

**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 13 DECEMBER 2016**

**REPORT OF: MR PETER MARTIN, DEPUTY LEADER**

**LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR FOR ENVIRONMENT AND INFRASTRUCTURE**

**SUBJECT: M3 ENTERPRISE ZONE**



### **SUMMARY OF ISSUE:**

Enterprise Zones (EZs) are an initiative to support business growth, create new jobs and attract private sector investment to specific areas. Within the designated EZ boundaries newly located or expanded businesses are able to benefit from financial incentives, including reduced business rates. Business rate growth accruing from these new businesses is used for investment to support the EZ.

The Government announced applications for a new round of EZs in July 2015. This was aimed at ensuring that all Local Enterprise Partnership (LEP) areas could benefit from an EZ and local authorities were encouraged to work with LEPs to develop bids.

Enterprise M3 LEP, in partnership with Basingstoke Borough Council, Runnymede Borough Council and East Hampshire District Council, submitted a successful application to Government for a multi-site EZ covering: Basing View in Basingstoke, Longcross Park in Chertsey, and Whitehill and Bordon's Louisburg Barracks.

The M3 EZ will start in April 2017 and last for 25 years. Government require a 5 year Implementation Plan setting out an investment programme to accelerate growth in the area and enable a greater business rates uplift. There is a Programme Steering Group overseeing the development of the EZ of which Surrey County Council is a voting member.

### **RECOMMENDATIONS:**

It is recommended that:

1. Surrey County Council gives consent for Enterprise M3 to sign the Agreement for the M3 Enterprise Zone with Government on the basis of the principles set out at Annex 1.
2. Surrey County Council and Runnymede Borough Council establish an MOU on agreeing the local initiatives for the Longcross site that are to be funded from the portion of retained business rates allocated to local authorities.
3. Surrey County Council, along with each of the other local authorities involved, makes a one-off contribution of £20,000 to co-fund the Enterprise Zone Programme Director position and consultancy support. The contribution would

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be found from the Surrey Growth Fund.

### **REASON FOR RECOMMENDATIONS:**

The M3 EZ is a major opportunity to support economic growth on one of the largest available sites for commercial development in Surrey and to secure additional investment in the area. Over 25 years the ambition is for the EZ to deliver over 200 new businesses and over 10,000 new jobs and to generate an additional £178 million in retained business rates. The specific ambition for the Longcross site is for 49 new businesses, 5600 new jobs and 118,000 sqm of new floor space with the development generating £8.5bn in additional GVA over the 24 year construction and operational period.

The Programme Director will provide the dedicated leadership needed given the complexity of developing a multi-site zone. The Government requires an Implementation Plan for the EZ which needs specialist input alongside the LEP and the local authorities and two consultancy firms with experience of other EZs have been brought on board to make sure that the approach maximises income and has a well targeted investment programme. Successful implementation of the EZ requires support from all the relevant Local Authorities and agreement between SCC and Runnymede about the infrastructure and other interventions that are needed to maximise development on the Longcross site will ensure that the package of measures is well targeted.

### **DETAILS:**

#### **M3 Enterprise Zone**

1. Enterprise M3 LEP, in partnership with Runnymede Borough Council, Basingstoke Borough Council and East Hampshire District Council, successfully submitted a proposal to Government for the second wave of Enterprise Zones (EZ). The multi-site Enterprise Zone, covering Longcross in Runnymede, Basing View in Basingstoke and Louisville Barracks in East Hampshire, will support economic growth, attracting new companies to the area and generating new jobs.
2. Enterprise Zones are geographically defined areas that offer a range of incentives to encourage private sector investment, including business rate relief. All business rate growth in the EZ area is retained locally for investment in place building schemes and infrastructure projects.
3. The Enterprise Zone will start from April 2017 and last for 25 years.
4. This paper sets out the role for Surrey County Council as a partner in the M3 Enterprise Zone, including the formal agreements needed to ensure that the requirements of the Government guidance are met.

#### **Enterprise Zone Agreement**

5. The Department for Communities & Local Government (DCLG) require every EZ to put in place 'local arrangements' that set out the local principles underpinning the Government's guidance. This is a formal Agreement between the LEP and DCLG and sets out local principles to govern the way that the

Enterprise Zone in the local area is to be organised and in particular the business rate collection and associated expenditure.

6. These local arrangements need to be signed by each of the Local Authorities and the LEP. Surrey County Council, as a formal member of the M3 EZ Steering Group, has provided considerable input to the development of the local principles that will underpin the development of the EZ. These principles cover amongst other things minimising displacement of businesses from another area, including other parts of Surrey, into the EZ solely to take advantage of the available incentives. To be eligible for the incentives, any firms locating in the EZ must be intending to expand or consolidate their operations.
7. DCLG guidance for EZs also requires a five year Implementation Plan to be agreed by the Local Authorities, the LEP and other key stakeholders. The purpose of the Plan is to accelerate delivery and growth of the area and enable a greater increase in business rates over the life cycle of the EZ.
8. EZs sit outside the business rate retention process and have legislative protection for 25 years against any future reset or distribution. They 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.
9. Government guidance indicates that all business rates growth within the EZ for a period of 25 years should be retained by the LEP, to support the Partnership's economic priorities and ensure that Enterprise Zone growth is reinvested locally.
10. Enterprise M3 has agreed that the initial distribution of Business Rates growth will be on the basis of 50% / 50% between the Local Authorities and the LEP for place shaping and major infrastructure investment. This means that Runnymede Borough Council and Surrey County Council will have responsibility for investing that portion of retained business rates in the local area.

#### **MOU with Runnymede Borough Council**

11. Surrey County Council and Runnymede Borough Council will develop an MOU to agree the principles for investing their proportion of the locally retained business rates.
12. The retained business rates should support local initiatives, including infrastructure projects. These can be outside the formal boundary of the EZ if they will support its operation.

#### **Co-Funding the M3 Enterprise Zone Programme**

13. To support the development and on-going effectiveness of the Enterprise Zone, the Steering Group has agreed to recruit a Programme Director and to procure external consultancy support to develop the Implementation Plan. This is up front cost and needs to be supported.
14. Surrey County Council, along with all seven Enterprise Zone partners, has been asked to make a one-off contribution of £20,000 to establish a fund of £140,000 to meet these costs. The EZ partner contributions have been

identified as match funding for a bid to Government to secure some further capacity funds. The Surrey County Council contribution will be funded from the Surrey Growth Fund.

15. The Implementation Plan will include:
  - a. An agreed Economic Vision for the EZ area;
  - b. Full financial modelling to set out the likely growth in business rates; and
  - c. A detailed investment plan, including proposals for the reinvestment of the retained business rate growth.
16. The Implementation Plan will be completed by February 2017 and submitted to Government in March.

#### **CONSULTATION:**

17. The proposals in the report have been discussed with the Leader, Deputy Leader, Chief Executive and the Deputy Chief Finance Officer; with the Chief Executive of Runnymede Borough Council and the Director of the Enterprise M3 LEP.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

18. There are no specific risks to SCC from the operation of the EZ. The work now being undertaken on the infrastructure investment delivery plan and an Outline Business Case for investment in infrastructure provision and other strategic interventions will include detailed cost assumptions for proposed interventions and their relationship with new investment and development for the multi-use Enterprise Zone. Clear outcomes for job creation and business rate growth will also be determined so that the final Implementation Plan will be based on assessment of different interventions and the risks and opportunities associated with them. At that point a formal risk register and mitigating actions that address risks of delay, cost variances or shortfalls in funding for investment will be completed.

#### **Financial and Value for Money Implications**

19. The contribution towards the M3 EZ programme will be found from the Surrey Growth Fund. The total contribution will amount to £20,000. The specific ambition for the Longcross site is for 49 new businesses, 5600 new jobs and 118,000 sqm of new floor space with the development generating £8.5bn in additional GVA over the 24 year construction and operational period.

#### **Section 151 Officer Commentary**

20. The Surrey Growth Fund budget is currently forecast to underspend in the current year. However, the County Council is facing a very serious financial situation, whereby it is forecasting a significant revenue budget overspending in this year, and does not have a balanced nor sustainable budget plan for future years. Agreeing to contribute £20,000 to the LEP will reduce the council's options for a balanced this year.

21. Although the Enterprise Zone is expected to generate additional business rates growth, there is a risk of some displacement, although the principles of the agreement referenced in paragraph 6 seek to address and minimise this risk. As business rates growth will be retained within the Enterprise Zone, the agreement with Runnymede will need to ensure that costs incurred by the County Council on place making can be covered by the councils' portion of the retained business rates.

#### **Legal Implications – Monitoring Officer**

22. LEPs are a voluntary grouping of businesses and local authorities established in 2010. The Council is able to support the work of Enterprise M3 through its powers to promote the development and economic improvement of its area. Cabinet will want to satisfy itself that the £20,000 contribution represents good value for money in the furtherance of these aims.
23. The MOU to be drawn up between the Council and Runnymede BC will need careful consideration. The Council will want to ensure it contains provisions to enable the Council to influence the expenditure of some of the additional business rates retained by Runnymede BC. This involvement will protect the Council from additional financial burden on, for example, its highway infrastructure network as a result of the EZ's development. Legal Services will be involved in the drafting process for the MOU.

#### **Equalities and Diversity**

24. There are no identified negative equalities impacts. Where additional funding for infrastructure and transport schemes is secured, there will be positive impacts though increasing access to services and employment opportunities. Growth in businesses based on the Enterprise Zone site will in some cases generate additional jobs. Where applicable, equality impact assessments will be undertaken as a part of decisions on individual projects.

#### **WHAT HAPPENS NEXT:**

25. The activities relating to the Enterprise Zone set out in this paper will be developed as part of the Implementation Plan. Many activities are already underway but priority will now be given to developing the new arrangements described in the paper and agreeing the Implementation Plan.
26. The County Council will continue to play an active role in the M3 Enterprise Zone to ensure that the local place making initiatives for the Longcross site, that are to be funded from the local authority portion, are focused on agreed priorities.

#### **Contact Officer:**

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#### **Consulted:**

Deputy Leader

Leader

Chief Executive

Deputy Chief Finance Officer

Chief Executive, Runnymede Borough Council

Director, Enterprise M3 Local Enterprise Partnership

**Annexes:**

Annex 1: Enterprise M3 Multi-Site Enterprise Zone: Principles

Annex 2: Map of multi-site Enterprise Zone

**Sources/background papers: None**

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