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**Report to:** Place Panel

**Date:** 28<sup>th</sup> January 2021

**Subject:** **Enterprise Zones and Commercial Sites**

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## **1. Purpose of this report**

- 1.1 To provide an update on delivery of the Leeds City Region Enterprise Zone (EZ) Programme.
- 1.2 To inform a discussion on funding for residual EZ and future commercial sites beyond March 2021.

## **2. Background Information**

- 2.1 Leeds City Region has a two-phase Enterprise Zone programme covering ten designated employment sites across West Yorkshire (Phase 1 in Leeds and nine sites in Phase 2 across Bradford, Calderdale, Kirklees and Wakefield). This report focuses on the phase 2 sites.
- 2.2 The Leeds City Region EZ programme supports the Leeds City Region Strategic Economic Plan (SEP) and the principle of 'good growth' by supporting delivery of innovation, good jobs/incomes and improving the quality of places. The EZs are also identified as Spatial Priority Areas within the SEP.
- 2.3 The accelerated development of the EZ's formed a crucial part of the ambition contained within the SEP to deliver over 35,000 jobs and £3.7bn of additional GVA by 2036. In addition, the EZ programme has the ability to raise business rates through new commercial space which can be reinvested into other core economic activity within the City Region. The Combined Authority receives 100% of the Business Rates generated within the EZ sites for a period of 25 years from date of designation.
- 2.4 At the point of application to the Department for Communities and Local Government (now MHCLG) in July 2015 for Growth Deal funding to support the delivery of Phase 2 sites a Memorandum of Understanding was entered

into between central government, West Yorkshire Combined Authority (Combined Authority) and relevant local authority partners, and all parties committed to a range of work streams and outputs. It should be noted that at the time of the application, the information available in terms of onsite constraints and challenges in bringing the sites forward was limited.

- 2.5 Programme delivery has increased significantly over the last 2 years; the phase 1 Leeds Aire Valley EZ is continuing to be successfully developed out by the private sector, where to date over 850,000 sqft of new commercial space has been completed and further units are under construction. Work has also now commenced on a 2million sqft unit that once complete will be the third largest unit in the world.
- 2.6 Following over 2 years of dedicated activity, four of the nine phase 2 EZ sites have also come forward into delivery, including:
- Lindley Moor West (Kirklees),
  - Moor Park (Kirklees),
  - Gain Lane (Bradford) and
  - South Kirkby Plot 3 (Wakefield)
- 2.7 In addition, due to dedicated resource and collaboration with our Local Authority partners, de-risking, enabling and highway works are due to start on site at Parry Lane (Bradford) in January 2021. Furthermore, to secure an acceleration of works, the Combined Authority completed the purchase of 9.45 hectares of land at Langthwaite (Wakefield) on 10<sup>th</sup> August 2020. Infrastructure works to deliver a new access road will also commence on site in March 2021, with a further package of enabling works for both sites programmed to start on site in Spring 2021 subject to progress through the Assurance Framework.
- 2.8 Key outputs from these sites (once completed) across the EZ programme will be:

**Table 1**

Site	Job creation estimates	Commercial floorspace delivered
Lindley Moor West	216-325	145,312 sqft – scheme complete
Gain Lane	490-735	72,000sqft under construction with residual planning sought for a further 120,000sqft.  Thereafter the remaining 65,500sqft will be delivered in line with market demand.
Parry Lane	239-359	Outline planning permission secured to deliver 182,000 sqft
Moor Park	286-430	72,500sqft completed and residual planning secured for a further 228,000 sqft
Langthwaite	683 - 1025	Planning permission will be submitted to deliver 275,000 sqft
South Kirkby	816-1225	146,000 sqft completed to date and developer contract commitment to deliver a further 18,500sqft.

## **Current Funding Position**

- 2.9 The Combined Authority received £20 million of Local Growth Fund for delivery of Enterprise Zones under its Growth Deal 3 allocation and subsequently received an approval from the Combined Authority to over-programme against this allocation to a maximum of £45 million. The Growth Deal funding allocation is only available to spend until 31st March 2021, with outputs to be realised by March 2025.
- 2.10 Financial forecasts for the programme indicate that by 31st March 2021 the programme will have spent £20,005,507 of Growth Deal.
- 2.11 In July 2020, the Government announced that a total of £900 million would be made available nationally through the Getting Building Fund (GBF) for 'shovel ready' schemes.
- 2.12 The Combined Authority secured £52.6 million from the GBF to accelerate 15 projects in response to the COVID-19 pandemic with priorities agreed with partner councils. £9.07m of the total allocation has been awarded to Parry Lane and Langthwaite EZ's collectively to deliver enabling and infrastructure works on site. The GBF is available until March 2022.

## **Review and Prioritisation**

- 2.13 Given the tight timescale of available Growth Deal funding, in September 2019 a full programme review was independently undertaken by a consultancy partner to provide the Combined Authority and its partner councils with a professional opinion as to the risks and options associated with delivering the remaining five sites within the funding timeframe, at the time these sites being:
- Clifton (Calderdale)
  - Langthwaite (Wakefield)
  - Lindley Moor East (Kirklees)
  - Parry Lane (Bradford)
  - Staithgate Lane (Bradford)
- 2.14 This review considered scale of public sector funding intervention, delivery scenarios, planning and landowner status. Parry Lane and Langthwaite were assessed as the sites most likely to achieve delivery and prioritisation of these sites was discussed and agreed with regional Directors of Development. Focus on these two sites over the last 12 months has secured funding approvals from Investment Committee (funded through Growth Deal) and the new GBF from Government for enabling, de-risking and infrastructure works to realise viable development opportunities at both sites.
- 2.15 Whilst progress across the regional EZ programme is evident, on account of their complexity, the time horizon for delivering three of the committed sites is likely to extend beyond the lifetime of the Growth Deal. These sites remain high priorities for partner councils and the Combined Authority and as such the Combined Authority continues to work in partnership with these Councils to identify alternative funding approaches.

## **Policy position**

- 2.16 Across the programme, EZ designation for all sites continues beyond the life of current funding programmes (Growth Deal March 2021, GBF March 2022). These sites offer the ability to deliver significant benefits in terms of jobs and growth, both locally and to the wider Leeds City Region, and in some cases they play a significant role in delivering Local Plan objectives for creation of new employment space. The LEP Network is leading work to encourage the Government to allow the tax and/or business rate benefits to companies locating on EZ sites to be extended beyond the current end point of April 2022.
- 2.17 The programme also supports the objectives of the Combined Authority's Covid-19 Economic Recovery Plan for accelerated infrastructure linked to employment opportunities.
- 2.18 The West Yorkshire devolution deal offers the Mayoral Combined Authority (MCA) the opportunity to identify local strategic priorities, to react to changes in market conditions, be outcome focused and, through the additional powers secured, to be able to consider a more direct role in the delivery of projects and programmes and utilise a range of new tools to support delivery of land and property programmes.
- 2.19 For example, the MCA will have the ability to create a Mayoral Development Corporation (MDC) to support its functions to deliver economic growth. This, alongside the provision of compulsory purchase powers (both only with the agreement with the appropriate local authorities) will allow for a strengthened commercial approach to regeneration projects. An MDC could create a vehicle for investments into complex and challenging schemes, where, through an asset-based funding approach, commercial revenue and capital receipts generated could create a self-sustaining fund.
- 2.20 Such approaches can be seen at Stockport MDC and through the Greater Manchester approach to Placemaking. Here strategic investments have been made in infrastructure and site preparation to unlock development and bring forward regeneration, combining technical skill and experience of both the public and private sector to deliver economic growth through a partnership approach.

## **Future Commercial Pipeline**

- 2.21 Through an emerging commercial sites pipeline commission which commenced earlier this year, research is underway to gain a strategic overview of the employment land and property challenges and opportunities faced across West Yorkshire. A final report concluding the research undertaken was received mid December 2020, and next steps will be considered following evaluation and reflection of the recommendations and outcomes.

- 2.22 Ensuring businesses are incentivised to innovate and grow and there is a supply of suitable and available opportunities coming on stream in the market is critical to boost productivity and employment. The EZ sites currently under construction have demonstrated the demand for units in strategic locations. Whilst some traction was lost during the height of the COVID-19 pandemic, enquiries for new units both on a speculative basis and design and build requirements are very encouraging across the programme.
- 2.23 Continued programme delivery of commercial sites (both new and EZs) will work to address key supply constraints, offer enhanced employment opportunities and bring forward development across a range of sites within the City Region.

### **Potential future funding streams**

- 2.24 Ring fenced funding for commercial sites was not specifically identified within the devolution deal; scenarios and options for future funding routes are therefore needed. This might include developing commercial models for capital projects where assets are secured and future revenue income streams formed.
- 2.25 Alongside this, work continues on the development of new commercial loan fund opportunities as a successor to the Growing Places Fund. Whilst any new loan fund will be subject to approval through LEP Board and the Combined Authority, this may be an appropriate route for funding for commercially viable schemes moving forwards.
- 2.26 Other emerging funding areas which are in discussion within the Combined Authority and nationally include:
- Most recently the Chancellor's speech on the Comprehensive Spending Review (CSR) highlighted some 'Heads of Terms' on the **Shared Prosperity Fund**. There was an indication that a proportion of the fund will target places most in need, such as ex-industrial areas, deprived towns and rural and coastal communities. There will be a framework for investment published in Spring 2021.
  - The new **Levelling Up Fund**, also announced through the CSR with funding up to £20million, or more by exception. We await the release of the prospectus and call for bids which are expected in early 2021.
  - The emerging **Single Investment Fund (SIF)** the early years of which will include a strong focus on Covid economic recovery work, as well as support for the 'high scenario' of the Transforming Cities programme. This is due to go through the Combined Authority over the coming months.

## **3. Clean Growth Implications**

- 3.1 There are no Clean Growth implications directly arising from this report. However, all Funding Agreements include contractual obligations to support and integrate our Clean Growth objectives within project delivery.

#### **4. Financial Implications**

4.1 There are no immediate financial implications arising from this report.

#### **5. Legal Implications**

5.1 There are no legal implications directly arising from this report.

#### **6. Staffing Implications**

6.1 There are no staffing implications directly arising from this report. The future commercial pipeline, including residual EZs, is currently anticipated to be overseen by the Policy Strategy and Communications directorate in conjunction with the Economic Services directorate. Funding for the existing EZ team based in Delivery directorate currently ends in March 2022.

#### **7. External Consultees**

7.1 Colleagues in the property sector, landowners, Chambers of Commerce and local authorities have been consulted as part of the Employment Land and Property Review.

#### **8. Recommendations**

8.1 It is requested that Place Panel members:

- Note the positive progress made with the delivery of the current EZ programme within the current funding programmes.
- Note that the Devolution deal provides the opportunity for consideration of an MDC, plus asset-based and loan focussed approach to future commercial project investment.
- Note the potential alignment of the EZ programme with future delivery of any commercial sites pipeline programme which is currently being developed.

#### **9. Background Documents**

None.

#### **10. Appendices**

None