

By: **Mark Dance, Cabinet Member for Economic Development**
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To: **Growth, Economic Development and Communities Cabinet Committee - 12 January 2016**

Subject: **Enterprise Zones in Kent and Medway**

Classification: **Unrestricted**

Past pathway of paper: **None**

Future pathway of paper: **None**

Electoral Division: **Electoral divisions in Dartford, Dover, Gravesham and Maidstone**

Summary: In November, Enterprise Zone status was awarded to Ebbsfleet Garden City, Kent Medical Campus at Maidstone and Rochester Airport Business Park. This will mean that businesses in these locations will be eligible for business rate discounts, with the local authority reimbursed by Government. It is anticipated that 9,900 new jobs will be supported through the development of the designated sites.

This report explains the new Enterprise Zone designation and sets out how it will complement Kent's existing Enterprise Zone at Discovery Park.

Recommendation: The Growth, Economic Development and Communities Cabinet Committee is recommended to CONSIDER this report.

1. Introduction

- 1.1. Enterprise Zones are sites designated by the Government, within which a package of incentives is offered to new occupiers to encourage business expansion and faster take-up of premises.
- 1.2. Originally introduced in the 1980s, the Government launched a new programme of Enterprise Zones in 2011. These offer business rate discounts for new occupiers of up to 100% for five years on specific sites, with Government fully reimbursing the local authority. A number of other specific grants have also been made available to support infrastructure development associated with Enterprise Zone sites. In exchange, local partners are encouraged to adopt streamlined planning arrangements, such as Local Development Orders, and Local Enterprise Partnerships have been encouraged to prioritise Enterprise Zones for other infrastructure support.

2. Enterprise Zones in Kent

Discovery Park Enterprise Zone

- 2.1. In 2011, the Government designated the former Pfizer site at Discovery Park, Sandwich, as an Enterprise Zone. This designation formed part of a package of measures to attract new investment into Discovery Park and East Kent following Pfizer's decision to exit. This included the £35 million Expansion East Kent business loans programme, delivery of sea defences at Sandwich and further enhancements to the rail line served by High Speed One.
- 2.2. The business rate discount took effect from 1 April 2012. Businesses locating at Discovery Park before 31 March 2018 may receive a 100% business rate discount for five years up to the state aid limit (equivalent to £55,000 per year).
- 2.3. When Pfizer announced its decision to exit, 2,400 jobs were directly threatened. The site has since recovered to previous levels of employment: currently, there are around 2,400 jobs based at Discovery Park, including a retained presence by Pfizer. In December 2015, there were 125 businesses located at Discovery Park, the majority of which are small businesses engaged in a diverse range of activities associated with research and development. Experience at Discovery Park suggests that Enterprise Zone designation was an important element of the wider investment package, with the clear indication of local and national government support associated with the Enterprise Zone brand as important as the business rate discount itself.

The North Kent Innovation Zone

- 2.4. In July 2015, the Government issued a further call for new Enterprise Zones. Applications were sought for clear sites, where there was evidence of developer interest which could be brought forward through Enterprise Zone designation and where planning permission had either been granted or was anticipated in the near future.
- 2.5. Thames Gateway Kent Partnership, with the support of KCC and the local authorities in North Kent and Maidstone, submitted an application for a 'North Kent Innovation Zone' (NKIZ). Following a prioritisation exercise managed by Kent and Medway Economic Partnership, the Government approved this application in November.
- 2.6. The North Kent Innovation Zone is a multi-location Zone consisting of three sites:
 - **Ebbsfleet Garden City** (23.5 hectares). Enterprise Zone designation will cover two areas within the Ebbsfleet Garden City:

- Ebbsfleet Valley North East, adjacent to the Station Quarter. This will offer up to 30,000 sq. m of innovation space, suitable for smaller businesses and start-ups, likely to be focused on the IT, communications and business services sectors; and
 - Northfleet Embankment, offering larger sized units.
- **Kent Medical Campus, Maidstone** (16 hectares). Adjacent to the Kent Institute of Medicine and Surgery, the Kent Medical Campus offers scope for up to 98,000 sq. m of business space suitable for the medical technologies and life science sectors.
 - **Rochester Airport Technology Park** (21.2 hectares). Adjacent to BAE Systems and the Medway Innovation Centre, the Technology Park offers scope for further innovation and general business space as part of a master plan for the site that will also include the retention of the operational Rochester Airport.
- 2.7. Overall, it is estimated that the North Kent Innovation Zone will generate around £11.6 million annually in business rates by 2020, and will accommodate 9,900 jobs.
- 2.8. Companies which enter the North Kent Innovation Zone between 1 April 2016 and 31 March 2022 will receive a 100% business rate discount up to the state aid limit (£55,000 per year) for five years. In addition, Local Enterprise Partnerships will retain 100% of all business rate growth for 25 years, in the expectation that this will support the further development of the Zone.

3. Governance and management

- 3.1. The governance arrangements for Enterprise Zones are relatively simple. At Discovery Park, an Enterprise Zone Board has been established, chaired by the Leader of Dover District Council and including representation from KCC, Locate in Kent and Discovery Park Ltd (the owner of the site). This Board is responsible for supporting the marketing and promotion of the site and for reporting progress to Government.
- 3.2. It is envisaged that similar arrangements will apply in the North Kent Innovation Zone, subject to further Government guidance, which is expected in January.

4. Contribution to Kent's wider economic strategy

- 4.1. Kent and Medway is fortunate in now having four Enterprise Zone sites, all in areas of significant growth potential, and with strengths in some of Kent's

priority growth sectors (such as life science and medical technologies at both Discovery Park and Kent Medical Campus). All of the sites now defined as Enterprise Zones also feature as priority locations within the Strategic Economic Plan and the Growth and Infrastructure Framework.

- 4.2. However, as the direct incentives offered by Enterprise Zone designation are relatively modest, it will be important to build on the experience of the original Discovery Park Zone to ensure that Enterprise Zone status is one element of a wider investment and business support package.

5. Risks and uncertainties

- 5.1. There are two risks associated with Enterprise Zone designation. First, as Enterprise Zone status provides a financial advantage to businesses locating on individual sites, there is a risk that investment may be simply displaced from other locations within the county. Experience at Discovery Park suggests that this risk is low, given the specific sectoral focus of the designated sites.
- 5.2. Second, it is unclear at present how local retention of business rates from Enterprise Zones will relate to the Government's general policy of business rates localisation and whether this will have any financial impact on KCC. Further guidance is expected from Government in January.

6. Other implications

- 6.1. There are no other financial, legal or equalities implications associated with this report.

7. Recommendations

Recommendation: The Growth, Economic Development and Communities Cabinet Committee is recommended to CONSIDER this report.

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