

Bath & North East Somerset Council

MEETING/ DECISION MAKER:	Planning, Housing & Economic Development Policy Development & Scrutiny Panel	
MEETING/ DECISION DATE:	1st November 2016	EXECUTIVE FORWARD PLAN REFERENCE:
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: None		

1 THE ISSUE

- 1.1 To provide an update on the current position and next steps in relation to progressing the proposals for the expanded Bath & Somer Valley Enterprise Zone following the report to the Panel on the 1st March 2016.

2 RECOMMENDATION

The Panel is asked to;

- 2.1 Note the current position and proposed next steps in relation to the proposed expansion of the Bath & Somer Valley Enterprise Zone.
- 2.2 Note that a report is being taken to Council on the 10th November 2016 seeking approval for the proposed EZ expansion.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 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.

- 3.2 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.
- 3.3 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.
- 3.4 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.
- 3.5 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.

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.
- 3.6 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.
- 3.7 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.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 The legal powers to facilitate the proposed Enterprise Zone expansion have been granted by the Secretary of State for Communities and Local Government. The proposed 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.

- 4.2 Any proposed policy documents will be is in accordance with the permissions being offered by the Secretary of State.
- 4.3 The sites being put forward for inclusion in the Enterprise Zone accord with the planning policy framework set out the Core Strategy and Placemaking Plan.

5 THE REPORT

- 5.1 In the Autumn of 2015, government approved in principle the conversion of the existing Bath City Riverside Enterprise Area to full Enterprise Zone status and an expansion to include the Old Mills employment site in the Somer Valley.
- 5.2 The Bath City Riverside Enterprise Area is the main focus for the 60,000sqm of gross new floorspace required in the city to deliver Economic Development, Core Strategy & PMP policy objectives. Conversion of the Bath City 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.
- 5.3 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.
- 5.4 Following the government's decision in 2015 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. To enable formal consideration of the Council's proposal DCLG requested B&NES submit a business case for the proposed expansion.
- 5.5 A draft Business Case was submitted in September 2016 which proposed an April 2017 start for the EZ. A draft Implementation Plan, covering the first three years of EZ operation was also submitted in September. 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.
- 5.6 Members of the Panel will be given a presentation which will cover the current EZ expansion proposal including the key economic and financial outputs and a timetable setting out the key next steps. A report seeking approval for the proposed extension of the Bath & Somer Valley Enterprise Zone is being prepared for consideration by Council on the 10th November.

6 RATIONALE

- 6.1 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 OTHER OPTIONS CONSIDERED

- 7.1 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.

7.2 If the Council did not pursue its application then any net benefits would be far more difficult to deliver and take longer to achieve.

8 CONSULTATION

8.1 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.

8.2 Consultation has been undertaken with relevant Cabinet Portfolio Holders and Group Members.

9 RISK MANAGEMENT

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

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Background papers	Bath Enterprise Area & EZ Update Report and Presentation : Planning, Housing & Economic Development Policy Development & Scrutiny Panel 1 st March 2016
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