



Enterprise Zone Prospectus



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Enterprise Zone Prospectus

Budget 2011 announced that Government would establish 21 new Enterprise Zones in local enterprise partnership areas in England. Budget named the first 11 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.

This prospectus gives more information to local enterprise partnerships, local authorities and partners about the Government's Enterprise Zone programme. It will be of use both in relation to Enterprise Zones that were announced at Budget and for those local enterprise partnerships considering applying for Enterprise Zone status through the competitive process. It will also be useful to the Devolved Administrations, with whom the UK Government is ready to work to implement Enterprise Zones if they so wish.

Introduction

The Budget set out the Government's pro-growth agenda for enterprise. As part of this, the Government's Growth Review reports on ways that Whitehall can remove the barriers that get in the way of sustainable, private sector-led, growth.

Securing economic growth requires local business, the public sector and communities to be able to act decisively to increase prosperity. The Government is embarked on a radical reform programme to enable this and to increase the focus locally on driving up economic growth. This is a far-reaching programme that tackles key barriers to local enterprise:

- providing strong positive financial incentives for local authorities and communities to support and encourage local housing and business growth
- supporting local enterprise partnerships to establish collaboration between public and private sector and between different authorities so economic decisions are more business-led to have the maximum impact on growth
- substantial planning reform to ensure planning policy supports growth, and wider reductions in regulations to make it easier to get things done and to drive local enterprise
- greater financial flexibility locally so that there is greater scope to support local economic growth through new instruments such as Tax Increment Financing
- providing direct support through the Regional Growth Fund to give further help to areas where there are particular challenges or opportunities for local growth.

Enterprise Zones are a powerful expression of this reform programme. Within enterprise zones much of this reform programme will be made available for the first time. This demonstrates the need to make progress fast so that local areas drive forward enterprise now.

A modern day approach

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.

The new generation Enterprise Zones reflect the Government's core belief that economic growth and job creation should be led by the private sector. At the heart of these new Enterprise Zones is a desire to remove barriers to private sector growth through reduced burdens for businesses, particularly in terms of lower tax levels, planning and other regulatory and administrative burdens.

Learning from previous experience, this approach is about:

- **Opportunity** – focusing on areas of genuine economic opportunity, in order to maximise the positive effect that they have on the wider economic area. There are areas of real opportunity throughout the country. Targeting these opportunities to derive the maximum benefit for the wider economic area will be vital in supporting the Government's objective to achieve a balanced approach to growth.
- **Long-term viability** – involving business and local communities through local enterprise partnerships in the long-term success of the area beyond the initial period of Government business rate subsidy. The uplift in business rates receipts as a result of the introduction of the Enterprise Zone will be used by the local enterprise partnership for key economic priorities, related to the zone itself or elsewhere within the local enterprise partnership's boundaries.
- **Strategic fit** - local enterprise partnerships will have a key role in developing and implementing Enterprise Zones. In particular, we will look to the Partnerships to connect Enterprise Zones to economic priorities across the wider area. Government will offer a menu of options to Enterprise Zones to suit local economic needs, rather than a uniform central model.
- **Minimising displacement.** Competition is healthy. Competition for business between cities and other centres of growth should lead to an improved environment for business across the country. Competition to attract foreign inward investment will be most highly valued of all. We are however keen to avoid much more localised competition, resulting in local displacement to little benefit for the areas overall. Local enterprise partnerships will have a vital role in targeting the business growth that is genuinely additional in the area, including by identifying the priority sectors to be targeted.

The 11 Enterprise Zones named at budget focus on city regions and those areas that have missed out in the last ten years. Our major cities, and areas of significant untapped potential in places that have been dependent on the public sector, will be key to achieving sustainable growth. But other areas have potential for growth too, so today

Government is launching a competition to identify a further 10 Enterprise Zones in England. The locations of the second wave of Enterprise Zones will be decided on those proposals which offer the best prospect of increased growth.

London has both significant economic opportunity as well as high levels of need. Economic development policy in London is devolved. The Government invited the Mayor to bring forward proposals for an Enterprise Zone in the capital and we will work with him to implement this.

Defining an Enterprise Zone

Enterprise Zones will be geographically defined areas, agreed between the local enterprise partnership and Government. There is no single size for an Enterprise Zone, but there are clearly limits imposed by the levels of funding that Government has been able to set aside to support the Zones. The Government anticipates that most Enterprise Zones would be broadly 50 – 150 hectares, although this will depend on a range of factors, including the size of the area covered by the local enterprise partnership, the nature of the site, the size of business likely to be attracted, and the level of rates that would be foregone as a result. Similar constraints do not apply with all elements of the potential Enterprise Zones package however. There may be a strong case for extending simplified planning approaches beyond the area covered by a Government-funded business rate discount.

We also want to ensure that Enterprise Zones help to support genuinely additional growth and create new businesses and new jobs. The Government therefore envisages that Enterprise Zones will generally be based on 'clean' sites with little or no business occupants. Targeting such sites will reduce the risks of simply favouring incumbent businesses with little added value to the economy of the area.

Evidence suggests that single ownership of land could have had a significant effect on the success of earlier Enterprise Zones. Local enterprise partnerships may also wish to consider the potential to use public sector land assets to support Enterprise Zones. This might include former Regional Development Agency or other central Government assets for example, which would need to be transferred to local authorities at market price.

Eligibility

For the second wave of Enterprise Zones, only the local enterprise partnership, on behalf of all its partners, will be able to bid for an Enterprise Zone. The Government hopes that those areas currently not in a local enterprise partnership are able to bring to a conclusion discussions that are currently underway so that they are able to take advantage of the opportunities set out in the Budget with respect to Enterprise Zones.

In general, only one designation will be made per partnership. This will ensure that the local enterprise partnership is able to prioritise across a functional economic area and that small areas aren't competing against each other to attract other businesses within the same partnership.

For the local enterprise partnerships already announced at Budget, we will work with you to confirm the specific sites and packages best suited to promoting growth.

The role of local enterprise partnerships

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. Local enterprise partnerships cover, broadly, a 'functional economic area', and the partnerships can act as the coordinating centre for the constituent local authorities. The Government is looking for local enterprise partnerships to nominate the site of Enterprise Zones based on the economic rationale and potential of the zone.

The local enterprise partnership will need to agree 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. 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.

What local enterprise partnerships need to consider in bringing forward proposals

We are inviting short expressions of interest from all those partnerships not named in the first wave by the end of April – see the timetable at the end of this prospectus. The expression of interest stage will be light touch – we want to know firstly if you are interested in establishing an Enterprise Zone and secondly for an indication of any sites that you think may be suitable. Following that we will send out the key criteria against which all bids will be assessed. However, the sort of issues that Partnerships will want to consider include:

1. How your proposals will deliver genuine economic growth and employment, additional to that which would have been achieved in the absence of an Enterprise Zone, minimising displacement and deadweight costs
2. How many new businesses and additional jobs will your proposals create (with the Enterprise Zone itself and more widely across the functional economic area) and what is the estimated cost per job?
3. The barriers to growth you are facing and how do you intend to address them? What is the package of measures you could bring to the table to support this?
4. How do you intend to use the Local Development Order? Do you envisage promoting specific sectors through the Order?
5. What size do you envisage the zone as being; what is the mix (if any) of businesses within the zone and how much total commercial floorspace is envisaged? What are the advantages to the proposed size?

6. What are the links to the wider economy and opportunity, both in terms of existing infrastructure and how will the development of the Enterprise Zone benefit the wider community and economy.
7. Does the proposal have the full support of all the partners in the local enterprise partnership, including Planning Authorities?
8. How to ensure that the public purse doesn't pick up major long-term bills because of unsustainable planning pressures?
9. How will you ensure that incentives or subsidies encourage sustainable employment and business growth?

The menu of options

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 radically 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.

The annex gives further information on these elements of Enterprise Zones.

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.

Regional Growth Fund and the European Regional Development Fund

We intend to align the Regional Growth Fund and the European Regional Development Fund more closely in the second bidding round for the Regional Growth, currently planned for mid-April 2011. Local enterprise partnerships will want to consider how best they can make the link between Enterprise Zones and the two funds where relevant, and what else they, the local economic partnership, can do to support the Enterprise Zone. Further details on the Regional Growth Fund can be found on the Department for Business, Innovation and Skills website at <http://www.bis.gov.uk> and further details on the European Regional Development Funding can be found at the DCLG website on: <http://www.communities.gov.uk>

Timetable

THE FIRST WAVE OF ENTERPRISE ZONES

- **23 March: First 11 local enterprise partnerships to host enterprise zones to be announced**
- **24 March:** Four specific Enterprise Zone sites announced.
- **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.

THE SECOND WAVE OF ENTERPRISE ZONES

The Budget also announced that we want the remaining local enterprise partnerships to come forward with proposals for enterprise zones.

- **March – April 2011:** By the end of April we would like to receive short expressions of interest from the remaining partnerships.
- **Mid-April:** All partnerships outside of the vanguards invited to DCLG for a workshop on Enterprise Zones.
- **May** – Once we have received expressions of interest, we write to all interested Partnerships with the criteria against which worked up bids will be assessed.
- **May – end June:** Local enterprise partnerships will develop their proposals and submit them.
- **July:** Government will assess the proposals against the criteria prior to announcing the successful bids.

October – March 2012: Planning authorities will need to establish local development orders to cover the zones and Government will work with the successful partnerships to agree the specific package required to address the local economic challenge.

Please contact Alun Hughes (alun.hughes@communities.gsi.gov.uk) for further information or clarification.

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Annex A

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.

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.

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.

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.

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.

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.

The uplift in business rates receipts as a result of the introduction of the Enterprise Zone will be used to support the priorities of the local enterprise partnership. All business rate growth within the zone for a period of at least 25 years will be retained and reinvested in the local area, to support the local enterprise partnership's priorities.

Tax Increment Financing

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.

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, local enterprise partnerships may want to consider their ability to buy infrastructure that supports growth and encourages private sector investment directly.

Simplified planning

Enterprise Zone status is conditional upon putting in place a genuinely 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. Local enterprise partnerships sponsoring Enterprise Zone proposals will need to work with their constituent authorities to identify places where greater freedom from planning control could benefit growth, and bring forward Local Development Orders in these areas.

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. Planning authorities will therefore want to think about how they can use Local Development Orders to promote specific sectors to emphasise any comparative advantage that they may enjoy.

Local authorities already have the power to make Local Development Orders. There are four main stages involved - drafting the Local Development Order document itself, public consultation, notifying the Secretary of State, and adoption. Establishing an Local Development Order can be a swift process – from start to finish the process could take as little as two months.

Local Development Orders will support growth: the delay and cost of obtaining planning permission for development of commercial buildings can be a disincentive to business and therefore inhibit growth. The uncertainty of the planning process is also often cited as a disincentive to develop – businesses can be reluctant to invest time and money in the planning process when there is no guarantee that planning permission will be forthcoming.

In exempting certain development from the need to obtain specific planning permission, Local Development Orders can offer considerable benefits for business. Businesses will be able to proceed with the development permitted by a Local Development Order without needing to apply for specific planning permission, thereby saving on application costs and time delays. Perhaps most importantly, an Local Development Order can provide businesses with certainty that that development is acceptable and can be undertaken without the need for a planning application to be submitted.

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.

By aligning the Local Development Order with other incentives, such as Business Rate discounts and deregulatory offers, the Government has created a pro-growth package that will reduce the barriers that impede the private sector to deliver jobs and growth. And by

targeting specific areas with real potential for growth, these benefits can spread more widely to support key city-regions and other areas.

Broadband roll-out

We will ensure 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.

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