

VALE OF WHITE HORSE DISTRICT COUNCIL
LOCAL PLAN PART 1 EXAMINATION HEARING

INSPECTOR'S REQUESTS FOR INFORMATION FROM THE COUNCIL

INSPECTOR'S REQUEST:

Council to provide guidance as to business rate returns on the EZ

COUNCIL'S RESPONSE:

Note: Oxfordshire County Council (OCC) prepared a note to the Inspector on this matter dated 22.2.16 (Appendix 1). The Planning Inspector provided the following response dated 29.2.16:

"This note appears to largely address the queries I had on this matter, but it would make sense for it to be submitted jointly by the County and Vale Councils. There's also one point which I would like clarification on (which can be included in a revised version of the note before it is jointly submitted). This concerns the final section 'Reduction in EZ size'. I'm assuming that any reduction in the size of the EZ would not automatically result in a loss of business rate income and that a reduction in income would only result in a loss of business rate income if a smaller EZ resulted in less employment development coming forward than would otherwise have been the case. I'd be grateful for clarification on this particular point".

Further joint response from VOWH and OCC

Enterprise Zones and Business Rates

1. Business Rates are paid by eligible organisations. The regulations governing Business Rates are set out in Statutory Instrument 2013 No. 452¹ and Statutory Instrument 2013 No. 107². A general overview of Enterprise Zones is provided by the House of Commons Briefing Paper Number 5942 (12 January 2016)³.
2. Business Rate income, outside of Enterprise Zone areas, is apportioned as: 50% to Central Government; 40 % to the District Council and 10 % to the County Council.
3. Business Rate income within Enterprise Zones differs for income levels above and below a Baseline income level, which is set in the year the Enterprise Zone is established and adjusted annually for inflation. At Harwell Campus the Baseline level is currently £944,861 (for financial year 2015/16).
4. Business Rate income up to the Baseline is apportioned as per non-Enterprise Zone sites (as above).

¹ Statutory Instrument 2013 (No 452). <http://www.legislation.gov.uk/ukxi/2013/452/made>

² Statutory Instrument 2013 (No 107). <http://lexisweb.co.uk/si/2013/101-200/non-domestic-rating-designated-areas-regulations-2013>

³ House of Commons Briefing Paper No 5942 (12 Jan 2016)
researchbriefings.files.parliament.uk/documents/SN05942/SN05942.pdf

5. Any Business Rate income above the Baseline for Enterprise Zone sites is awarded to the Local Enterprise Partnership (LEP), which can for example, help to fund critical strategic infrastructure. As the Baseline is adjusted annually for inflation this provides an incentive for the LEP to support 'real' growth.
6. Not all Businesses are eligible to pay Business Rates, for example some research organisations are registered as charities and charities are exempt from Business Rates. This makes it difficult to predict with any certainty how much Business Rate income would be generated for any given site.
7. Oxfordshire LEP have identified a projected Business Rate income (i.e. above the Baseline) of £136 million to be collected for the life of the Enterprise Zone at Harwell Campus and Milton Park up to 2038⁴. On this basis, the loss of one third of the Enterprise Zone area at Harwell Campus would mean that less opportunity to generate Business Rate income from this site becomes almost inevitable.

⁴ Oxfordshire Local Enterprise Partnership (2014). Science Vale Enterprise Zone: Business Rates Forecast: Exec Board 41 2nd September 2014

Oxfordshire County Council (OCC) / Oxfordshire Local Enterprise Partnership (OxLEP) note on the Science Vale Enterprise Zone and Business Rate retention.

During Matter's 6 and 9 of the Stage 2 hearing the Science Vale Enterprise Zone (EZ) and assumptions based around the Business Rate (BR) retention associated with it, were discussed. The inspector sought clarification around this issue and below is a short, factual note, setting out this information.

Allocation of the EZ:

The debate on EZ sites was originally between Bicester and Science Vale in the Oxfordshire area. The OxLEP Board believed that Harwell Campus and Milton Park provided a balance of commercial and "Big Science" delivering an optimum mix, thus this was chosen as the preferred EZ for Oxfordshire. The Local Authorities (OCC, Vale of White Horse and South Oxfordshire District Council) were supportive of this, with the Vale of the White Horse offering to act as Accountable Body for the EZ in addition to Collection Authority. OCC remains as the OxLEP Accountable Body overall.

EZ lifespan:

The EZ runs to 2038 (25 years from 2012/13).

EZ size:

The EZ encompasses 120 hectares across the two sites with 28 at Milton Park and 92 at Harwell Campus. The calculation for the business rate income is based on the cumulative increased floor space of 2,581,880 sq. ft across Milton Park and Harwell Campus.

It would appear that at the time the bid [for the EZ] was submitted, a textual error, led to the original suggestion that the EZ area for the campus was only 64 and not 92. Appendix A shows the original signed off certified map for Harwell Campus EZ allocation (dated 18.11.12). Appendix B shows the certified map area measured at scale. This typo error was picked up after the bid went in and has now been amended to show the campus EZ is in fact 92 hectares.

Expected Business Rate income:

The expected business rate income is £136million over the 25 year period to 2038, based on the cumulative increased floor space of 2,581,880 sq. ft. Milton Park is forecast to generate more business rates than Harwell Campus due to the fact that much of the development at the Campus is research based and eligible for an 80% discount off their business rates.

The OxLEP is seeking to maximise development and BR income to support infrastructure investment and economic growth, it's not about simply achieving 'X' number of jobs though clearly important, rather about maximising potential employment space which will generate the jobs.

Already committed Business Rates:

The business rates will be used to repay £36.5million of borrowing, plus the interest accrued. Also £5.4million of business rates will be used to repay Growing Places Fund loans. The borrowing is supporting the delivery of a number of strategic transport schemes including Chilton Slips, and Milton Interchange. It is also supporting the delivery of the City Deal Package of schemes including £2m for the Culham Advanced Manufacturing hub and the strategic transport schemes in the package (Harwell Link Rd, Hagbourne Hill, Featherbed Lane/Steventon Lights and Harwell Campus access improvements). In total (with all funding sources) business rates are supporting a programme of infrastructure investment which totals £103.8million, £69.7million within the Science Vale area and £34.1million outside (within the rest of Oxfordshire).

In the first three years since inception, business rates have only been around half of the amount expected.

Future Business Rates:

Any further decisions to spend/commit business rates income will be made by the OxLEP.

Forward financing of schemes:

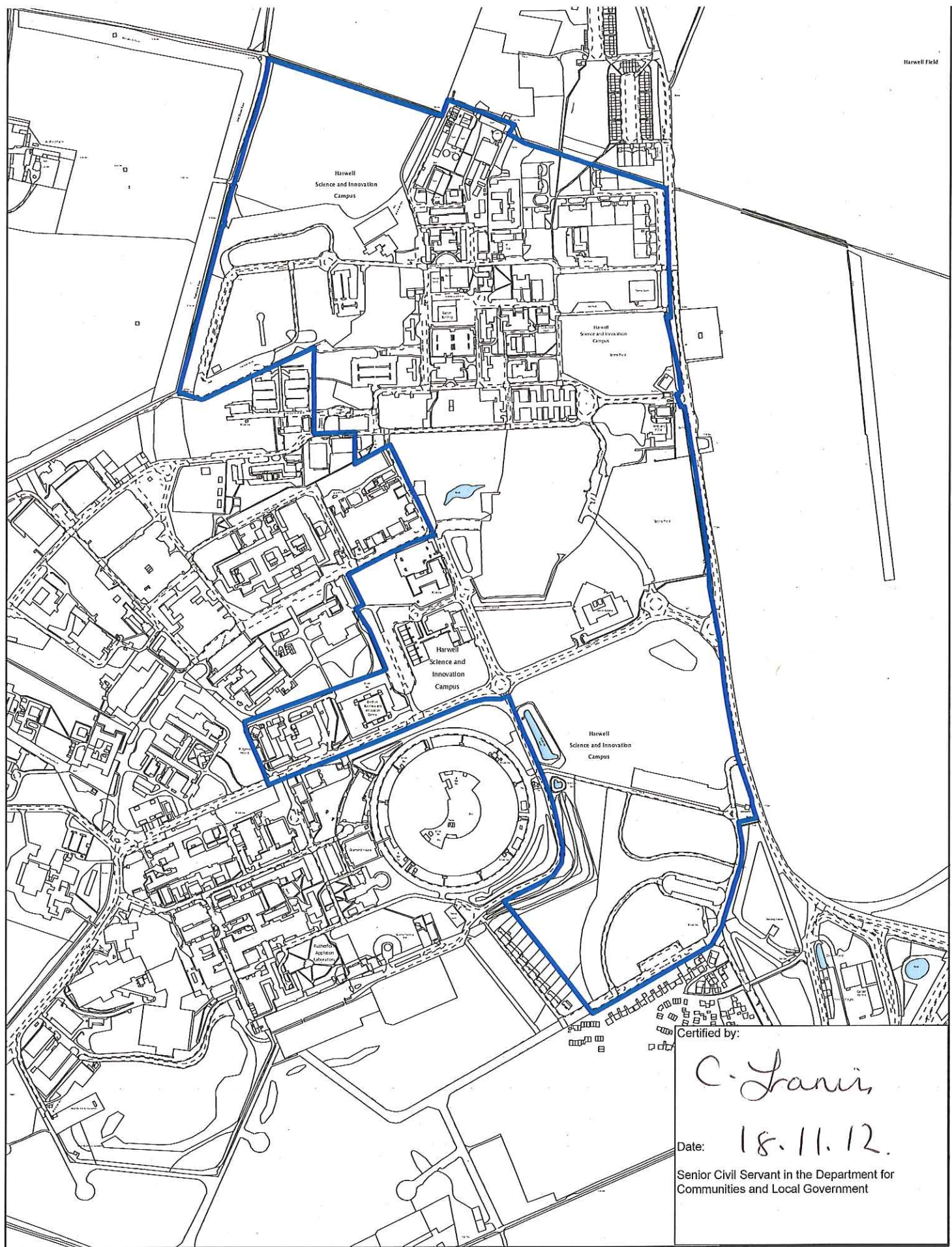
Oxfordshire County Council has the financial risk associated with the borrowing as the Council has to fund the cost of borrowing if there is any slippage or short fall against the expected EZBR income. OCC will have borrowed the £36.5million required for the committed schemes, by the end of 2017/18, in line with build out rates for the schemes.

OCC and OxLEP Board will not commit to any further borrowing until the estimated level of business rate income materialises.

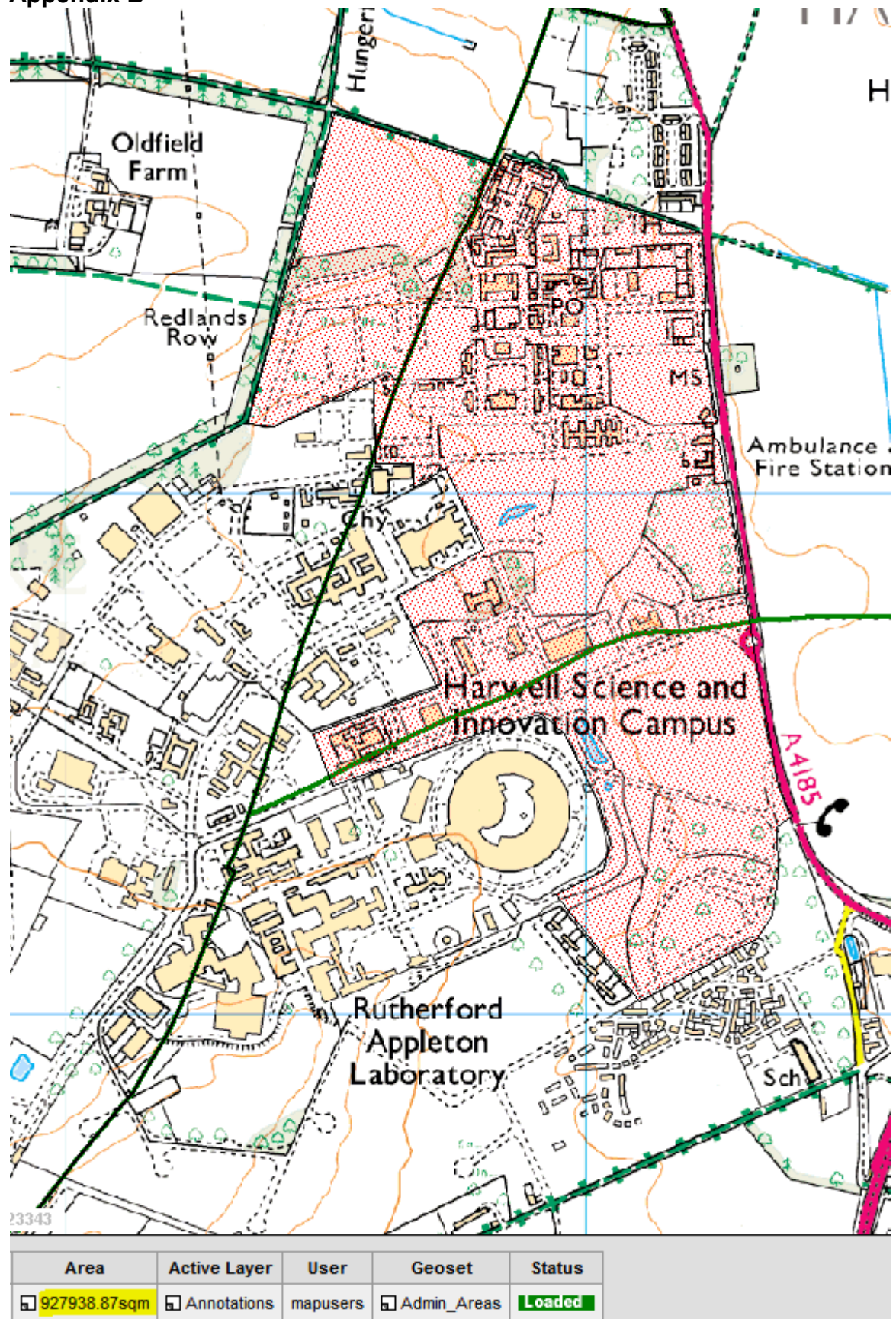
Reduction in EZ size:

There has already been a loss of substantial BR income to “exempt/partially exempt” development on the Campus such as the European Space Agency (ESA) and Element 6. Whilst we would not want lose such development on site now and in the future, many only pay 20% of the assessed BR.

Any reduction in the land available for the Enterprise Zone would impact on the forecast and realisable business rates. Any proposal that puts the forecast for business rates at risk will impact on the ability to fund new infrastructure schemes. It is less likely to impact on the schemes that are being delivered currently; however, any delay in business rate income will increase the risk that OCC will have to meet the cost of borrowing for longer, until the business rate income is realised.



Appendix B



Harwell Campus – Certified plan measured to scale = 92 hectares.