

**HUNTINGDONSHIRE DISTRICT COUNCIL**

<b>Title/Subject Matter:</b>	Memorandum of Understanding – Alconbury Enterprise Zone National Non-Domestic Rate Receipts
<b>Meeting/Date:</b>	Cabinet – 18 <sup>th</sup> April 2019
<b>Executive Portfolio:</b>	Councillor Ryan Fuller, Executive Councillor for Housing, Planning and Economic Development
<b>Report by:</b>	Andy Moffat, Head of Development
<b>Ward(s) affected:</b>	All

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**Executive Summary:**

When the Alconbury Enterprise Zone (EZ) was agreed by the Department of Communities and Local Government (DCLG), a business rates baseline figure was set, which is then inflated each year in line with any inflationary increases to the business rates multiplier. This represents the baseline value that HDC is guaranteed for business rate income. When the total business rates for HDC plus the reimbursement from DCLG of the EZ reliefs awarded comes to more than the baseline, there is a balance that is then split. There is no stipulation on how this should then be split. The Department for Business, Energy and Industrial Strategy and the Ministry of Housing, Communities and Local Government have confirmed that it is solely for local partners to agree how funds will be shared/distributed.

The Prospectus for the first wave of EZs, which included Alconbury, stated that “*All business rate growth within the zone for a period of at least 25 years will be retained and reinvested in the local area, to support the local enterprise partnership’s (LEP’s) priorities*”. The new LEP for the area is the Cambridgeshire and Peterborough Combined Authority (CPCA) Business Board. Discussions have been held with CPCA and agreement of the principles of how the receipts will be shared between HDC and the CPCA has now been reached, and are set out in the report.

**Recommendation:**

The Cabinet:

1. Agrees the principles of the share of the National Non-Domestic Rates above the set baseline value from the Alconbury Weald Enterprise Zone (EZ) between HDC and the CPCA (Business Board) as set out in paragraph 3.2; and
2. Agrees that delegation to finalise the Memorandum of Understanding on this basis by given to the Head of Development in consultation with the Executive Councillor for Housing, Planning and Economic Development Portfolio holder.

## **1. PURPOSE OF THE REPORT**

- 1.1 To seek Cabinet's agreement to the proposed split of National Non-Domestic Rates receipts above the set baseline value (hereafter referred to as Business rate growth) from the Alconbury Weald Enterprise Zone (EZ).

## **2. WHY IS THIS REPORT NECESSARY/BACKGROUND**

- 2.1 On sites in the District off the Enterprise Zone, National Non-Domestic (Business) Rates are split 50% to Government, 40% to the District Council, 9% to the County Council and 1% to the Fire Service.
- 2.2 When the EZ was agreed by the Department of Communities and Local Government (DCLG), a business rates baseline figure was set, which is then inflated each year in line with any inflationary increases to the business rates multiplier. This represents the baseline value that HDC is guaranteed for business rate income. When the total business rates for HDC plus the reimbursement from DCLG of the EZ reliefs awarded comes to more than the baseline, there a balance that is then split. There is no stipulation on how this should then be split. The Department for Business, Energy and Industrial Strategy and the Ministry of Housing, Communities and Local Government have confirmed that it is solely for local partners to agree how funds will be shared/distributed.
- 2.3 The Prospectus for the first wave of EZs, which included Alconbury, stated that "*All business rate growth within the zone for a period of at least 25 years will be retained and reinvested in the local area, to support the local enterprise partnership's (LEP's) priorities*". The LEP envisaged that all business rate growth would be received and allocated by the LEP. The District Council receives all the business rate growth in the first instance and would retain it in the absence of an agreement to split. Discussions have been taking place with the Cambridgeshire & Peterborough Combined Authority (CPCA) because the new LEP for the area is the CPCA Business Board.
- 2.4 The financial modelling initially suggested that if the EZ is developed to its fullest potential it could raise some £150m over the 25-year period. However, the development of the EZ has been slower than anticipated and those premises that have been constructed to date have not brought the projected Business Rates. At the moment Business Rates are running at c.£1m per annum and current projections, which are still dependent on the actual future take up of land, indicate that some £80m might be forthcoming. The EZ status expires on 31<sup>st</sup> March 2037.

## **3. OPTIONS CONSIDERED/ANALYSIS**

- 3.1 As part of the discussions with the CPCA various splits have been explored including the splits on other EZs. These discussions have also had regard to, amongst other matters, the original prospectus, changes since that time, the respective organisations' objectives and current financial obligations, the desire to accelerate delivery on the EZ, and the importance of ensuring that there is no financial incentive for the District Council to seek to direct growth outside the EZ.
- 3.2 Taking all matters into account, agreement has been reached in broad principle, and has been captured initially by the CPCA as a draft Memorandum of Understanding (MoU) at Appendix 2. This will require further refinement and a more nuanced approach to ensure both the CPCA and the Council are able to

devote monies to their respective necessary priorities. The only element that appears to need joint governance is the 20% element to accelerate growth on the EZ. Some more appropriate wording is set out below against the agreed percentage splits, in particular the final bullet relating to the 40% split for HDC. The broad agreement is to split the Business rate growth on the following basis:

- **20% to fund the A14** – both parties agree to commit a contribution to the Cambridge to Huntingdon A14 Improvement Scheme.
- **20% to fund the EZ** – both parties agree to establish an investment fund to accelerate growth of the Enterprise Zone, to include support for the delivery of an agreed list of investment priorities and projects (linked to the Investment & Delivery Plan) for enhance and expedite delivery of the Enterprise Zone; match contribution to support Inward Investment activity and provide FDI resource; and place-based investment priorities within Huntingdonshire.
- **20% to fund the delivery of the CPCA's** economic priorities across Cambridgeshire & Peterborough.
- **40% to HDC** – for the Council to discharge its functions to best ensure economic success and overall wellbeing of the District.

#### **4. COMMENTS OF OVERVIEW & SCRUTINY**

- 4.1 The Overview and Scrutiny Panel (Performance and Growth) at its meeting held on 2nd April 2019 received the report on the Memorandum of Understanding (MOU) for splitting the Alconbury Enterprise Zone National Non-Domestic Rate Receipts.
- 4.2 A concern was raised that as it is not a legally binding contract renegotiation of the MOU could occur at any time. Officers explained that a benefit of an MOU is that it would enable the position to be reviewed as circumstances change.
- 4.3 A Member expressed concern that there is a potential that the Council could contribute to the Cambridgeshire and Peterborough Combined Authority Business Board's A14 contribution once £50m has been reached. However Members were assured that the £50m commitment would not be met through 20% of the receipts.
- 4.4 The Panel agreed with the principles of the share of National Non-Domestic Rates for the Alconbury Enterprise Zone and suggests to Cabinet that they endorse the recommendations in the report.

#### **5. KEY IMPACTS / RISKS**

- 5.1 The absence of the clarity an agreement will bring would not enable either organisation to properly plan for the future.

#### **6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION**

- 6.1 The MoU will be considered by the CPCA in May and, once agreed by HDC and the LEP/CPCA, it would be finalised over the subsequent weeks.

## **7. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES**

- 7.1 The Corporate Plan includes as priorities to:
- Develop a flexible and skilled local workforce;
  - Accelerate business growth and investment, including supporting the delivery of the Alconbury Enterprise Zone;
  - Supporting development of infrastructure to enable growth.

## **8. CONSULTATION**

- 8.1 The Government's Local Growth Team and the Ministry of Housing, Communities and Local Government's Enterprise Zones team have been consulted on the proposed sharing arrangement and are happy with what is being proposed subject to some detailed comments that can be incorporated into the final document.

## **9. LEGAL IMPLICATIONS**

- 9.1 The Memorandum of Understanding is not a legal contract but would be the agreed basis on which Business rates growth would be shared.

## **10. RESOURCE IMPLICATIONS**

- 10.1 The MoU includes the provision that "All legitimate and agreed costs incurred in managing, operating and promoting the Enterprise Zones can be covered from each parties' respective pot of EZ Fund. This includes all project management, additional marketing or inward investment requirements, consultancy advice and operational support to ensure smooth implementation of the Enterprise Zones."

## **11. HEALTH IMPLICATIONS**

- 11.1 Effective use of the Business rates growth will provide additional employment opportunities and access to a decent job contributes to good health.

## **12. REASONS FOR THE RECOMMENDED DECISIONS**

- 12.1 Agreement of the share of the Business rate growth is required to enable receipts to be shared accordingly and enable the respective authorities to plan budgets and actions accordingly.

## **13. LIST OF APPENDICES INCLUDED**

- Appendix 1 – A plan showing the extent of the designated EZ.  
Appendix 2 – A draft Memorandum of Understanding.

## **CONTACT OFFICER**

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