

ENTERPRISE ZONE UPDATE ON PROGRESS

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).

2. Recommendations/for decision

That Scrutiny Committee is asked to:

- 2.1 Note the progress with partners regarding the formal establishment of the Aylesbury Vale Enterprise Zone.
- 2.2 Provide any comments to inform the preparation of April's AVDC Cabinet paper and supporting documents, which will be seeking 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.

3. Executive summary

- 3.1 In the latter stages of 2015, working closely with public and private sector partners, 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 40% to AVDC and 9% to BCC). However, it is possible to agree within the MoU and partnership agreement, that a proportion of the growth should still go to the local authorities, but this has to be negotiated and documented.
- 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 2 decades might have been located within these areas. It is estimated that AVDC might have benefited by anything up to £30 million in revenue terms over that timeframe from these sites (using existing calculation methodology). Agreement of the detailed terms of the MoU and inter party agreement will therefore be vitally important.

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 Each MoU will be a flexible document, with the initial proposals suggesting the first version should last until 2020. It will need to be signed by BTVLEP, the landowners and the local authorities (one of which will act as an accountable body for Enterprise Zones of the Local Enterprise Partnership). Discussion regarding who will perform this role is still subject to ongoing discussions but would ultimately be reflected in the MOU.
- 5.5 BTVLEP aspires to have formal approval of the MOU for the Enterprise Zone by AVDC Cabinet, Bucks CC Cabinet, the LEP and the landowners in place by April 2016.
- 5.6 Under this MOU, the LEP Board will be responsible for guiding the overall investment model for the Aylesbury Vale Enterprise Zone, although (for operational purposes) this is something they may be persuaded to delegate to another body.
- 5.7 In a number of other Enterprise Zones, this is something LEPs have delegated to a Strategic Board, comprising local authorities in which the EZs were based, landowners and a private sector LEP Board member (to provide an independent chair and an effective reporting line back to the LEP Board).

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 EZs have also established Operational Boards, centred on the individual sites.
- 6.5 The MOU will need to set out how monies will be allocated and 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 Separately, BCC, AVDC and BTVLEP have discussed the idea of a **Partnership Agreement** existing between BTVLEP and the Collecting Authority (hereinafter referred to as the Accountable Body) setting out the services to be provided by the Accountable Body and what kind of finance systems would sit around the arrangements. BTVLEP already has an Accountability and Assurance Framework that exists for all its investment decisions and a separate SLA with BCC for the provision of financial support.

7. **Resource Implications**

- 7.1 Evidence from past EZs suggests that one of the critical success factors is to resource it with a suitably qualified EZ member of staff. It is proposed to move quickly to appoint a suitably qualified EZ Manager with property and development related qualifications, which would be funded from the 'unallocated' rates income.

8. **Next steps**

- 8.1 The Government is now asking all partners to agree a Memorandum of Understanding for each Enterprise Zone.
- 8.2 In order for an MOU to be effective it needs to be agreed by all parties.
- 8.3 This will be accompanied by a **Partnership Agreement** between stakeholders
- 8.3 The National Enterprise Zone team led by Paul Spooner will be visiting Aylesbury in April 2016. With that in mind we should aim to have approval to the AVEZ MOU in place at both the LEP and Local Authority level by early April. Similarly, we should aim to reach early agreement with landowners to encourage early commencement in 2016/17.

9. **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 Mark Wathen ext 5064
Background Documents None

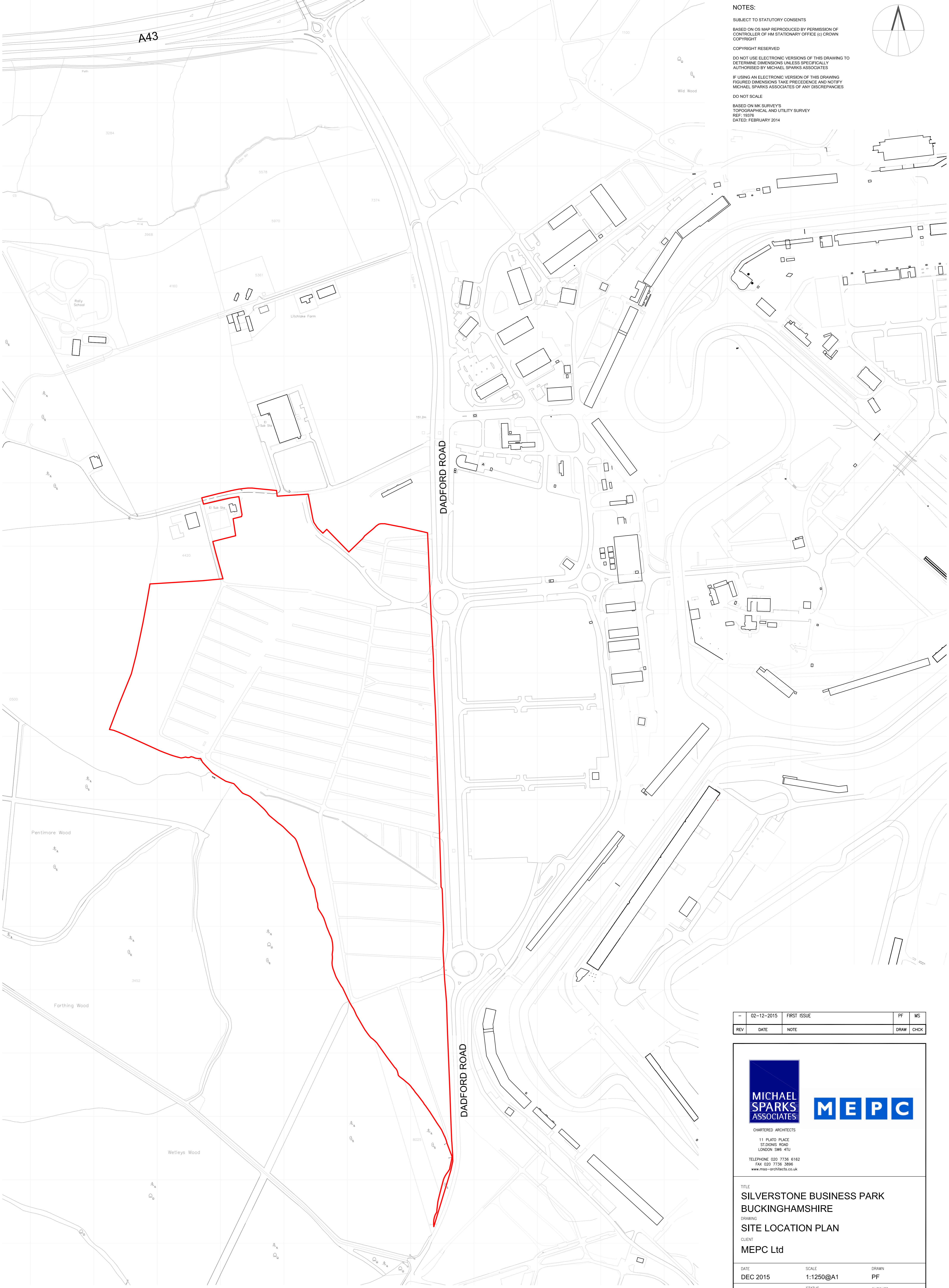
Attachments:

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

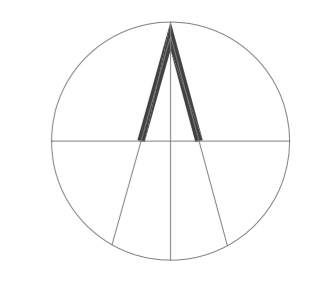
ANNEXE 1

ENTERPRISE ZONE SITE DESIGNATIONS

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



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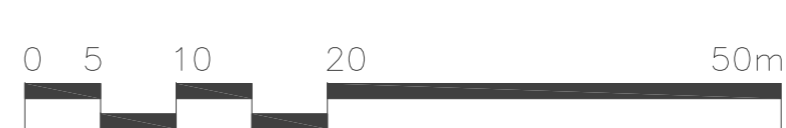
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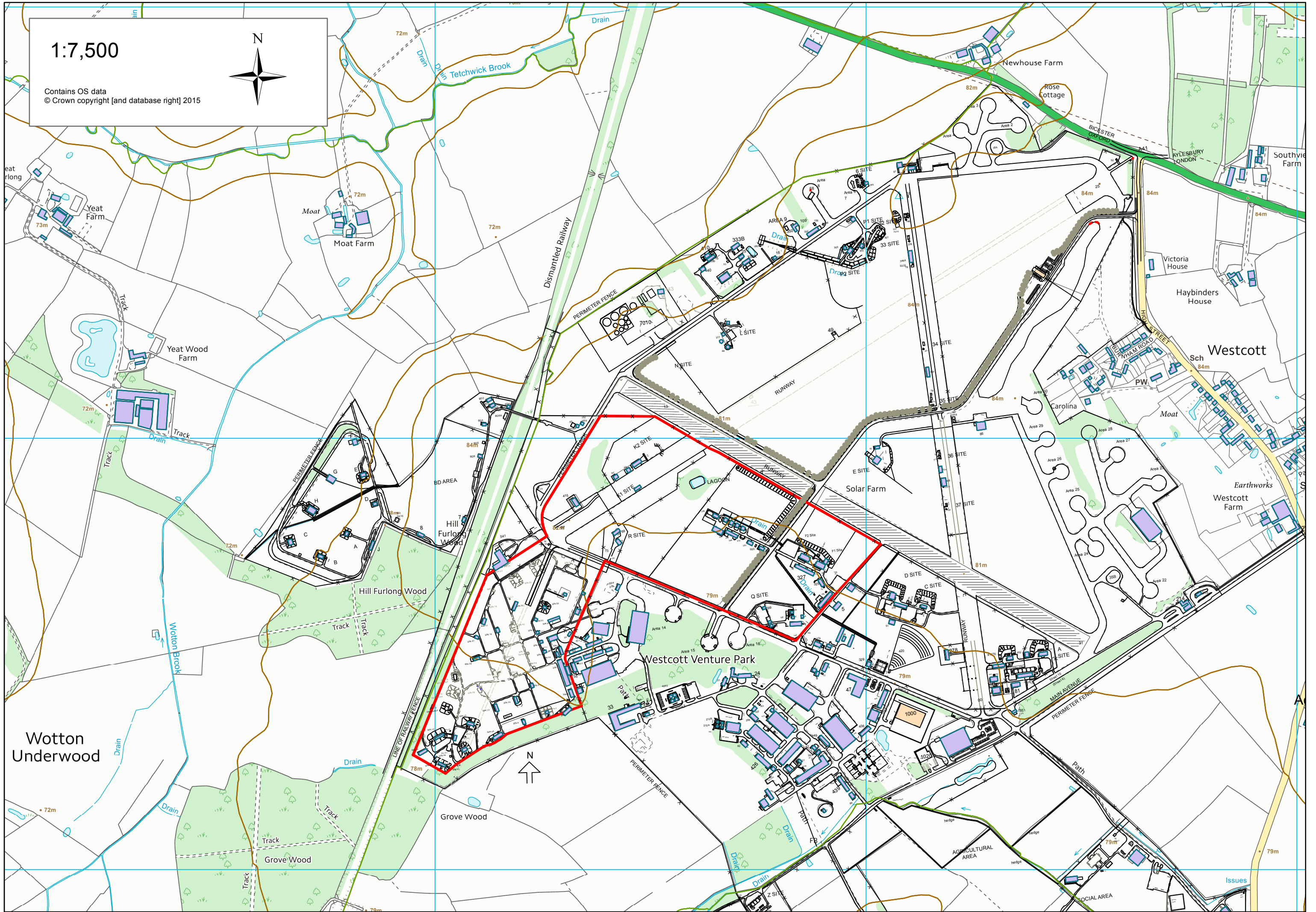
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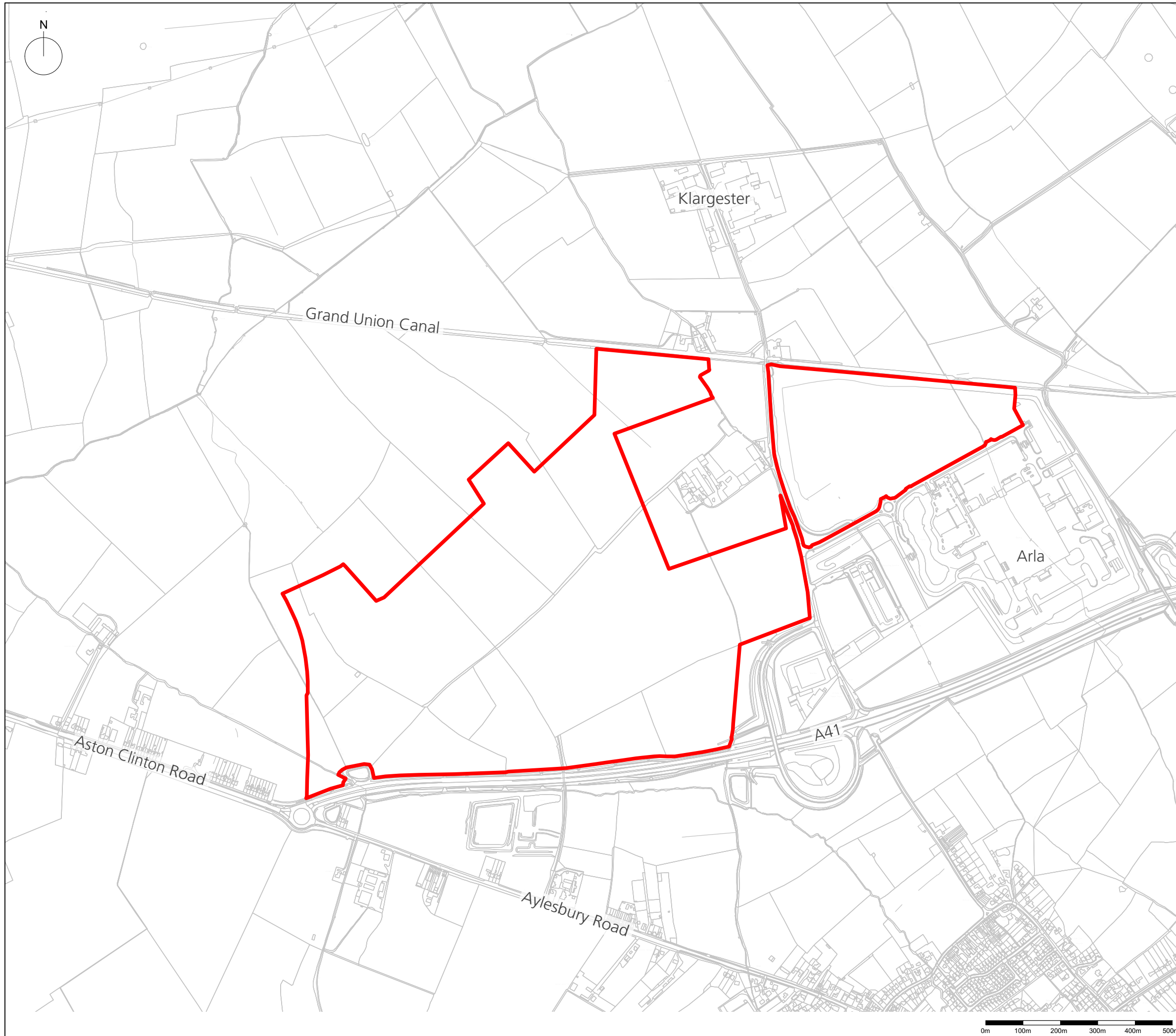
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 Business Rate Discount Area

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THE ENVIRONMENTAL DIMENSION PARTNERSHIP

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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?