

## **EAST AYRSHIRE COUNCIL**

### **DEVELOPMENT SERVICES COMMITTEE – 16 DECEMBER 2003**

#### **A SUCCESSOR TO ENTERPRISE ZONES**

##### **Report by Director of Development Services**

## **1. PURPOSES OF REPORT**

### **1.1** The purposes of this Report are:-

- (1) To provide the Committee with background information on Enterprise Zones and the timetable for their cessation
- (2) To comment on the effectiveness of Enterprise Zones
- (3) To inform the Committee of the actions undertaken to date by the Alliance for Regional Aid and others, including East Ayrshire Council, to encourage the Government to establish a successor to Enterprise Zones.

## **2. BACKGROUND**

### **2.1** Enterprise Zones are geographically defined local areas where specific additional incentives to investment and job creation are available. At present each Enterprise Zone consists of one or more sites, generally totalling a few hundred hectares, where firms experience a number of benefits including:-

- 100% capital allowances for investment in buildings.
- 10-year rate free periods.
- Relaxation of normal planning controls.

Enterprise Zones address market failure and are designated in areas that experience job loss or unemployment, or where development has hitherto been slow to take off. The incentives are additional to those normally available within a development area, such as Regional Selective Assistance.

### **2.2** Since their establishment in 1981 nearly 30 Enterprise Zones have been established in the UK each with a life span of 10 years. A number of Enterprise Zones were designated in Scotland including Clydebank, Inverclyde and Lanarkshire. No Zones were designated within Ayrshire. The last Enterprise Zone was designated in 1995 and will finish in 2005. At present there are no plans to designate new areas.

### **3. THE EFFECTIVENESS OF ENTERPRISE ZONES**

- 3.1** Research has shown that, UK wide, Enterprise Zones have to date attracted more than £2 billion in property investment and have helped create 58,000 new jobs. They have addressed a number of issues of sustainable regeneration and have proven to be a valuable tool to encourage and attract new investment to the designated areas. They have not been without problems however and there have been instances of boundary hopping as well as of businesses benefiting inappropriately from relaxed planning controls.
- 3.2** In the absence of a new regime of tax incentives targeted at specific locations, economic regeneration in many former industrial areas lacks the means to kick-start priority or hard-to-develop sites. Financial incentives available over wider areas, site preparation and infrastructure provision are not enough by themselves in some places with the result that development will continue to gravitate towards the most obviously commercial locations.

### **4. THE DEVELOPMENT OF A CASE FOR A SUCCESSOR TO ENTERPRISE ZONES**

- 4.1** In 1998 the Coalfield's Task Force in recognition of these benefits proposed that a successor to Enterprise Zones be introduced. The Government's response to this recommendation was slow but a Report commissioned by the DTLR in December 2002 underlined the value of the sort of tax incentives available in Enterprise Zones and made the point that any successor to Enterprise Zones should be applied to all areas of need. However, there seemed to be little impetus behind the idea.
- 4.2** The Alliance for Regional Aid and the Coalfield Communities Campaign expressed determination that the issue should not be dropped and since June 2002 have been generating a strong body of local support for a successor to Enterprise Zones to be prepared. The Alliance wished to see Enterprise Zones, or a modified successor, retained as a tool for kick starting development in difficult areas and to give focus to the discussions decided to draw up a list of possible future Enterprise Zone sites. In July 2002 it invited each of its members to put forward, if appropriate, a site for its area.
- 4.3** The principle has also been included in the Ayrshire Economic Forum's Development Strategy "Ayrshire: Scotland's Western Gateway". This Strategy highlights the fact that Ayrshire had not benefited in the past from the designation of Enterprise Zones or other forms of special investment support and recognises the need to investigate options for targeted incentives linked to the Strategy. It was agreed by the Forum that a preliminary bid for Ayrshire be submitted. This bid was prepared in consultation with Dumfries and Galloway in recognition of the economic links between the Cumnock and Upper Nithsdale areas.

- 4.4** In October 2002 the Ayrshire Economic Forum Bid was submitted to the Alliance for Regional Aid. An extensive portfolio of sites in Ayrshire was identified. Within East Ayrshire these were:-

Kilmarnock - Rowallan and possible extension.

Kilmarnock – Top of the Town

Cumnock – Town Centre/Caponacre Industrial Estate and extension/site centring on the former Barony Mine and Power Station.

- 4.5** This Ayrshire Bid was subsequently incorporated in “A Successor to Enterprise Zones” published by the Alliance for Regional Aid late 2002.

- 4.6** Throughout 2003 the Alliance for Regional Aid has ensured a continued focus on the debate on the need for the Government to establish a Successor to Enterprise Zones such as through its responses to the Office of the Deputy Prime Minister’s Select Committee Inquiry into the Regeneration of the Coalfield Communities and to the consultation document on “Jobs and Enterprise in Deprived Areas” initiated through the Social Inclusion Unit in association with the Scottish Executive as well as through continued dialogue and meetings with Treasury officials.

- 4.7** A further and more recent, focus has been developed by the Scottish Local Authorities who are members of the Alliance. On Tuesday 18 November, 2003 Mr Frank Roy MP hosted a briefing meeting for all Scottish MP’s representing those areas where the local authorities were members of the Alliance. This meeting was well attended by MPs and as a result of the meeting it was agreed that the political lobby be further developed. A Report of the meeting is to be drawn up and is to be circulated to each MP with a request that they individually write to the Chancellor calling for a Successor to Enterprise Zones to be established.

It has been further agreed that a similar briefing meeting be held with the relevant MSPs and arrangements for this meeting are currently being made.

## **5 POLICY IMPLICATIONS**

- 5.1** Nil

## **6. FINANCIAL IMPLICATIONS**

- 6.1** Nil

## **7. LEGAL AND PERSONNEL IMPLICATIONS**

- 7.1** Nil

## **8. RECOMMENDATIONS**

**8.1** It is recommended that the Committee:

- (a) approve the actions taken to date regarding lobbying the Government to establish a Successor to Enterprise Zones; and
- (b) otherwise notes the contents of the report.

**Stephen Chorley**  
**Director of Development Services**  
**DAH/PM**  
**25/11/03**

### **BACKGROUND PAPERS**

- (1) "A New Generation of Enterprise Zones – Preliminary Bid – Ayrshire" - Ayrshire Economic Forum. 17<sup>th</sup> October 2002
- (2) "A Successor to Enterprise Zones" – Alliance for Regional Aid.
- (3) "Ayrshire – Scotland's Western Gateway" - Ayrshire Economic Forum
- (4) Jobs and Enterprise in Deprived Areas – Response to Consultation document 6<sup>th</sup> October 2003.

Anyone wishing further information on the contents of this report, or to inspect the above papers should contact David Hewet on 01563 554608.

**Implementation Officer: Dave Hewet**