

**Report of Director of City Development**

**Report to Executive Board**

**Date: 7<sup>th</sup> March 2012**

**Subject: Enterprise Zone Update**

**Capital Scheme Number: 16494 / 000 / 000**

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): Temple Newsam, Burmantofts and Richmond Hill		
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: 10.4.3 Appendix number: C		

**Summary of main issues**

In June 2011 Executive Board considered a report on the selection, by the Leeds City Region Local Enterprise Partnership Board, of Leeds as host for an Enterprise Zone in the Aire Valley Leeds. Executive Board delegated to officers responsibility for developing the detail of the Enterprise Zone.

The Enterprise Zone provides targeted benefits to encourage companies to expand and to locate to Leeds and the zone in Leeds will include support for local people to access the jobs created in the zone. Provision is made in the new Localism Act for government to fund business rate relief through a locally administered Business Rates discretionary relief scheme. The Leeds scheme requires amending to include these provisions.

The council will provide funding support to deliver a new road which will enable public transport to link the Enterprise Zone with the adjacent East Leeds communities and this will be funded from business rates raised in the Enterprise Zone.

**Recommendations**

Executive Board is asked to:

1. approve the establishment of the Enterprise Zone in the Aire Valley Leeds with the benefits and support for companies and jobseekers identified in this report;

2. approve changes to the Business Rates discretionary relief scheme to authorise the delegated officer to approve applications for the discount for businesses located within the enterprise zone.
3. authorise the expenditure of £2.5m to support delivery of the spine road to the Logic Leeds site to be funded from business rates growth raised in the Enterprise Zone. This road will enable public transport links to East Leeds to be improved and enable local people easy access to the job opportunities created in the Enterprise Zone.
4. approve the contract heads of terms (included as confidential Appendix C) as the basis on which the funding will be provided to the developer of the Logic Leeds site and for Executive Board to delegate to the Director of City Development the responsibility for finalising the terms of the funding agreement.

## **1 Purpose of this report**

- 1.1 This report updates Executive Board on the Enterprise Zone in Aire Valley Leeds and provides details, for approval, on how the zone will operate and the benefits available to companies locating to the zone.

## **2 Background information**

- 2.1 In June 2011 the Leeds City Region Local Enterprise Partnership selected the proposal from Leeds to host a new Enterprise Zone in the Aire Valley Leeds. A map showing the Enterprise Zone is included as Appendix A to this report. In July 2011 the government announced their approval of the proposals for the Leeds enterprise zone and since then civil servants have been advising officers on the processes required for the zone to go live from April 2012.
- 2.2 The Enterprise Zone comprises four adjacent sites along the East Leeds Link road (the A63 Pontefract Road) where, from April 2012 to March 2015 a range of benefits will be available to companies moving to the zone. The main benefits have been set by government and include: business rate relief; simplified planning; and high speed broadband. The Department for Communities and Local Government is promoting the Enterprise Zone programme as part of the government's plan for growth.

## **3 Main issues**

- 3.1 The Enterprise Zone offers the city with a unique opportunity to promote business growth, increase economic activity and boost jobs. It is proposed that Leeds will implement the core benefits set out by the government and enhance them by offering tailored support for companies moving to the zone. A package of business support and assistance with recruitment and training will be made available to the companies to promote their economic sustainability and secure jobs opportunities for local people.
- 3.2 The Aire Valley Leeds Enterprise Zone aims to attract growing companies in key sectors in manufacturing and logistics. The zone is especially targeting modern manufacturing companies in medical technologies, food production and packaging, and engineering companies involved in low carbon energy machinery.
- 3.3 The zone is central to the Leeds City Region with excellent highways links to the motorway network and Leeds city centre. The zone will be implemented in partnership with a small number of private sector developers who can offer tailored packages of development and construction support. A joint marketing approach with the developers will promote the zone to local, national and international markets to attract companies to locate to this premier location.
- 3.4 The Enterprise Zone will implement the government's scheme for business rate relief. The powers for this will be provided under the Localism Act 2011. The effect will be that companies in the enterprise zone will be eligible for business rate relief for a period of five years based on their operating from a rateable premises in the zone between April 2012 and March 2015. The funding will count

as State aid and eligibility is therefore dependant on the individual circumstances of the company. The maximum relief is set at the level for State aid which the law disregards which will be £55k per year and this will provide a total of £275k over five years. Companies will therefore be able to claim 100% business rate relief up to £55k per year.

- 3.5 Applications for discretionary rate relief are considered by The Chief Officer Revenues and Benefits with reference to the guidelines agreed by the Executive Board. It is proposed that all applications from eligible businesses within the enterprise zone be awarded the maximum level of discount available under the new discretionary relief powers.
- 3.6 It is proposed that the following be added to the current guidelines for the award of discretionary rate relief. The existing scheme is included as Appendix B.

***“Enterprise Zones***

*The Council will offer relief to organisations which are located within the Leeds enterprise zone.*

*The amount of relief offered will be the full business rates up to a maximum of £55,000 per year.*

*The relief will be awarded for a period of five years from the date of entry into the zone, provided that this is before 1<sup>st</sup> April 2015.*

*Any application for relief must include a statement to the effect that the organisation is not in receipt of any other form of de minimus State Aid, or a statement of the monetary value of any such aid.”*

- 3.7 The government has committed that all business rate growth in the Enterprise Zone for a period of at least twenty five years will be retained by the local area to be spent on locally agreed priorities. In practice the Local Enterprise Partnership is expected to determine how this funding is used. One hundred per cent of the increase of business rates raised in the Enterprise Zone can be retained and will be dealt with outside of the core system brought in from 2013 for the localisation of business rates.
- 3.8 The Council is developing a range of measures to simplify planning in the Enterprise Zone to make development quicker and more cost effective. The council will introduce a number of Local Development Orders, the first of which is dealt with elsewhere on this agenda, and will assist the developers by signing planning performance agreements.
- 3.9 High speed broadband is being encouraged by government as part of its plan to encourage business growth. £6.34m government funding is available to support the vision to ensure that 90% of the premises in the district has access to high speed broadband and established BDUK to support a public sector intervention programme in cases of market failure. The Leaders of the Leeds City Region local authorities have agreed in principle to match fund the government funding and are currently determining how the funding can be used to ensure adequate

super fast broadband coverage. The Enterprise Zone is a key priority for this implementation programme.

- 3.10 The Aire Valley Leeds Enterprise Zone is made up of 142 hectares of employment land in a sequence of sites to accommodate significant growth in jobs for the region. In the first three years the zone should deliver up to 3,000 new jobs and over time this could rise to 7,000 jobs. Success in the zone will help companies elsewhere and these supply chain benefits could add 2,000 additional jobs across the city region.
- 3.11 The Newmarket Lane site and parts of the Thornes Farm site are owned by the Council and provide serviced sites ready for development. The sites will be marketed to attract local companies looking for growing space as they can deliver new premises for small to medium sized buildings to very short timescales. The Logic Leeds and Temple Green sites are new employment sites and will need infrastructure works before new buildings can be constructed. They provide large scale opportunities for major expansions and new investments for the region and will be marketed to attract national and international investments.
- 3.12 It is proposed that the Council supports development on the Logic Leeds site by providing funding to Muse Developments Ltd so that it can be brought into production at the earliest opportunity. The site is bounded to the west by the Wyke Beck. This watercourse has been the subject of significant flood events upstream, notably flooding in the Dunhills three times in four years between 2004 and 2007. These events led to a review of the flood risk associated with the beck which has a major impact on the development cost and potential of the Logic Leeds site. An engineering solution has been agreed which will control the flood risk including a new flood relief channel and flood water storage on site. In addition more land is set aside and will not be suitable for development because of the continuing flood risk in the low lying areas next to the Beck. This combination of risks have restricted the ability to bring forward the infrastructure works needed before new buildings can be built.
- 3.13 It is proposed that the Council supports the development of the Logic Leeds site so that the infrastructure works package starts early and so that public transport can support access to the new jobs for the residents of East Leeds. Road and particularly public transport links from Aire Valley Leeds to East Leeds are currently poor. The development of the Logic Leeds site will provide a new access from the East Leeds Link road to Halton Moor and this will enable bus services from across East Leeds to run through to the Enterprise Zone. This will mean that travelling to the zone from a large part of East Leeds would be much simpler making it easier for people in those areas to travel to work in the Enterprise Zone.
- 3.14 Provision was made to inject £2.5m for this scheme into the capital programme agreed by Executive Board in February 2012. Executive Board is asked to authorise the expenditure of this sum to support the design and construction of the road and associated fees. The Council will use its prudential borrowing powers to provide the funding for the scheme and the cost of repaying the borrowing costs will be met from the business rates growth in the Enterprise Zone.

The LEP board has agreed that the council can retain the initial business rates raised by the scheme to pay the borrowing costs of the investment in the road.

- 3.15 The spine road will be built by the developer Muse Development Ltd in phases during the course of the development of the Logic Leeds site. The council's highways design and engineering teams will verify the site design and implementation as part of the overall capital scheme for the road. The council will make staged payments as sections of the road are completed. The programme for delivery of the road is currently set out as shown in the following table and changes will be agreed between the council and the developer.

<b>Development phase</b>	<b>Phase Start</b>	<b>Phase End</b>
Phase one	08/2012	11/2012
Phase two	12/2013	03/2013
Phase three	04/2013	07/2013
Phase four	08/2013	11/2013

- 3.16 It is proposed that the terms for the funding are incorporated within the section 38 agreement for the construction and adoption of the road. The funding for the developer will be provided solely for the design and construction of the road and will be repayable from overage achieved on the sale of plots on the development. The funding will be provided as staged payments through the development and will be secured by way of a company guarantee. The developer will be obliged to start the development of the site to an agreed programme and to indemnify the council against State aid compliance risk. The Council's Legal Services have reviewed the State Aid risk and have advised that it is unlikely that the funding will be considered to be unlawful in State Aid terms. The detailed heads of terms for the agreement are included as a confidential appendix to this report (Appendix C).
- 3.17 Executive Board is asked to authorise the spend from the capital programme for the provision of funding for the Logic Leeds spine road, to approve the Heads of Terms for the funding for the spine road and to delegate responsibility to the Director of City Development to agree the final contractual terms for the funding which will be in line with the approved Heads of Terms.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Consultation on the Enterprise Zone has taken place with stakeholders and elected members. The Aire Valley Leeds Programme Board has considered and supported the proposed implementation of the zone and will continue to monitor efforts to attract and support companies and to ensure local people have access to the new jobs.
- 4.1.2 Ward Members for the affected wards have been consulted and supported the proposals for the zone.

## **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 To comply with the Equality Act 2010 it is required that any impacts the Enterprise Zone policy has on protected groups are monitored.
- 4.2.2 An equality impact assessment screening document has been produced and the key findings show that in order to promote equality of opportunity the Council's Employment Leeds team have developed an Employment & Training Strategy to be delivered as part of the Aire Valley Leeds Enterprise Zone programme.
- 4.2.3 Employment Leeds provides support to any employer looking to expand, invest or develop in Leeds. To compliment the Employment Leeds' services, and to get people ready to take advantage of local job opportunities, outreach teams are working in those localities across the city with most unemployment. This targeted approach is informed by the ongoing use of local intelligence of the East Leeds communities including Halton Moor and Osmondthorpe.

## **4.3 Council policies and City Priorities**

- 4.3.1 The Enterprise Zone contributes to the council's Growth Strategy and its strategic objectives to be recognised as the best city for business. The zone will assist with Leeds becoming a city where: significant new job opportunities are created; businesses are supported to start up, innovate, thrive and grow; people choose sustainable travel options; and we all benefit from a low carbon economy.

## **4.4 Resources and value for money**

- 4.4.1 The proposed amendments to the business rates relief guidelines will not result in an increase in the cost of discretionary rate relief to the authority as the cost of the relief to businesses within the enterprise zone will be fully met by central government.

#### 4.4.2 Capital Funding and Cash Flow.

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2011 £000's	FORECAST				
			2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2011 £000's	FORECAST				
			2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	2180.0		1500.0	500.0	180.0		
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	320.0		320.0				
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>2500.0</b>	<b>0.0</b>	<b>1820.0</b>	<b>500.0</b>	<b>180.0</b>	<b>0.0</b>	<b>0.0</b>
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2011 £000's	FORECAST				
			2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015 on £000's
Departmental USB	0.0						
Corporate USB	2500.0		1820.0	500.0	180.0		
Any Other Income ( Specify)	0.0						
<b>Total Funding</b>	<b>2500.0</b>	<b>0.0</b>	<b>1820.0</b>	<b>500.0</b>	<b>180.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

#### 4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Council is implementing the Enterprise Zone in order to improve the economic social, environmental and conditions for the people of Leeds by attracting new jobs, improving economic performance and delivering a quality working environments.
- 4.5.2 The Enterprise Zone will be set up under the council's well being powers in order to implement the governments Enterprise Zone policies. The arrangements for business rates for the zone will be made under the Localism Act 2011.
- 4.5.3 Approval for amendments to the guidelines for discretionary rate relief requires approval by the Executive Board. Although such guidelines are not a legal requirement they are essential in ensuring consistency of approach in assessing applications for discretionary rate relief.
- 4.5.4 The detailed heads of terms for the funding for Logic Leeds are included as confidential Appendix C to this report. This appendix is confidential as it contains information which relates to Muse Developments Ltd as a business and its release would prejudice their commercial interests and withholding the information is considered to outweigh the public interest benefit or its release.



4.5.5 The report is subject to call in.

## **4.6 Risk Management**

4.6.1 The provision of funding support for the Logic Leeds site carries a range of risks associated with the development and delivery of the road. The main risks for the council relate to the delivery of the road in the event that development does not take place or the road cannot be delivered. The council will obtain security and protection for the funding through the agreements it will reach with the developer. The road will pass to the council as an adopted highway once it is completed.

## **5 Conclusions**

5.1 The Enterprise Zone provides a strategic opportunity to boost jobs and economic performance in the city and assist with the economic prospects for the Leeds City Region. The zone will provide benefits to companies locating to Leeds and the council with partners will ensure that access to the new jobs is made available to local people.

5.2 By supporting the Enterprise Zone the council is assisting with local economic recovery prospects. By providing support to the Logic Leeds site the council is facilitating the delivery of one of the key sites in the zone and enabling local people from East Leeds to access the new jobs in the zone.

## **6 Recommendations**

6.1 Executive Board is asked to:

6.2 approve the establishment of the Enterprise Zone in the Aire Valley Leeds with the benefits and support for companies and jobseekers identified in this report;

6.3 approve changes to the Business Rates discretionary relief scheme to authorise the delegated officer to approve applications for the discount for businesses located within the enterprise zone;

6.4 authorise the expenditure of £2.5m to support the delivery of the spine road to the Logic Leeds site to be funded from business rates growth raised in the Enterprise Zone. This road will enable public transport links to East Leeds to be improved and enable local people easy access to the job opportunities created in the Enterprise Zone; and

6.5 approve the contract heads of terms (included as confidential Appendix C) as the basis on which the funding will be provided to the developer of the Logic Leeds site and delegate to the Director of City Development the responsibility for finalising the terms of the funding agreement.

## **7 Background documents<sup>1</sup>**

7.1 Executive Board report June 2011

7.2 Enterprise Zone Prospectus is found at  
<http://www.communities.gov.uk/regeneration/economicgrowth/enterprisezones>

7.3 Equality Impact Screening Form

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<sup>1</sup> The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.