



Lancashire Enterprise Partnership Limited

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Enterprise Zones - New Government Bid Round

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Executive Summary

The Summer Budget 2015 signalled the Government's intention to invite a further competitive round of Enterprise Zone (EZ) bids from Local Enterprise Partnerships.

At this stage, an EZ bid in support of Hillhouse International Business Park in Wyre is the only emerging credible proposal seeking LEP consideration and endorsement, though the business case is still in development. Hillhouse is home to a world class cluster of chemical and polymer-based businesses, including major growth companies such as Victrex.

The promoters of the Hillhouse EZ proposal (NPL Estates, Wyre Borough Council and Blackpool and Fylde Coast Economic Development Company) suggest the site, with EZ status, has the growth potential to generate an additional 1,500 jobs and the ability to secure over £200M in new private investment.

The primary purpose of the Board meeting is to discuss and test with the promoters the strength of the supporting business case, especially in light of the Government's key decision-making criteria. The Board will also want to understand how the Hillhouse EZ proposition would add value to Lancashire's two existing EZs (and three EZ sites); and drive forward the objectives of the LEP's Strategic Economic Plan and the growth ambitions of Blackpool and the Fylde Coast.

The deadline for LEP endorsed EZ submissions is 18 September. There is still time, though limited, for the Hillhouse promoters to strengthen the supporting business-case. However, the Board is asked to consider the merits of Hillhouse proposal, based on the available evidence, and indicate whether the proposal is a credible EZ candidate for Government consideration.

Recommendation

The Board is asked to:

- i. Consider the merits of the Hillhouse EZ proposal and supporting business case;



- ii. Indicate whether the Hillhouse EZ proposal is credible and competitive, in terms of delivering local and LEP objectives, and in meeting the Government's decision-making criteria; and
- iii. Subject to the above, authorise the Chair and Vice Chair of the LEP, in conjunction with the Executive Committee, to confirm the LEP's endorsement of the Hillhouse EZ application by the deadline of 18 September.

Background and Advice

1. Introduction

- 1.1. The Summer Budget 2015 signalled the Government's intention to invite a further competitive round of Enterprise Zone (EZ) bids from Local Enterprise Partnerships.
- 1.2. At this stage, Lancashire is recognised as one of only four LEPs to have secured two or more EZs, and the only non-Core City LEP area to have done so. Moreover, there are still 16 LEP areas yet to establish an EZ.
- 1.3. In this bidding round, Government has asked LEPs to only identify and support their top EZ priority, as some LEPs have previously submitted numerous proposals. Government has also stated that it will give priority consideration to EZ proposals focused on smaller towns and places, including proposals with a town centre and/or rural focus. Government is also requiring the relevant landowners and local authority partners to confirm their support and commitment (at Chief Executive and Leader level) to delivering their EZ proposal.
- 1.4. Given the LEP's recent success in establishing EZs, the new Government direction, and the strength of national competition from LEPs without an EZ, a compelling Lancashire EZ proposition will once again be required to stand any prospect of confirmation.

2. Local Position

- 2.1. In recent weeks, a number of local partners have assessed the value of submitting an EZ proposal for LEP consideration. For example, local authority partners in East Lancashire explored the merits of developing a town centre/M65 Growth Corridor EZ proposition. On balance, partners came to the view that EZ status, as a policy instrument, was not the right intervention to drive forward local growth objectives. Local partners in East Lancashire have decided to focus their strategic effort on creating a forward looking spatial framework to accelerate the delivery of new employment and housing growth opportunities.



- 2.2. Preston City Council also considered the merits of a city centre EZ proposal. However, Preston colleagues came to the view that EZ status, at this time, was not needed to underpin major City Deal initiatives.
- 2.3. David Morris MP proposed the White Lund Industrial Estate in Morecambe, but landowner leadership and local authority support has not been secured in time to develop a proposal for consideration.
- 2.4. At this stage, an emerging EZ bid in support of Hillhouse International Business Park (the former ICI site at Thornton Cleveleys) in Wyre is the only proposal seeking LEP consideration and endorsement.

3. Hillhouse EZ Proposal

- 3.1. Hillhouse is home to a world class cluster of advanced material and polymer-based businesses, including major growth companies such as Victrex, Vinnolit, AGCC Europe Ltd Chemicals and Hillhouse Ltd. Another cohort of businesses form a support cluster (including companies such as Addison Project plc) excelling in specialist fabrication and plant maintenance.
- 3.2. A number of companies which operate globally have further significant expansion plans, which will lead to new and additional high quality employment. For example, Victrex has recently invested £130M in new production facilities and planning a new £18M R&D plant creating 80 new jobs having successfully secured £1.3M in RGF 6 funding. This R&D facility will be the catalyst for new production activity at the site which, in turn, will stimulate significant new investment and employment as well as new supply chain development opportunities. Similarly, AGCE is investing £3M in a thermal oxidiser as part of their expansion plans.
- 3.3. It is also worth noting that both the Prime Minister and Chancellor have recently visited key businesses based at Hillhouse.
- 3.4. The proposed Halite gas storage scheme on the opposite bank of the River Wyre is in close proximity to this site and has now been granted planning permission by the Secretary of State. Hillhouse is well located to support their technology programme. Hillhouse also offers the potential to act as a base for other potential forms of energy generation, which could benefit existing and future large consumers on the site, enabling them to sustain and improve their competitiveness in world markets. Tidal energy proposals on the adjacent River Wyre are also in development. Hillhouse could potentially benefit from any pre-cast on-site fabrication opportunities.
- 3.5. The promoters of the Hillhouse EZ proposal (NPL Estates, Wyre Borough Council and Blackpool and Fylde Coast Economic Development Company) suggest the site, which currently employs 1,200 people, has the growth potential with EZ status to generate an additional 1,500 jobs and the ability to secure over £200M in new private investment.



- 3.6. In terms of the site's physical and planning characteristics, Hillhouse is a 134Ha brownfield development site and allocated for industry and business (B1, B2 and B8 uses) in the 2009 Fleetwood/Thornton Area Action Plan. The site is wholly freehold owned by NPL Estates. The site also now benefits from Assisted Area status following the LEP's successful case-making to Government.
- 3.7. The promoters will attend the Board meeting to present their Hillhouse EZ proposal. Details on EZ boundary designation, site constraints and any relevant contamination issues, given the history of the site, can be tested at this point.
- 3.8. The Board should also take this opportunity to discuss and test with the promoters the strength of the supporting business case in relation to Government's key decision-making criteria, which are set out in Annex 1. The Board will need to assess the strength of the underpinning strategic case, ability to address key value for money considerations, and the capacity to deliver the proposed Hillhouse EZ.
- 3.9. The Government's EZ application has been revised, but was only made available in late July. Applications must now clearly explain how any business rate growth income generated by the EZ will be used by the LEP. For example, is it the intention of the LEP to re-invest this income stream in the EZ site and/or reserve for the funding of other LEP priorities. The Board can discuss with the promoters their expectations in this regard based on the emerging financial/commercial projections underpinning the Hillhouse EZ proposal.
- 3.10. The Board will also need the promoters to demonstrate how the Hillhouse EZ proposition adds value to Lancashire's two existing EZs (and three EZ sites – Samlesbury/Warton and Blackpool Airport); whilst driving forward the objectives of the LEP's Strategic Economic Plan (SEP) and the growth ambitions of Blackpool and the Fylde Coast.
- 3.11. However, it should be noted that the SEP has identified Hillhouse as a strategic employment site, and is recognised as a growth driver in the draft Growth Accelerator Strategy of the local economic development company.
- 3.12. Some Board Directors may recall that Hillhouse failed to convince the LEP Board with a previous business case when seeking LEP support as an EZ candidate site in 2012. The lack of landowner leadership and commitment were significant factors in the LEP's previous consideration. The Board can establish the (financial) commitment of NPL Estates to leading the delivery of this EZ proposal. The Board can also ask the promoters how their submission has been strengthened and improved in recent years.



4. *Next Steps*

- 4.1. The extremely tight submission deadline set by Government has made it difficult to analyse the Hillhouse EZ proposal in detail, but an initial high level assessment suggests a credible proposition is emerging. However, the Board meeting will provide the opportunity to test with promoters whether a credible and competitive proposal can be submitted to Government by the deadline of 18 September.
- 4.2. Subject to the views of the Board, there is still time, though limited, to further strengthen the supporting business case for the Hillhouse EZ proposal.
- 4.3. The Government's Autumn Statement, which will be published by the Chancellor on 25 November, is expected to announce the new EZs.
- 4.4. New EZs will be expected to open by 1 April 2016, though start dates can be deferred by one year, subject to agreement with Government.

5. *Recommendations*

- 5.1. Recommendations are set out at the front of this report.