

Report to Accountability Board	Forward Plan reference number: N/A
Date of Accountability Board Meeting:	16 th September 2016
Date of report:	7 th September 2016
Title of report: Memorandum of Understanding (MOU) for Enterprise Zones	
Report by	Adam Bryan
Enquiries to	adam.bryan@essex.gov.uk

1. Purpose of report

The purpose of this paper is to inform the Accountability Board of the requirement for Local Authorities, LEPs and central Government to agree a Memorandum of Understanding (MOU) for North Kent Innovation Zone by the end of September 2016, and to seek approval for the Managing Director of the SELEP to approve the final MOU.

2. Recommendations

2.1 The Board is asked to:

- 2.1.1 Note the requirement for Local Authorities, LEPs and central Government to agree a North Kent Innovation Zone MOU by 26th September 2016;
- 2.1.2 Recommend that SELEP, via the Accountable Body enter into the North Kent Innovation Zone MOU; and
- 2.1.3 Agree to delegate to the SELEP Managing Director authority to finalise the terms and conditions of the final MOU for North Kent Innovation Zone, which will commit SELEP to support and assist development and delivery of the Enterprise Zone.
- 2.1.4 Agree to delegate authority to the SELEP Managing Director and Accountable Body authority to sign the MOU once a final MOU has been prepared and agreed by all parties.

3. Background

- 3.1 During 2015/16, North Kent Innovation Zone was granted Enterprise Zone status by the Secretary of State for Communities and Local Government.
- 3.2 Following that application process, there is now a need to have in place an MOU for new Enterprise Zones. The MOU is the instrument by which Government seeks confirmation of local partners' commitment to delivering the enterprise zone and its outputs. In return for which Government commits to the regulatory measures that give effect to the enterprise zone incentives (for occupiers) and retention of business rates (for local authorities).

- 3.3 The MOU will set out a number of commitments of all parties, and will reaffirm the Government's commitment to the establishment of Enterprise Zones, and local authorities access to business incentives. The MOU will confirm the SELEP ability to benefit from a number of business incentives including:
- 3.3.1 Permitting the Relevant Local Authorities to retain 100% of any business rate increase which accrues for a period of 25 years from the commencement date of the Enterprise Zone, providing that such sums are directed towards the development of the Enterprise Zones and thereafter towards the Local Enterprise Partnership's other identified growth priorities;
 - 3.3.2 Central government will reimburse the cost incurred by Relevant Local Authorities in providing a 100% business rates discount for a period of up to five years, to any business which sets up operations within the Enterprise Zone site before 31 March 2022, and is able to receive the support within the State Aid De Minimis threshold (or other limitation applicable by law);
 - 3.3.3 As an alternative to the reimbursement of business rates, and up until 31st March 2020, Central Government will reimburse the Relevant Local Authorities the cost of allowing businesses occupying an Enterprise Zone sites within an Assisted Area to count 100% up to €125 million of their first years' expenditure on qualifying plant and machinery assets against taxable income as an Enhanced Capital Allowance; and
 - 3.3.4 The Local Enterprise Partnership and Relevant Local Authorities can together agree to other local authorities benefitting from the benefits of the Enterprise Zone during the term
- 3.4 A draft template of the Enterprise Zone Memorandum of Understanding for the North Kent Innovation Zone is provided in Appendix 1. However, amendments are required to the MOU prior to final approval. These amendments will include changes to bring the MOU in line with the bid document and to ensure the MOU complies with Local Authorities own legal requirements.
- 3.5 In addition to the business incentives, the MOU sets out certain expectations from relevant local authorities and LEPs, in return for which Government gives certain undertakings. These are summarised in Table 1 below.

Table 1 Summary of expectations from Local Authorities/LEP's and Government's committed undertakings

Local Enterprise Partnership/Local Authority commitments	DCLG commitments
OPERATION <ul style="list-style-type: none"> • Provide maps and confirmation regarding the location, incentives sought and commencement dates for each site. • Submit a 5-year delivery plan setting out how the EZ will be set up and operated. • Secure expertise needed to establish and operate the EZ. • Provide DCLG with a named contact 	<ul style="list-style-type: none"> • Permit Local Authorities to retain 100% of business rate growth for 25 years from the commencement date of the EZ on the condition that this is spent on the Local Enterprise Partnership's growth priorities. The expectation is that this will initially be to fund development required on the EZ. • Reimburse 100% of the discount in

regularly notifying DCLG on progress.	business rates (provided by the local authority on which the Enterprise Zone is sited) to businesses that occupy an Enterprise zone site before 31 March 2022 for a period of 5 years up to the maximum state aid <i>de minimise</i> threshold.
GOVERNANCE <ul style="list-style-type: none"> • Agree a governance structure. • Enter into agreements with each local authority with Enterprise Zones covering key delivery issues including arrangements for fast-track planning and other approvals, use of business rates retained by the local authority, collection and reporting of monitoring data etc.... • Provide DCLG with copies of board papers and the opportunity to attend meetings. 	<ul style="list-style-type: none"> • Provide a named contact for the Enterprise Zone to advise on establishing the zones and resolving issues arising in relation to Government procedures and support.
COMMUNICATIONS <ul style="list-style-type: none"> • Develop and implement plans for marketing the Enterprise Zone • Use the national EZ logo on marketing materials and signage. 	<ul style="list-style-type: none"> • Promote Enterprise Zone programme and good practice via press releases, website, Twitter account, LinkedIn group etc.... • Provide senior leaders of LEPs/EZs with the opportunity to meet to discuss progress, challenges and good practice with senior government officials and Ministers.
MONITORING: <ul style="list-style-type: none"> • Collect data on employment, business activity etc., and report quarterly to DCLG in an agreed format. 	<ul style="list-style-type: none"> • Advise on data monitoring and arrangements for returning monitoring data. • Publishing summaries of national and regional Enterprise Zone activity, which allows local areas to judge their own performance.

3.6 There is insufficient time for the Accountability Board to meet and agree the final draft North Kent Innovation Zone MOU prior to submission to the Department for Communities and Local Government during the week commencing 26th September 2016. As the MOU is required to be signed off by the Secretary of State for Communities and Local Government, each local authority involved in the Enterprise Zone, the Accountable Body, and SELEP, it is important to seek approval to the SELEP entering into the MOU prior to the final MOU being in place, with appropriate delegations to the Accountable Body and Managing Director to finalise the MOU and sign on the SELEP behalf, provided they are satisfied as to the content of the MOU.

4. Financial Implications

4.1 The agreement of the North Kent Innovation Zone MOU does not in itself provide any financial commitment. However, there will be an ongoing cost to SELEP Secretariat in monitoring the development of the Enterprise Zone and the outcomes achieved.

5. Legal Implications

- 5.1 In signing the MOU the SELEP Accountable Body will become a party to the agreement and are agreeing to the conditions of the MOU.

6. Staffing and other resource implications

- 6.1 The additional monitoring of the development of the Enterprise Zone and outcomes will be picked up by the SELEP Secretariat.

7. Equality and Diversity implications

- 7.1 None

8. List of Appendices

- 8.1 Appendix 1 – Draft Memorandum of Understanding Template

9. List of Background Papers

- 9.1 None

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off	
Lorna Norris	13/09/16
On behalf of Margaret Lee	