



Enterprise Zones

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The Government has announced the creation of 25 Enterprise Zones (EZs) in England. Businesses in these small areas will benefit from tax and planning concessions and superfast broadband. Some EZs in Assisted Areas will also have 100% first year capital allowances for plant and machinery.

EZs in 11 Local Enterprise Partnerships (LEPs) in England were announced in the 2011 Budget, a further two were announced in response to announced job losses at BAE Systems. The remainder were allocated to LEPs via a competitive bidding process.

Similar policies have been adopted by devolved administrations in Scotland and Wales.

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1 Government policy in England

1.1 Announcement

The Chancellor, George Osborne, made a [speech](#), at the Conservative Party spring forum on 5 March 2011 announcing new plans for Enterprise Zones (EZs) “across parts of Britain that have missed out in the last ten years”.¹

Further details were set out in the [2011 Budget](#) and accompanying [Plan for Growth](#).² There are 25 EZs in England. 11 of these were assigned to specific Local Enterprise Partnerships (LEPs) at the time of the Budget. The Humber Green Point Corridor and Lancashire Enterprise Zones were established separately in response to job losses announced by BAE Systems.³ The remainder were awarded to LEPs following a competitive bidding process.⁴

1.2 Enterprise Zone policies

All EZs will be subject to specific measures on business rates, planning and broadband. Other policies may apply to particular EZs depending on local circumstances.

Business rates

Businesses that move into an EZ before April 2015 will benefit from a business rate discount of up to 100% over a five year period. This is worth up to £275,000 per business in total. This provision, intended to apply from April 2012.

In addition, all business rates growth within EZs for 25 years from April 2013 will be retained by the LEP and reinvested in the area. This proposal is currently subject to consultation following the Local Government Resource Review.⁵

Planning

EZs will be subject to “radically simplified planning approaches”.⁶ The Government envisages that Local Development Orders (LDOs) will be the primary mechanism for achieving this. LDOs, which require public consultation and the approval of the Secretary of State, can be used to exempt certain development identified in local development documents from the need for specific planning permission. LDOs may focus on specific industrial sectors.⁷

Broadband

The Government will “ensure that superfast broadband is rolled out throughout [EZs], achieved through guaranteeing the most supportive regulatory environment and, if necessary, public funding”.⁸

Other measures

Some EZs in Assisted Areas will have 100% first year capital allowances for plant and machinery.

¹ George Osborne, [HWe're building a better future for BritainH](#), Cardiff, 5 March 2011

² HM Treasury and BIS, [HThe Plan for GrowthH](#), March 2011, p33

³ [HHC Deb 10 Oct 2011 c3-4WS](#)

⁴ HM Treasury and DCLG press release, [HThe Government announces 11 new Enterprise Zones to accelerate local growth, as part of the Plan for GrowthH](#), 17 August 2011

⁵ DCLG, [HLocal Government Resource Review: Proposals for Business Rates RetentionH](#), July 2011

⁶ *Ibid*, p6

⁷ *Ibid*, Annex A

⁸ *Ibid*, p6

Additional options for EZ concessions listed by the Government include Tax Increment Financing enabling borrowing against future increases in business rate receipts fund the development of infrastructure (would require primary legislation) and UK Trade and Investment support inward investment or trade opportunities in EZs.⁹

Details of policies in specific EZs can be found in Government press releases.¹⁰

1.3 Locations

Details of all 25 EZs have now been announced; a list of EZs by location, LEP and industry specialism is available in the Appendix.

The Government asked LEPs to nominate the site of Enterprise Zones “based on the economic rationale and potential of the zone”. The emphasis is on the creation of additional growth, new businesses and new jobs. The Government therefore favours sites with little or no existing business occupancy.¹¹

EZs will vary considerable in size: for example, Humber Waterside EZ will be 375 hectares while Daresbury Science and Innovation Zone will be 28 hectares.¹²

A [map](#) of the location of EZs is available on the DCLG website.

Further information on LEPs is available in Standard Note [SN/EP/5651](#).

1.4 Funding Initiatives

As central Government will fund business rate discounts for EZs, their size and scope is limited by the funding available. The Government expects this funding to be worth £20 million in 2012-13, £40 million in 2013-14, £65 million in 2014-15 and £80 million in 2015-16.¹³

In February 2013, the Government announced the creation of the Local Infrastructure Fund (LIF) to support early enabling works in and around Enterprise Zone sites and also accelerate large scale housing developments. Investment is made on either a loan or equity basis and is managed by the Homes and Communities Agency.¹⁴ £59 million worth of funding was made available.

Applications were open to all 25 Enterprise Zones; a shortlist of 18 projects based at 13 different Enterprise Zone sites was announced in June 2013. A full list of all projects is available on the [Homes and Communities Agency website](#).

In October 2013, the government announced the creation of the Enterprise Zones Capital Grant Fund, a £100 million fund for Enterprise Zones to complete infrastructure projects and

⁹ Ibid

¹⁰ 11 second phase EZs plus Black Country, Tees Valley and North East: HM Treasury/DCLG press release, [HThe Government announces 11 new Enterprise Zones to accelerate local growth, as part of the Plan for Growth](#)^H, 17 August 2011

Birmingham, Bristol, Leeds, Sheffield: HM Treasury press release, [HThe Plan for Growth: Four new Enterprise Zones set up to boost local growth](#)^H, 28 July 2011

Liverpool, Manchester, Nottingham, London: DCLG press release, [HFirst four new generation enterprise zone locations identified](#)^H, 24 March 2011

¹¹ Ibid pp4-5

¹² HM Treasury and DCLG press release, [HThe Government announces 11 new Enterprise Zones to accelerate local growth, as part of the Plan for Growth](#)^H, 17 August 2011

¹³ HM Treasury, [HBudget 2011 Red Book](#)^H, HC 836, March 2011, table 2.1 line 11

¹⁴ Homes and Communities Agency [HLocal Infrastructure Fund](#)

become commercially viable for development that will be available in the 2014/15 financial year.¹⁵ There are no restrictions on what the grant funding can be used for, although it is expected all projects will tackle “market failure” with the guidance notes citing abnormal costs, public infrastructure costs and land assembly as the type of problems the funding is designed to address.¹⁶

Bids are limited to one per Enterprise Zone and must be submitted through the relevant Local Enterprise Partnership and demonstrate the support of all partners of the Enterprise Zone.¹⁷ The bidding process was opened on 7th October and closed on the 18th November. A shortlist of successful bids will be announced in January 2014 and all funding will be awarded between April 2014 and 31st March 2015.¹⁸

In December 2013, the Department for Business Innovation and Skills announced a Treasury funded £15 million pilot scheme to create three to four University Enterprise Zones. The zones are designed to encourage clusters of high-tech firms to locate near and engage with universities, as well as encouraging universities to cooperate with local businesses and Local Enterprise Partnerships to foster innovation and local economic growth.¹⁹

The pilot scheme is also designed to address the lack of incentives for the private sector to fund office, laboratory and workshop space for innovative firms in science parks, as well as offering affordable business space to students to start businesses after graduation.²⁰ UK Trade & Investment (UKTI) will also work to attract overseas investment to the pilot zones.

Expressions of interest will open in January 2014. If the pilot scheme is deemed successful, it may be re-opened for further competition.²¹

The Government estimates that the 100% first year capital allowances available in selected EZs will cost around £95 million over the period 2012-13 to 2016-17.²²

2 National Audit Office assessment

In December 2013, The National Audit Office published a report titled *Funding and structures for local economic growth*, examining how effective the Department for Communities and Local Government and the Department for Business, Innovation and Skills have been in supporting economic growth and providing value for money. The report states that the long term aim of Enterprise Zones to enable LEPs to attract investment and jobs are hindered by “short term financial incentives” which “create uncertainty for businesses.”²³

The report also references figures released by the Department for Communities and Local Government, stating between 6,000 and 18,000 could be secured by 2015 as a result of Enterprise Zones, compared with an initial estimate of 54,000 published by the Treasury in 2011.²⁴ As of the end of 2012/13, Enterprise Zones have created 3,080 jobs.²⁵

¹⁵ DCLG press release [H£100 million investment to give enterprise zones business edge](#)H 7 October 2013

¹⁶ DCLG [HBuilding Foundations for Growth: Enterprise Zone Capital Grant Fund Bidding Guidance](#)H, October 2013

¹⁷ DCLG [Hbid](#)

¹⁸ DCLG [Hbid](#)

¹⁹ BIS [H£15 million boost for local business growth at universities](#)H, 13 December 2013

²⁰ BIS [Hbid](#)H, 13 December 2013

²¹ BIS [Hbid](#)H, 13 December 2013

²² HMRC Budget 2012 Policy Costings, [HEnterprise Zones: First-Year Allowances for Designated Areas](#)

²³ NAO, [HFunding and structures for local economic growth](#)H, 6 December 2013, p 31.

²⁴ NAO [Hbid](#)H p 31.

3 Policy of devolved administrations

Enterprise Zones are a devolved matter and there is no obligation for the devolved administrations to adopt them.

The Scottish Government has announced four [Enterprise Areas](#) (EAs) covering 14 sites. Each EA has a designated industry specialism.²⁶

The Welsh Assembly Government has confirmed the locations of five [Welsh EZs](#), along with two further “preferred locations”.²⁷

Northern Ireland does not yet have EZs, though the Secretary of State for Northern Ireland has encouraged the Northern Ireland Executive to consider them.²⁸

4 Will enterprise zones be effective?

4.1 Government case

EZs are part of the Government’s plans to reduce burdens on the private sector to enable it to drive growth and job creation. The *Enterprise Zone Prospectus* list four key principals guiding the new EZs:²⁹

1. Opportunity – “focusing on areas of genuine economic opportunity”
2. Long-term viability – attempting to ensure the “long-term success of the area beyond the initial period of Government business rate subsidy”
3. Strategic fit – LEPs will develop and implement EZs which suit their local area and with tying EZs to their wider economic priorities
4. Minimising displacement – LEPs “will have a vital role in targeting the business growth that is genuinely additional”

By doing taking this approach the Government hopes to overcome some of the criticisms of previous EZs (see below).

4.2 Enterprise Zones in the 1980s

Background

The previous incarnation of EZs were announced by Geoffrey Howe in his 1980 Budget. In total 38 Enterprise Zones were designated between 1981 and 1996. 23 were designated in two rounds between 1981/82 and 1983/84. Following this, designation occurred on an ad hoc basis.³⁰ The demise of EZs was attributed to the effects of delays owing to European Commission State Aid regulations.³¹

²⁵ NAO [H](#) [I](#) [bid](#) [H](#) p 31.

²⁶ [H](#) [Scottish Government website](#)

²⁷ [H](#) [Welsh Assembly Government website](#)

²⁸ BBC News Online, [H](#) [Owen Paterson calls for Northern Ireland enterprise zones](#) [H](#), 1 April 2012

²⁹ [Ibid](#) p3

³⁰ Kieran Larkin & Zach Wilcox, *What would Maggie do? - H* [Why the Government’s policy on Enterprise Zones needs to be radically different to the failed policy of the 1980s](#) [H](#), Centre for Cities, February 2011

³¹ HC Deb 4 June 1996 c385

Benefits and concessions

The following benefits were available to both new and existing industrial and commercial enterprises in EZ for a ten-year period from the date on which the EZ was designated:

- Exemption from rates on industrial and commercial property;
- Exemption from Development Land Tax;
- 100% allowances for corporation and income tax purposes for capital expenditure on industrial and commercial buildings;
- Employers were exempt from industrial training levies and from the requirement to supply information to Industrial Training Boards;
- A greatly simplified planning regime; developments that conformed with the published scheme for each zone did not require planning permission. Those controls remaining in place would be abandoned more speedily;
- Applications from firms in EZs for certain customs facilities would be processed as a matter of priority and certain criteria relaxed;
- Government requests for statistical information would be reduced.³²

Evaluation of the effects

The most authoritative study was one commissioned by the Department of the Environment in 1995, which covered 22 of the 25 EZs designated between 1981 and 1984.³³ The key findings included:

- Around 126,000 jobs were created, of which up to 58,000 were additional. Additionality was highest amongst manufacturing and lowest for retailing and distribution activity.
- The cost per additional job created was around £17,000 (£26,000 at current prices), assuming a ten year job life
- More than £2 billion (1994/95 prices) of private capital was invested in property on the EZs, a public to private leverage ratio of about 1 to 2.3.

The study listed four factors that appear to have influenced the relative performance of EZs:³⁴

The comparative advantage of an area - in terms of the locational preferences of new and growing business as a factor influencing the development of a Zone.

The nature of the sites assembled - did the Zone consist of a number of fragmented sites or of one or two large areas? How large were the Zones and what amount of dereliction existed and thus the amount of land clearance and infrastructure needed? The type of land ownership, ie were the Zone sites in public or private ownership?

The development strategy of the Zone authority - did the Zone authority seek to attract firms within particular sectors, and have a clear development strategy for the sites, consistent with a wider development plan for the area?

³² P.Bruinvels and D.Rodrigues, *Investing in Enterprise*, 1989, p161

³³ *Final Evaluation of Enterprise Zones*, PA Cambridge Economic Consultants, HMSO 1995

³⁴ *Ibid.*, p. x-xi

The promotion and marketing arrangements for the Zone - was it in the hands of one agency or were there more than one agency involved in the management of the Zone? Was there a clear focus to promotional and marketing campaigns?

Recent studies

Two recent think-tank reports have cast doubt on the success of EZ. A report from the [Centre for Cities](#) listed some lessons from UK experience of EZs:³⁵

- 1 1980s Enterprise Zones did regenerate some areas of dereliction – but this is no longer the priority it once was.
- 2 1980s Enterprise Zones did not deliver a high number of additional new jobs.
- 3 1980s Enterprise Zones were expensive.
- 4 1980s Enterprise Zones pushed demand around the economy, which is likely to undermine longer term UK prosperity.
- 5 Many of the benefits of the 1980s Enterprise Zones were captured by property owners rather than by local areas.
- 6 Some of the key elements of 1980s Enterprise Zones, such as simplified planning processes, were not delivered in practice.
- 7 The 1980s Enterprise Zone policies mismatched goals and incentives.
- 8 One of the challenges facing 1980s Enterprise Zones was that they were created in areas which offered only a limited chance of long-term success.
- 9 Urban and accessible zones created more jobs than rural zones.

The report suggests that employment and skills support to increase productivity are a key component of successful EZs. This contrasts with the emphasis on capital spending and property redevelopment that characterised 1980s EZs. It also suggests tailored packages of support for individual areas and EZs in more prosperous cities as well as struggling areas.

A further report was produced by [the Work Foundation](#). It agrees that the 1980s programme was largely ineffective and argues that the new generation of EZs should be larger (avoiding competition within local areas), include investment in skills and infrastructure, and be “governed in a way that is ...compatible with localism”.³⁶

³⁵ Kieran Larkin & Zach Wilcox, *What would Maggie do? - Why the Government's policy on Enterprise Zones needs to be radically different to the failed policy of the 1980s*, Centre for Cities, February 2011

³⁶ Andrew Sissons and Chris Brown, *Do enterprise zones work?*, The Work Foundation, February 2011, p.3

Appendix: Enterprise Zones by location, LEP and specialist sectors

| | Enterprise Zone | Local Enterprise Partnership | Specialist Sectors |
|----|---------------------------------------|---|--|
| 1 | Aire Valley Leeds | Leeds City Region | Business Services; Energy; Pharmaceuticals & Healthcare |
| 2 | Alconbury Enterprise Campus | Greater Cambridge and Greater Peterborough | Advanced Manufacturing/Engineering; ICT; Industrial Biotechnology; Low Carbon Industry |
| 3 | Birmingham City Centre | Greater Birmingham and Solihull | Advanced Manufacturing/Engineering; Business Services; Financial Services; ICT; Pharmaceuticals & Healthcare |
| 4 | Black Country | Black Country | Advanced Manufacturing/Engineering; Aerospace; Automotive |
| 5 | Bristol Temple Quarter | West of England | Business Services; Creative Industries; Financial Services; ICT |
| 6 | Discovery Park | South East | AgriFood; Business Services; Energy; Industrial Biotechnology; Pharmaceuticals & Healthcare |
| 7 | Enterprise West Essex @ Harlow | South East | Advanced Manufacturing/Engineering; Aerospace; Creative Industries; Pharmaceuticals & Healthcare |
| 8 | Great Yarmouth and Lowersoft | New Anglia | Business Services; Construction & Built Environment; Energy; Retail & Logistics |
| 9 | Hereford | The Marches | Advanced Manufacturing/Engineering; Aerospace; AgriFood; Business Services; Construction & Built Environment; Security |
| 10 | Humber Green Port Corridor | Humber | AgriFood; Energy; Retail & Logistics; Transport |
| 11 | Humber Renewable Energy Super Cluster | Humber | AgriFood; Energy; Retail & Logistics; Transport |
| 12 | Lancashire | Lancashire | Advanced Manufacturing/Engineering; Aerospace; Automotive |
| 13 | Manchester Airport City | Greater Manchester | Advanced Manufacturing/Engineering; Aerospace; Business Services; Construction & Built Environment; Industrial Biotechnology; Pharmaceuticals & Healthcare |
| 14 | Mersey Waters | Liverpool City Region | Advanced Manufacturing/Engineering; Automotive; Business Services; Energy; Pharmaceuticals & Healthcare |
| 15 | MIRA Technology Park | Leicester and Leicestershire | Advanced Manufacturing/Engineering; Automotive; Low Carbon Industry |
| 16 | Newquay Aerohub | Cornwall and the Isles of Scilly | Advanced Manufacturing/Engineering; Energy; Transport |
| 17 | North Eastern | North Eastern | Advanced Manufacturing/Engineering; Energy; Low Carbon Industry; Transport |
| 18 | Northampton Waterside | South East Midlands | Automotive; Construction & Built Environment; Retail & Logistics |
| 19 | Nottingham | Derby, Derbyshire, Nottingham and Nottinghamshire | Advanced Manufacturing/Engineering; Creative Industries; Energy; Industrial Biotechnology; Pharmaceuticals & Healthcare |
| 20 | Royal Docks | London | Energy |
| 21 | Sci-Tech Daresbury | Cheshire and Warrington, Greater Manchester and Liverpool City Region | Advanced Manufacturing/Engineering; Aerospace; Energy; ICT; Pharmaceuticals & Healthcare |
| 22 | Science Vale UK | Oxfordshire | Advanced Manufacturing/Engineering; Aerospace; Energy; ICT; Pharmaceuticals & Healthcare |
| 23 | Sheffield City Region | Sheffield City Region | Advanced Manufacturing/Engineering; Aerospace; Creative Industries; Low Carbon Industry; Pharmaceuticals & Healthcare |
| 24 | Solent | Solent | Advanced Manufacturing/Engineering; Aerospace; Energy; Low Carbon Industry |
| 25 | Tees Valley | Tees Valley | Advanced Manufacturing/Engineering; Chemicals; Creative Industries; Energy |

Source: <http://enterprisezones.communities.gov.uk/>