

WIRRAL COUNCIL

CABINET

8TH DECEMBER 2011

SUBJECT:	ENTERPRISE ZONES
WARD/S AFFECTED:	ALL
REPORT OF:	ACTING DIRECTOR OF REGENERATION, HOUSING AND PLANNING
RESPONSIBLE PORTFOLIO HOLDER:	CLLR PHIL DAVIES
KEY DECISION?	YES

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Cabinet with an update on the progress made in implementing the Enterprise Zone status of Wirral Waters, setting out the discussions and negotiation with Government and the key activity identified within the implementation plan. The report brings to the attention of members a significant issue relating to business rate growth.

2.0 RECOMMENDATION/S

- 2.1 In April, Cabinet authorised Officers to engage in the development of Mersey Waters, which was announced as one of the 21 Enterprise Zones designated across England. This report outlines the progress made and asks members to:
- i. Sign off the draft Implementation Plan that is attached to the report and note the current position of the EZ and ongoing discussions with Government.
 - ii. Note the issues raised within the report regarding the current proposals as to how uplift in Business Rates within the Enterprise Zone will be managed and to work with Liverpool Council to further understand the implications and report back to Cabinet as appropriate.
 - iii. Agree to the establishment of an EZ board and agree the membership as proposed.

3.0 REASON/S FOR RECOMMENDATION/S

- 3.1 The announcement of the EZ status for Wirral Waters was very good news for Wirral Council and its residents as it supports the aims of the Investment Strategy to increase the number of Jobs in Wirral, with positive benefits across the wider economic area. The implementation of the

Enterprise Zone is of key importance to stimulating private sector investment in the Wirral Waters area.

- 3.2 The proposed local business rate retention model set out as part of the Local Government Resource Review is a critical factor to consider as part of the EZ proposals.
- 3.3 The proposals for a locally retained business rate model are not yet clear, but members are asked to note the potential impact of the business rate growth generated by Wirral Waters

4.0 BACKGROUND AND KEY ISSUES

- 4.1 In Budget 2011, Government announced it was to establish 21 new Enterprise Zones in Local Enterprise Partnership areas in England. 10 were announced, 10 were designated via competition and London designated its own. Subsequently, another Zone was designated taking the number to 22 (this was created following the BAE decision to reduce workforce).
- 4.2 'Mersey Waters' was announced following the Budget as the Liverpool City Regions designated Enterprise Zone. Mersey Waters encompasses both the Wirral Waters and Liverpool Waters developments, the transformational regeneration programmes proposed by Peel Holdings.
- 4.3 The policy behind this new generation of Enterprise Zones (EZ's) is different to previous EZ's. It is clear that these zones will be expected to deliver not only structural change, but transformational change.
- 4.4 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.
- 4.5 Government are working 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.
- 4.6 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.
- 4.7 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 the end of March 2015.
- 4.8 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.
- 4.9 The Chancellor announced in his autumn statement on the 29th November, that Mersey Waters will be one of the 6 Enterprise Zones awarded the Enhanced Capital Allowances status for a designated site within the West Float area of Wirral Waters. This is good news for Wirral and provides another tool to promote Wirral as an investment location.

5.0 LOCAL BUSINESS RATE RETENTION

- 5.1 Enabling local authorities to retain a significant proportion of the business rates generated in their area is intended to provide a financial incentive for them to promote local economic growth.
- 5.2 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.
- 5.3 Wirral expects to collect £60 million in Business Rates in 2011/12 which is paid into the national pool. Wirral receives £121 million in Government Grant from the re-distribution of the pool. If the Government proposals are implemented then Wirral will retain the Business Rates collected and receive a 'top-up' grant so that Wirral will receive the same business rates income in 2013/14 as for 2012/13.

- 5.4 Looking ahead the annual Local Government Finance Settlement which seeks to allocate Government support to those areas based upon need, will no longer exist in its current format. It would be for Wirral to meet any increased pressures from within the Business Rates collected locally plus the ‘top-up’ grant although the Government is proposing the option of re-setting the system if it was felt that resources were no longer meeting pressures within local authority areas. This could offer some protection to Wirral and others with low growth options.
- 5.5 It is difficult to quantify the impact on Wirral. This is because of the large number of uncertainties and unknowns in the draft proposals, for example how often the system will be reset has yet to be confirmed.
- 5.6 The Director of Finance has reported this to Cabinet on this matter (14 April 2011 and 22 September 2011 and 13th October). The Government intends to bring forward legislation later in this session with a view to introducing business rates retention from April 2013.

6.0 ENTEPRISE ZONES, BUSINESS RATE UPLIFT AND THE LEP

- 6.1 Whilst Enterprise Zones status provides important incentives to enable investment and catalyze developments such as Wirral Waters, it was LEP’s that were awarded EZ status rather than Local Authorities and there is a proposal that future business rates growth resources will be given to the Local Enterprise Partnerships (LEP’s) to spend on priorities to be set by the LEP.
- 6.2 The Liverpool City Region Local Enterprise Partnership (LEP) is made up of the six Local Authority areas namely, Wirral, Liverpool, Halton, Sefton, Knowsley and St Helens. The Leader of each Council is represented on the partnership along with equally balanced private sector representation. The Government guidance on LEP’s was that the Chair of the LEP should be somebody representing the Private Sector. At present, The Liverpool City Region LEP does not have an appointed Chair.
- 6.3 Any uplift generated from the Mersey Waters Enterprise Zone after 1st April 2012 has the potential to be redistributed by the Local Enterprise Partnership for a period of 25 years ie up until 1st April 2037 for use on local priorities.
- 6.4 The business rate ‘uplift’ generated by Mersey Waters is not yet known, however, due to the fact that the Wirral Waters and Liverpool Waters sites are largely unoccupied, the growth in business rates could be considerable.

7.0 LEP Priorities

- 7.1 Government have always been clear that obtaining the status of the Mersey Waters EZ was only possible on receipt of full support from the Local Enterprise Partnership (LEP). As one of the first designate zones in March 2011, this was achieved against a very quick turnaround time.
- 7.2 As of yet, the LEP has not produced a full list of priorities that it would wish to see supported, but obviously, the improved economic performance of the City Region is a key priority

8.0 ENTEPRISE ZONE BOARD

- 8.1 The Liverpool City Region LEP has proposed a Mersey Waters Enterprise Zone (MWEZ) governance structure that will consist of:
 - MWEZ Working Group
 - MWEZ Board
 - MWEZ Task & Finish Groups (as required).
- 8.2 This is subject to formal sign off from the relevant Local Authorities.
- 8.3 The EZ officer Working Group meets on a monthly basis and has a very good working relationship with Government departments. This is an established group and one which has been taking the day to day lead on EZ. The Acting Director of Regeneration, Housing and Planning is the Wirral's lead representative on this group.
- 8.3 The LEP Board proposed that a EZ Board should be established to provide ownership of the MWEZ (particularly during the early phases) but to avoid a structure that adds a further layer of bureaucracy. The LEP Board proposed the following representatives would make up the MWEZ Board:
 - X2 LEP Representatives – one representative to act as Chair
 - X1 Peel Representative (Lindsey Ashworth)
 - Leader & Chief Executive Liverpool City Council
 - Leader & Chief Executive Wirral Borough Council
- 8.4 The Board would act as the principal governing body for the EZ, supported directly by the Working Group but that the EZ Board will work closely, inform and align priorities with the LEP Board and the wider LCR Cabinet through progress updates.
- 8.5 It is proposed that the EZ Board and governance structures between the EZ and the LEP is reviewed as the EZ enters into the operational stage and this will be reflected within the Board's Terms of Reference.

9.0 RELEVANT RISKS

- 9.1 A risk register is being developed as part of the Mersey Waters implementation plan, however, members are asked to note the issues raised in this report outlining the recycling of any business rates 'uplift' generated by the EZ .

10.0 OTHER OPTIONS CONSIDERED

- 10.1 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. Wirral Waters is the most appropriate site for EZ designation in Wirral.

11.0 CONSULTATION

- 11.1 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 and appropriate consultation has been undertaken on the implementation of the EZ proposals.

12.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

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

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

- 13.1 There are no direct, quantifiable financial implications at this time, although further discussions need to take place in relation to how the business rate growth will be managed and any effect on Local Authority finance.
- 13.2 Existing staff time is being used to support the development of the Enterprise Zone.

14.0 LEGAL IMPLICATIONS

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

15.0 EQUALITIES IMPLICATIONS

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

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

16.0 CARBON REDUCTION IMPLICATIONS

16.1 None arising as a direct result of this report.

17.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

17.1 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
Cabinet - Enterprise Zones	April 2011