

Spotlight Review into the proposed East Devon / Exeter Enterprise Zone

Report of the Head of Economy and Enterprise

1. Summary

- 1.1 This report addresses the four questions from the Spotlight Review of the East Devon Enterprise Zone

2. Introduction / Background

- 2.1 At their meeting on 24 March 2016, the Corporate Services Scrutiny Committee resolved to hold a Spotlight Review to undertake a closer assessment of the potential effects upon both the Enterprise Zone area in East Devon, the County Council and District Councils, prior to the issue being considered by Cabinet.
- 2.2 At the conclusion of the review, Members felt that there were a number of questions which needed to be answered before recommendations could be made to Cabinet.
- Does an Enterprise Zone in East Devon offer any financial benefit to the County Council?
 - How have Local Enterprise Partnerships (LEPs) in other parts of the country (particularly rural areas) mitigated the effects of displacement and how successful has this been?
 - Why was the bid by North Devon District Council not deemed to be viable and therefore not supported by the LEP?
 - How much opportunity will there be to reinvest business rate growth in areas outside of the Enterprise Zone?

3. Financial impact on Devon County Council

- 3.1 Unfortunately it isn't possible to give a definitive answer at this time due to the level of uncertainty over the way Enterprise Zones will work under future plans for Business Rates, the level of growth and displacement and the final Governance Agreement. However, based on the assumption that Enterprise Zones will work in the future as they work now and that the Governance Agreement will give control over the level of rate relief given and the rates received, it is reasonable to expect some long term financial benefit. In the short to medium term the rate free periods could result in lost income; it is possible that without the incentives provided by the Enterprise Zone the business growth would not have taken place so there is no loss, but we do not of course know that for sure and it could be that it would have happened anyway.
- 3.2 Funds will be held by the Business Rates collection authority, which in this instance is East Devon District Council.
- 3.3 We are currently working with East Devon District Council and the LEP to explore the possibility of mitigating any loss by this being the first call upon

any proceeds before investment in new initiatives. Discussions are however at a very early stage and there is, as yet, no agreement to that effect.

- 3.4 Indirectly there could be a financial benefit in:
- Greater economic prosperity leading to increased Council Tax Base;
 - Less risk to the Science Park loan guarantee (currently £2.65 million);
 - Earlier repayment of Sky Park loans £1.4 million; and
 - Capital investment by the LEP in future infrastructure and economic development projects.

4. How have LEP's in other parts of the country (particularly rural areas) mitigated the effects of displacement and how successful has this been?

- 4.1 As part of the approval of the EZ it is a key requirement from DCLG that the LEP provides measures to reduce potential displacement of economic activity.
- 4.2 At a Local Authority and LEP level there has been agreement that EDDC and DCC will be equal partners in Governance terms, with light touch Governance from the LEP. Any agreement would need to be between EDDC and DCC, ensuring that DCC has influence over the process. The LEP would have oversight of progress, as is currently reported with the Plymouth Enterprise Zone.
- 4.3 East Devon District Council and DCC are currently investigating ways of minimising potential displacement effects of an Enterprise Zone and expect to draft the Enterprise Zone Business Rates relief policy in August 2016. These measures include focused marketing to growing sectors attracting investment that would not otherwise be attracted to the area, promoting new firm formation, business expansion and inward investment and the use of discretionary Business Rate discounts that are focused on businesses genuinely safeguarding and creating new jobs. This would be in conjunction with existing DCC inward investment activity and that currently undertaken by Skypark and Exeter Science Park.
- 4.4 As a signatory to any Governance arrangements as required by Government, and as a current beneficiary of Business Rate revenues raised in East Devon, Devon County Council will have the ability to influence this policy. Governance arrangements would form part of a Cabinet, or delegated decision. Draft Governance arrangements are not expected to be drafted until Autumn 2016.
- 4.5 DCC has provided an example of an existing working Business Rates Discount Scheme policy from the Vale of the White Horse in Oxfordshire which is appended in full. This policy allows Business Rates discounts to be offered to businesses located within the Enterprise Zone and surrounding local area (defined in this instance, in a locality where there is a competitive business climate, as being within an 8 mile radius) when:
- the applicant is relocating to larger premises or is materially increasing the total amount of floorspace it occupies within the Enterprise Zone;
- or
- the applicant can demonstrate that is considerably increasing the permanent workforce, supported by evidence;
- or

- the applicant can demonstrate a substantial increase in the turnover of the business, supported by evidence;
- or
- the applicant is relocating to the Enterprise Zone to support or benefit from another organisation or cluster also located in the Enterprise Zone and a clear benefit to the Enterprise Zone or the business concerned can be demonstrated

This and other examples are being considered by DCC and EDDC in developing its own proposal.

5. Why was the bid by North Devon District Council not deemed to be viable and therefore not supported by the LEP?

- 5.1 The Local Enterprise Partnership assessed a proposition which was presented by North Devon District Council for a potential Northern Devon Enterprise Zone on 8th September 2015. A scoring and assessment was undertaken to enable a shortlist, or package of proposals to be submitted to Government. Proposals were assessed against the Government's given criteria as part of the Enterprise Zone call and against LEP strategic priorities.
- 5.2 Feedback from the assessment of this bid stated that whilst the panel was sympathetic to the economic challenges in North Devon, it was felt that an Enterprise Zone isn't necessarily the tool that will deliver a step change in delivery. Of the 8 sites included in the proposition, a number are already serviced and ready to be developed, and the plan would be to use returns from those sites to invest in those currently without infrastructure. It was deemed that the risk was that if demand does not currently exist to fill serviced sites, would it be able to be stimulated sufficiently to ensure sufficient business rate returns. In addition the scale of the opportunity was deemed to be small compared to other proposals. The assessment panel stated that it was, however, extremely interested in the marine industries opportunity presented by Yelland, and would like to work closely with North Devon to explore this further.
- 5.3 The full presentation and scoring of all bids is appended.

6. How much opportunity will there be to reinvest business rate growth in areas outside of the Enterprise Zone?

- 6.1 As part of any Governance arrangements to be agreed between EDDC and DCC and to include current direct recipients of Business Rates revenue from the proposed Enterprise Zone area, Devon County Council will be able to influence the spend of any Business Rate uplift generated within the proposed Enterprise Zone. Government expects that the first call on any funds generated through an Enterprise Zone, will be first and foremost be used to ensure the success of the zone through investment such as required infrastructure and site marketing. The spending of any additional revenues raised will be subject to agreement between signatories of any Governance agreement (a draft Governance agreement is expected in Autumn 2016).
- 6.2 East Devon District Council is currently exploring how to ensure that there is no detrimental impact on the council's revenue budgets. This includes the option to enhance and support some existing activity currently funded through

economic development budgets through business rates growth, distributed under the Governance agreement. As a signatory to any Governance agreement Devon County Council would be able to influence spend in a similar way, which could include a very much wider range of economic development activity spread across a much wider geography. The approach would be to agree and develop an implementation plan between EDDC and DCC to support the Enterprise Zone development and wider economic development objectives of the area, including options across the whole of Devon.