
Report to: Economy Scrutiny Committee

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Subject: **Business Space and Enterprise Zones**

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1. Purpose of this report

- 1.1 The purpose of this report is to update the economic scrutiny committee on the issues relating to follow on space for businesses and the progress made on enterprise zones. This will hopefully facilitate further discussion around the need for follow-on spaces in the region to ensure that we maintain our start-ups and facilitate their future growth.

2 Information

- 2.1 The Vision for the Leeds City Region Enterprise Zones (EZs) as set out in the Strategic Economic Plan ('SEP') is 'the acceleration of development and delivery of high-quality employment floorspace in the advanced and innovative manufacturing and complementary sectors'.
- 2.2 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). These are indicated in a map in appendix 1. 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.
- 2.3 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 was only applicable for new businesses entering the phase 2 Enterprise Zone sites by 31 March 2022 so has now expired.
- 2.4 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.

- 2.5 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. Some of the enterprise zones have continued to be successfully developed post public sector funding by the private sector. Five of the nine phase 2 Enterprise Zone sites have either been completely built out or are in development. This has led to an increase in new jobs across the Enterprise Zones. There is scope for further private sector investment to bring forwards offers tailored to the creative industries and advanced manufacturing.
- 2.6 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 funding stream came to an end on 31 March 2022.

Progress to date and Next Steps

- 2.7 The phase 1 Leeds Aire Valley Enterprise Zone is continuing to be successfully developed out by the private sector, including a recently completed 2 million sqft unit, the third largest unit in the world.
- 2.8 Five of the nine phase 2 Enterprise Zone sites have either been completely built out or are in development: Gain Lane and Parry Lane in Bradford (Parry Lane is due to commence in 2023), South Kirkby Business Park in Wakefield, Moor Park and Lindley Moor West in Kirklees.
- 2.9 Phase 2 of the Leeds City Region EZ programme has a directive to attract new occupiers from advanced manufacturing and innovation bringing high skilled job opportunities. This has only been successful in small pockets.

Creative industries cover a wider spectrum of specialist technology, advanced manufacturing and product engineering which could offer significant employment hubs.

Residual EZ sites

- 2.10 Whilst progress across the regional EZ programme is evident, the complexity and challenges across some of the sites means that four of the committed EZ sites have not yet come forward for construction of commercial units.
- 2.11 These residual EZ sites will require significant public sector intervention to secure commercial development, generate jobs, and future business rates income. Two of these sites are subject to Levelling Up Fund Round 2 funding bids from the Local Authorities. Funding has now ended for these incentives.

Follow on Spaces

- 2.12 ONS data continues to show a growing scale-up population across the UK, indicating an extremely exciting future for the country. Scale-ups have even

been described as the “backbone” of the economy as they tend to be highly productive, extremely innovative, create high-quality jobs, and drive more diversity. There are currently over 32,000 high-growth businesses in the UK. ONS data for 2020 shows that 415 companies in West Yorkshire are classified as scaleups due to rapid growth in their employees. 880 are classified as scaleups due to rapid growth in their turnover. These figures rise to 775 and 1550 respectively if you include companies with a 15-10% growth.

- 2.13 Many startups begin their journeys in coworking spaces (shared offices), accelerators or incubators. These spaces act as catalysts for business growth, helping fledgling enterprises to get off the ground by providing investment, mentoring and technical skills. Across the UK, 205 incubators and 163 accelerators support an estimated 3,450, and 3,660 new businesses a year respectively. Beahurst shows there are 62 accelerators that have worked with West Yorkshire-based businesses. 2 accelerators are head quartered in West Yorkshire and working with West Yorkshire businesses. There are 34 coworking spaces in West Yorkshire.
- 2.14 Occupiers are increasingly seeking flexible office space that can be adjusted easily to accommodate a growing or declining workforce. This includes open floor spaces, social areas and workstations that support a range of tasks. Flexible spaces can be multi-use and therefore release extra office space for people that require fixed desks or to be designed as collaboration or meeting space.
- 2.15 Established incubators and accelerators now offer services across the entire innovation life-cycle. The focus isn't just on startups but helping businesses to sustain growth by offering leadership and entrepreneurship development programmes.
- 2.16 The Scale Up Institute identified 5 key challenges that every scale-up faces: infrastructure, talent and skills, leadership, access to markets, and finance.
- 2.17 Top talent will be looking for reasons to join a business and a workplace can provide an environment that will help people connect, grow and develop will appeal to more people. The space needs to be accessible to attract talent from the widest possible catchment area.
- 2.18 Flexible workspace has earned its position as an attractive sub-sector within the commercial real estate market and has emerged as a distinct asset class for investors. It's not just startups and SMEs getting on board with flexible workspace. Larger organisations are making the switch, enticed by features such as large meeting rooms and client concierge services.
- 2.19 We spoke to developers and agents to explore the current challenges facing West Yorkshire SME's as they try to expand within the region. Their responses show that there is a lack of large space available out of Leeds city centre. Despite this New Grade A schemes will become available across the region including Bradford City Park, which has received Combined Authority funding. This demonstrates that when planning is

granted and developers bring forward including a site there is adequate demand to make it commercially viable.

3. Tackling the Climate Emergency Implications

- 3.1 Increasingly businesses are enquiring as to the sustainability of their assets. BREEAM provides consistent and comparable sustainability assessment and verification across all asset types. As a result, agents across West Yorkshire are increasingly listing the BREEAM status of their properties.

4. Inclusive Growth Implications

- 4.1 As the number of disabled people in work increases, employers need to know how they can make their workspaces more accessible. Recent figures show that 18% of working age adults have a disability, and 3.5 million disabled people are in employment today, compared to 2.9 million in 2013. This growth is expected to continue. Organisations need to understand their legal obligation to ensure that disabled workers aren't disadvantaged at work. Making reasonable adjustments can often be a quick cost-effective solution. There are many types of disability, and employers need to consider how they will accommodate disabled employees as well as disabled visitors.
- 4.2 When selecting scale up space an access audit can be a useful tool. It evaluates a building and its features, as well as an employer's management arrangements for accessibility and disability, against specific standards. It helps you establish how accessible a building, workspaces and management arrangements are to accommodate a wide range of users, including people with mobility, sensory and cognitive impairments.

5. Equality and Diversity Implications

- 5.1 It is important that any new scale on spaces and all of the enterprise zones are inclusive to all and attract a diverse talent.

6. Financial Implications

- 6.1 There are no financial implications directly arising from this 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 No external consultations have been undertaken.

10. Recommendations

10.1 To note the report and provide any comments and feedback.

11. Background Documents

None.

12. Appendices

Appendix 1 – Enterprise Zone Map