, including the amount in Q1, in the last financial year?
- Q3 What was the value of the borrowing against retained rates undertaken by the LEP accountable body or the EZ local authority in the last financial year?
- Q4 What was the change in the number of newly created jobs, excluding construction jobs, on the Enterprise Zone in this quarter?
- Q5 What was the change in the number of newly created construction jobs on the Enterprise Zone in this quarter?
- Q6 What was the change in the number of jobs that were safeguarded on the Enterprise Zone in this quarter?
- Q7 Was a Local Development Order introduced on the zone or a part of the zone this quarter?
- Q8 What was the change in the number of businesses that started trading on the zone this quarter?
- Q9 What was the value of any new public sector capital investment on the zone this quarter? Do not include borrowing against retained rates.
- Q10 What was the value of any new public sector revenue investment on the zone this quarter?
- Q11 What was the value of any new private sector investment on the zone this quarter (excluding non-monetary investment)?
- Q12 What was the value of any new private sector non-monetary investment on the zone this quarter, e.g. use of facilities, staff?
- Q13 What area of land was reclaimed and made ready for development on the zone this quarter?
- Q14 What commercial floorspace was constructed on the zone in this quarter?
- Q15 What commercial floorspace was refurbished on the zone this quarter?
- Q16 What was the market rate for leasing commercial floorspace on the Enterprise Zone as of the current date?
- Q17 What land sales were there on the zone this quarter?