

Bath & North East Somerset Council		
MEETING:	Council	
MEETING DATE:	10 November 2016	
TITLE:	Bath & Somer Valley Enterprise Zone	
WARD:	Abbey : Kingsmead : Widcombe : Westmoreland : Keynsham North : Keynsham East : Peasedown : Bathavon South : Westfield : MSN North : Paulton	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Draft Memorandum of Understanding		

1. THE ISSUE

- 1.1. Following the successful application in 2015, in partnership with West of England Local Enterprise Partnership, to convert the Bath Riverside Enterprise Areas into a full Enterprise Zone and expand this to the Old Mills site in the Somer Valley the Council was asked to submit a Business Case for the possible expansion of the Enterprise Zone to include additional sites in the Somer Valley and Keynsham.
- 1.2. This report seeks approval to finalise the site allocations and proposals for the expanded Enterprise Zone ahead of officially commencing operation in April 2017.

2. RECOMMENDATION

The Council is asked to;

- 2.1. Approve the extension to the Bath and Somer Valley Enterprise Zone in accordance with the proposals set out in this report
- 2.2. Approve the proposed Governance and operating procedures for the Enterprise Zone, which are set out in a Memorandum of Understanding (MoU) and supporting Partnership Agreement.
- 2.3. Grant delegated authority to the Strategic Director (Place) in consultation with the Executive Member for Economic Regeneration to:
 - 2.3.1. Finalise the site allocations for Enterprise Zone status subject to a final decision by DCLG and the West of England LEP following the Government's Autumn Statement.

- 2.3.2. Confirm with DCLG that the existing Enterprise Area boundary is protected and clarify the policy on business rate relief
- 2.3.3. Based on concluding the discussions in 2.3.1 and 2.3.2 complete the Memorandum of Understanding with the LEP and Government covering the expansion of the Bath & Somer Valley EZ
- 2.3.4. Agree and submit an Implementation Plan for the Enterprise Zone expansion to the West of England LEP prior to the 30th November ahead of submission by the West of England LEP to DCLG on 9th December

3. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1. FINANCE IMPLICATIONS

- 3.2. Negotiations are on-going with DCLG/HMT on the Government agreeing to fund the granting of Business Rates discounts for occupation of premises within the existing EA fiscal boundary, which would effectively give the ability to grant the same reliefs as are available in an EZ.
- 3.3. Modelling shows that a revision to the existing EA baseline would be likely to cause a financial loss to the City Region Deal Pool, even if the term of the current EA was extended by three years to 2042. Therefore, in order not to lose the benefits of economic growth achieved since 2013, the existing baseline needs to be retained. DCLG have indicated protection of the baseline should be possible.
- 3.4. Financial modelling, carried out in conjunction with the Council's Business Partners, suggests that forecast cumulative Business Rates growth across all the potential expansion sites could be in the region of £76m by 2042 at a current price base as set out in the table below.

Sites	NDR £m
Old Mills	22.8
Roseberry Place	5.2
Keynsham Peninsula (KP1)	14.8
East of Keynsham (KE3a)	12.6
Somerdale	8.8
Kingsmead House	3.8
Welton Hollow Sewage Works	2.1
Westfield Industrial Estate	2.1
Welton Bibby Baron	1.5
Midsomer Enterprise Park	1.4
Bath Business Park	1.2
Total	76.3

- 3.5. A reasonable assessment of the likely impact of the move to a national 100% Business Rates Retention Scheme by Government from 2019/20 has been included in the modelling although of course the final details of this scheme are some way from being decided by Government.
- 3.6. To address development uncertainties inherent in the real estate market, adjustments have been made to the forecasts to deal with optimism bias and lower rates of

occupancy – on the same basis as the reductions applied within the existing WoE growth forecasting.

- 3.7. B&NES would seek to continue to utilise the existing City Region Deal governance and pooling arrangements for the Bath City Riverside EZ. Annual growth would be paid into the Business Rates Pool with funds distributed or invested annually in accordance with the Pooling Principles Agreement as follows :

Tier 1: To ensure that no individual Authority is any worse off than it would have been under the national local government finance system,

Tier 2: To an Economic Development Fund (EDF) for reinvestment within the designated areas

Tier 3: For the relief of demographic and service pressures associated with growth.

- 3.8. It has been agreed that, in respect of the expansion sites, the Tier 2 funds secured will be allocated to a separate infrastructure fund from the existing £500m EDF. A separate fund will also be created for Bristol City Council's proposed extension to the Temple Quarter EZ.
- 3.9. However, the existing governance arrangements including the one front door approach to assessing and approving infrastructure investment proposals, through submission of Business Cases at the appropriate WoE LEP Board meeting, will be maintained.

3.10. PROPERTY & PEOPLE

- 3.11 At this stage it is not possible to fully assess the resource implications arising from an extension of the Bath & Somer Valley Enterprise Zone pending agreement with the Government on a Business Plan and Implementation Plan.

4. STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1. This proposal will support the delivery of the medium term financial plan and strategic objectives.
- 4.2. The legal powers to allow this have been granted by the Secretary of State for Communities and Local Government. Governance Arrangements for the Enterprise Zone are in line with the pre-existing governance arrangements for the Enterprise Area and have been agreed with the Local Economic Partnership. Any proposed policy documents will be in accordance with the permissions being offered by the Secretary of State.

5. THE REPORT

5.1. Background

- 5.1.1 In the autumn of 2015, government approved in principle the conversion of the existing Bath Riverside Enterprise Area to full Enterprise Zone status and expansion to include the Old Mills employment site in the Somer Valley.
- 5.1.2 The Bath City Riverside Enterprise Area is the main focus for the 60,000sq gross new floorspace required in the city to deliver Core Strategy & PMP policy objectives. Conversion of the Bath Riverside Enterprise Area to Enterprise Zone status will enable the application of business rates discounting to end tenants equalising the offers of the two emerging office locations in Bath and Bristol.

5.1.3 The Old Mills expansion site in the Somer Valley has the potential to deliver up to 62,000sqm of development space in an area with a 0.7% vacancy rate for B1, B2 and B8 commercial uses.

5.1.4 There have also been ongoing conversations with DCLG / BIS regarding the feasibility of increasing the number of sites across the Somer Valley and to also include Keynsham.

5.1.5 To enable formal consideration of the Council's proposal DCLG requested B&NES submit a business case for the proposed expansion.

5.2. Progress Update

EXPANSION SITES BUSINESS CASE

5.2.1 The initial submission from the Council included sites in Midsomer Norton & Radstock town centres. However due to the high proportion of retail uses proposed DCLG/BIS requested their removal from the revised Business Case.

5.2.2 The Business Case including estimated business rates uplift to 2042, additional net GVA and site maps were submitted to DCLG on Friday 26th August.

5.2.3 The sites listed in the table below were included given their match with the guidance criteria and strategic fit with the Place Making Plan and emerging WoE Joint Spatial Plan / Transport Strategy.

5.2.4 The table summarises the projected job numbers and GVA uplift for the combined Bath & Somer Valley Enterprise Zone including, in bold, the expansion sites along the A367 and A4 corridors. The projections have been adjusted to take account of the latest position in relation to planning policy and specific planning consents and will form the basis of future detailed discussions with government.

5.2.5 DCLG have indicated that no announcements will be made public on the success or not of the expansion sites Business Case before the Autumn Statement scheduled for the 23rd November.

Site	Net Internal Area (m2)	Gross Direct Jobs	Net Additional Jobs	Net Additional GVA £m
Bath City Centre				
Cattlemarket	1,575	165	145	7.3
Manvers Street	8,643	1,061	787	41.9
North Quays	26,000	2,650	2,600	153.0
South Quays	12,760	1,100	1,370	84.0
South Bank	5,400	580	170	10.0
Green Park East	13,201	1,060	444	27.0
Green Park West	23,000	2,366	2,926	154.0
Bath Press	1,800	195	198	11.0
Roseberry Place	7,680	780	740	41.0
Kingsmead House	8,106	198	149	4.0
Keynsham				

Somerdale	9,454	993	1008	58.1
East of Keynsham (KE3A EMP)	48,000	1,235	1473	88.8
Keynsham Peninsula	32,500	1,519	1636	96.2

Somer Valley				
Old Mills	62,000	1,900	2,100	121.6
Welton Bibby Baron	5,000	535	501	31.1
Westfield	5,000	147	176	10.4
Bath Business Park	2,900	87	104	6.1
Welton Hollow	6,000	179	214	12.6
Midsomer Enterprise Park	3,500	104	124	7.3
Total	282,519	16,854	16,865	965.0

5.3. Fit with B&NES Economic Strategy, LEP and Government Criteria

5.3.1. The 'additionality' of the Somer Valley and Keynsham sites would enable the sustainable expansion of non-office based high-tech, low carbon, creative & digital businesses from BaNES and the wider WofE.

5.3.2. Given their locations along the A367/A362 towards the Somer Valley and the A4 towards Keynsham the EZ sites will support the growth of businesses in developing rural areas and complement the existing non-urban Enterprise Areas at J21, Filton and Avonmouth Severnside.

5.3.3. The Somer Valley / Keynsham cluster meets Government policy because;

- There is clear market failure due to coordination issues as a consequence of multiple ownerships, the need for significant enabling infrastructure and constrained market conditions which affect viability
- The current limited provision of superfast broadband hinders commercial expansion in the area
- It will enable clustering and agglomeration benefits, helping to attract and focus new investment

5.3.4 The sites could target areas most in need of regeneration following major factory closures / relocations ie : Polestar / Alcan / Welton Bibby Baron / Cadbury.

5.3.5 The sites could help to address Somer Valley's continued economic vulnerability because of above average manufacturing employment and the focus on printing & packaging (where there is still global over capacity) and help to rebuild Keynsham's employment base taking advantage of the town's sustainable location between Bristol and Bath.

5.3.6 The expansion will facilitate regeneration and generate investment in:

- The brownfield sites at Welton Bibby Baron, Keynsham Paper Mill and Broadmead Waste sites
- The development of the allocated employment sites at Old Mills and East of Keynsham as an overspill locations for companies looking to expand and/or facing relocation from the Bath river corridor and the wider West of England sub-region.
- Underpin employment generation in key development locations emerging from the WofE JSP to support the delivery of housing developments and unlock transport investment throughout the Somer Valley and Keynsham

6. Memorandum of Understanding & Implementation Plan

MEMORANDUM OF UNDERSTANDING

- 6.1 A basic text has been provided by government to all LEPs to be agreed by the LEPs and host authorities. Officers have reviewed the text and are happy with the contents. The final draft of the MOU has to include the final site allocations, associated Incentives, governance and treatment of pooled rates and be submitted to DCLG in September.
- 6.2 The MOU attached in Appendix 1 has been agreed in principle with the Local Enterprise Partnership and the subject of initial discussions with DCLG. Further discussions are required to agree the overall scope of the MOU prior to confirmation of site allocations from HMT during the Autumn Statement

IMPLEMENTATION PLAN

- 6.3 A draft Implementation Plan was submitted to Government in September. It reflected all available information on each site up to 31st August and covered the first three years of the Enterprise Zone from 1 April 2017 – 2020.
- 6.4 The implementation plan is being refined ahead of the submission of the final document in November to take account of;
- Masterplanning work on key expansion sites in Keynsham and the Somer Valley
 - Ongoing planning discussions regarding expansion sites with developers and land owners.
 - Feedback from DCLG/HMT on suggested application of BR discounts to Bath Enterprise Zone tenants
 - Feedback from DCLG/HMT on the proposed expansion sites

7 RATIONALE

- 7.1 The move to a national 100% Business Rates Retention Scheme by Government from 2019/20 will place more emphasis on delivering local economic growth, in line with the adopted planning policy framework, in order to provide the Council with funding to invest in local services.
- 7.2 The granting of EZ status to sites will continue to provide several additional financial and service benefits, including exclusion of Business Rates growth in the zones from any resets of the national retention system for the next 25 years, as well as the Central Government funding of the BR discounts available to occupiers in the first 5 years of the scheme.

8 OTHER OPTIONS CONSIDERED

- 8.1 There is no obligation on the Council, if successful in its application, to agree to proceeding with an Enterprise Zone. However there are clear economic and financial benefits which can be gained from Enterprise Zone status, including the ability to attract funding for investment in enabling infrastructure through the Local Enterprise Partnership.
- 8.2 If the Council did not pursue its application then any net benefits would be far more difficult to deliver and take longer to achieve.

9 CONSULTATION

- 9.1 The Bath & Somer Valley Enterprise Zone proposals have been developed in conjunction with advice from external financial and commercial property consultants and in consultation with colleagues in Planning, Property, Project Delivery, Regeneration and Transport.
- 9.2 Consultation has been undertaken with relevant Cabinet Portfolio Holders and Group Members.

10 RISK MANAGEMENT

- 10.3 A risk assessment related to the issue and recommendations has been undertaken by the Council's business partner EY, in compliance with the Council's decision making risk management guidance.

Contact person	John Wilkinson tel : 01225 396593
Background papers	<i>Bath Enterprise Area & EZ Update Report and Presentation : Planning, Housing & Economic Development Policy Development & Scrutiny Panel 1st March 2016</i> <i>Bath & Somer Valley Enterprise Zone Update Report & Presentation Planning, Housing & Economic Development Policy Development & Scrutiny Panel 1st November 2016</i>
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