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Report to: Land and Assets Panel

Date: 13 October 2017

Subject: Leeds City Region Enterprise Zones Programme Update

1 Purpose

1.1 To provide Panel members with an opportunity to consider the proposed approach to phasing sites in the Leeds City Region Enterprise Zone (EZ) Programme.

1.2 The item also provides confirmation of a successful Department of Communities and Local Government (DCLG) Enterprise Zones Commercial Support Grant bid.

2 Information

2.1 West Yorkshire Combined Authority (WYCA) is responsible for two Enterprise Zones which comprise ten sites. These are illustrated in schematic form at **Appendix 1**.

EZ Programme Outputs and Outline Costs

2.2 Independent market demand analysis, feasibility studies and masterplanning¹ have confirmed the high level EZ Programme outputs and business case for public sector investment. The business case for both EZs includes unlocking delivery of approximately 230 hectares of employment land, over 15,000 jobs and approaching £5bn of GVA.

2.3 Work undertaken so far also confirms that without public sector support many EZ locations will remain 'stalled' due to abnormal site development costs or a lack of market confidence to deliver speculative development.

2.4 Based on initial independent advice, the current anticipated level of public sector support required to unlock all EZ sites is estimated to be £45.2m comprising:

- Capital infrastructure delivery and site remediation: £37.9²
- Activities to support the speculative delivery of employment units via the public sector underwriting leases or providing guarantees to purchase units if they are not let/sold within a specified period³: £7.3m

¹ LCR EZs Feasibility and Investment Framework (Cushman and Wakefield and WSP, 2016) and site-specific work for Clifton Business Park, Calderdale.

² Figure expressed includes provision for the Leeds EZ power solution at circa £4.4m

³ Generally referred to as 'put and call options'

- 2.5 An initial £20m was secured through Growth Deal 3 (GD3) to support the LCR EZ programme. This funding will support delivery of a power solution for the Leeds (Phase 1) EZ and support the Phase 2 EZ sites. The programme costs outlined at para 2.3 assume a circa £4.4m requirement for the Leeds EZ power solution which is consistent with emerging work. Confirmation of the final costs will be subject to consideration by Investment Committee in early 2017.
- 2.6 An allowance also need to be made for EZ programme/project management costs and other overheads (i.e. legal, technical and due diligence). At this stage these costs are assumed to be:

Table 1: WYCA Programme/Project Management Costs and Overheads

	Cost
3.5 Year (to March 2021) WYCA Policy and Strategy & Project Management Costs (0.5 post x2) with On Costs at Point 4 of WYCA Salary Scale K	£172,312
WYCA Overheads calculated as 1.5% of Total £20m Growth Deal 3 Grant Allocation	£300,000
Other costs (contingency until we fully understand the delivery requirements of each EZ site)	50,000
Total WYCA Management Costs plus 1.5% Overheads	£522,312

- 2.7 Therefore at this stage is it assumed there is a GD3 allocation for the Phase 2 EZ sites of circa **£15.1m** after taking into account the requirements of the Leeds EZ and programme management/overheads.

EZ Programme Phasing

- 2.8 WYCA/LEP are committed to delivering the EZ programme. However, currently the total costs for the EZ Programme are only partially funded (via GD3) in advance of any decision being taken on the availability of other public sector (WYCA/districts) support.
- 2.9 WYCA and districts have been working collaboratively to identify and develop technical feasibility work for priority sites for investment. This ongoing work has informed the prioritisation process which is also been based on:
 - strength of the business case for investment;
 - scale of economic benefits;
 - independent assessment of market demand;
 - availability of technical and site feasibility assessments (where required);
 - landownership considerations/constraints; and
 - ability of developers to commence delivery in the short term.
- 2.10 The proposed phasing approach for the Phase 2 EZ locations using currently available funds (i.e. GD3) is outlined at **Appendix 2**. This document also provides a summary of the rationale for the phasing approach, funding options and potential business rate outputs for each phase. Subject to approval of the proposed approach,

other economic outputs (jobs and GVA) will be reviewed and will be presented to Investment Committee (9 November).

- 2.11 Under the proposal GD3 funding support will be provided for the following:
- Phase A1: Funding for an initial programme of capital site remediation works at Clifton Business Park; and
 - Phase A2: all capital site remediation works at: Parry Lane; Gain Lane and South Kirkby Business Park
- 2.12 Clifton Business Park is maintained as a priority. This is based on the site's strategic role as the largest employment allocation in Calderdale and the largest/most complex Phase 2 EZ site. Clifton also has potential to accommodate the re-location and growth of flood affected businesses in the Calderdale area following the 2015 Boxing Day floods. The initial feasibility findings also confirmed the site's economic impact and complexity of infrastructure requirements. The site has been progressed as a priority Phase 2 site on the basis of these considerations and to inform the emerging delivery strategy for the location.
- 2.13 The three locations included at Phase A2⁴ are currently all seeking investment now/or are likely to do prior to April 2018. These allocations also have strong market demand, a willing/able developer or landowner in place and technical information in place or underway.
- 2.14 Site identified within Phase A3 and A4⁵ would be placed on hold in terms of WYCA support for site masterplanning/feasibility and capital works until a decision is made regarding the EZ Programme 'Open Call for Projects' submission. The submission seeks additional Growth Deal funding for the remaining unfunded elements of the programme. This includes all indicative requirements for lease support (put and call options), the remaining costs for Phase A1 (Clifton Business Park) and all Phase A3 and A4 costs. Feedback on the submission is expected by the end of 2017.
- 2.15 The proposed funding package will also be used alongside current and future bidding opportunities as they arise, this includes existing opportunities via the National Productivity Investment Fund and ESIF Sustainable Urban Development call.
- 2.16 Subject to feedback received, the next steps will be consideration of the EZ Programme, including the funding proposals for Phase A1 and A2 at:
- **WYCA Investment Committee:** Expression of Interest (9 November)
 - **WYCA:** Expression of Interest (7 December)

⁴ Parry Lane (Bradford); Gain Lane (Bradford) and South Kirkby Business Park (Wakefield)

⁵ Staithgate Lane (Bradford); Lindley Moor East (Kirklees); Moor Park (Kirklees) and Langthwaite Business Park (Wakefield)

DCLG Enterprise Zone Commercial Support Grant Funding

- 2.17 A bid to DCLG's EZ Commercial Support Grant Funding was submitted in May 2017. The bid requested £25k of grant funding with an additional 50% match provided from WYCA/LEP existing inward investment budget.
- 2.18 The bid outlined a targeted multi-channel marketing campaign that will look to focus on potential EZ occupiers, developers and investors for the Phase 2 Enterprise Zone. The proposed activities include:
- The development of a **comprehensive marketing brochure** containing key information about the EZ sites, the opportunities for investors, developers and end users, the incentives available and case studies of businesses already in situ. This will be printed and used to target potential occupiers throughout the year. The brochure will be supported across all of the City Region's channels including bought media, website and print.
 - A **proactive direct mail (DM) campaign** targeting those businesses identified as potential end users who are approaching break clauses in their lease agreements, this will form the basis of DM campaign with a call to action asking recipients to get in touch with the LEP inward investment team.
 - The **printed collateral** will be used by the City Region's inward investment team and by Local Authority partners and site agents to proactively promote the opportunities on the EZs throughout the year at events such as MIPIM UK, MIPIM 2018 and in any future trade missions. This collateral may include promotional leaflets, Z-card/folded pocket guide and designed fact sheets highlighting the top line opportunities of the Enterprise Zones building on the information in the SIP.
 - A bought media campaign would be commissioned to build upon the success of the smaller campaign which ran in 2016 to promote the first phase of Leeds City Region Enterprise Zones. This would include a range of **printed and digital adverts and advertorial opportunities in key trade media** alongside some targeted 'pay per click' advertising to drive traffic to the relevant web presence.
- 2.19 WYCA/LEP received confirmation that the bid was successful on 11th September. DCLG require confirmation of 50% match funding from WYCA and commencement of the procurement process by 31 March 2018. A letter confirming these matters will be completed in due course.
- 2.20 WYCA/LEP officers are now working to develop the programme of marketing and communications activities which will be addition to the communications plan outlined in the LCR EZs Strategy and Implementation Plan.

3 Recommendations

- 3.1 That the proposed EZ Programme phasing approach is endorsed.
- 3.2 That the proposed WYCA/LEP acceptance of the DCLG Commercial Support Grant and outline marketing and communications programme be endorsed.