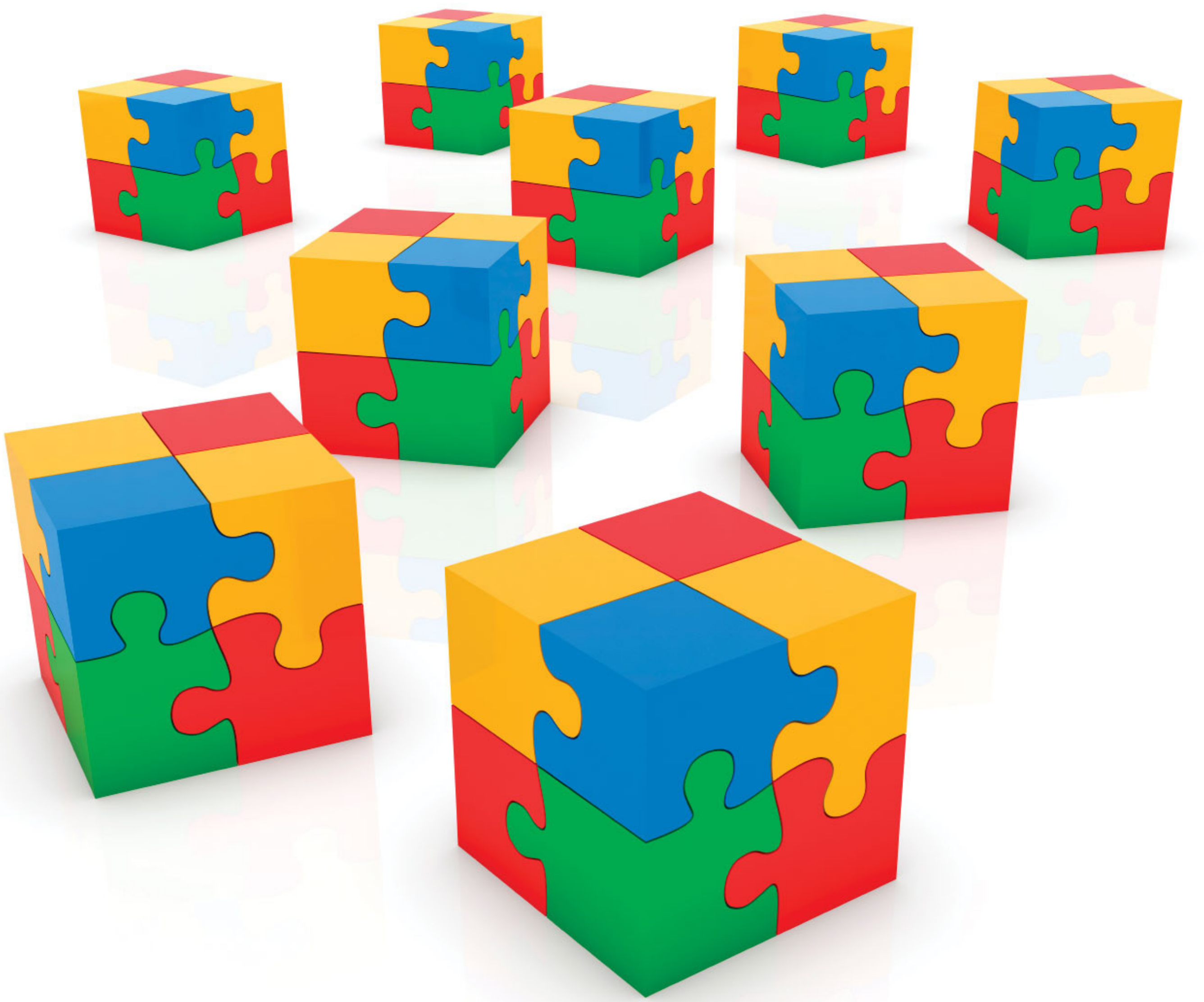

Enterprise Zones:
only one piece of the economic regeneration puzzle

LONDON CHAMBER of COMMERCE AND INDUSTRY

CONTENTS

London Chamber of Commerce and Industry (LCCI)

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Any data reproduced from the report should be fully referenced.

LCCI would like to thank everybody that contributed to this report.

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FOREWORD

Enterprise Zones can provide a unique opportunity to develop an area through the creation of a strong business community which benefits the surrounding existing industries and society as a whole. It is not only the incentives on offer that make Enterprise Zones attractive to firms, but also the opportunities for companies to grow and expand within them while benefiting from agglomeration effects and a diversified local economy.

Yet, fiscal incentives are not enough to convince businesses of the viability of their investment when setting up in the Zones. Long-term strategic regional and local plans are needed as well. Businesses need to know that their commitment is going to be met with an investment in infrastructure and skills, and the collaborative attitude required for the area's success – all essential parts of the regeneration puzzle.

Local Enterprise Partnerships offer unparalleled opportunities for collaboration between the private sector, local authorities and other sub-regional stakeholders. Their contribution, however, will be worthless if there is not a clear common mission for the area in general and the Enterprise Zone in particular, and if the human and economic resources necessary to improve the connectivity, sectoral profile and talent pool of the area are not available to them.

Colin Stanbridge, Chief Executive, London Chamber of Commerce and Industry

1. EXECUTIVE SUMMARY

In the 2011 Budget, Chancellor George Osborne announced the creation of a number of Enterprise Zones (EZs) across England. The Zones are geographical areas where a package of incentives – including business rates relief, a simplified planning regime and, in some cases, enhanced capital allowances – applies with the aim to remove barriers to private sector growth and incentivise business investment. They will be overseen by Local Enterprise Partnerships (LEPs), new sub-regional public-private bodies.

London Chamber of Commerce and Industry (LCCI) welcomes the government's effort to incentivise growth and investment. However, based on 21 interviews with individuals involved in the implementation of Enterprise Zones past and present and in economic development and regeneration more broadly, our research shows that the package of incentives that EZs offer cannot achieve lasting economic outcomes in isolation. Rather, they need to be seen as part of a wider set of measures that contribute to an area's regeneration. As a result, we ask the government to consider the following:

(i) The EZ package of incentives needs to be more flexible and ambitious

The attractiveness of the EZ package of incentives is crucial in stimulating growth but is far less generous today than in the 1980s. The business rates relief is limited to five years for companies that take occupation in the EZ before April 2015. Yet, most EZs need property development which may not be ready in that time frame so the government needs to consider extending the cut-off point if development is not completed. The amount of business rates relief is also limited to £55,000 per annum which will not be enough to incentivise large companies to locate in the Zones.

Enhanced capital allowances (ECAs) are a more effective incentive for larger companies but they are limited to plant and machinery for a small number of firms in the manufacturing sector. LCCI believes that ECAs on plant and equipment should be extended to all capital-intensive sectors and that ECAs on premises should also be made available to companies from the knowledge-intensive or service-orientated sectors, as well as to property developers on empty EZ sites.

Overall, the incentives on offer are not of equal relevance to all EZ sites, so the government should be more flexible and consider additional incentives in accordance with local needs.

(ii) There needs to be a specific body responsible for an EZ area's regeneration

As an EZ is simply a package of incentives, for it to be beneficial to an area there needs to be a dedicated body responsible for preparing EZ sites for development and achieving the area's overall regeneration. Whether local authorities or development corporations, these bodies need to have the remit, powers and resources to plan and invest in measures such as infrastructure and public realm improvements, to ensure that EZ areas become intrinsically attractive as business and investment locations in the long term.

(iii) LEPs have an important coordinating role in integrating EZ areas within the wider sub-region and ensuring that they have sufficient resources

EZs' success depends on their ability to become integrated into the economic and social landscape of the area they are based in. Therefore, LEPs need to facilitate effective cooperation between their constituent local authorities and a wide range of stakeholders.

While there might be other areas in the LEP region that need investment, LEPs should ensure that EZ local authorities have sufficient resources to make them viable in the longer term before redistributing any additional business rates retention income wider.

(iv) A comprehensive strategy should be prepared for the EZ area placing it within the wider regional context

To give the private sector confidence to invest, a clear strategy for the implementation of the EZ needs to be prepared. It should be embedded within a broader sub-regional planning framework and target the incentives at specific sectors that play up to the strengths and opportunities that the local economy offers, without threatening neighbouring areas. The latter also need to see investment maintained so that existing businesses do not feel at a disadvantage.

(v) LEPs and local authorities need to be supported with resources, quick decision-making and reduced bureaucratic procedures to invest in infrastructure

Infrastructure is vital to ensure that the local workforce has access to employment on the EZ sites and contributes to the long-term viability of the area. LEPs and local authorities need to be assisted by all sections of government to be able to make the necessary investments. LEPs should also facilitate infrastructure coordination across local authorities and other LEPs, especially when it comes to their regional connectivity to national and international gateways.

(vi) Skills and employment are a vital part of a holistic approach to regeneration that delivers social as well as economic outcomes

The availability of a skilled workforce is one of the main determinants of attracting investment to EZ areas. Local authorities should carry out a skills availability analysis and target companies from sectors that most closely match the local population's skills profile at the sub-regional level, while providing any training needed for them to adapt to the new opportunities.
In preparing and implementing a skills strategy for the EZ areas, LEPs and local authorities should work closely with businesses, training providers and residents to ensure that the local skills profile develops with changing businesses' needs and growth continues after the EZ incentives expire.

2. INTRODUCTION

The Enterprise Zone concept of removing barriers to business growth and investment in a specific area as a means of stimulating economic growth has been around for some time and tested across the world. There are Special Economic Zones in China and the Free Trade Zones of Singapore and Hong Kong, while in the United States Urban Enterprise Zones were first considered in the 1960s.

In Britain, Enterprise Zones (EZs) were first adopted by Margaret Thatcher's Conservative government as one way of dealing with high levels of unemployment and dereliction in areas that had suffered from post-industrial decline. Formally nominated with Designation Orders under the Local Government, Planning and Land Act 1980 for a period of ten years, they offered businesses a combination of tax breaks, investment allowances and relaxed planning restrictions. A total of 38 Zones were appointed across Great Britain and Northern Ireland, 23 in two rounds in 1981/82 and 1983/84 and a further 15 on an ad hoc basis up to 1996.

Table 1: EZs designated in England between 1981 and 1996 and their designated Zone Authority[1]

Enterprise Zone	Year of designation	Zone Authority
Corby, Northants	1981	Corby District Council
Dudley (extended to include Round Oak in 1984)	1981	Dudley Metropolitan Borough Council (MBC)
Wakefield (Langthwaite Grange, extended to Dale Lane and Kinsey in 1983)	1981	Wakefield MBC
Salford/Trafford, Manchester	1981	City of Salford, Trafford MBC
Speke, Liverpool	1981	Liverpool City Council
Tyneside (Gateshead)	1981	City of Newcastle, Gateshead MBC
Hartlepool	1981	Hartlepool Borough Council (BC)
Isle of Dogs, London Docklands	1982	London Docklands Development Corporation
Middlesbrough	1983	Middlesbrough BC
Wellingborough	1983	Wellingborough BC
Rotherham	1983	Rotherham MBC
Scunthorpe (Normanby Ridge Queensway)	1983	Scunthorpe BC
Workington (Allerdale)	1983	Allerdale District Council
North West Kent (five sites, extended by two more in 1986)	1983	Gillingham BC, Gravesham BC, Rochester City Council
North East Lancashire (seven sites)	1983	Burnley, Hyndburn, Pendle and Rossendale BC
Telford	1984	District of Wrekin Council

[1] Beresford, P. (1996): *Enterprise Zones*, Written Answers to Questions, Hansard, House of Commons Debate, 17 May 1996, at http://www.publications.parliament.uk/pa/cm199596/cmhansrd/vo960517/text/60517w01.htm (last viewed 20 January 2012); and National Audit Office (NAO) (1986): *Department of the Environment, Scottish Office and Welsh Office: Enterprise Zones,* Report by the Controller and Auditor General, pp.13-18

Glanford (Flixborough)	1984	Glanford BC
Sunderland (three sites)	1990	Tyne and Wear Development Corporation; Sunderland BC
Dearne Valley (six sites)	1995	Dearne Valley Partnership
East Midlands (seven sites)	1995	North East Derbyshire Development Corporation
East Durham (six sites)	1995	East Durham Development Agency
Tyne Riverside (11 sites)	1996	South Tyneside MBC

The EZs were administered by a "Zone Authority", usually the local authority, although in cases like London the Zone Authority was an urban development corporation (UDC) (see Table 1). UDCs were part of the then Conservative government's economic and regeneration strategy and therefore parallel to its attempt to incentivise economic growth through EZs. They were non-departmental public bodies entrusted to "secure the regeneration of its area by bringing land and buildings into effective use, encouraging the development of existing and new industry and commerce, creating an attractive environment and ensuring that housing and social facilities are available to encourage people to live and work in the area."[2]

Directly accountable to central government, UDCs were funded through government grants in aid and had the power to take over planning control from local councils, acquire and reclaim land (including compulsory purchase powers), convert old buildings and improve infrastructure (see Table 2). In some areas, both EZs and UDCs operated in close proximity, while in others there was a partial or complete overlap between the areas covered by them. In the latter cases UDCs played a role in the development of EZs.

Table 2: List of UDCs in England and dates of operation[3]

UDC	Dates of operation
London Docklands	1981-1998
Merseyside	1981-1998
Black Country	1987-1998
Teesside	1987-1998
Trafford Park	1987-1998
Tyne and Wear	1987-1998
Bristol	1988-1995
Sheffield	1988-1997
Central Manchester	1988-1996
Leeds	1988-1995
Birmingham Heartlands	1992-1998
Plymouth	1993-1998

[2] Section 136 of the Local Government, Planning and Land Act 1980, quoted in R. Imrie and H. Thomas (Eds.) (1999): *British Urban Policy: An Evaluation of the Urban Development Corporations*. London: Sage Publications, p.3
[3] Op. cit, p.13

The current Conservative-Liberal Democrat Coalition government has revived the concept of Enterprise Zones, also in an attempt to stimulate economic growth and job creation in specific areas, and has announced 24 EZs since March 2011 (see Table 3). As in the 1980s, EZs are now administered by their respective local authorities, although they are also overseen by Local Enterprise Partnerships (LEPs), new sub-regional partnerships between local authorities and businesses that will plan, coordinate and implement the EZs.[4] This is meant to ensure that there is sub-regional consensus on the EZ locations and that local businesses' priorities are reflected in their planning through private sector representation on LEP Boards.

Table 3: List of EZs designated in 2011 to specific LEPs[5]

LEP	EZ
Black Country	i54 and Darlaston
Cornwall and the Isles of Scilly	Newquay AeroHub
Derby, Derbyshire, Nottingham and Nottinghamshire	Boots campus in Nottingham
Greater Birmingham and Solihull	Birmingham City Centre
Greater Cambridge and Peterborough	Alconbury Airfield, near Huntingdon
Greater Manchester	Manchester Airport
Hull and Humber	Humber Estuary Renewable Energy Super Cluster and Humber Green Port Corridor
Lancashire	Warton and Samlesbury
Leeds City Region	Lower Aire Valley
Leicester and Leicestershire	MIRA Technology Park in Hinckley
Liverpool City Region	Mersey Waters
Liverpool City Region, Greater Manchester	Daresbury Science Campus in Warrington
London	Royal Docks
New Anglia	Great Yarmouth and Lowestoft
North Eastern	River Tyne and Nissan site and the Port of Blyth
Oxfordshire	Science Vale UK
Sheffield City Region	Modern Manufacturing and Technology Growth Area
Solent	Daedalus Airfield in Gosport
South East	Discovery Park in Sandwich and Enterprise West Essex in Harlow
South East Midlands	Northampton Waterside
Tees Valley	Tees Valley Enterprise Zone
The Marches (Hereford)	Rotherwas Enterprise Zone
West of England	Bristol Temple Quarter

[4] LEPs "play a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs". Letter to Local Authority Leaders and Business Leaders by Department for Business, Innovation and Skills (BIS) and Department for Communities and Local Government (DCLG) on 29 June 2010, at http://www.communities.gov.uk/documents/localgovernment/pdf/1626854.pdf
[5] DCLG (2012): *Enterprise Zones*, at http://www.communities.gov.uk/regeneration/regenerationfunding/enterprisezones/ (last viewed 5 May 2012)

The types of areas selected for EZs also differ. The earlier generation of EZs were designated in areas affected by economic decline and high levels of unemployment following the closure of traditional industries such as steelmaking and shipping. Consequently, most were in out-of-town (e.g. Rotherham near Sheffield and Dudley in the Black Country) or rural locations (e.g. Allerdale in Workington), although some were in urban areas (e.g. London's Isle of Dogs and Salford/Trafford in Manchester).

By contrast, the current government has decided to focus EZs on areas of "untapped potential", and "genuine economic opportunity" has been one of the guiding principles in the selection process.[6] Accordingly, the new EZs all have existing plans for their development so they are typically sites ready for development (e.g. London's Royal Docks and Mersey Waters in Liverpool), developing business parks and economic centres (e.g. Science Vale UK in Oxfordshire and Airport City in Manchester), or vacant sites near large corporates aiming to attract companies from their supply chain (e.g. the Nissan plant site in Wearside and the Boots campus in Nottingham).

The purpose of this report is to find out how the "untapped potential" of these areas can be optimised in order to secure their long-term success by looking at what lessons from the past can be applied to this generation of EZs, despite these initial differences. Thus, rather than just analysing the package of incentives, this paper examines the broader regeneration context within which EZs were placed, including the interaction between relevant actors involved and the extent of strategic planning for the EZs' implementation, including related areas like skills and infrastructure.

The report centres on eight regions from across the country – the Black Country, Liverpool, London, Manchester, Rotherham, Teesside, Tyneside and Wellingborough – with different levels of EZ success. In some of these, EZs' territories overlapped with UDCs, in others they were located just outside UDCs' areas or had no UDCs in the immediate surroundings. This will allow us to compare the different dynamics between relevant actors and how, if at all, this determines the regeneration of an area.

[6] DCLG (2011): *Enterprise Zone Prospectus*, at http://www.communities.gov.uk/documentslocalgovernment/pdf/1872724.pdf, p.3

3. THE INCENTIVES: IT'S NOT ALL ABOUT THE SIZE OF THE PACKAGE BUT IT HELPS

An EZ is essentially a package of fiscal and regulatory incentives in a specific geographical area aiming to stimulate increased economic output and job creation. Therefore, the size of the offer is crucial to its attraction for businesses.

In the 1980s, both new and existing businesses located in the Zones benefited from the following incentives:[7]

1. One hundred per cent capital allowances, for corporation and income tax purposes, on industrial and commercial buildings
2. Exemption from business rates on industrial and commercial property
3. Exemption from Development Land Tax (abolished in 1984)
4. Exemption from industrial training levies and from the requirement to supply information to industrial training boards
5. Simplified planning procedures, whereby developments conforming to the published scheme for each Zone would not require planning permission
6. Faster customs procedures
7. A reduction in government requests for statistical information

According to the official evaluation of EZs,[8] the enhanced capital allowances (ECAs) on buildings and simplified planning regime were paramount in attracting property developers to invest in new premises in the Zones.

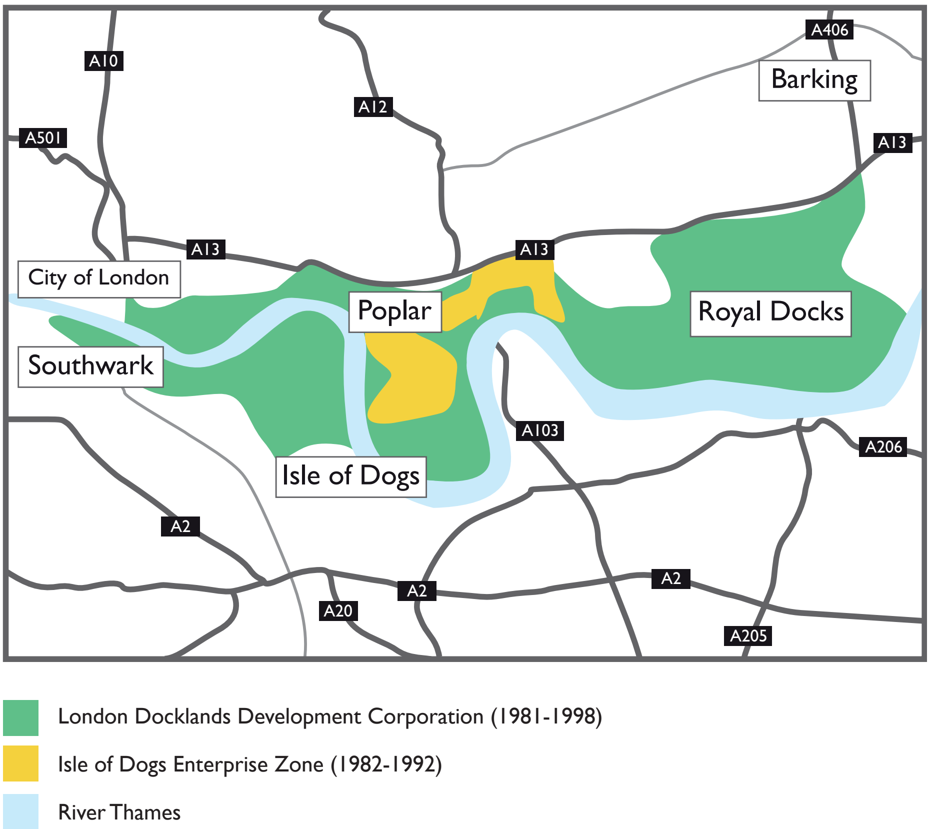
Following several failed attempts by the local boroughs and other joint bodies to regenerate London's derelict docks, the London Docklands Development Corporation (LDDC) was established in 1981. It covered 4,500 acres of land to the east of the City of London, including parts of the London Boroughs of Tower Hamlets, Newham and Southwark. In addition, the government designated parts of the Isle of Dogs (215 acres) as an EZ in April 1982 and, because the EZ area was entirely within the LDDC's territory, the LDDC became its Zone Authority (see Figure 1).

Initially, it was expected that the EZ would only attract small scale industrial and commercial development and the LDDC envisaged nothing more than two to three-storey buildings housing medium sized and small businesses. However, this course changed when the large-scale financial services estate of Canary Wharf modelled on Battery Park City in Manhattan was suggested for the area. As John Lock of the University of East London put it, *"Canary Wharf was not planned, it was a complete surprise. They (the LDDC) thought they were going to catch very small fish but actually caught a very, very big one."*

At the time planning regulations in the City of London had been very restrictive and many financial and business services companies were struggling to grow in the City's traditional buildings. The Isle of Dogs, on the other hand, had the space and relaxed planning regime to construct tall buildings with the space to accommodate the requirements of modern trading floors. But it was the financial incentives that played the main role in attracting the development to the area. Because of the significant amount of floorspace created, the one hundred per cent ECAs on the building of premises the EZ offered meant that a large amount of this capital investment could be offset against tax, therefore incentivising development on such a large scale.

[7] NAO (1986), p.5
[8] PA Cambridge Economic Consultants (1995): *Final Evaluation of Enterprise Zones*, Department of the Environment. London: HMSO, p.121

Figure 1: Isle of Dogs EZ and LDDC



The business rates holiday, on the other hand, was the main incentive that attracted companies to locate on the newly-created premises.

In the 1970s and early 1980s Hartlepool suffered from the closures of companies in the steel and ship-building industries and *"because the local economy had been based on these two big industries, when they declined there was nothing there to take their place"* (Antony Steinberg, Economic Development Manager at Hartlepool Borough Council).

Hartlepool EZ was designated in 1981 encompassing three former steelworks sites in the majority of which the national development agency, English Industrial Estates (EIE),[9] had already built speculative industrial premises. This, together with the business rates holiday incentive and the ECAs (passed on to the occupiers by EIE), made the area attractive for companies to take occupancy on the sites. So much so that, in the words of John Lowther, former Director of the Tees Valley Joint Strategy Unit, *"companies that wanted to expand went there rather than anywhere else (in the area) because of the incentives."* As a result, *"the EZ in Hartlepool worked quite well, attracted a mix of inward and UK investment, created around 2,000 jobs and diversified the local economy into a broader range of manufacturing sectors"* (Antony Steinberg).

The EZ incentives in the 1980s were therefore a powerful magnet for companies and property developers, although the success rate varied from one Enterprise Zone to another.

[9] English Industrial Estates (EIE, or English Estates) was a non-departmental public body created in 1960 to manage government-funded industrial estates in England. In 1981 it was given statutory powers to build estates without recourse to the Department of Industry. In 1994 it became known as English Partnerships (EP) and was responsible for land acquisition, site assembly and major development projects. It was abolished in 2008 and its powers passed to the Homes and Communities Agency.

Today, as three decades ago, the business rates holiday and ECAs are the main incentives of the package, which includes:[10]

1. Business rates discount – local authorities will be able to offer businesses in the EZs a rates discount (for which they will be refunded by the Treasury) worth up to £275,000 over a five year period, providing they enter the EZ by April 2015
2. Business rates retention – any uplift in business rates revenues from the EZ above the current baseline for 25 years from April 2013 will be retained by the local authority to be reinvested according to the LEP's economic priorities
3. Enhanced capital allowances (ECAs) for plant and machinery – in some cases where there is a strong focus on manufacturing, ECAs will be made available instead of a business rates discount to the first three eligible companies on the site
4. A simplified planning regime – local authorities will establish Local Development Orders (LDOs) to implement relaxed planning regulations in the EZ
5. Superfast broadband – all EZs will be prioritised for delivery of superfast broadband access

However, there are important limitations in them and many see the new EZs as *"a pale version of their predecessors in terms of the incentives and the power of those incentives to make things happen"*, in the words of Dr Paul Greenhalgh of Northumbria University, who called them *"EZ Lite"*.

While in the 1980s there was no limit on the amount of business rates exemption for a period of ten years, now the rates relief is capped to £55,000 per annum for five years. The time restriction on the rates relief can be a problem for sites that are not occupancy-ready, as it happened with the majority of the old EZs which needed site preparation and where *"properties were built towards the end of the life of the Zone, so most occupiers only got a few years rate free,"* as Dr Greenhalgh explained.

The current government has put in place welcome measures to avoid this situation. In the new EZs businesses will be able to take advantage of the rates relief for five years from the date that they take occupation in the EZ rather than from the date of designation. However, this will only be the case for companies moving into the EZ before April 2015. Considering that most of today's EZs are on land needing development, it is difficult to see how premises would be ready for businesses to locate before 2015.

The limitation in the amount permitted for business rates relief can also be a problem. While £55,000 for five years may be significant for small companies, to a large multi-national company it is *"petty cash"*, as Sunny Crouch OBE, former Director of Marketing and Inward Investment at the LDDC, described it.

Some LEPs are getting around this problem by designating EZs near large companies that are already located or planning to locate in the area, using the business rates discount to attract smaller companies to become part of the anchor tenant's supply chain. But the problem remains for those EZs where this cannot happen.

[10] DCLG (2011): *Enterprise Zone Prospectus;* and DCLG (2011): *Enterprise Zones Information Pack*, at http://www.lepnetwork.org.uk/enterprise-zone-information-packs-available-to-view-online-3011.html (last viewed 5 May 2012)

One of the sites in the Black Country EZ, designated in July 2011, is the i54 business park in North Wolverhampton. The local authorities had already been in discussion with Jaguar Land Rover (JLR) about the potential to locate its new engine plant on the site. Having secured a £10 million government grant through the Grant for Business Investment scheme, JLR announced in September 2011 that it would be investing £355 million in the new plant on the i54 site.[11] While JLR will not be eligible for business rates relief, the announcement of the EZ was crucial to the company.

"They want to work through their existing supply chains to grow the UK production level," Sarah Middleton, Chief Executive of the Black Country Consortium, explained. *"Therefore, their interest in the EZ is to get companies in their supply chain in and around their key factories, which will help them to increasing production."*

To large companies making a significant investment, ECAs are a much more effective incentive than business rates relief. However, while still on offer, today's ECAs are limited to plant and machinery for a small number of companies in the capital-intensive manufacturing sector. Yet, ECAs on plant and equipment would not incentivise companies in other capital-intensive industries (e.g. biotechnology), or those in knowledge-intensive (e.g. design and architecture) and services sectors (e.g. business services) to grow within the EZs, as much as ECAs on premises would.

Moreover, even though the new EZs have greater in-built economic potential than the old Zones, most of the current EZs need to attract property developers to invest in premises, something that ECAs on the construction of premises could do, as it happened in the 1980s.

In 2011, 122 hectares of prime waterfront land were designated as an EZ in London's Royal Docks. Development partners are currently being sought to invest in the sites but Clive Dutton, Executive Director of Regeneration and Inward Investment at the London Borough of Newham, that hosts the EZ, argued that *"the benign nature of the current incentives reveals insufficient level of economic foresight, urban regeneration vision and commitment to the real drivers for revitalisation in cities in a very competitive world."*

The Royal Docks EZ has been allowed to offer ECAs on plant and equipment on part of the sites, but Clive Dutton believed that the government *"is still rigidly stuck in the last century. We are not talking about a car plant with costly machinery. We are talking about the sixth industrial age, which is about clusters and knowledge-based industries relating to pharmaceuticals, or bio-medical, or sustainable technologies."*

Furthermore, the business rates discount offered would be insufficient to attract companies on the scale needed in London, not only because of the relatively high cost of land in the capital, but also because London is in competition with other major capital cities in Europe and beyond for international inward investment. It is in this sense that, as Clive Dutton said, the business rates discount *"does not amount to much for (the type of) large companies that we are trying to attract here. We are embarrassed to say to investors we have an EZ because they are relating it to experiences in other parts of the world. £55,000 per year would not capture the attention of someone managing a sovereign wealth fund 5,000 miles away."* This concern was shared by Sunny Crouch OBE who believed that *"the EZ might attract PR for the area but when the finance directors start doing their sums about whether this is a sufficient incentive to change location, they are going to conclude it is not."*

[11] BIS (2011): *New engine plant will drive growth,* Press Release, at http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=421257&NewsAreaID=2 (last viewed 5 May 2012)

Some LEPs have already been allowed to design EZs with a number of sites that offer a mixture of business rates discounts that appeal to small to medium sized businesses and ECAs on plant and equipment for large companies, which would create a more diverse local economy and allow companies to benefit from cluster opportunities.

Tees Valley Unlimited (TVU) was among the LEPs that negotiated a tailored package of EZ sites that best fits local needs. In order to benefit as great a range of areas as possible, TVU selected a number of (small) sites across the five Tees Valley boroughs. Each site was picked with a specific sector in mind (advanced manufacturing, digital, renewable energy, biotechnology) and a package of incentives specific to that sector's needs was designed for each site.

Four sites were selected for business rates discounts aimed at "fostering indigenous small and medium businesses to form supply chains for the area's large scale industries" and another four sites offer ECAs "to attract large scale investors to expand (the) industrial base".[12] In addition, several sites that require significant investment in site preparation and infrastructure have been identified for a Tax Increment Financing (TIF) scheme and TVU has decided to use the rates retention income from the EZ sites to itself fund the provision of business rates discounts at four more sites later on.[13]

LCCI believes that the package of EZ incentives should be both more flexible and ambitious and, in negotiation with local authorities, the government should offer additional incentives or other policy measures tailored to local needs. The business rates discount works for occupancy-ready sites but most of the current EZs are not such. We therefore ask the government to monitor progress on the EZ site developments and consider extending the 2015 cut-off point so firms can actually benefit from the advantages of setting themselves up in the Zone.

Moreover, ECAs on plant and equipment should not be limited to the manufacturing sectors but extended to all capital-intensive industries, whilst ECAs on the building of property should be made available on empty sites that need investment in premises to attract developers, as well as to companies from the knowledge-intensive or service-orientated sectors that would not benefit from ECAs on machinery.

The package of incentives and the location of the EZ sites are the most important considerations when designating EZs; as John Lock commented, *"what you get out of the EZ is proportionate to what it offers."*

However, even a generous package of incentives was not always sufficient to make the previous generation of EZ sites a long-term success because in the words of Paul Sheppard, Director at town planning and urban design consultancy Taylor Young, *"an EZ needs to be only one tool of a group of tools in a wider regeneration strategy"*. Bob Entwistle, former Director of Development at Wellingborough Borough Council, explained it as follows: *"if you have other factors that make an area potentially attractive like its location, designating it as an EZ is a huge benefit. The incentives and the national publicity that attaches to EZs draw attention to the area and cause people to look at it when they might not have done so in the first place. It is very important, however, that a whole package of other things is put in place to make the area attractive to potential employers."*

Drawing from the 1980s experience, the remainder of the report considers what else needs to be done in order to secure a positive long-term outcome.

[12] Thames Valley Unlimited (2011): *Briefing Note – EZ: Our Proposal and Strategy Considerations*, at http://www.darlington.gov.uk/dar_public/documents/_Place/PolicyRegeneration/PlanningPolicy/TVEB_note.PDF

[13] The Local Government Finance Bill, currently making its way through Parliament, will introduce Tax Increment Financing (TIF) to enable local authorities to borrow against future income streams, or in the case of EZ, against increases in business rates receipts. This allows them to fund the development of infrastructure, for example, to attract businesses to the area before the rates receipts from these businesses actually come in. This is intended to ensure the long-term economic sustainability of the area. Local authorities are expected to be able to utilise TIF by April 2013.

4. REALISING THE POTENTIAL: SOMEBODY DO SOMETHING

The financial incentives of the 1980s EZs were meant to attract investors to areas that had suffered decline by increasing their rates of return. However, high levels of unemployment, land dereliction and contamination had led to adverse perceptions of the value of the sites, which deterred prospective investors.

Local authorities in charge of administering EZs at the time had insufficient financial resources to undertake the remedial actions needed to attract private sector investment. In contrast, UDCs were autonomous dedicated bodies with the power to purchase land and the resources to decontaminate it and provide the site with the required basic services (e.g. gas, electricity, water and sewers). This meant that, generally speaking, the areas covered by UDCs fared better than those within EZs only.

In the Liverpool region, there were two main areas in need of regeneration, the industrial area of Speke and the Liverpool dock area. To promote their development, an EZ was established in Speke and a UDC in the dock area (see Figure 2). The choice of regeneration tool was crucial in determining the outcome.

Speke EZ was designated in 1981 on land vacated by the relocation of Liverpool airport and the site of the former Dunlop factory. On one of its sites, Speke Hall Industrial Estate, EIE had built some speculative industrial units prior to the EZ designation. Because it was occupancy-ready and the units were good quality units, the EZ incentives were successful in attracting light industrial users looking for premises and the estate is still well occupied today.

In contrast, the second EZ site, Speke Airport Estate, saw no development take place within the lifetime of the EZ as much of the land remained vacant. Rob Monaghan, Head of Gateways at regeneration agency Liverpool Vision, explained: *"at the time of the EZ, the place still looked a mess. Even with the tax incentives nobody wanted to come here – the place still looked awful, still felt awful, still performed really poorly. In my view, you need three elements for successful regeneration – a good plan, a dedicated team and sufficient resources. None of this was in place when the EZ was formed."*

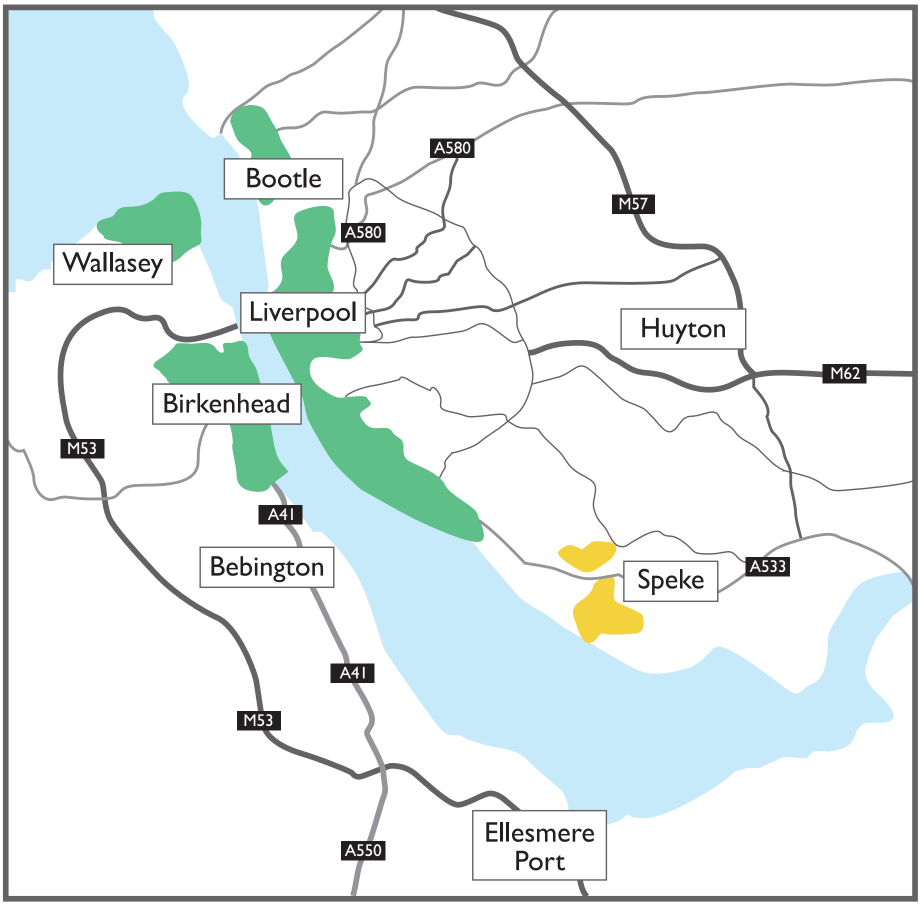
Others believed that the EZ designation was not the right solution for the Speke area because it was a response to a problem created by the job losses on what had been a large employment site, and had *"a very simple narrow focus on some fiscal and regulatory incentives, which really was not a strong enough initiative to achieve regeneration in Liverpool,"* as Paul Sheppard said.

Whichever the reason, nothing happened on the site until the establishment of the Speke Garston Development Corporation (SGDC) in 1996. This joint venture between EIE (by then English Partnerships) and Liverpool City Council had the remit to assemble land and develop sites for industrial use by improving the environmental landscape and putting in the necessary services and infrastructure. Rob Monaghan compared this to a lifesaving intervention: *"The area was extremely unwell, almost terminally ill, and the EZ was like a couple of paracetamol. It might have helped a little bit along the way but it didn't go anywhere near what was needed until the major surgery came along."* The SGDC's efforts gave the private sector the confidence to come and invest in an area which had by then become a viable proposition.

The initial situation was similar in Liverpool's dock area, where the heavily silted land and lack of public infrastructure and facilities meant that large amounts of reclamation work were needed before private investors could be attracted. Crucially, in 1981 the Merseyside Development Corporation (MDC) was established to regenerate the area.

As opposed to the local authority at the time, the MDC had the dedicated team, statutory powers and resources to deal with the dereliction. It used its compulsory purchase and planning powers to assemble the area into developable plots and to undertake land reclamation, building refurbishment and environmental improvements, making it financially viable for the private sector to invest. As Rob Monaghan put it, *"the MDC did all of the remediation work, cleared the dock out, put in a concrete base, did watertight shell works on the buildings, put in infrastructure and then brought in the private sector. So it was about creating the canvas for somebody to come along and paint the picture."*

Figure 2: Speke EZ and Merseyside Development Corporation



Merseyside Development Corporation (1981-1998)

Speke Enterprise Zone (1981-1991)

River Mersey

In short, for an EZ to be beneficial to an area, the latter needs to be attractive as a business and investment location. Consequently, EZ sites need to be as free from dereliction as possible and have the necessary infrastructure in place to attract developers, so that businesses can move in to the new premises without delay, especially since companies will be able to enjoy the EZ benefits only if they locate there before 2015.

To do that, however, there needs to be a committed and proactive body responsible for the area's preparation, as well as for its planning framework and overall regeneration because, as Sunny Crouch OBE explained, *"the key to making regeneration happen is to make it somebody's specific job to do it. You need to have a dedicated team with the remit, powers and resources to make it happen."*

It is unimportant who this *somebody* is. In the 1980s it was the industrial estate agency EIE in some cases, like in Speke Hall Estate; in others, like London or Liverpool's docks, it was a development corporation. Nowadays, equally important responsibility for the EZs is shared between the local authorities and the LEPs. While the latter nominate the EZ sites and act "as coordinating centre for their constituent local authorities"[14] and a government liaison channel, local authorities have a role in delivering simplified planning through Local Development Orders, administering the business rates discounts and acting as the accountable bodies for the utilisation of any business rates uplift.

Specific responsibilities to achieve the development and regeneration of the EZ areas must be given to one body. LCCI believes this should be the local authorities as they are responsible for administering the EZs on a day-to-day basis. The government therefore needs to ensure that they have the powers and resources to plan and invest in measures, including infrastructure and public realm improvements, that will make the EZ areas attractive business locations in the long term.

[14] DCLG (2011): *Enterprise Zone Prospectus*, p.5

5. PARTNERSHIP AT WORK: COORDINATION ACROSS THE WIDER AREA

In their regeneration efforts local authorities cannot and should not work in isolation. An EZ's success also depends on its ability to integrate itself into the economic and social needs of both its local and wider area. It is here that LEPs' coordinating role and ability to facilitate cooperation between their constituent local authorities and a wide range of stakeholders including businesses, planning authorities, education and training providers and any development agencies becomes essential. A culture of partnership working developed in the late 1990s and later EZs saw the benefits of this.

The Dearne Valley EZ, designated in 1995, comprised sites across the three local authorities of Barnsley, Rotherham and Doncaster. The EZ was managed by the Dearne Valley Partnership (DVP), which included the three local authorities but also representatives of the private sector. This contributed to a more targeted and coordinated approach to the Dearne Valley EZ than the earlier Rotherham EZ. As Andrew Nettleton, Business Investment Manager at the Rotherham Investment and Development Office, explained, *"the Partnership had its own inward investment and development team and steered the local authorities towards a common agenda."*

Cooperation between Rotherham and Barnsley Council in particular was crucial as they agreed for most of the significant employment sites to be located in Rotherham, while Barnsley promoted outward commuting to the new employment centres by securing funding for the Dearne Valley Parkway road linking its communities with them. The decision to form a cross-border partnership at the time allowed the three local authorities to speak with one voice to government and secure the EZ status and other funding required to transform the Dearne area "from a major area of dereliction into a substantial employment site". This resulted from regional collaboration while "a more insular approach by any of the councils in the DVP would have lessened the achievement."[15]

The current LEPs follow in this established pattern and many were formed on the basis of pre-existing sub-regional arrangements. This has increased their ability to coordinate. However, it takes time for trust to build and for partnerships to become well-established.

The Black Country Consortium was founded in 1999 comprising four local authorities – Dudley, Sandwell, Walsall and Wolverhampton – and representatives of the Training and Enterprise Council and local chambers of commerce.

Prior to that, relationships between the local authorities were *"more combative than collaborative"* as John Woodall, former Assistant Director for Economic Regeneration at Dudley Council, put it. Over time, however, there was a gradual realisation of the need to work together on shared issues of regeneration and economic development to achieve more. *"In the 1980s the local authorities were shadows of their former selves and, partly in reaction to the Black Country Development Corporation, there was a realisation that 'divided we fall, united we stand'. It became blindingly obvious there needed to be a more formal arrangement and, on a practical level, one organisation doing what four had done delivered economies of scale"* (John Woodall).

[15] Audit Commission (2008): *A mine of opportunities: Local authorities and the regeneration of the English coalfields*, National Report, at http://www.audit-commission.gov.uk/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/20081127amineofopportunities.pdf

This cross-boundary work with a range of public, private and third sector partners was possible thanks to the leadership of the Consortium and its role in providing economic intelligence and strategic analysis at the sub-regional level. According to Sarah Middleton, Chief Executive of the Black Country Consortium, the existence of strategic coordination on a trans-Black Country scale *"enabled the LEP to get off to a flying start as we have worked together over many years, so there was no need for a big debate about why we have to do what we are doing."*

Tees Valley Unlimited (TVU) is also based on pre-existing partnership arrangements between five local authorities (Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees) and its roots go back to 1996. Nowadays, the TVU coordinates economic strategy, infrastructure planning and inward investment at the sub-regional level, as well as being the LEP for the Tees Valley with a number of sub-boards and a supporting officer structure. As Linda Edworthy, TVU Director of Policy and Strategy, said: *"TVU evolved from a long history and tradition of partnership work between the public and private sector in Tees Valley. The need for a clear strategy and vision for the economy of the area has always been there and even if the LEP concept goes, the TVU will continue to pursue these objectives."*

LEPs based on pre-existing partnerships will have an organic way of working together that has developed over time, but others with less experience might take longer to get used to the new arrangements. As it is essential to integrate the EZs into the wider area they are based in, LEPs' ability to establish comprehensive and effective cooperation between local actors at different levels as quickly as possible will determine the success of EZs.

One of the main and most contentious issues that necessitates LEPs' coordination is the utilisation of any business rates uplift generated in EZs. It is meant to "support the delivery of priorities for the LEP area as a whole",[16] but some local authorities that EZs are located in have argued that the funds should go back to the EZ area that generated them.

Local authorities comprising the South East Midland LEP, which coordinates the Northampton Waterside EZ, intend to sign a Memorandum of Understanding (MOU) specifying that the future uplift in business rates will go back to the LEP for investment in future infrastructure, according to Mick Lorkins, Regeneration and Investment Manager at Northampton Borough Council.

In the Black Country, Wolverhampton and Staffordshire Councils will be pump-priming infrastructure works directly linked to bringing the i54 EZ site forward. As Graham Clark, Development Officer at Wolverhampton City Council, mentioned, the two local authorities will expect to be reimbursed for that investment through the rates generated from this site. Sarah Middleton added: *"We are putting in place governance arrangements on the distribution of the uplift in business rates but it's an on-going discussion. The decision of where the rates will be utilised lie with the Board but the devil is in the detail and we need to understand what that means."*

The issue is contentious for the London LEP too, where the uplift in business rates from the Royal Docks EZ will be redistributed at potentially a London-wide level. However, Newham

[16] DCLG (2011): *Enterprise Zones Information Pack*

Council has made the case that funds generated in the EZ should be spent at a more local level because the London LEP's area is too large and economically diverse to justify this income being used across the whole of London. Clive Dutton said: *"it will be a long time before the developments come on stream to deliver a business rates uplift and the scale of the EZ area is too small for the amounts of money generated to be of significance for the whole of London. We also think that, as one of the poorest local authorities in the country, business rates dividends should be reinvested locally in the area that generated them, particularly when there is so much more infrastructure that is required such as river crossings and power grids."*

Although the government is now urging LEPs to sign a MOU with the rates collecting authority to clarify this arrangement, it should specify whether the rates retention is to be spent in accordance to any LEP priority or the economic priorities that led to the creation of the EZ in that area in the first place. Local authorities that have EZs on their territory will need to make additional investments in them, for example on infrastructure, so they can justifiably expect to be recompensed for this expenditure through business rates retention. There might be other areas in the LEP region that need investment but it must be ensured that EZ areas have sufficient resources to make them viable in the longer term before spreading any additional resources out.

Having said that, the EZ cannot succeed in isolation from its surrounding areas and a plan on how it will be implemented to fit within the wider sub-regional area is needed. One of the main problems with the 1980s EZs was lack of the strategic planning necessary to boost investors' confidence in the future potential of an area, and to secure its long-term regeneration.

Parts of Trafford Park industrial estate and the Salford dock area in Manchester were designated as the Salford/Trafford EZ in 1981 (see Figure 3). The two areas, however, developed somewhat differently.

Trafford Park had some low-level industrial unit developments in the early stages of the EZ but by 1986 only 2,557 jobs had been created against a target of 7,000, not even enough to compensate for the on-going job losses caused by closures within the Park.[17] To help things along, the Trafford Park Development Corporation (TPDC) was designated in 1987 with responsibility for parts of Trafford Park and Salford Quays that remained undeveloped. Over its ten year life, the TPDC created 50,000 jobs in Trafford Park.[18]

According to Nick Gerrard, former Assistant Chief Executive and Chief Planning Officer at TPDC and currently at Trafford Council, *"in Trafford Park the impact of the EZ was far less significant than the impact of the development corporation. Because the latter had a strategic approach to looking at the whole Park, including infrastructure, improving the environment, promoting and marketing the area, it put undeveloped sites in a greater strategic context, giving further confidence to the development industry to invest."*

This coincided with the property boom of the late 1980s, resulting in some very large scale developments such as the Quay West office development in Trafford and Exchange Quay in Salford taking advantage of the capital allowances on the EZ sites before they expired. According to Nick Gerrard, *"the developers knew that the environment in which their investment would sit would improve as there was a special vehicle set up to secure the regeneration of the area. The strategic impact and the focused approach of the development corporation caused the turnaround*

[17] Ferguson, J. (2011): *Greater Manchester earmarked for Enterprise Zone*, at http://menmedia.co.uk/manchestereveningnews/news/business/budget/s/1413782_greater_manchester_earmarked_for_enterprise_zone (last viewed 5 May 2012)
[18] NAO (1993): *The Achievements of the Second and Third Generation Urban Development Corporations*, Report by the Controller and Auditor General, p.38

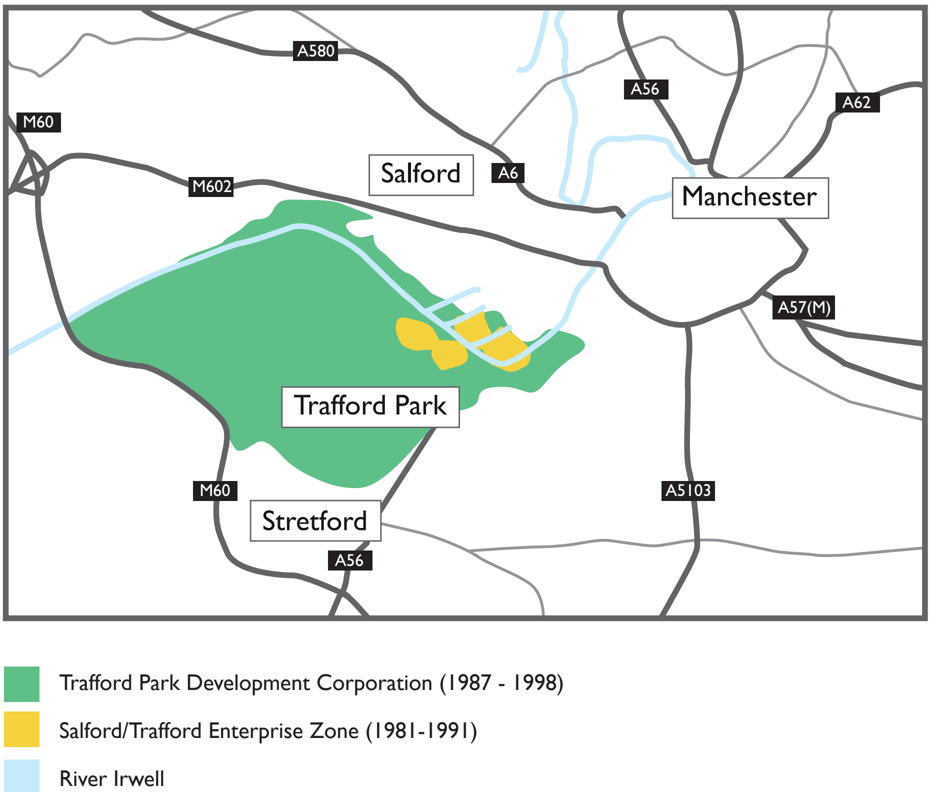
in the area. The EZ was only one tool that existed for part of the area for part of the time that actually helped that task."

Meanwhile on the other side of the canal, the EZ incentives again were insufficient to attract private investors to the Salford area as it was several kilometres from the city centre, with no infrastructure, public transport or other services, making it inherently unattractive to them.

Salford City Council, the Zone Authority, recognised the need to provide confidence to both public and private long-term investors. In 1983 it acquired most of the docks from the Ship Canal Company, so that it could undertake necessary works, and in 1985 it published a Development Plan rebranding the area as Salford Quays and providing a strategy for its redevelopment.

The Plan proposed a full reclamation programme for the provision of roads; water, gas and electricity services; water quality improvements; commercial developments; public areas; and leisure and tourism attractions.[19] This gave investors confidence in the Quays and the local economy and by the late 1980s there were several large-scale office, residential and leisure developments constructed, in part to benefit from the EZ incentives before they ceased in 1991. According to Nick Gerrard, *"the strategic approach that Salford Council took to the development of Salford Quays as a whole, which partly included the EZ, was a key driver for the success of Salford Quays."*

Figure 3: Salford/Trafford EZ and Trafford Park Development Corporation



[19] Salford City Council (2008): *Salford Quays Milestones: The story of Salford Quays*, at http://www.salford.gov.uk/d/milestones_v2.pdf; and Struthers, T. (2003): *The Redevelopment of Salford Quays, Greater Manchester: The impact of urban and regional development from 1983 to 2003*, at http://www.nsl.ethz.ch/index.php/de/content/download/458/3007/file (last viewed 24 March 2012)

It is imperative that there is a comprehensive strategy for the EZ area, outlining how the incentives will be utilised and how the area's long-term viability will be ensured. This will give the private sector confidence to invest. The strategy also needs to be embedded within a broader sub-regional planning framework prepared in collaboration between local authorities and other relevant stakeholders, possibly at the LEP level, to help the Zone's Authority to plan adequately and long-term.

In this sense, although LEPs have been asked to prepare Implementation Plans outlining "how EZ ambitions connect with economic priorities across the wider area, including the place of the EZ within the overall strategy for the LEP area",[20] at this stage it does not seem like these will be of sufficient depth and scope to be a comprehensive long-term strategy for the regeneration of the EZ area. The rest of this report looks at what elements need to be included in such a strategy.

[20] DCLG (2011): *Enterprise Zones Information Pack*, p.6

6. FOCUSING ON SECTORS: TARGETED GROWTH TO AVOID DISPLACEMENT

The relaxed planning regimes in EZs in the 1980s meant that any development was permissible. Local planning authorities, therefore, had no influence over the type of development unless a specific exclusion had been put in advance in the designation order or to the sales conditions for the sites.

Scunthorpe Borough Council attached a Developers' Guide to the EZ designation documents allowing "only Class 1 retail shops for the sale of food, drink and tobacco having a floor space not exceeding 925 sq m". All other kinds of retail development needed to apply for planning permission and were looked at unfavourably, given the council's "policy towards such uses on industrial estates".[21] Hartlepool's designation order also excluded retail so it could not affect existing retail centres.

Wellingborough Borough Council, on the other hand, was unable to exercise any development control through the planning system as such but, as the EZ site land owner, it used Building Agreements and restrictive covenants built into the sales and lease transactions to prevent certain uses. Thus, the Council only allowed for offices, manufacturing and warehousing employment in the EZ.[22] *"The main thing that the Council was concerned about was preventing it from becoming a retail park because it saw that as potentially producing unfair competition to the town centre,"* Bob Entwistle, former Director of Development at Wellingborough Council, explained. The result was an EZ that attracted companies of all sizes from the light industrial and services sectors, creating over 3,000 jobs within a five year period.

This ability of some local authorities to exercise control over the types and quality of development allowed them to target sectors and industries that complemented the existing economic profile of the area. This enabled them *"to promote and oversee the development of the Zone in a way that would maximise the benefit to the community (rather than) the highest and best use in terms of value,"* as Bob Entwistle said.

It was rare, however, for an EZ authority to plan what type of development would best suit the local economy and to target specific sectors, as seen above, and this had negative consequences in some cases.

In an area best known in the 1970s for glass and steel manufacturing, the Dudley EZ in the West Midlands was designated in 1981 on 540 acres of agricultural land known as Merry Hill Farm and the 650-acre former Round Oak steelworks site was included later on in 1984.

According to John Woodall, at the time a manufacturing company director, the local authority had hoped to attract manufacturers to the area and the population wanted to see what they perceived as 'real jobs' in industry and engineering. However, both sites had been bought before they were designated as an EZ to construct a large shopping centre and retail park among other developments. With the lack of planning restrictions, the local authority was powerless to prevent it.

[21] Scunthorpe Borough Council (1983): *Enterprise Zone Portfolio*, p.26
[22] James Wilson Associates (2011): *Back to the Future*, Press Release, at http://www.jameswilsonassociates.co.uk/images/stories/pdf/jwa1_back_to_the_future.pdf

The Merry Hill Shopping Centre, opened in 1986, helped revive Brierley Hill's economy and addressed the lack of retail offering to some local areas. However, it led to the decline of the Dudley Town Centre (and other nearby towns like Wolverhampton), as many of its major retailers relocated to take advantage of the business tax incentives offered by the EZ. While the town centre had already been on its way down, the Merry Hill offer, including free parking, meant that the market town could not be rejuvenated.

Similarly, the retail and leisure Metro Centre was developed on part of the Tyneside EZ designated in 1981. According to Dr Greenhalgh, *"simplified planning allowed the Metro Centre to evolve over time without the need to go through the usually costly and time-consuming planning process."* It grew to become the biggest shopping centre in Europe and had a damaging effect on established retail in Gateshead, Sunderland and Newcastle.

UDCs were equally uninterested or unable to have a consistent planning framework. Because of their tightly-defined boundaries, UDCs worked exclusively in their designated areas with no obligation to take regard of local authorities' spatial plans. Moreover, their purpose of stimulating private investment led them to support development that would produce quick and substantial returns, like out-of-town retail, without considering how it would affect the surrounding areas.

The Teesside Development Corporation (TDC) was established in 1987 to regenerate areas along the River Tees and Hartlepool docks.

One of its development sites was Teesside Park, for which Stockton Council had initially envisaged a racecourse and leisure development with a modest retail element, but the TDC accepted a private developer's plan for a large edge-of-town retail and leisure complex. Despite strong opposition from Stockton Council, the project went ahead and damaged the nearby Stockton town centre to the extent that it subsequently became the recipient of public funding to revive it.[23]

The TDC's disregard for the views of other local agencies was also the reason why the High Court rejected a proposed retail development at Riverside Park site in the Middlesbrough dock area following opposition from Redcar and Cleveland Council. As John Lowther, former Director of the Tees Valley Joint Strategy Unit, explained, *"the TDC did things as they felt they were in charge and didn't care what local authorities thought. They basically ignored everybody."* Because of this lack of coordination, the TDC's efforts sometimes resulted in "detached developments in unlikely places".[24]

In order to prevent new developments from affecting existing businesses negatively it is important to target EZs at specific sectors with growth opportunities locally. Although LEPs were asked to select a sectoral focus for their respective EZs, this needs to be fully analysed and planned to ensure it fits with the wider area.

LEPs and EZ authorities need to prepare a clear strategy for the EZs that targets the incentives at specific sectors that fit the make-up of the local economy and play up to the strengths and opportunities that it offers, without threatening neighbouring areas. Local authorities should ensure that any developments in the EZs are consistent with it.

[23] Robinson, F., Shaw, K. and Lawrence, M. (1999): "'Good Conservative policies translated into practise': the case of the Teesside Development Corporation", in R. Imrie and H. Thomas (Eds.) (1999), pp.152, 157, 161
[24] Op. cit, pp.152, 161-2, 167

Some LEPs are already taking positive steps in this direction but such best practices should be shared and implemented across all LEPs.

Any development in the Black Country EZ will be governed by a pre-existing integrated cross-boundary Core Strategy on planning. As John Woodall said, *"there is recognition that whatever the EZ develops, it needs to be congruent with our economic base, not a completely new thing that we are not geared to take advantage of."* The simplified planning procedures will also not override existing planning frameworks. *"It will be a fast track procedure rather than a complete green light,"* Sarah Middleton of the Black Country Consortium added, *"the Local Development Order will facilitate quicker delivery against the existing strategy."*

The Black Country local authorities are also fully committed to being business-minded in the planning approval process, as pledged in a new Planning and Development Charter. As a result, the LEP is carrying out a Business Friendly Planning Review, as requested by local companies, to ensure the Black Country has a customer-focused approach to facilitating and enabling private sector investment.[25]

If done correctly, having the right sector focus at a strategic level can help minimise one of the main problems associated with the 1980s EZs – the risk of displacement.

EZs put existing businesses within the Zones at a competitive advantage in comparison to businesses outside them. As Dr Greenhalgh observed, *"EZs do not actually promote enterprise among firms already in them. The firms that had to be most enterprising were those outside the Zone having to compete with firms that were subsidised by the Zones."* Consequently, many companies moved premises into the EZs to take advantage of the benefits but also to regain the level playing field against their competitors. As a result, many of the jobs created in the EZs were actually displaced from the local area.

Official estimates showed that although by 1990 there were 5,000 companies located in the EZs (excluding the Isle of Dogs) employing 125,700 people, only around 1,500 (30 per cent) of the total companies were new start-ups, while the rest were either pre-designation, transfers from other areas, or new branches of existing companies. Asked what they would have done in the absence of EZ incentives, 37.6 per cent of companies said that they would still have operated in the area and 40 per cent would have done so elsewhere within the region or the rest of the UK.[26] In other words, around 67,500 of the 125,700 jobs were diverted or displaced from the local areas, meaning that less than half (about 58,000 jobs) were additional to the areas.[27] When the Isle of Dogs was taken into account, figures showed 4,300 companies employing 63,300 people, of which only 13,000 were additional.[28] This means that between 50 and 80 per cent of the jobs in the 1980s EZs were displaced from nearby areas.

Nevertheless, moving premises to an EZ site can help existing companies to grow. Government figures showed that 60 per cent of the companies that relocated to the 1980s EZs increased their employment levels, 38 per cent introduced new products and services, 33 per cent expanded their markets and 30 per cent increased investment in training.[29]

[25] Black Country Local Enterprise Partnership (2011): *Business Friendly Planning Review,* at http://www.the-blackcountry.com/default.asp?PageID=325&n=Business+Friendly+Planning+Review (last viewed 4 April 2012)
[26] PA Cambridge Economic Consultants (1995), pp. v-vi, 42. Data based on the 22 EZs designated between 1981 and 1984 minus the Isle of Dogs.
[27] Op. cit, pp. 44-46. The highest proportion of additional jobs was in manufacturing and lowest in retail and distribution.
[28] Department of the Environment 1986 evaluation, quoted in A. Sissons and C. Brown (2011): *Do Enterprise Zones Work?* The Work Foundation, at http://www.theworkfoundation.com/assets/docs/publications/283_Enterprise%20Zones_24%20Feb_FINAL.PDF, p.5
[29] PA Cambridge Economic Consultants (1995), pp. vii-ix, 31-32

Tyneside EZ (1981-91), Sunderland EZ (1990-2000) and Tyne Riverside EZ (1996-2006) in particular led to significant employment generation on the sites. While two thirds of this was generated by new firms, the remainder was the result of the expansion of firms that had relocated from within the conurbation, as three quarters of all occupiers increased their workforce either on moving or after having moved.[30]

As Dr Greenhalgh commented, *"when a firm gets bigger better premises, it can expand and become more competitive, more successful"*. Furthermore, when a company vacated a property to relocate on an EZ site, these premises were often taken up by a new company or a neighbouring company looking for expansion. Therefore, negative displacement occurred only when it resulted in an empty property or demolition at the end of the chain.[31] According to Dr Greenhalgh, *"a certain level of displacement is actually good for the property market as it creates what I describe as 'excitation' – it allows occupiers to take a step up the property ladder."*

The Coalition government is looking to discourage the direct displacement of existing companies into the EZs but supports the relocation of local firms that want to expand and or invest in new products and processes. Yet, the ways put in place to ensure this happens are somewhat limited. The government envisages an active role for LEPs as gatekeepers to prohibit existing businesses from entering EZs without a significant growth commitment or mandating relocating businesses to sign up to a growth plan.[32] This, however, can be impractical and difficult to implement.

A more viable alternative would be to attract inward investment from foreign-based companies, although the limitations in the incentives package analysed earlier in the report might prove an obstacle to attracting major international investors. Furthermore, it makes the area vulnerable to decisions being made remotely and increases the risk of benefits not being reinvested in the area.

The best way to avoid localised competition and displacement is by ensuring that investment continues to take place across the wider area. This would mean that economic development in the EZs does not happen at the expense of surrounding areas so existing businesses do not feel at a disadvantage and fewer of them would be tempted to relocate into the EZ, which would then stand a better chance of attracting new start-ups and growing companies. To this end, as John Lock of the University of East London said, *"you have to look at the EZ in the context of the city scale it is in, not as an isolated patch of land – you need to put the EZ within its wider development context."*

Some LEPs are using a combination of these approaches to avoid displacement, including choosing a sectoral focus that is not currently present in the area and attaching conditions to qualify for the incentives.

[30] Greenhalgh, P., Downie, M. L., Fisher, P. and Barke, M. (2003): "Grease to the wheel or a spanner in the works? An investigation of office and industrial occupier displacement and property market filtering in Tyne and Wear using the chaining technique", in *Regional Studies*, Vol. 37, No. 4, pp.388-9
[31] Op. cit, pp.381-394
[32] DCLG (2011): *Enterprise Zones Information Pack*, p.9

The Tees Valley EZ comprises a number of sites some of which offer capital allowances and others business rates discount. The former aim to attract inward investors from sectors not currently represented in the area, such as chemicals and energy. The latter are targeted at sectors that are already present locally but have a potential to grow, like advanced manufacturing and digital. In addition, Linda Edsworthy, Director of Policy and Strategy at Tees Valley Unlimited, explained that to qualify for the business rates discount, businesses coming to the EZ sites need to be either completely new to the Tees Valley area or, if they are moving within the Tees Valley, they need to have an identified need for growth with a projected growth of 20 per cent over five years in either turnover, profits or jobs, or a combination of the three.

Besides having a strong sectoral focus, to avoid displacement Sheffield City Region LEP will allow only new firms and businesses unable to grow to the EZ, as well as focusing on attracting inward investment, and ensuring that the economic activity created by the EZ spreads across other parts of the city region through supply chain and transport links.[33]

EZs and LEPs should be encouraged to have this type of flexibility to not only ensure the economic diversity of the local and regional area, but to support the success of the EZ.

[33] Sheffield City Region Local Enterprise Partnership (2011): *The Modern Manufacturing and Technology Growth Area Enterprise Zone*

7. INVESTING IN INFRASTRUCTURE: CREATING LONG-TERM VIABILITY

Infrastructure is a vital part of planning for regeneration and one where the collaboration of a diverse number of actors is needed. In the 1980s infrastructure planning was lacking in many EZs and not enough was done to transform them into viable business destinations.

The Waterfront development in Dudley EZ is an attractively designed and landscaped office complex. When it opened in 1990, it quickly secured some high profile tenants but many of them left as the incentives came to an end in 1994, with occupancy declining from 90 per cent at its peak to around 40 per cent nowadays.

John Woodall, formerly at Dudley Council and a manufacturing company director at the time, attributed this to factors such as changes in management of the complex and a mismatch between the skills required by employers and those of the local workforce, but mainly to the lack of strategic planning from the beginning: *"in terms of strategic planning, there was none! No planning constraints or very few, no infrastructure planning – it was a nightmare!"* With no planning constraints, at the time there was no way of ensuring that there was infrastructure compatible with the intended use. Moreover, public transport was poor, making the site not easily accessible and consequently unattractive.

Subsequent developers and public bodies have developed the road infrastructure but public transport has still largely not been improved. For example, the M6 Toll road (also known as the Birmingham North Relief Road) from Birmingham to Wolverhampton, first proposed in 1980, did not open until 2003 and talks to reopen a freight rail line passing in close proximity to the site as a passenger line have amounted to nothing.

But infrastructure investment can make the difference between success and failure as it could create a competitive advantage that helps attract businesses to one EZ rather than another.

Because of their close proximity, the Wellingborough EZ was in direct competition with the Corby EZ to the north. They both offered the standard EZ package of incentives but Corby was also the recipient of a support package from the then Department for Trade and Industry which included capital allowances for plant and equipment, as well as practical support for companies to locate there.

Despite the additional incentives, Corby was struggling to some extent to attract businesses because it was not easily accessible transport-wise. The A14 had not yet been constructed at the time of the Corby EZ in the early 1980s, so *"reaching Corby from the main road network was extremely difficult, whereas reaching Wellingborough from the main network, as of 1980 had become extremely easy"*, according to Bob Entwistle, former Director of Development at Wellingborough Borough Council.

As Wellingborough Council recognised that *"successful Zones need to have suitable infrastructure"*, around two years before the start of the EZ the A45 had been upgraded from a single carriageway into a dual carriageway road that bypassed several villages. This greatly improved east-west communication between Northampton and the towns to the east towards Cambridge and helped make the industrial estate in the EZ very easily accessible, so the Council marketed it with the strapline "Well Connected Wellingborough".

The main difficulty around infrastructure, besides its lengthy planning and implementation process, has traditionally been its funding. In the 1980s it was mainly UDCs rather than local authorities that had the resources to invest in infrastructure, which helps to explain their higher success rate.

Following its completion, the new Canary Wharf business complex on the Isle of Dogs attracted many financial and business services firms. But the EZ would not have achieved this without the accompanying transport infrastructure development undertaken by the LDDC.

At designation, there was a widely-agreed need for improving the roads in the Docklands area and their links to the national road network. There were also no bus or underground services so investment in transport was badly needed.

The early schemes included a system of roads and a frequent shuttle bus service between the nearest underground station and the Isle of Dogs, which enabled immediate access into the EZ.[34] Later on, major schemes such as the opening of the Docklands Light Railway (DLR), the Jubilee Line extension, major new roads including the Limehouse Link to the M11 and the building of London City Airport in the Royal Docks facilitated the integration of the Isle of Dogs with the rest of London and the area's long-term viability.

As discussed earlier on, it had been the relaxed planning regime and the tax incentives that attracted the private investors to Canary Wharf but the early road interventions and the start of the DLR had given them the confidence to invest. In the long term, the infrastructure stimulated investment in jobs beyond the Canary Wharf district itself, and continues to do so today.[35] However, it had been difficult to persuade the government to commit public expenditure for transport improvement in advance of the private sector investment in Canary Wharf. Even as the development was under way, large sections of government and public opinion did not support the funding of the Jubilee Line extension, and it was the lobbying and financial contribution to the projects by the developers that in the end secured public sector investment in the Jubilee Line and DLR extensions.

In addition to funding, cross-boundary cooperation is vital when planning for transport infrastructure. The type of relationship established between relevant actors then becomes critical.

Although UDCs held the financial resources needed in the 1980s, many local authorities refused to cooperate with them for political reasons. As non-departmental public bodies, UDCs were appointed and accountable directly to central government. Local authorities saw development corporations as undemocratic and unaccountable bodies imposed from above at a time when local authorities had seen their powers and resources depleted. As a result, many UDCs initially met opposition from the councils, some of which refused to cooperate. However, given that the UDCs only had a remit in economic development, by the very nature of their tasks they needed to work with local authorities or other public bodies with responsibilities for related services like transport. The result was that, in most cases, the relationships between UDCs and local authorities gradually improved with time.

[34] London Docklands Development Corporation (LDDC) (1997): *Starting from scratch: the development of transport in London Docklands*, pp.16-18
[35] Op. cit, pp.22-23, 87

The LDDC had been met with great scepticism and political hostility by the leaders of the three Labour-controlled local councils within it (Tower Hamlets, Newham and Southwark). They had been appointed to the LDDC's Board and local authority staff were seconded to the LDDC, but the three leaders were diametrically opposed to what the UDCs stood for so did not attend the Board meetings and when their terms ended replacements were not appointed. What is more, after the 1982 local elections, Southwark council officially refused to recognise the LDDC as a legitimate body and employed a non-cooperation policy with a ban on officer level contact.[36]

As Sunny Crouch OBE, former Director of Marketing and Inward Investment at the LDDC, explained, the LDDC initially *"may not have taken the time needed to court the local authorities, given that the LDDC was coming in on an atmosphere of resentment"*. By 1987, however, the LDDC started focusing on getting the local authorities on board, as their active cooperation was required for the construction of the new transport infrastructure.

A fund for each local authority was established and agreements signed with Newham and Tower Hamlets whereby the councils gave consent to key proposed developments, while the LDDC committed to investment in jointly-agreed economic, social, education and training projects.[37]

It was only then that the attitudes of the councils towards the LDDC moved, in Sunny Crouch's words, from *"armed hostility"* in the early years to *"unarmed neutrality"* when working together in the absorption of the funds, and progressed towards *"positive thoughts"* in the handover period over the LDDC's final three years, having facilitated the development of major infrastructure.

The current government recognises the importance of infrastructure in many respects. In terms of funding, it has provided a £500 million Growing Places Fund to support strategic infrastructure projects, and an extra £270 million was added this year. The funding has been made available to all LEPs on a formula basis to establish revolving infrastructure funds that address local infrastructure constraints, and many LEPs are already taking advantage of it.

Greater Birmingham and Solihull LEP has approved a first tranche of stalled infrastructure projects that will be brought back to life through the Growing Places Fund. It will help deliver infrastructure improvements, such as building access roads, demolition of derelict buildings, installing essential services and the remediation of land that will give the private sector greater confidence to invest.[38]

Many LEPs are also supporting strategic infrastructure improvements in the region and coordinating projects across local authorities and with other LEPs, although this type of collaboration needs to be encouraged and established in many others.

[36] LDDC (1998): *Learning to Work and Live Together: the London Docklands Development Corporation and the local communities*, pp.9-10
[37] Op. cit, pp.10-11
[38] Greater Birmingham and Solihull LEP (2012): *Greater Birmingham & Solihull LEP announces £12m Growing Places funding for first projects*, Press Release, at http://www.lepnetwork.org.uk/£420-million-to-support-local-infrastructure.html (last viewed 5 May 2012)

Sheffield City Region LEP has seen plans approved for the Finningley and Rossington Regeneration Route Scheme (FARRRS), a new link road from Junction 3 of the M18. The aim of the scheme is to improve access to Doncaster Sheffield Airport, thereby increasing the region's connections with national and international markets. The LEP is also supporting the development of a Bus Rapid Transit and new road link to Waverley, including the Advanced Manufacturing Park EZ site, to provide links to it in the Don Valley.[39]

In the Black Country EZ, Staffordshire County Council and Wolverhampton City Council will be jointly funding work to improve access to the M54 motorway.[40] *"Transport cannot be managed at a Black Country level and the LEP recognises its responsibility to work with other LEPs on cross-regional issues,"* Sarah Middleton of the Black Country Consortium said. *"Birmingham airport, for example, is of strategic importance to the whole of the West Midlands. The Consortium is working with the Coventry and Warwickshire LEP as well as the Greater Birmingham LEP and other LEPs on a range of transport priorities. We have also engaged with the Staffordshire and Liverpool LEPs on the freight and port aspects of infrastructure and with the Worcestershire LEP on supply chain and innovation issues."*

LEPs and local authorities need to have the resources necessary to invest in infrastructure and thus facilitate access of the local workforce to employment on the EZ sites and the long-term viability of the area. Although the Growing Places Fund is a step in the right direction to ensuring sustainable infrastructure funding, the government should also look at how mechanisms like Tax Increment Financing (TIF), Revolving Investment Funds (RIF) and Community Infrastructure Levies (CIL) can be utilised at the local level.

The Department for Transport in turn should support LEPs and local authorities with quick decision-making and reduced bureaucratic procedures, as well as looking at infrastructure from a strategic national level, but also consider the impact of national projects like HS2 and airport policy at the local level. Finally, the Department for Communities and Local Government should encourage LEPs to facilitate infrastructure coordination across local authorities and other LEPs, especially when it comes to their regional connectivity to national and international gateways.

[39] Sheffield City Region (2010): *Proposal for a Sheffield City Region Local Enterprise Partnership*, at http://www.sheffieldcityregion.org.uk/index.asp?pgid=50249 (last viewed 4 April 2012); and Sheffield City Region (2012): *Link road boost for international investors*, Press Release, at http://www.sheffieldcityregion.org.uk/news-and-events (last viewed 5 May 2012)
[40] Black Country Consortium (2011): *Black Country Enterprise Zone Implementation Plan*, p.30

8. INVESTING IN SKILLS AND PEOPLE: A HOLISTIC APPROACH TO REGENERATION

The aim of Enterprise Zones and development corporations in the 1980s was, ultimately, to attract private sector investment to specific areas by either offering financial incentives or investing in land and environmental improvements. But they did not employ the comprehensive approach to regeneration needed to make the areas a long-term success. Dr Greenhalgh explained it as follows: *"the problem with regeneration policy in the 1980s was that it was not holistic. It focused on the physical and economic legs of the stool but ignored the third, social leg, which makes the stool stand."*

Initially many UDCs concentrated on land reclamation and infrastructure investment while paying little regard to the social aspects of regeneration, including skills and employment. The problem was manifold. While, as already seen, local authorities regarded UDCs with hostility, they lacked sufficient resources to undertake large-scale training programmes. UDCs, on the other hand, had the financial resources but their original remit was limited to physical regeneration through land reclamation and buildings construction. However, against the background of rising unemployment, in 1988 the House of Commons Employment Committee recommended that UDCs' remit be extended to include job creation and other aspects of social policy, including housing, education, childcare and health.[41]

In the early years, the LDDC had been criticised for neglecting the needs of local people and not doing enough on affordable housing, unemployment and community engagement.[42] But from 1987, with physical regeneration well under way, the LDDC started to focus on supporting the social infrastructure in the area. It established a social fund for each local authority to invest in jointly-agreed projects, including the provision of education, childcare, healthcare, community and recreation facilities.

To try and ensure that money was spent in accordance with what the local community wanted, the LDDC also set up advisory groups across the three boroughs (nicknamed 'Little Eggs') to put forward applicants for the LDDC's Community Support Programme ('Big Egg').[43] Patricia Holland, local resident and community activist, recalled numerous public meetings in community halls where the LDDC explained what was planned for the area and what effects this would have, allowing local communities to feedback on proposals and be involved in the process. In addition, the LDDC engaged with representatives of organisations concerned with employment through the Docklands Forum.

However, not all UDCs managed to do that and they were eventually wound up for their failure to address social issues.

A more collaborative and holistic approach to regeneration was adopted by later generations of Enterprise Zones and development corporations. For example, the London Thames Gateway Development Corporation (LTGDC) focused on facilitating projects that local councils and residents wanted to see in their areas, while later regeneration programmes employed *"a bottom-up approach as opposed to the UDCs' top-down approach"*, as Rob Monaghan at Liverpool Vision observed, and had an emphasis on partnership, community and voluntary sector involvement and local accountability.[44]

[41] LDDC (1998): *Employment: New jobs and opportunities. The employment strategy of the LDDC*, p.14
[42] The Docklands Consultative Committee (1985): *Four Year Review of the LDDC*
[43] LDDC (1998): *Learning to Work and Live Together: the London Docklands Development Corporation and the local communities*, pp.10-11; and NAO (1988): *Department of the Environment: Urban Development Corporations, Report by the Controller and Auditor General*, pp.11-12, 21
[44] The Work Foundation (2010): *Past Recessions: What are the lessons for regeneration in the future?* Research Paper 1, at http://theworkfoundation.com/Assets/Docs/Past%20Recessions%20Research%20Report_WEB%20(2).pdf

For EZs to ultimately benefit the communities they serve, local authorities and LEPs need to work closely with local community groups, residents and businesses. The neighbourhood forums introduced in the Localism Act 2011 can be a particularly useful channel of engagement. A holistic approach to regeneration is essential to ensure that EZs are an integral part of a strategy that delivers social as well as economic outcomes.

One of the clearest examples of how the social and economic outcomes go hand in hand is the case of skills. Although towards the end of their tenures some UDCs started doing more to help local residents become more employable in the incoming sectors, some were criticised for not creating the types of jobs that matched local people's skills profile or were even accused of going against the grain of local economic culture.

The LDDC managed to increase the number of jobs in the Docklands area from 27,200 to 85,000 within its lifetime.[45] However, any additional employment created was mainly in the banking, finance and insurance sectors and local residents lacked the skills required to take these opportunities up.

What is more, for people in the Docklands, the demise of the shipping industry was a huge shock. Patricia Holland, Newham Councillor and a lifelong Docklands resident, recounted: *"This was a docks area and my family all worked on the docks for four generations, so that's all you knew. It was a small community and anything outside it seemed like a different land."* As a result, the fear of change was immense and many in the local community were disappointed that the Corporation could not attract industries that more closely matched the exiting skills of the local workforce.[46]

The Tyne and the Wear regions had had a long history of ship building, maritime transport and engineering. With the ports' decline, the Tyne and Wear Development Corporation (TWDC), designated in 1987, undertook a strategy to move the region away from these traditional industries and diversify the economic base into non-industrial sectors. It was accused locally of having a deliberate de-industrialisation agenda and neglecting the region's industrial heritage.[47]

It is questionable, however, to what extent the old generation of EZs could have attracted traditional manufacturing industries and the 'real jobs' associated with them that people wanted. The steel and port industries were declining due to global processes such as containerisation, automation, shifts in trade patterns and the moving of manufacturing to new lower-wage locations. To diversify and transform the local economies into new sectors was essentially the only thing local authorities and UDCs could do so, in the words of John Lock of the University of East London, *"many people wanted the past but nobody had a way of bringing the past back. Ultimately, you cannot create an economy to suit local residents – it is local residents who have to adjust to the new economy."* Councillor Holland agreed: *"you have to go along with the change"*, remembering dockers who got jobs in construction, warehousing, transport or courier services, while other local residents worked as receptionists in the incoming banks or in restaurants and other retail and leisure outlets.

Initially, there was little help for local residents to adjust to the new economic circumstances but, with their remit broadened, as already seen, many UDCs started working with key partners such as local education authorities and the Training and Enterprise Councils, that were being set up at that time, to improve education and training provision in their areas.

[45] NAO (1988), pp.9, 12-13; and LDDC (1998): *Employment: New jobs and opportunities. The employment strategy of the LDDC*, pp.19-20
[46] Docklands Consultative Committee (1985); and Association of London Authorities and Docklands Consultative Committee (1991): *10 years of Docklands: How the cake was cut*
[47] Byrne, D. (1999): "Tyne and Wear Development Corporation – turning the uses inside out: deliberate de-industrialisation and its consequences", in R. Imrie and H. Thomas (Eds.) (1999)

The LDDC funded and promoted vocational training initiatives aimed at filling the gap between existing skills and new job opportunities. Among other things, it established the Skillnet careers advice and job brokering agency, supplied computers for all schools in the Docklands area, established a one-year foundation programme for people wanting to undertake university degrees and provided £10 million funding for the establishment of Tower Hamlets College.

Trafford Park Development Corporation (TPDC) also promoted training as a complementary part of its activity. According to Nick Gerrard, the development corporation had a training manager who worked with Manchester, Salford and Trafford local authorities to identify the most deprived areas near Trafford Park and encourage people in those areas to consider the new jobs being created. TPDC also provided funding and worked with the Training and Enterprise Councils to deliver a training programme aiming to put local people in a better position to be able to take advantage of these jobs.

From incoming companies' point of view, the availability of a skilled workforce is one of the main considerations when deciding whether to invest in an EZ. Local authorities should, therefore, work with employers and JobCentre Plus to carry out a skills availability analysis at the LEP area level and, through their sectoral strategies, target companies from sectors that most closely match the local population's skills profile. Thus, incoming businesses would know what the workforce in that sub-region has to offer and be able to meet their recruitment needs, while the local people would be able to access the incoming jobs.

If diversification to a new sector is deliberately undertaken, it should be one that available skills are easily transferable to and training should be provided for the local workforce where necessary to adapt to the new opportunities. This needs to be done in close partnership with relevant actors, particularly training providers, to ensure that they can adapt provision to the changing needs of businesses.

As delivery agents for the new EZs, LEPs have an important role in not only identifying skills gaps in the local workforce but also in producing a strategy to address these. Some LEPs have already started this process.

Oxfordshire LEP's Skills Board, comprising a wide range of employers, education providers and stakeholder groups, is undertaking a Skills Needs Analysis to identify both the size of the labour force by sector and the skills needs in the area. Updated every six months, the Analysis will also include an assessment of the foreseen future needs of businesses that will establish and grow within the EZ by anticipating the types of companies that will be attracted to the EZ sites.[48]

The Tees Valley LEP's Business Plan (2011) also includes objectives and priority actions in workforce development to ensure that the EZ sites achieve their potential. As part of this, the LEP will develop skills plans for a number of key sectors that the Zone focuses on by the end of this year and deliver appropriate support and training opportunities by September 2015.[49] Tees Valley Unlimited has also convened an Advisory Group of key partners to produce an Employment, Learning and Skills Framework to ensure suitable provision is planned and delivered.

[48] Oxfordshire Local Enterprise Partnership (2012): *Oxfordshire Skills Board: Understanding and communicating skills needs*, at http://www.oxfordshirelep.org.uk/wps/wcm/connect/micro/LEP/Programmes/Oxfordshire+Skills+Board/ (last viewed 19 February 2012)
[49] Tees Valley Unlimited: *Partnership Business Plan*, Update 3 – February 2012, p.32, at http://www.teesvalleyunlimited.gov.uk/media/66647/business_plan_update_3.pdf (last viewed 3 April 2012)

Leeds City Region too has formed a Skills Network where further and higher education institutions as well as private and voluntary sector providers work with the Leeds City Region Employment and Skills Board to anticipate and meet the needs of employers in the area. Together they have produced a Joint Skills Partnership Agreement detailing the key aims, objectives and responsibilities of each partner within the network.[50] This should ensure that they are all responsive to economic needs.

Other LEPs are planning to wait until they see what businesses come to the EZs before they address any skills shortages. But if a suitably trained workforce is not readily available, the businesses will end up recruiting from outside of the local workforce. If, as described earlier however, particular sectors are targeted within the context of a wider sub-regional strategy and available skills are mapped, training needs can be anticipated and effective skills strategies developed in accordance with any wider regional plans.

Yet, fully fledged skills strategies would be unlikely to be implemented within the lifespan of the Enterprise Zones. Therefore, LEPs and local authorities would also need to work directly with businesses locating in EZs to address any skills gaps that they may face in the short term.

The London Borough of Newham, the local authority managing the Royal Docks EZ, has extensive experience with engaging local employers to ensure that the local cohort of unemployed have access to the jobs created. As Clive Dutton, Executive Director for Regeneration and Inward Investment at Newham, explained, during negotiations as part of the planning process the Council aims to reach a commitment from new employers to interview a certain number of locals for vacancies. The Mayor of Newham solicited such a commitment from the management team of the Westfield shopping centre in Stratford.

In addition, Newham operates a job brokerage scheme via its Workplace recruitment centre, which has been proven to increase the success rate of jobseekers and reduce employers' staff turnover. Initiatives like Skills Place, a joint scheme of the London Borough of Newham, Westfield and Seetec, ensures that new recruits receive relevant training to allow them to progress into management roles and turn their first job into a career within the company.[51] Newham plans to follow the same tailored approach with major employers that locate within the EZ.

LEPs and local authorities should not wait until they receive expressions of interest to produce skills strategies for their areas and start work towards their implementation. To complement this, however, they should work directly with businesses coming into the EZs to identify any immediate skills gaps specific to them and work out together how these can be addressed quickly – whether the business can offer any training and/or apprenticeships supported by local authority funding or whether local training providers can bridge the gap. In the long term, delivering on the skills strategy would ensure that the local skills profile develops as businesses grow, as the availability of a well-trained local workforce will be an important factor in securing the retention of businesses after the EZ incentives expire.

[50] Leeds City Region (2012): *Areas of Work: Employment and Skills*, at http://www.leedscityregion.gov.uk/skills.htm (last viewed 2 April 2012)
[51] More information on http://www.newhamworkplace.co.uk/ and http://uk.westfield.com/stratfordcity/community/skills-place

9. CONCLUSION

When designating EZs the attractiveness of the package of incentives is one of the main determinants of the extent to which they will stimulate growth. Incentivising companies to invest in new buildings, plant and equipment, for example, will make them committed to their new location. LCCI believes that the current incentive package should be more flexible and individual local authorities should be able to negotiate with the government a range of incentives and other policy measures to suit their local needs.

Beyond the designation, however, there are a number of elements that need to be in place to ensure EZ areas' long-term success. First of all, there needs to be a dedicated body with the remit, powers and resources necessary to undertake any preparatory works, as well as other investments that make an area attractive beyond the life of the EZ.

There also needs to be a comprehensive strategy of how the EZ will be implemented and how its long-term regeneration will be achieved. This needs to take into account both social and economic outcomes, for which investment in infrastructure and skills is paramount.

Furthermore, the EZ strategy should be embedded within a broader planning framework for the wider sub-region to ensure that economic growth within the EZ complements the strengths and opportunities of the local economy and does not threaten surrounding areas. In this sense, coordination at various levels and between a wide range of partners is critical to avoid conflicting priorities and to ensure that the economic benefits spread out to the wider area.

All these factors are necessary to release the "untapped potential" of the EZ areas and transform them into attractive business and investment locations in their own right. Otherwise, any effects of the EZ incentives will be only temporary.

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