

EXETER CITY COUNCIL
SCRUTINY COMMITTEE – ECONOMY
9 JUNE 2011

**HEART OF THE SOUTH WEST LOCAL ENTERPRISE PARTNERSHIP
UPDATE AND BRIEFING ON PROPOSALS FOR AN ENTERPRISE ZONE**

1. PURPOSE

- 1.1 To briefly update Members on progress with the proposal to establish a Local Enterprise Partnership (LEP) covering the counties of Devon and Somerset.
- 1.2 To brief Members on the possibility of establishing an Enterprise Zone based around the Exeter and East Devon Growth Point development programme.

2. BACKGROUND

- 2.1 Members of Scrutiny received a report at the last meeting in March 2011 on the draft prospectus for the proposed Heart of the South West LEP. The Government announced in June 2010 the abolition of the Regional Development Agencies, the Regional Strategy and the Government Offices for the Region in England with the intention that some of their current roles be taken over by new Local Enterprise Partnerships (LEPs).
- 2.2 In the South West only two LEPs were approved in the first round of applications, namely Cornwall and the West of England (Bristol, South Gloucestershire, Bath and North Somerset).
- 2.3 The LEPs and prospective bidders have more recently been given some indicators of their main roles and likely responsibilities as follows:-
 - working with government to set out key investment priorities, including transport infrastructure and supporting or co-ordinating project delivery
 - co-ordinating proposals or bidding directly for the Regional Growth Fund
 - supporting high growth businesses
 - making representations on the development of national planning policy and ensuring business is involved in the development and consideration of strategic planning applications
 - strategic housing delivery including pooling and aligning funding
 - co-ordinating approaches to leveraging funding from the private sector
 - exploring opportunities for developing financial and non-financial incentives on renewable energy projects
 - potential management and lead responsibilities for a range of funding streams

LEPs are very much in their infancy and it is likely that it will take at least a year or two before they have the corporate arrangements, resources, and capacity to undertake all these roles.

- 2.4 Following rejections of the original Devon proposal, a new proposal was developed and submitted covering Devon and Somerset. Both County Councils, the two unitary councils of Plymouth and Torbay and a range of private sector organisations came

together to prepare the prospectus which was discussed at the last Scrutiny Committee meeting. Following some further but minor revisions, the prospectus was submitted to Government (copy appended to this report).

3. PROGRESS

- 3.1 Government approved the prospectus in early April 2011 and the Steering Group has been tasked with setting up the new LEP firstly by co-ordinating the recruitment of the Board. The Board will comprise up to eight prominent business people from which the Chairman will be selected, and representatives from Devon and Somerset County Councils, Plymouth and Torbay Unitary Councils and further and higher education. The City Council support for the formation of the LEP was given with the proviso that one of the private sector seats on the Board will be specifically for a representative recruited from the Exeter and Heart of Devon area to reflect its economic importance.
- 3.2 The preferred geography of an LEP is that it should be built around functional economic areas; recognisable economies locally and regionally which directly relate to common understanding of business activity, which do not generally follow administrative boundaries. It is important that the reality of the economic contribution of the wider Exeter economy and the strategic opportunities it presents are sensibly considered, supported and the priorities for development agreed and adapted also at the higher strategic level and potential influence of the LEP. The amalgamation of the Exeter and Heart of Devon Economic Partnership and the Growth Point Steering Group with the Exeter and East Devon Growth Board is an essential part of this process to ensure that there is a focus and a prioritisation of the economic development opportunities they represent.
- 3.3 The final prospectus was partly amended to reflect the City Council's expressed concerns about it playing little attention to the distinctive role of district councils in economic development and planning, and the delivery of key developments. However, it still leaves the question of the City Council's involvement vague and yet to be determined. The prospectus states that the role of the proposed LEP Forum which is to include district councils, "will be to examine and monitor the work of the Board and hold the LEP to account". Its membership "is open to all businesses, organisations, agencies, planning authorities and local authorities". It is difficult at this stage to understand how the Forum will be able to focus and prioritise its scrutiny, support and advice to the Board. The prospectus does state that a key element to be determined as a priority is the relationship between the Board and planning authorities. However, it is early days and your officers will be monitoring this closely to try to ensure that the City Council is engaged in the most effective way.
- 3.4 The final prospectus is attached and sets out a number of other critical actions to be completed over coming months in order to establish the LEP.

4. ENTERPRISE ZONE

- 4.1 The Government has invited proposals for a further 10 Enterprise Zones to be set up following its announcement of the first 11 zones in the Budget in March 2011. Local Enterprise Partnerships which have not yet had approval for a zone have been invited to submit proposals. No other organisation can apply.
- 4.2 This most recent version of Enterprise Zones appears to be different from those established previously by Government which were very much aimed at addressing areas of the country in need of very substantial incentives to achieve a step change

in regeneration and address large scale problems of industrial decline. There would be a risk that if the Exeter economy was to consider establishing an “old style” enterprise zone that the progressive and successful image of the city’s economy would be damaged and less attractive to investment.

- 4.3 The Government has asked the LEP’s for Expressions of Interest in setting up new zones. In order that the Exeter economy could at least be “at the table” and exploring the opportunities such a zone may present, officers have worked with partners involved, primarily in the Growth Point programme of developments, and have submitted a formal Expression of Interest to the Heart of the South West LEP and which has been sent on to Government.
- 4.4 The benefits of a new Enterprise Zone include:-
- a business rate discount worth up to £275,000 per business over a five year period
 - all business rates growth within the zone for a period of at least 25 years will be retained by the local area, to support the Partnership’s economic priorities and ensure that the Enterprise Zone growth is reinvested locally
 - Government help to develop radically simplified planning approaches for the zone, using for example, existing Local Development Order powers
 - Government support to ensure that superfast broadband is rolled out throughout the zone, achieved through generating the most supportive regulatory environment and, if necessary, public funding
 - Potential additional options include enhanced capital allowances for plant and machinery, UK Trade and Industry support for inward investment and trade opportunities in the zone, and introducing Tax Increment Financing to enable borrowing against future increases on business rate receipts to help fund the development of infrastructure.
- 4.5 A copy of the Expression of Interest as submitted setting out initial proposals is attached at Appendix 2.
- 4.6 At the time of writing detailed guidance is awaited for the preparation of a full submission and progress with this will be reported at Committee.

5. FINANCIAL IMPLICATIONS

- 5.1 None at this time, although expenditure may need to be incurred in the preparation of a detailed submission for the proposed Enterprise Zone.

6. RECOMMENDATION that:-

- 6.1 Members note the formation of the new Local Enterprise Partnership.
- 6.2 Members comment upon and support the proposed setting up of an Enterprise Zone.

RICHARD BALL
HEAD OF ECONOMY AND TOURISM

ECONOMY AND DEVELOPMENT DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None.