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Dear Councillor

CABINET - TUESDAY, 8TH MARCH, 2016

I am now able to enclose, for consideration at next Tuesday, 8th March, 2016 meeting of the Cabinet, the following report.

Item 6 Cheshire Science Corridor Enterprise Zone (Pages 1 - 10)

To consider a report on the Cheshire Science Corridor Enterprise Zone and its implications for Alderly Park.

Yours sincerely

Cherry Foreman

Democratic Services Officer

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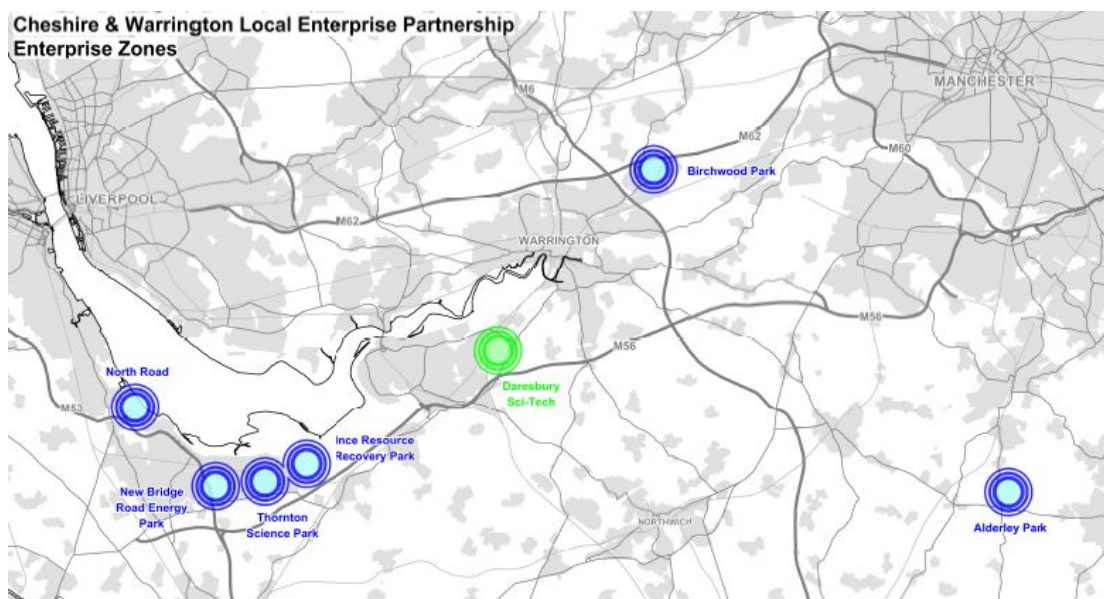
CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	8 th March 2016
Report of:	Caroline Simpson, Executive Director for Economic Growth and Prosperity
Subject/Title:	Cheshire Science Corridor Enterprise Zone
Portfolio Holder:	Regeneration / Finance and Assets

1. Report Summary

- 1.1. During the Autumn Statement the Chancellor announced that the Cheshire and Warrington LEP's Enterprise Zone bid, supported by Cheshire East Council, had been successful and that a new Enterprise Zone would be created covering key sites across the Cheshire Science Corridor.
- 1.2. The multi-site Zone will encompass a total of 133ha spread across Alderley Park, Thornton, Birchwood, and a number of smaller sites in Ellesmere Port.



- 1.3. This report sets out the details of the proposals for the Enterprise Zone, particularly in terms of the implications for Alderley Park, and seeks the relevant approvals to implement the proposals ready for a launch of the Enterprise Zone on the 1st April 2016.
- 1.4. Enterprise Zones are an important part of the Government's programme to devolve responsibility for local economic growth. An Enterprise Zone designation means that:

- LEPs retain 100% of business growth rates for 25 years, to be reinvested in economic growth
 - A business rates discount is applied to occupiers which will be 100% reimbursed by central government for 5 years.
- 1.5. Zones will also benefit from existing freedoms and flexibilities including Local Development Orders to simplify planning requirements and access to Superfast Broadband. The national recognition afforded through Enterprise Zone status is also of significant benefit to sites in attracting new investment.
 - 1.6. The incorporation of Alderley Park as part of the Enterprise Zone is a key tenet of the Council's wider programme of activity to support the growth of the life science sector at the heart of the Cheshire Science Corridor.
 - 1.7. It is estimated that the Zone will accelerate the significant growth potential of the area's science and innovation cluster, and will create 15,200 new jobs by 2030 with 390 new businesses attracted to the area.

2. Recommendation

Cabinet is recommended to:

- 2.1. Delegate authority to the Section 151 Officer, in consultation with the Portfolio Holder for Finance, to determine applications for business rates relief within the boundaries of the Cheshire Science Enterprise Zone (as at Appendix 1) and to agree a policy framework with sub-regional partners on how applications for discounts will be managed.
- 2.2. Approve that any business rates growth achieved within the boundaries of the Cheshire Science Enterprise Zone on the Alderley Park site (as at Appendix 1) be ring-fenced for reinvestment in the Cheshire Science Enterprise Zone area to support priorities agreed at the sub-regional level by the Cheshire and Warrington Local Enterprise Partnership, with final approval of spending to be agreed by the Section 151 Officer.
- 2.3. Delegate authority to the Director of Regeneration and Assets, in consultation with the S151 Officer and Portfolio Holders for Finance, and Regeneration and Assets to develop the governance arrangements with the LEP.

3. Other Options Considered

- 3.1. Alongside sub-regional partners the Council played a leading role in compiling the bid for the Enterprise Zone designation, which was submitted to Government in Autumn 2015. A decision by the Council to withdraw its support at this stage in the Zone's establishment would significantly impact on the viability of delivering the wider Science Corridor Enterprise Zone, and would undermine existing relationships at the sub-regional level and the Council's ambitions for the Cheshire Science Corridor.

4. Reasons for Recommendation

- 4.1. Cabinet's approval to both apply the proposed Business Rates Framework to companies at Alderley Park, and pool any uplift at the sub-regional level, are essential components of the delivery of the Enterprise Zone. It is estimated that the Zone will accelerate the significant growth potential of the area's science and innovation cluster, and will create 15,200 new jobs by 2030 with 390 businesses attracted to the area.

5. Background/Chronology

- 5.1. During the Autumn Statement the Chancellor announced that the Cheshire and Warrington's LEP Enterprise Zone bid had been successful, and that a new Enterprise Zone would be created covering key sites across the Cheshire Science Corridor.
- 5.2. The multi-site Zone will encompass a total of 133ha spread across Alderley Park, Thornton, Birchwood, and a number of smaller sites in Ellesmere Port.
- 5.3. Enterprise Zones are an important part of the Government's programme to devolve responsibility for local economic growth. An Enterprise Zone designation means that:
 - LEPs retain 100% of business growth rates for 25 years, to be reinvested in local economic growth
 - A business rates discount is applied to occupiers which will be 100% reimbursed by central government for 5 years.
- 5.4. Zones will benefit from existing freedoms and flexibilities including Local Development Orders to simplify planning requirements and access to Superfast Broadband. The national recognition afforded through Enterprise Zone status is also of significant benefit to sites in attracting new investments.
- 5.5. It is estimated that the Zone will accelerate the significant growth potential of the area's science and innovation cluster, and will create 15,200 new jobs by 2030 with 390 businesses attracted to the area.
- 5.6. With regards to Alderley Park, the Enterprise Zone designation will provide the following benefits:
 - A business rates discount can be offered to qualifying tenants over a 5 year period up to State Aid de minimis limits.

- The internationally-recognised Enterprise Zone status will be available as a positive tool when marketing opportunities on the site to future investors and tenants.
 - Opportunities for reinvestment of business rates uplift to unlock economic growth subject to prioritisation at the sub-regional level.
- 5.7. As owners of the Alderley Park site, Manchester Science Partnerships (MSP) has been involved in the bid to Government, and will play a key role in the delivery of the Enterprise Zone. A number of their sites in central Manchester have also been designated as part of the new Greater Manchester Life Science Enterprise Zone, providing them with a strong platform to support the growth and expansion of the sector in the region.
- 5.8. In order to provide the necessary strategic oversight and governance mechanisms for the Enterprise Zone and ensure that it delivers the proposed benefits, a Cheshire and Warrington Enterprise Zone Board comprised of senior sub-regional stakeholders will be established, including both MSP and Cheshire East Council as major stakeholders. The Board will be supported by a Working Group of senior officers from across the sub-region and a number of task and finish groups as required.
- 5.9. The development programme will be subject to the LEP Assurance and Accountability Framework and to the same reporting mechanisms as all other publicly supported investment in Cheshire and Warrington with the LEP's Performance and Investment Committee undertaking the scrutiny role and holding delivery partners to account.
- 5.10. In January 2016 the LEP invited tenders from firms able to assemble a small team of experienced staff able to undertake the work necessary to have the new Enterprise Zone fully operational by 1 April 2016.
- 5.11. On February 1st 2016 the LEP awarded a tender to Cushman & Wakefield, having demonstrated extensive experience in the development and operation of several successful Enterprise Zones across the country; as well as acting in an advisory capacity to DCLG in relation to 20 of the 24 original Enterprise Zones. The Cushman & Wakefield team will be funded through business rates retention as a result of the Enterprise Zone.
- 5.12. Further detailed governance arrangements will be developed through the work of Cushman & Wakefield in consultation with the land owners and the local authorities in readiness for a start date of April 1st, 2016. The Council has already expressed an intention to have a minimum of two representatives on the Enterprise Zone Board. Approval is requested to delegate the finalisation of these governance arrangements to the Director for Regeneration and Assets in consultation with the S151 Officer and Portfolio Holders for Finance, and Regeneration and Assets.

- 5.13. In awarding business rates relief to companies in the Enterprise Zone, a coordinated policy will be agreed by all partners which will set out appropriate eligibility criteria that companies will need to satisfy in order to receive relief. Given the centrality of the Zone to the Cheshire Science Corridor, a sectoral policy will be included as part of the eligibility criteria.

6. Wards Affected and Local Ward Members

- 6.1. The location of Alderley Park within the Chelford (Cllr George Walton) and Prestbury (Cllr Paul Findlow) wards means that they will be affected by the award of Enterprise Zone status.

7. Implications of Recommendation

7.1. Policy Implications

- 7.1.1. The inclusion of Alderley Park within the wider Cheshire Science Corridor Enterprise Zone is fully aligned to the following corporate priorities and policies:

- The project relates directly to the Council's key priority: *A growing and resilient local economy*. It is also prioritised in the Council's Three Year Plan:
 - Outcome 2: *Cheshire East has a strong and resilient economy*
 - Priority 1: *Local Economic Development*
 - Change Project 1.3 (*Investment to support business growth*).
- This proposal also accords with, and is complementary to the following:

*Ambition for All: Sustainable Communities Strategy 2010-2025:
Priority 2 Create conditions for business growth*

- Harness emerging growth opportunities;
- Create a climate attractive to business investment.

Cheshire East Economic Development Strategy

- Ensure that Cheshire East maintains and enhances its role as a 'knowledge economy';
- Facilitate economic growth through progressing schemes that will create jobs and improve the attractiveness of the area as a place to invest, live and visit;
- Macclesfield and its hinterland sustain their current position as one of the most successful parts of the regional economy.

7.2. Legal Implications

- 7.2.1 The Council may apply discretionary relief in accordance with the provisions of s.47 (1) (a) of the Local Government Finance Act 1988 (as amended). The provisions of the Non-Domestic Rating (Rates Retention)

Regulations 2013 allow for a deduction from central share of qualifying relief for case A and case B hereditaments. It is expected that new enterprise zones are designated as such under regulations similar to the Non- Domestic Rating (Designated Areas) Regulations 2013 designating which hereditaments qualify as case A or case B hereditaments.

- 7.2.2 As set out in the Non- Domestic Rating (Rates Retention) Regulations 2013 the Council must be mindful of not granting relief where the amount of that relief would exceed the limit on the total de minimis aid that may be granted in accordance with Commission Regulation (EC) No 1998/2006 (a) in respect of any particular undertaking. De minimis aid is currently set at 200,000 Euros over a rolling three-year period, the equivalent of approximately £51,000 per year. The Council should ensure that no other aid which might qualify as state aid has been given to the particular undertaking.

7.3. Financial Implications

- 7.3.1 The award of discretionary Enterprise Zone Allowances to occupiers of units within the EZ area will be recorded by the Business Rates Team. Awards will be reported to Government via annual statutory returns, and will be netted-off in full as part of the overall settlement of all non-domestic rates within the Cheshire East Council area. There will therefore be no financial impact on residents of Cheshire East from the award of these allowances.
- 7.3.2 The business rates baseline for annual rates collected from businesses within the EZ has been calculated at £2.4m. Rates received above or below this baseline will provide funds or temporary shortfalls for investment in the EZ. As the accounting body for the LEP, Cheshire East Council will manage the funds as necessary. The rates collected will be monitored and will be affected by new buildings/demolitions as well as appeals against rateable value, vacancy rates, non-payment and awards of discounts / exemptions.
- 7.3.3 Due to its existing role as accountable body for the Cheshire and Warrington LEP, the Council will act as accountable body for the funds in accordance with its role for similar LEP funding mechanisms (including Local Growth Funding).

7.4. Equality Implications

- 7.4.1. The recommendations do not have any direct equality implications.

7.5. Rural Community Implications

- 7.5.1. The allocation of business rates relief to companies located within the Enterprise Zone boundary at Alderley Park will contribute to the creation of new high quality job opportunities and the future economic viability of

the site. This will be of benefit to the local communities in the immediate vicinity, but also to the wider Cheshire East economy.

7.6. Human Resources Implications

7.6.1. The recommendations do not have any direct human resources implications.

7.7. Public Health Implications

7.7.1. The recommendations do not have any direct public health implications.

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8. Risk Management

8.1. The following risks have been identified:

Risk	Mitigation
The business rates baseline position submitted to DCLG is set for 25 years and could result in a financial risk to the Council if actual business rates yields do not reflect the estimated baseline.	Officers have maintained a close dialogue with both DCLG and the Valuation Office to ensure that an accurate baseline position was submitted, taking account of potential rates reductions resulting from demolitions and rating appeals.
Given the diversity of sites included in the Zone there is a risk that there will be differing expectations on how uplift proceeds will be utilised across the sub-region	Clear governance arrangements will be agreed at the sub-regional level to ensure that the reinvestment of business rates uplift is acceptable to all partners.
There is a risk that EZ status could have a negative or positive impact on other proposed projects at Alderley Park, including the Medicine Technologies Catapult and Centre of Excellence for AMR.	Close dialogue with MSP will be maintained and officers will undertake early screening of potential impacts, developing mitigation approaches when required.

9. Access to Information/Bibliography

9.1. Further information can be found at the following sources:

<https://www.gov.uk/government/news/the-new-enterprise-zones>

http://www.cheshireeast.gov.uk/council_and_democracy/council_information/media_hub/media_releases/great-news-for-alderley-park—as-chancellor-unveils-new-enterprise-zone.aspx

10. Contact Information

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