

WIRRAL COUNCIL

CABINET

14TH APRIL 2011

SUBJECT:	ENTERPRISE ZONES
WARD/S AFFECTED:	ALL
REPORT OF:	INTERIM DIRECTOR OF CORPORATE SERVICES
RESPONSIBLE PORTFOLIO HOLDER:	CLLR HODSON
KEY DECISION? <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i>	YES

1.0 EXECUTIVE SUMMARY

- 1.1 This report sets out the detail regarding Enterprise Zones (EZ) following the announcement in Budget 2011 to designate Wirral Waters and Liverpool Waters as an EZ for the Liverpool City Region.

2.0 RECOMMENDATION/S

- 2.1 That Cabinet note the exciting announcement for Wirral and authorise Officers to engage as appropriate in the development process for the Mersey Waters Enterprise Zone.

3.0 REASON/S FOR RECOMMENDATION/S

- 3.1 The announcement of the EZ status for Wirral Waters is great news for Wirral Council and its residents as it will allow the area to realise potential to create the new business and jobs that that Wirral needs and deserves, with positive benefits across the wider economic area.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 On the 23rd March, the Chancellor announced in his Budget 2011 speech that Government would establish 21 new Enterprise Zones in Local Enterprise Partnership areas in England. Budget named the first 10 Local Enterprise Partnerships that would benefit from the Zones. A competition

for a further 10 Enterprise Zones in the remaining partnership areas was also announced. London will be empowered to designate its own zone.

- 4.2 'Mersey Waters' was announced following the Budget as the Liverpool City Regions designated Enterprise Zone. Mersey Waters encompasses both the Wirral Waters (East Float and West Float) and Liverpool Waters developments, the transformational regeneration programmes proposed by Peel Holdings.
- 4.3 This is fantastic news for Wirral and will provide significant opportunity for promoting investment and supporting business growth for the creation of local jobs.

SOMETHING FUNDAMENTALLY DIFFERENT

- 4.4 The policy behind this new generation of Enterprise Zones (EZ's) is different to previous EZ's. They will have some of the characteristics of previous zones but it is clear that these zones will be expected to deliver not only structural change, but transformational change.
- 4.5 This generation of Enterprise Zones are about allowing areas with real potential to create the new business and jobs that they need, with positive benefits across the wider economic area. The core offer is around simplified planning and business rates discounts in Enterprise Zones areas, with the capability to develop innovative roles to address specific local economic challenges.
- 4.6 They will not be driven at derelict or deprived area, but areas that have significant growth potential and a sustainable basis over a long term. They will therefore, be the catalyst for accelerated growth rather than straightforward regeneration. The Government expects new development and new opportunities.

LEP'S WILL BE THE UNIT OF CHOICE

- 4.7 Government are clear that Local enterprise partnerships, as business-led partnerships with a goal of driving sustainable economic growth across local economic areas, are ideally placed to drive Enterprise Zones forward.
- 4.8 LEP's are responsible for agreeing the location, sectoral focus – if any - and range of incentives within an Enterprise Zone. This will be an important means through which to minimise local displacement of businesses and business rates.

- 4.9 The Partnership's role will be to identify the barriers which are impeding the growth of the local economy and identifying necessary options from the menu on offer to overcome such barriers. Local enterprise partnerships will also be able to bring together a wider package of support, including working with local colleges, Work Programme providers and linking Enterprise Zones to current and planned infrastructure.

ENTERPRISE ZONES

- 4.10 In the information currently available, all Enterprise Zones will benefit from:
- A business rate discount worth up to £275,000 per business over a five year period
 - All business rates growth within the zone for a period of at least 25 years will be retained by the local area, to support the Partnership's economic priorities and ensure that Enterprise Zone growth is reinvested locally
 - Government help to develop simplified planning approaches for the zone using, for example, existing Local Development Order powers
 - Government support to ensure that superfast broadband is rolled out throughout the zone, achieved through guaranteeing the most supportive regulatory environment and, if necessary, public funding.
- 4.11 Further information is expected. Government will work with local enterprise partnerships on additional options, to suit local circumstances, including consideration of:
- Enhanced capital allowances for plant and machinery, in a limited number of cases and subject to State Aid, where there is a strong focus on manufacturing
 - Tax Increment Finance to support the long-term viability of the area
 - UKTI support for inward investment or trade opportunities in the zone.

BUSINESS RATES

- 4.11 The Localism Bill, currently before Parliament, contains provisions that will enable local authorities to introduce discounts on the rates bills of businesses in their areas. Subject to Royal Assent, local authorities should be able to grant such discounts with effect from April 2012. This has implications for Wirral and as such, will need to be brought back to Cabinet when more details are available.

- 4.12 Local authorities with an enterprise zone will provide discounts of up to 100% for every business within that zone, with the Government reimbursing the local authority the cost of the discount.
- 4.13 Discounts are limited by EU state aid law, up to a *de minimis* threshold of €200,000 over a rolling three-year period, the equivalent of approximately £55,000 per year. The relevant local authority will be required to ensure that businesses do not receive greater levels of support. Each business will receive discounts for five years from the start of its occupancy in the Zone, providing it enters the Zone by April 2015.
- 4.14 Businesses will therefore see a major reduction in their rates, and there will be no direct cost for those authorities who introduce the discount within an Enterprise Zone.
- 4.15 The benefits of a business rate reduction are numerous. Clearly the tax burden would be lower, but we also envisage that there would be a positive impact on business cash flow which could free up resources for further investment and/or employment. The discount will be instrumental in improving the economic performance of an area; delivering on commitment to localism; and promoting effective local authority/business relationships.
- 4.16 The Local Government Resource Review will consider proposals to allow authorities to keep their business rates and will deliver proposals by July 2011. A key objective of the Review will be to provide better incentives, through the business rates system, for local authorities to promote economic growth and benefit from the consequent growth in business rates.
- 4.17 Under the present system Wirral will collect Business Rates of around £60 million in 2011/12 which will be paid to the Government. The Government re-distributes this to authorities as part of the Local Government Finance Settlement with Wirral receiving £120 million. Therefore any proposals for authorities to retain Business Rates do need to include a methodology to ensure that authorities like Wirral are not disadvantaged.
- 4.18 Further reports on this will be brought back to Cabinet when more information is available.

TAX INCREMENT FINANCE

- 4.19 The Local Government Resource Review will also consider how, in the context of changes to the business rate system, Tax Increment Financing can be introduced. Tax Increment Financing will require, and be subject to, primary legislation.

- 4.20 Tax Increment Financing enables borrowing against future increases in business rate receipts to help fund the development of infrastructure. Authorities considering Enterprise Zones will want to consider how the proposals to allow them to keep business rates and deliver Tax Increment Financing schemes could support the development of the Zone. For example, LEP's may want to consider their ability to buy infrastructure that supports growth and encourages private sector investment directly.

SIMPLIFIED PLANNING

- 4.21 Enterprise Zone status will allow LA's to look at developing a simplified approach to planning, which should as a minimum cover the area zoned for business rate discounts. Local Development Orders are the most likely planning mechanism which can be used by local authorities to reduce planning control in Enterprise Zones.
- 4.22 Local Development Orders allow development to be undertaken without the need for planning permission to be obtained from the local planning authority. Local Development Orders can apply to a specific type of development or permit any development in a designated area, and may grant planning permission outright or with conditions.
- 4.23 Local Development Orders are already being used by local authorities to allow for certain physical development and change of uses to be undertaken in business premises without the need for specific planning permission to either encourage further growth or revitalise ailing areas.

BROADBAND

- 4.24 Government have committed to ensuring that all businesses in Enterprise Zones that need superfast broadband will have access to it, with public funding where necessary. The Government can play an important role in accelerating superfast broadband roll-out and it will invest over half a billion pounds over the next four years in order to create the best superfast broadband network in Europe by 2015. Superfast broadband is a key business enabler and Government will ensure that businesses in the flagship Enterprise Zones are not held up by lack of access to it. More information is required but Officers will ensure that the Councils investment in Next Generation Access scheme is complimentary with any broadband development within the EZ.

TIMETABLE

- 4.25 THE FIRST WAVE OF ENTERPRISE ZONES

- **March 2011– summer 2011:** The Government will work with the first wave of local enterprise partnerships announced in the Budget, to agree the detail of the vanguard Enterprise Zones, agree the specifics about the sites and policy packages.
- **Late March/Early April 2011:** Workshop at DCLG for the first wave of local enterprise partnerships.
- **May 2011:** Local planning authorities will need to start to establish local development orders, once the specific sites are agreed, to create a simplified planning zone.
- **By April 2012:** local authorities will have the power to discount business rates for specific businesses within the Enterprise Zone.
- **And by April 2013,** subject to the Government's consideration of proposals from the Local Government Resource Review, new funding arrangements will be available to local authorities, allowing them to retain business rates and to deliver Tax Increment Financing schemes to develop infrastructure in support of Enterprise Zone development.

5.0 RELEVANT RISKS

- 5.1 As the process for developing Enterprise Zones proposals becomes clearer, further reports will be brought back to Cabinet.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 Enterprise Zones were announced by the Chancellor in his Budget 2011 speech and Wirral Waters, along with Liverpool Waters was announced as the LCR designation the following day.

7.0 CONSULTATION

- 7.1 Enterprise Zones are a key part of Governments economic strategy to promote business growth and the creation of new employment opportunities in areas of opportunity. The LCR Local Enterprise Partnership have supported the Mersey Waters Enterprise Zone.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 No direct implications for the voluntary, community and faith sector have been identified as a result of the actions set out in this report.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 9.1 The financial implications will be identified as further information becomes available, particularly in connection with the issues in respect of Business Rates and Broadband.
- 9.2 The uplift in business rates within the Enterprise Zone will be shared by the Liverpool City Region Council's within the Local Enterprise Partnership (LEP) area and it is envisaged the LEP will decide where to invest this additional resource. The uplift in business rates within an Enterprise Zone area will not be solely retained by the Local Authorities of Wirral and Liverpool.

10.0 LEGAL IMPLICATIONS

- 10.1 There are no legal implications as a result of the announcement of Wirral Waters as an Enterprise Zone.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are no equalities implications arising as a direct result of this report.

11.2 Equality Impact Assessment (EIA)

- | | |
|---------------------------------------|-----|
| (a) Is an EIA required? | No |
| (b) If 'yes', has one been completed? | N/A |

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 None arising as a direct result of this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 13.1 Simplified planning is a key feature of the Governments Enterprise Zones proposals and as such, Officers will ensure that Cabinet and the relevant committees are fully briefed on developments as and when they arise.

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APPENDICES

REFERENCE MATERIAL

More information can be obtained by contacting Alan Evans

SUBJECT HISTORY (last 3 years)

Council Meeting	Date