
Report to: Leeds City Region Enterprise Partnership Board (LEP Board)

Date: 21 July 2021

Subject: **Enterprise Zone Update**

Director: Melanie Corcoran, Director of Delivery

Author: Kate Thompson, Head of Economic Implementation

1 Purpose of this report

- 1.1 To provide the LEP Board with an update on Enterprise Zone activity in the first half of the calendar year.
- 1.2 For the LEP Board to consider and endorse for Combined Authority approval, a proposal regarding the Clifton Enterprise Zone in Calderdale.

2 Information

Background

- 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). The Enterprise Zone programme seeks to maximise development of new commercial space within the region to support attraction of new business, expansion of existing businesses and the creation of new jobs.
- 2.2 Enterprise Zone designation initially enables a level of occupier incentives. For the Phase 2 sites, the incentives include up to 100% Business Rate Discount of up to £275,000 over a five year period. The incentives package is only applicable for new businesses entering the phase 2 Enterprise Zone sites by 31 March 2022.
- 2.3 The Combined Authority, on behalf of the LEP, receives 100% of the Business Rates generated within the Enterprise Zone sites for a period of 25 years from date of designation; i.e. up to 2042. This income can be reinvested into other core economic activity within the City Region.
- 2.4 In addition, the LEP received £20 million of Local Growth Fund (LGF) for delivery of Enterprise Zones under its Growth Deal 3 allocation from central Government. The LGF funding stream came to an end on 31 March 2021 with

outputs to be realised by March 2025 and this report details progress and success to date.

- 2.5 In August 2020 the Combined Authority secured £52.6 million from the national Getting Building Fund (GBF) to accelerate 15 projects in response to the COVID-19 pandemic. £9.07m of the total allocation was awarded to Parry Lane and Langthwaite Enterprise Zones collectively to deliver enabling and infrastructure works on site. The GBF is available until March 2022.

Progress to date

- 2.6 Programme delivery has increased significantly over the last 2 and a half years. The phase 1 Leeds Aire Valley Enterprise Zone 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 2 million sqft unit that once complete will be the third largest unit in the world.
- 2.7 Four of the nine phase 2 Enterprise Zone sites have also come forward into delivery:
- (i) Gain Lane, Bradford – work has continued on site throughout the national pandemic, in compliance with government social distancing advice for the construction industry. With investment support from the LEP, construction of two units completed in Spring 2021 (total 75,400 sqft) with Marshall's also commencing construction of a further three units during this time period (total 130,500 sqft). Terms have been agreed with two local expanding companies for two of the units. Subject to a reserved matters planning application due for a decision in November 2021, this site will be completed by August 2022 delivering a total of 316,500sqft of commercial floorspace.
 - (ii) South Kirkby Business Park, Wakefield – Through LGF investment into the site, three speculative units totalling 45,000sqft of commercial floorspace completed three months ahead of schedule in December 2020. All three units have heads of terms agreed for a freehold disposal to secure occupiers on site and create new job opportunities within the region.
 - (iii) Moor Park, Kirklees – The unit on phase 1 was occupied by Wesco earlier this year. The company consolidated its activity from around the country on to this site and therefore has brought new jobs to the region. Works have now commenced on phase 2, with Caddick Group constructing three units totalling 91,500sqft with interest in a further 80,000sqft unit which, if agreed, would see this site complete. No public subsidy has been required in relation to this site.
 - (iv) Lindley Moor West, Kirklees - is now completely built out without the requirement for public subsidy.

Getting Building Fund

- 2.8 Parry Lane, Bradford – Full Business Case approval through the Assurance Framework was granted earlier this year to enable a programme of de-risking works to commence on site in April, funded through a blend of LGF and Getting Building Fund. The Combined Authority's Enterprise Zone team are leading this construction work with Balfour Beatty as main contractor and this is due to complete in March 2022. The site is owned by Bradford Council with whom the Combined Authority have entered into a Collaboration Agreement. A Commercial Agreement regarding future commercial construction / disposal strategy will be finalised in the coming weeks. The activity on site is already generating enquiries in relation to future potential occupiers.
- 2.9 Langthwaite, Wakefield - the Combined Authority acquired the majority freehold of the site in August 2020. Working in partnership with Wakefield Council, the Getting Building Fund is intended to enable a new access road to the site through the existing Langthwaite Business Park ready for further enabling works once future investment is secured.

Other Activity

- 2.10 Staithgate Lane, Bradford – the private sector owner has appointed agents to market the site for developer interest.
- 2.11 Lindley Moor East, Kirklees – the private sector owner has initiated pre-application discussions with the Council's planning team.

Clifton (Calderdale)

- 2.12 The Clifton Enterprise Zone at 23 hectares is the largest Enterprise Zone site within the phase 2 programme and represents a third of Calderdale Council's employment land within its emerging Local Plan. It is the only Enterprise Zone within Calderdale.
- 2.13 The Clifton site, which is in multiple private ownerships, requires significant investment to address on-site barriers in advance of a viable scheme being offered to the market for commercial development, estimated at £35.5 million. Over the last twelve months the Combined Authority have been working closely with Calderdale Council to consider how a funding package for the scheme might be facilitated.
- 2.14 As highlighted in para 2.3, as a result of the Enterprise Zone designation, all future business rates generated from the site up to March 2042 will be received by the Combined Authority as accountable body for the LEP. After other considerations and discussions with Calderdale, the Council have asked the LEP / Combined Authority to consider the foregoing of its *future* business rates income stream from the Clifton site – estimated at circa £16m in total - to enable the Council to prudentially borrow the capital required to deliver a scheme of enabling works. The Council have also submitted a Levelling Up Fund bid to central Government which, if successful, would

match-fund the LEP's investment to enable the site to come forward for early development.

- 2.15 The investment requested from the LEP supports the objectives of the Covid-19 Economic Recovery Plan for accelerated infrastructure linked to employment opportunities. The funding contribution will contribute to a wider funding package being pulled together by the Council and potentially unlock 492,868 sqft of new commercial space with the ability to generate over 1300 jobs and £214m GVA up to 2040.
- 2.16 In forwarding this recommendation to the Combined Authority, the LEP Board are asked to consider conditions of funding as detailed below, namely that retention of future business rates income generated from the Clifton Enterprise Zone by Calderdale Council (up to March 2042) is subject to:
- (i) Approval of the Clifton Enterprise Zone scheme through the Combined Authority's Assurance Framework and the Council entering into an appropriate investment agreement(s) with the Combined Authority.
 - (ii) The total future business rates income from the Clifton Enterprise Zone site to be retained by the Council in support of the scheme will be the minimum required to match fund the project after all other funding has been secured and shall only be used for the project as defined in the Full Business Case (which is pending approval).
 - (iii) The Council securing all further match-funding to deliver the scheme.
 - (iv) Evidence of a Council resolution to prudentially borrow the necessary funding in support of the scheme for which the business rates income is being sought.
 - (v) Where the Council is the landowner (including after any land acquisitions or Compulsory Purchase required to progress the scheme), the reinvestment of capital receipts due to the Council from future land sales on the Clifton site into the total funding package.
 - (vi) This is a standalone decision for the Clifton Enterprise Zone site and should not be viewed as a regional precedent for other emerging projects on Enterprise Zones or other sites in the future.

LEP Network Update

- 2.17 As detailed in para 2.2, occupier incentives for the phase 2 Enterprise Zone sites are due to expire at the end of March 2022. The LEP Network is leading work to encourage the Government to allow the tax and/or business rate benefits to companies locating on Enterprise Zones to be extended beyond the current end date. The LEP Board Chair has therefore supported the Leeds City Region Enterprise Zone programme participating in a national campaign linked to the extension of fiscal benefits for Enterprise Zones and a letter has been issued to our regional Members of Parliament seeking their support.

2.18 The campaign seeks an extension of Enterprise Zone Business Rates Relief because:

- (i) The extension of fiscal benefits could significantly improve COVID-19 economic recovery responses.
- (ii) It is a relatively low cost, easily implemented COVID-19 recovery tool that is already in place and protocols agreed.
- (iii) It will strengthen the case for potential Levelling Up Fund submissions (current and future).
- (iv) It enables the region to deliver more of the critical infrastructure required and end users will still benefit from financial incentives.
- (v) Provides more time to fund and progress the often long timescales for development of master planning, planning permission, design and delivery of utility infrastructure construction with small team resources.
- (vi) It will provide more time for Enterprise Zones to build markets and attract occupiers ahead of expiry of incentive time periods.
- (vii) Given the significant challenges with brownfield sites, a longer benefits period will help to secure change of use.
- (viii) A small number of the sites are shovel ready and an extension will provide sufficient time to prepare more sites ready for development.
- (ix) In practice Enterprise Zones cause minimal displacement or distortion of economic growth but attract, support and retain investment and employment in the local area.
- (x) Enterprise Zones have a 25 year lifespan with many having approximately twenty years of Enterprise Zones status remaining and so are an excellent existing tool for economic recovery, especially as many Enterprise Zones around the country are trending as hotspots for innovation and sector specialisation.

3. Tackling the Climate Emergency Implications

3.1 There are no Climate Emergency Implications directly arising from this report.

4. Inclusive Growth Implications

4.1 There are no inclusive growth implications directly arising from this report.

5. Equality and Diversity Implications

5.1 There are no Equality and Diversity Implications directly arising from this report.

6. Financial Implications

6.1 As set out in the report.

7. Legal Implications

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

8. Staffing Implications

8.1 There are no staffing implications directly arising from this report.

9. External Consultees

9.1 Calderdale Council officers have been consulted in the drafting of this report.

10. Recommendations

10.1 That the LEP Board notes and comments on the progress made to date on the delivery of the Leeds City Region Enterprise Zone programme.

10.2 For the LEP Board to endorse for Combined Authority approval, the proposal regarding the use of future business rates for the Clifton Enterprise Zone in Calderdale as detailed in para 2.16 and the associated conditions of funding as detailed in paras 2.16(i) – 2.16(vi).

11. Background Documents

11.1 None

12. Appendices

12.1 None