Special Cabinet

Monday 23 May 2016

4.30 pm Cavell & Colman Rooms
South Norfolk House, Cygnet Court, Long Stratton, Norwich, NR15 2XE

If you have any special requirements in order to attend this meeting, please let us know in advance

Large print version can be made available

Contact Claire White on 01508 533669 or democracy@s-norfolk.gov.uk
Members of the Cabinet | Portfolio
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John Fuller (Chairman) | The Economy and External Affairs
Mr J Wilby (Vice Chairman) | Stronger Communities
Mrs Y Bendle | Wellbeing and Early Intervention
Mr M Edney | Finance and Resources
Mr L Hornby | Regulation and Public Safety
Mrs K Mason Billig | Environment and Recycling

This meeting may be filmed, recorded or photographed by the public; however anyone who wishes to do so must inform the chairman and ensure it is done in a non-disruptive and public manner. Please review the Council’s guidance on filming and recording meetings available in the meeting room.
Agenda

1. To report apologies for absence;

2. Any items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B(4)(b) of the Local Government Act, 1972. Urgent business may only be taken if, "by reason of special circumstances" (which will be recorded in the minutes), the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency; 3. To Receive Declarations of Interest from Members;

3. To Receive Declarations of Interest from Members; (please see guidance – page 4)

4. South Norfolk Local Plan
Adoption of Long Stratton Area Action Plan

Note: Appendices 1 and 2 of this report are available to view on the Council’s website at http://www.south-norfolk.gov.uk/democracy/default.aspx

5. Norwich Research Park Enterprise Zone; (report attached – page 5)
(Note: Appendix 1 of this report is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)
DECLARATIONS OF INTEREST AT MEETINGS

Members are asked to declare any interests they have in the meeting. Members are required to identify the nature of the interest and the agenda item to which it relates.

- In the case of other interests, the member may speak and vote on the matter.
- If it is a pecuniary interest, the member must withdraw from the meeting when it is discussed.
- If it affects or relates to a pecuniary interest the member has, they have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting.
- Members are also requested when appropriate to make any declarations under the Code of Practice on Planning and Judicial matters.
- In any case, members have the right to remove themselves from the meeting or the voting if they consider, in the circumstances, it is appropriate to do so.

Should Members have any concerns relating to interests they have, they are encouraged to contact the Monitoring Officer (or Deputy) or another member of the Democratic Services Team in advance of the meeting.
South Norfolk Local Plan
Adoption of Long Stratton Area Action Plan

Cabinet Member: Cllr John Fuller

CONTACT
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1. Introduction

1.1 Following the examination undertaken by Planning Inspector Louise Nurser BA (Hons) Dip UP MRTPI, this report recommends the adoption of the Long Stratton Area Action Plan (AAP) as part of the Local Plan for South Norfolk.

1.2 The Council received the Inspector’s Report into the examination of the Long Stratton Area Action Plan (AAP) on 26 April 2016; a copy is attached as Appendix 1. Subject to a number of recommended Main Modifications being made to the text and maps, as set out in Appendix A of the Inspector’s Report, the Inspector has concluded that the AAP is ‘sound’, legally complaint and capable of being adopted.

1.3 This report summarises the main findings of the Inspector and recommends that the Council accepts the Inspector’s recommended Main Modifications and formally agrees to adopt the AAP, delegating the power to complete the procedural steps of the adoption process to the Director or Growth and Localism. Once adopted the AAP will form part of the Development Plan for South Norfolk and will supersede the remaining extant policies of the 2003 South Norfolk Local Plan.

1.4 Cabinet is asked to recommend that Council resolves to:

- Note the Inspector’s Report (Appendix 1), including the Schedule of Main Modifications recommended by the Inspector (Appendix A to the Inspector’s Report);
- Adopt, with effect from 26 May 2016, the Long Stratton Area Action Plan as modified by the Inspector’s Report and with Additional (minor) Modifications (Appendix 2);
- Delegate authority to the Director of Growth and Localism to make any minor factual updates, corrections and formatting and layout changes required to the AAP; and
- Delegate authority to the Director of Growth and Localism to undertake all necessary post-adoption legal and procedural steps.
2. Background

2.1 The current South Norfolk Local Plan was adopted in 2003 and preparation of the replacement plan has been ongoing for a number of years. The Joint Core Strategy (JCS) for Broadland, Norwich and South Norfolk was adopted in November 2011 (with amendments adopted in January 2014); one of the requirements of Policy 10 of the JCS is the preparation of an Area Action Plan for Long Stratton to deliver the required growth and accompanying bypass. For South Norfolk the Development Management Policies, Site Specific Allocations and Policies (covering the majority of the district) and an AAP for Wymondham were adopted in October 2015. The Council is also preparing a separate Gypsies and Travellers Local Plan. Neighbourhood Plans have been ‘made’ (adopted) for Cringleford and Mulbarton. Easton is a defined Neighbourhood Area, with a plan in preparation and consultation on defining the Neighbourhood Area for Long Stratton is ongoing until 2 June 2016. Consequently adoption of the Long Stratton AAP will complete the identification of the main South Norfolk housing and employment allocations required by the JCS.

2.2 Following earlier rounds of consultation, which were undertaken on a district-wide basis, consultation on Preferred Options for the Long Stratton AAP took place between May and July 2013. Consultation on a Pre-Submission version of the AAP took place between August and October 2014 and the AAP was submitted for Examination in March 2015. Inspector Louise Nurser BA (Hons) Dip UP MRTPI was appointed by the Secretary of State to undertake the Examination.

2.3 The purpose of the Examination is for the Inspector to assess whether the document passes various legal tests, including the Duty to Co-operate, and whether it passes the tests of soundness set out in paragraph 182 of the National Planning Policy Framework (NPPF). In accordance with Section 20 (7c) of the Planning and Compulsory Purchase Act 2004 (as amended), the Council requested that the Inspector recommend any Main Modifications necessary to rectify any soundness or legal compliance shortcomings.

2.4 In June 2015 the Inspector set out a series of Matters and Issues, containing 110 questions, to be covered at the Examination Hearings. The public hearings themselves were undertaken between 14 and 16 July 2015. A number of Main Modifications were proposed following the hearings, which were consulted on between 11 December 2015 and 29 January 2016. The examination of the Inspector’s Matters and Issues and the responses to the Main Modification have been taken into account by the Inspector in the writing of her report.
3. Current Position/Findings

3.1 The Inspector’s report was received on 26 April 2016. The Inspector’s conclusion is that, subject to the Main Modifications set out in Appendix A to her report, the Long Stratton Area Action Plan ‘satisfies the requirements of Section 20(5) of the 2004 Act\(^1\) and meets the criteria for soundness in the National Planning Policy Framework’ and ‘provides an appropriate basis for the planning of the Plan area’.

3.2 The Main Modifications recommended by the Inspector principally arose from the discussions about the Matters and Issues at the hearing sessions and were consulted on during the December 2015 to January 2016 Main Modifications consultation; the Council did not raise any concerns about the Modifications during the consultation. Some of the key issues in the Inspector’s Report are set out below:

**Long Stratton Bypass**

3.3 The Inspector has reinforced the JCS requirement for development at Long Stratton to deliver a bypass. The precise form of the bypass will emerge from the Transport Assessment and masterplan that will be required to accompany any future planning application(s) for the LNGS1 allocation and the AAP needs to enable the design of the bypass to respond to this evidence in the most appropriate way. Consequently, as part of this recommendation the Inspector has supported the need for a wider bypass corridor. The wider corridor has been proposed in order to ensure that it is possible to produce the most advantageous scheme which balances the requirements of the JCS and those set out in the AAP, including the need for the road to serve new development, protect existing assets and amenity, reflect the function of the A140 as the principal road connecting Norwich and Ipswich. The final scheme will also need to meet the requirements of the other policies in the Development Management Policies document and the JCS, including those concerned with impacts on the historic environment, landscape, residential amenity and accessibility.

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\(^1\) Planning & Compulsory Purchase Act 2004 (as amended)
Housing

3.4 The Inspector has supported the allocation of the 1,800 homes on LNGS1 as deliverable and capable of achieving the necessary requirements set out in the AAP in terms of supporting the vision and objectives for the settlement (maximising walking and cycling, supporting the town centre and local employment, protecting the setting of Long Stratton) and delivering supporting infrastructure. Adoption of the AAP will mean that these homes are closer to making a contribution to the delivery of housing in the Norwich Policy Area.

Employment

3.5 The Inspector has recommended a criteria-based approach to employment within the LNGS1 allocation, rather than the identification of specific locations. This gives a greater degree of flexibility to locate different employment types at locations which better reflect their requirements and also allows for a more robust assessment of the implications of specific uses. In particular this approach may assist in maximising the integration of appropriate employment uses within residential development and the more timely delivery of employment alongside the phasing of housing development.

4. Proposals

4.1 Because the Inspector has found the AAP to be legally compliant and meet the legislative tests for soundness, it is recommended that the Inspector’s Report be accepted, that the Main Modifications set out in Appendix A of the Inspector’s Report are made to the AAP (alongside the Council’s proposed minor (Additional) Modifications which do not affect soundness) and that the appropriately revised documents be adopted by the Council. It is recommended that the formal resolution to adopt also delegates authority to the Director of Growth and Localism to make any further minor corrections and alterations and to enable to completion of the necessary post-adoption administrative and legal process.

4.2 The adoption process for the AAP involves the publication of an Adoption Statement, the Sustainability Appraisal, the Inspector’s Report (including the recommended Main Modifications), plus other supporting documents. These documents must be made
available for inspection at deposit points and on the Council’s website as soon as reasonably practicable after the adoption the AAP i.e. on or after 26 May 2016.

4.3 There is a formal period of six weeks in which the adoption of the AAP can be challenged. Any person who is aggrieved by the adoption of the AAP may make an application to the High Court on the grounds that the document is not within the appropriate power and/or a procedural requirement has not been complied with. Details of this process will be included in the Adoption Statement.

4.4 Once the period for legal challenge has passed the document can be published in its final form.

5. Risks and implications arising

5.1 Once adopted the policies of the AAP will carry full weight for Development Management purposes. Following the adoption of the Site Specific Policies and Allocations Document, the Development Management Policies Document and the Wymondham Area Action Plan in October 2015, the Long Stratton AAP will supersede the last remaining policies of the 2003 South Norfolk Local Plan.

5.2 Adoption will allow greater weight to be given to the first phases of the 1,800 homes allocated under AAP Policy LNGS1 to contribute to the five-year housing land supply in the Norwich Policy Area.

5.3 The costs of adoption are relatively limited. It is likely that only a very small quantity of paper copies will be required as the Council promotes the use of the digital versions available via the website. These costs are allowed for under existing budgets.

5.4 An Equalities Impact Assessment was prepared as part of the development of the AAP with no adverse implications for disadvantaged groups identified.

5.5 The potential environmental, social and economic impacts of the AAP proposals have been considered through the production of a Sustainability Appraisal (SA) which has accompanied each stage of AAP production. A separate SA was also produced for two of the Main Modifications. The final AAP is considered to be the most appropriate solution, taking into account the outcomes of the
SA process, and includes suitable mitigation where necessary. A summary of the SA process is required to be published as part of the adoption papers for the AAP.

5.6 It is not considered that the adoption of the AAP will have any impact on crime and disorder.

6. Other options

6.1 A number of other options for the contents of the AAP have been considered by the Council throughout the process of developing the document. As noted above, the AAP as proposed for adoption is considered to be the most appropriate taking into account the evidence. The AAP has now been found to be sound and legally compliant by the Inspector. Council could decide not to adopt AAP; however this would have implications in terms of meeting the requirements of the JCS and for housing land supply. Consequently, not adopting the AAP is not considered a reasonable option.

7. Recommendation

7.1 Cabinet is asked to recommend that Council resolves to:
- Note the Inspector’s Report (Appendix 1), including the Schedule of Main Modifications recommended by the Inspector (Appendix A to the Inspector’s Report);
- Adopt, with effect from 26 May 2016, the Long Stratton Area Action Plan as modified by the Inspector’s Report and with Additional (minor) Modifications (Appendix 2);
- Delegate authority to the Director of Growth and Localism to make any minor factual updates, corrections and formatting and layout changes required to the AAP; and
- Delegate authority to the Director of Growth and Localism to undertake all necessary post-adoption legal and procedural steps.
Appendices

1 Inspector's Report into the Examination of the Long Stratton Area Action Plan

2 Long Stratton Area Action Plan (as modified by the Inspector’s Report and with Additional Modifications)
Cabinet 23 May 2016

Agenda Item 5

Norwich Research Park Enterprise Zone

Report of the Chief Executive
Cabinet Member: John Fuller, Economy and External Affairs

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1. Exempt Reports

1.1 Appendix 1 to this report is exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972 on the basis that it contains financially sensitive information relating to a third party. This position has been carefully assessed by officers based on the public interest in the nature of this decision; however, it is considered that the public report sets out the terms, nature and risks associated with the recommendations sufficiently to maintain the proposed exemption of Appendix 1.

2. Introduction

2.1 At its meeting in March, Cabinet agreed to support the proposed Enterprise Zone for Norwich Research Park (NRP) given its potential to create a real step change in the local economy, generating new businesses and employment in South Norfolk.

2.2 This report seeks to update Cabinet on the progress achieved towards a final deal, seeking Cabinet approval to finalise the necessary deal documents and agree the financial borrowing model to deliver the expected economic and financial benefits from Enterprise Zone.

3. Background

3.1 The background to the Norwich Research Park Enterprise Zone proposal was outlined in full at the March Cabinet meeting; the relevant agenda paper is available at: http://www.south-norfolk.gov.uk/CARMS/meetings/cab2016-03-21-ag09.pdf

3.2 The March report highlighted how Enterprise Zones were introduced to drive growth and investment. The Norwich Research Park Enterprise Zone proposal offers a major opportunity, potentially adding an additional 50% to the existing Norwich Research Park workforce and with it offering a significant increase in the number of businesses located on the site (approximately double). The Enterprise Zone seeks to translate research into new commercial enterprises, with global markets and position the Norwich Research Park as a world leader in life sciences, agri-tech, food and health on the world stage.
3.3 The Enterprise Zone status creates an opportunity to invest, unlock and enable new development which is unlikely to occur without intervention. The positive impact is the generation of significant economic and financial benefits early on via the acceleration of business growth and attraction of inward investment. This in turn will generate business rates income (and reinvestment of this income locally), higher value jobs, and positive multiplier effects on the local economy overall.

3.4 The Enterprise Zone status for Norwich Research Park effectively creates an opportunity for South Norfolk Council to progress a financial model that enables the cost of borrowing for investment in new infrastructure to be covered by retained business rates income. Overall the projected business rates income and resulting positive impact effectively creates a situation where by South Norfolk Council is in a stronger financial position in the medium-long term than the status quo.

3.5 Following the agreement of Cabinet to support the proposed Enterprise Zone, it was agreed to present a report to Cabinet in May on the final proposals and seek approval to commit to the investment programme.


4.1 The investment programme is part of a wider package to ensure delivery of the Enterprise Zone. To support the potential commitment, we need to assess the following matters:

- The proposed Memorandum of Understanding between New Anglia Local Enterprise Partnership, the Department for Communities and Local Government and the Council. This will set out the terms under which the Enterprise Zone is expected to operate, allowing South Norfolk Council to retain 100% of the business rates generated in the Enterprise Zone area.
- The Legal Agreement between New Anglia Local Enterprise Partnership, South Norfolk Council and Norfolk County Council, determines how the business rates generated in the Enterprise Zone will be allocated to support economic growth;
- The Funding Proposal for the Council to develop infrastructure in Norwich Research Park to enable business investment and relocation;
- The Governance Proposal to determine the management of the Norwich Research Park Enterprise Zone development.
4.2 Our considerations with respect to each item listed above are as follows:

**Memorandum of Understanding**

4.3 The proposed Memorandum of Understanding is designed to provide a secure basis for agreements reached between Local Enterprise Partnership’s and local authorities where Enterprise Zones are based. They seek to provide the ground rules for operating the Enterprise Zone, and provide assurance to the Department for Communities and Local Government that Zones are proceeding to plan. It provides confirmation on the incentives being offered by Government for each site, and the support that will be provided to the Zones by Government.

4.4 Each Memorandum lasts until 2020, and requires that by then, the New Anglia Local Enterprise Partnership (LEP) and South Norfolk Council will have organised and promoted a governance group for the Enterprise Zone; entered into a memorandum of understanding for the Enterprise Zone which sets out the agreed objectives and priorities for the Zone, and the terms under which it will operate; and ensured that any government subsidies provided for the Enterprise Zone are used to support the objectives of the Zone.

4.5 Within 6 months of forming the Memorandum, the New Anglia LEP and the Council will be required to form a marketing plan for the Zone, and by next March, the LEP will also be required to submit a 5 year implementation plan setting out the major steps required to set up and deliver the Zone, and the organisations responsible for doing so. Each quarter, partners are required to submit a detailed progress report to DCLG outlining the benefits that have been secured.

4.6 Officers are satisfied that the principles underlying this agreement are sound, and present a logical basis on which to form a more robust agreement with the New Anglia LEP as to how the arrangements for Norwich Research Park Enterprise Zone will operate. Once finalised, we are therefore recommending Cabinet agrees to the terms of the Memorandum of Understanding and authorises the Chief Executive to enter into this agreement.

**New Anglia LEP / South Norfolk Council Legal Agreement**

4.7 The legal agreement is required by the Memorandum of Understanding to clarify, between relevant partners, how the Enterprise Zone will operate in practice. Authorisation is sought, in consultation with the Leader of the Council, to agree the legal agreement
As highlighted in the previous Cabinet report, the ‘Space to Innovate’ Enterprise Zone, including the Norwich Research Park Enterprise Zone, includes 10 different sites where each area will be required to sign up to the Agreement. In a small number of cases, including Norwich Research Park, the New Anglia LEP have agreed to negotiate the terms of the Funding Agreements, due to the particular level of investment required in new infrastructure, to enable fast-tracked development of schemes. In addition the Norwich research Park has a significant high number of businesses which are registered as charities which has a detrimental impact on the level of business rates which will be generated as they receive mandatory business rate relief.

4.8 In principle, the agreement operates so that any businesses that locate to the enterprise zone before April 2022 will be entitled to business rate relief up to £275,000 per business (this amount is capped to ensure compliance with State Aid rules which prevent the use of Government funding to unfairly support businesses in a way that distorts the free market). Each year, South Norfolk Council will inform the Department for Communities and Local Government (DCLG) of the level of relief given within the Enterprise Zone, which will then reduce the amount that the Council is required to distribute to the Government for the business rates it has collected throughout the district.

4.9 The value reimbursed to South Norfolk Council will then be allocated across funding pots; the purpose of these pots is as follows:

- **Pot A** – this will be retained by South Norfolk Council to use as it wishes in order to compensate the Council for the income it will have foregone as a result of the scheme, and as a contribution to the costs that it may have occurred through operating the enterprise zone area.
- **Pot A1** – This is the same as Pot A, but retained for Norfolk County Council
- **Pot B** – This is a pot to encourage acceleration of the enterprise zone area, providing a stimulus for growth at an accelerated rate. This will be further discussed in the funding proposal section below.
- **Pot C** – This will become the New Anglia Challenge Fund, which will be used to fund economic growth initiatives within the New Anglia LEP strategic economic plan. This may include other schemes put forward in the South Norfolk area.

4.10 Although the primary rate relief funding is available to businesses locating to the Enterprise Zone up to 2022, the actual agreement operates over a 25 year period, so that any additional business rates generated in the Enterprise Zone area up to 2042 will be retained and distributed in line with the agreement. Whilst DCLG have indicated that the Enterprise Zones will not be affected by any Government proposals for authorities to retain 100% of business rates, there is an in-built trigger in the agreement to review the proportions of funding in Pot A and Pot C by the end of June 2020 given this potential change in Government policy.
4.11 Given this, a consequence to South Norfolk that could arise is withdrawal from the agreement. In this situation, all the business rates the Council would have received from Pot A would be transferred to Pot B and Pot C, with the Council losing control as to how these funds would be spent to benefit the area and having to fund the costs of the scheme itself. This clause operates as a disincentive to the Council withdrawing from the agreement.

4.12 Were the agreement to terminate during the 25 year term by resolution of South Norfolk Council and Norfolk County Council, or in the event that a change in the law makes the agreement unnecessary, or New Anglia LEP ceases to exist, then South Norfolk Council shall have full control over Pot A and B; and, if the termination is due to New Anglia LEP ceasing to exist, the Council would also have full control of Pot C.

Funding Proposal

4.13 As identified in the previous Cabinet report, development of the NRP is effectively stalled, because after one more development all existing power from the current network is fully utilised and therefore the cost of upgrading this and other infrastructure required is prohibitive for a single development. Therefore the key to unlocking future growth on the enterprise zone site is the development of site infrastructure. To encourage landowners and tenants to construct the necessary offices, laboratories and associated buildings, there needs to be suitable roads, power and ancillary infrastructure developed on the site, which the present market will not supply. Intervention is therefore required to secure this development to unlock future economic growth.

4.14 Once the infrastructure is in place, the site becomes an attractive prospect for developers to build offices, laboratories and service buildings for clients agreeing to relocate to the site, securing the benefits of new high skills jobs and businesses as set out above.

4.15 Given the magnitude of the costs involved, officers have worked with partner bodies to commission external specialists to verify the sums provided, ensuring they are robust and accurately reflect potential costs incurred. The verification was undertaken on the basis of providing commentary on the reasonableness of the indicative measurements provided, the budget rates used and how the overall proposals sit within the context of the current market. It has been concluded by the external specialists that “we are satisfied that a reasonable approach has been taken by both parties to quantify the likely development costs of the proposed infrastructure works, at this early stage, but recognise that controls will need to be put in place to validate the delivery of these
works as they are progressed through detailed design, tendering and the construction phases”. Taking all estimates into account, a total funding requirement of £12.54m has been identified.

4.16 The costs above include an amount allocated for the appointment of a Monitoring Quantity Surveyor, to be commissioned by South Norfolk, will be required to review development proposals, phasing of the infrastructure, budget costs, tender returns, valuation requests and funding drawdown as the works are progressed on site. Only when the Monitoring Quantity Surveyor has confirmed that they are satisfied with the value of works put forward by the partners will funding be able to be drawn down via South Norfolk Council. The main area of risk is the uncertain nature of the electricity supply to the sites. Some contingency costs are currently included in the infrastructure plans for areas where there is some uncertainty and therefore risk e.g. cost of supplying electricity. However, South Norfolk Council has confirmed with development partners that they will cover any costs of infrastructure incurred above the level of funding provided by South Norfolk Council.

4.17 The guarantee of business rates retention within the Enterprise Zone area for the next 25 years (which has been enabled through the Non-Domestic Rating [Designated Areas] Regulations 2016 specifically identifying the Enterprise Zone site as areas where business rates are retained by the Council). This means that the Council, as the rate Collecting Authority, is able to enter into an arrangement whereby it can consider borrowing to fund infrastructure on the enterprise zone site, and then use a share of the business rates subsequently generated to repay the borrowing undertaken – a practice commonly known as Tax Increment Financing (TIF).

4.18 The Council’s intention is to enter into a tri-party agreement with the land owners. The Council’s borrowing would be supplemented by a grant from New Anglia LEP of a further £5m. The grant would be provided directly from New Anglia LEP to South Norfolk Council. The total funding package would cover the cost of the necessary infrastructure works and the construction of a building (amounting to some £5m) on the Enterprise Zone site. In line with the terms outlined in the legal agreement with New Anglia LEP, we (South Norfolk Council and New Anglia LEP) would jointly own the building and share the rental income.

4.19 Whilst it is recognised that a piece of work will need to be undertaken to scope out a detailed specification of this building, based on the evidence gathered over recent years of businesses leaving the park (e.g. Intelligent Fingerprinting and London Pharma) this new building is likely to be in the region of 3,500sqm and will provide affordable ‘grow-on’ accommodation.
The rationale for investing in a shared asset (SNC and New Anglia LEP) is based on:

- A building of this scale will demonstrate confidence that the site is open for business early on
- Provide an income stream for SNC and the New Anglia LEP
- Secure £5m capital funding from the New Anglia LEP to contribute to the development of the Enterprise Zone and building
- SNC’s capital budget remains intact and available for use for other investment opportunities.

4.20 The construction of the building will require some further consideration (design, location etc.) and a Cabinet report will follow in due course. Nonetheless, the purpose of the building would again support the acceleration of development on the site, and provide an ongoing income stream to the Council, New Anglia LEP and potential other parties from the businesses that locate into the space.

4.21 Due to the nature of this legal arrangement, legal advice has been obtained regarding the position on state aid. Support for general infrastructure projects that do not benefit specific users is not considered to be within the scope of the state aid regime. This would mean that any contributions the Council makes must go towards infrastructure which is not developed for a specific business client. With this in mind, the Council has made partner developers aware that it will be necessary to ensure a general use is maintained for the infrastructure; for example, it will be necessary to ensure that roads constructed on the Park will be ‘Adopted’ and open to all users and connected to the main road network – the Council would not fund roads that only serve one office building.

4.22 The borrowing to fund the infrastructure would be paid to the respective partner developers who have the option rights to develop the sites within the Enterprise Zone. Agreements would be formed with each partner to define the funding terms, placing an expectation on them to contribute to Pot B over the long term from the added value created on the site. An overall Operational Partnership Group will then oversee progression of the development of the Enterprise Zone at an operational level.

4.23 The Council has negotiated with New Anglia LEP to amend the proportion of funding allocated to each of the Pots to ensure that there is sufficient funding available to repay the borrowing incurred by the Council in the early years. The principle is that at first, Pot B would be used to primarily repay the Council’s borrowing. In estimating the income Pot B will receive from Business Rates a number of assumptions have been made, primarily partner estimates of development and occupation of sites and expectations regarding the potential level of charities and smaller businesses locating on the site (who will not generate significant additional
business rates due to rate reliefs. Using these assumptions, it is expected that the Council’s borrowing is refunded over a 16 year term.

4.24 In the short term (years 1-3 to ), the funding proposal means that there will be a deficit between the interest payments and the income received from Pot B, which will have some short-term impact on the cash-flow, amounting to a maximum of £300k on current projections which will need to be covered by the Council however this deficit will be addressed and repaid to South Norfolk Council once income exceeds revenue costs.

4.25 In the longer term, as a result of the enterprise zone initiative, South Norfolk Council would be in a better position financially as a result of uplift in business rates on the Norwich Research Park in addition to the wider positive economic growth impact.

4.26 This proposal means the Council will need to borrow externally as the level of investment is too significant to be met internally. In order to do so, the Council is required to set aside revenue in its budget to fund the costs of the borrowing – the Minimum Revenue Provision (MRP).

4.27 To have an MRP, authorities are required to calculate an amount which they consider prudent to set aside, in line with a policy which is required to be approved by Full Council alongside the Treasury Management Strategy. For this purpose, Cabinet is being requested to agree an MRP policy, as attached at Appendix 2, to recommend to Council.

4.28 We are proposing that Cabinet gives authority to the s.151 Officer to borrow up to £12.54m in order to fund the necessary infrastructure work on the NRP Enterprise Zone site, and the construction of an investment building on the Enterprise Zone site.

4.29 Should this recommendation be agreed by Cabinet, officers will then seek further advice regarding the most cost-effective borrowing options available, including through the Municipal Bonds Agency and the Public Works Loans Board. It is anticipated that the borrowing will be in the form of interest only loans, (so only interest is paid during the period of the loan, with the principal repaid at the end of the loan) to mitigate the risk around the level of business rate income being received into Pot B out if which the interest payments will be made especially in the early years of the scheme. As noted above, the construction and implications of the building will be subject to a further Cabinet report.
Governance / Operation Proposal

4.30 As highlighted above, robust contractual and governance arrangements are required to ensure the security of the Council’s position, providing assurance that infrastructure development on the site takes place as intended and that subsequent development of new business locations within the Zone come forward within the agreed time frame. In line with the New Anglia LEP’s overarching ‘Space to Innovate’ Enterprise Zone, a number of strategic and operational governance structures, as set out in Appendix 3, will be put in place to ensure the project remains compliant and on track to deliver the anticipated economic growth.

4.31 In summary the overall Governance structure of ‘Space to Innovate’ Enterprise Zone comprises:

- the New Anglia LEP board who will have overall responsibility for delivery of Pot B and C, in the case of the NRP we will have legal agreement that ensures funds within Pot B are used to cover the Council’s financial commitment in the first instance and then gives the Council influence over the remaining funds.
- an Enterprise Zone Steering Group (to include an SNC representation) who will be responsible for delivery of Pot C and oversight of all Space to Innovate EZ sites
- NRP Enterprise Zone Operational Partnership Group, made up of senior officers to provide the strategic oversight of the NRP Enterprise Zone site
- an Enterprise Zone working group responsible for the day to day management of the NRP Enterprise Zone and
- a marketing working group charged with raising the profile of the NRP and attracting inward investment onto the Enterprise Zone site.

4.32 While the overarching governance structure for the NRP Enterprise Zone will be provided by the New Anglia LEP board, the Council, New Anglia LEP, the County Council, developer Partners and NRP Limited Liability Partnership1 would form an NRP Enterprise Zone Operational Partnership Group to oversee progression of the NRP Enterprise Zone. This would comprise senior officers of each organisation with delegated authority to make decisions relating to the development and delivery of the Enterprise Zone.

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1 NRP Limited Liability Partnership which is made up of the key research institutes including John Innes Centre, Sainsbury Laboratory, Institute of Food Research and The Genome Analysis Centre with responsibility for key sites and buildings including the Centrum building.
Zone. This group would also monitor the number of businesses locating to the site; agree tenancy policies, ensure the Park admits buildings to support development in a way that remains conducive to the Park’s ethos and marketing the site to ensure there is adequate promotion and lead generation. The NRP Enterprise Zone Partnership Operational Group may seek to include additional partners, or seek input from external advisors as it considers appropriate.

4.33 In terms of NRP site governance, having assessed the options, it is proposed that a contract be formed between South Norfolk Council and the partners in receipt of infrastructure funding. The contract would set out the terms of payment. Whilst a total package of £12.54m is proposed to be provided to the partners, two elements (specifically the upgrading of Broadband on the site, and the undertaking of work required through the s.106 Agreement) will be undertaken as an interest-free loan and repaid directly to the Council, and the remaining funds will be treated as a grant.

4.34 Recognising that the partners would each have a substantial benefit from the infrastructure being funded by the Council, it is proposed that the contract would require that the partners enter into an agreement which would allow for a proportion of the super profit created on the site to be returned to the Council. The detail around this is being developed and will form part of the contract with the land owner and/or developer.

4.35 The NRP Enterprise Zone Partnership Operational Group would be supported by a Partnership Agreement, agreed and binding on all partners, that outlines the terms of the Board, the purpose of the agreement and potential penalty clauses were partners to withdraw from the agreement. It would provide the opportunity to consider the most effective form of delivery of operation to allow the Enterprise Zone to progress, for example the potential to align and manage marketing resources in a complementary way, building on current expertise to create a cohesive approach. The Partnership Agreement would also cover standard technical areas such as sharing of information between partners; dispute resolution, resolution of conflicts of interest and withdrawal terms.

4.36 It is proposed that should Cabinet be supportive to this approach, further legal advice will be obtained to draw up contracts and a Partnership Agreement with partner developers and NRP LLP. Subject to no further significant risks which would potentially have a detrimental impact on the Council being identified, the Chief Executive should be authorised to enter into agreements with the Partners as required by this report.
Norwich Research Park: Existing Sites

4.37 The Enterprise Zone only relates to those parts of Norwich Research Park which are in development, or yet to be developed. Existing sites, for example the Centrum Building, are not included in the Zone; the benefits which are provided to those businesses within the Zone do not automatically apply to the rest of the Research Park. The purpose of the Enterprise Zone is to create new opportunities for jobs, employment, research and innovation on this important site; clearly, it is not beneficial to do so if this is at cost to the existing parts of the Research Park.

4.38 The Council’s ability to retain and apply discount rates to the Enterprise Zone is as a result of the specific environment created through the relevant agreements and understanding with the Department of Communities and Local Government. To offer the same business rates deal to other parts of the Research Park presents a number of practical difficulties; the Council would have to part finance such discounts; they would need to comply with the guidance on awarding Discretionary Rate Relief as agreed at the last Cabinet meeting (which highlights the Localism Act 2011 provides opportunity to reduce the business rate of any local ratepayer where the authority is satisfied it is in the interests of Council Tax payers), compliance with State Aid rules and the need to still maintain some discretion in applying Rate Relief guidelines.

4.39 It is anticipated that businesses locating to the Research Park are likely to fall within those sectors which the Council wishes to support under its Economic Growth Strategy. In this regard, there is already an expectation that any new business locating onto the non-Enterprise Zone area of Norwich Research Park (or a business seeking to significantly expand) is likely to receive some rate relief. Officers have reached an understanding with New Anglia LEP that some funding will be reserved from Pot B on an annual basis to support the Council in funding such discounts. It is therefore anticipated that the Council would ordinarily provide a rate relief to any new business locating to the non-Enterprise Zone Area part of Norwich Research Park. However, the Council would also have the right to offer a better relief, or a more limited relief in the limited number of cases where the circumstances dictate and it was felt appropriate upon consideration of individual cases.

4.40 We have indicated to partner developers that where a new business is locating to the Park (both inside of, and outside of the Enterprise Zone) that the Council should seek to work directly with the business to identify the potential of discretionary relief it may be feasible to provide to them.
5. Risks and implications arising

5.1 Risks: The risk profile of the proposals – presented to Cabinet in March – has been updated and included at Appendix 4. Officers are satisfied that the risks presented by the Enterprise Zone are sufficiently mitigated at this stage to enable the recommendations to be put forward.

5.2 Financial: The financial implications are set out throughout the report, and in particular paragraphs 4.16 to 4.30 of the report and Appendix 1.

5.3 Legal: Specific advice has been sought with respect to the state aid position as set out in paragraph 4.23 of this report. It is also proposed that before commitment to the legal agreement, legal advice is obtained to ensure that there are no significant additional implications for the Council, and advice will also be sought regarding the contractual arrangements for the Council’s borrowing and the subsequent partnership agreement. The Council’s powers to borrow using a Tax Increment Finance model derive from our General Power of Competence.

5.4 Equalities: Officers have assessed that there are no equalities implications arising from this report, in that the decision does not impact on any disadvantaged groups.

5.5 Environmental: The environmental impacts of the building and construction on the Enterprise Zone are considered as part of any planning applications put forward.

5.6 Crime and Disorder: Officers have assessed that there are no implications for crime and disorder purposes arising from this report.

6. Other options

6.1 The current proposals are based on a process of negotiation with key parties, namely development partners, NRP LLP and New Anglia LEP. This has necessarily involved a range of options, however these are presently considered unacceptable by the other
parties; this includes a higher proportion of business rates retention within Pot B and a more formal arrangement for the NRP EZ Partnership Operational Group (for example, a company limited by guarantee).

6.2 On this basis, officers have appraised the current options as being sound, given supporting advice received and the verification of partner proposals.

7. Recommendation

7.1 Cabinet is recommended to:
7.1.1 Authorise the Chief Executive to enter into a Memorandum of Understanding with the Department for Communities and Local Government and New Anglia Local Enterprise Partnership to determine the rules for operating the Norwich Research Park Enterprise Zone;
7.1.2 Authorise the Chief Executive, in consultation with the Leader of the Council to enter into a Legal Agreement with New Anglia Local Enterprise Partnership and Norfolk County Council to determine the funding terms of the Norwich Research Park Enterprise Zone;
7.1.3 Authorise the s.151 Officer to borrow up to £12.54m to fund the necessary infrastructure work on the NRP Enterprise Zone site, and the construction of an investment building on the Enterprise Zone site;
7.1.4 Authorise the Chief Executive, in consultation with the Leader of the Council to proceed with the development of a new building on the NRP which would be owned and managed by the Council in partnership with New Anglia LEP to provide an revenue income stream for both the Council and New Anglia LEP;
7.1.5 Recommend to Council that the Minimum Revenue Provision Policy at Appendix 3 is adopted;
7.1.6 Agree that subject to legal advice identifying there are no significant additional risks or issues arising within the Partner Developer Contracts and Partnership Agreement which would have a detrimental impact to the Council, authorise the Chief Executive to enter into the Partner Developer Contracts and Partnership Agreement.
Appendix 2 - Minimum Revenue Provision Policy Statement

7.2 Local Authorities are required to calculate an amount of Minimum Revenue Provision (MRP) which it considers prudent to set aside to fund their outstanding debt. The aim of a prudent provision is to ensure the Council sets aside enough revenue budget each year to ensure that the borrowing can be paid in full before the asset has to be replaced, but will not set aside any additional revenue budget to repay earlier than this. This means that revenue budget is not diverted from other priorities in order to repay borrowing early. Borrowing could still be repaid earlier than the life of the asset, but the funding from repayment would have to come from either capital receipts or grants, or income generated from the investment in the asset.

7.3 For the purposes of determining its MRP, it is proposed that the following definition be adopted “a method that enables the Council to minimise the revenue budget effect of borrowing, subject to the Council repaying its borrowings in full over the expected lifetime of the asset created as a result of those borrowings”

7.4 There are four widely used methods for determining the Minimum Revenue Provision. Officers have considered these methods and compared them to the definition of a prudent method as discussed above. The four methods are:

<table>
<thead>
<tr>
<th>Method</th>
<th>Comments</th>
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<tbody>
<tr>
<td>1. The Regulatory method – MRP is equal to the amount determined in accordance with the former regulations 28 &amp; 29 of the 2003 Regulations, as if they had not been revoked by the 2008 Regulations.</td>
<td>This method is only available for assets acquired prior to 2008 and is therefore not appropriate.</td>
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<tr>
<td>2. The CFR Method of 4% of capital financing</td>
<td>This method is a reducing balance formula which has the characteristic that the debt is never entirely repaid,</td>
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<tr>
<td>Requirement (CFR) at each year end.</td>
<td>because each year repays 4% of the outstanding balance at that time. It is not prudent under South Norfolk Council’s definition, as it would leave outstanding borrowings at the end of the asset’s life.</td>
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<td>3. Asset Life Method – under this method the MRP is determined by reference to the life of the asset. This is either done on an equal instalment method or by annuity method (MRP is the principal element for the year of the annuity required to repay over the asset life the capital expenditure financed by borrowing or credit arrangements).</td>
<td>This method would allow full repayment by the end of the asset life, under either the annuity or the equal instalment approach. They could both potentially be prudent under the Council’s definition.</td>
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<tr>
<td>4. Depreciation Method – MRP is equal to the provision required in accordance with depreciation accounting in respect of the asset on which the capital expenditure financed by borrowing or credit arrangements.</td>
<td>Alignment with depreciation must include any amount for impairment chargeable to the Comprehensive Income and Expenditure Statement. This method would produce similar results to the asset life equal instalments method but with added uncertainty around impairments. It makes future projections of the revenue consequences of borrowing decisions less certain and would not aid Medium Term Financial Planning. It could mean that, as a result of one-off changes in asset valuations (which could be reversed at future valuations) the Council has to set aside a greater amount of revenue budget than necessary in a particular year. In addition for assets that transfer to a third party, the Council would not have control over the depreciation policy of that third party, adding to the uncertainty. It is therefore not prudent under the Council’s definition.</td>
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</table>
7.5 Based on the considerations above, it is considered that only the Asset Life Method is prudent for the Council’s purposes and that this method be adopted to calculate the Council’s Minimum Revenue Provision.

7.6 Although the loan to fund the NRP infrastructure is a significant sum for the Council to borrow there remains sufficient capacity and flexibility for the Council to borrow to deliver other future capital projects.
Appendix 3 - Space to Innovate Enterprise Zone (EZ) Governance Model
## Appendix 4-Risk Profile: NRP Enterprise Zone

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Mitigation</th>
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<tbody>
<tr>
<td>Businesses not attracted to the NRP site</td>
<td>For various reasons, businesses may not be attracted to the new enterprise zone site – for example, an economic downturn could lead to a national lack of investment; the lack of competitiveness of the site in comparison to other sites; or simply a lack of attractiveness of the site. If this was to arise, there may be insufficient funding to repay the Council’s investment.</td>
<td>The Partnership Agreement between SNC, New Anglia LEP, the County Council and site development partners will stipulate that the Partnership Board will oversee the marketing of the site. Specific marketing resources will be recruited and employed by New Anglia LEP, to be funded from Pot B.</td>
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<tr>
<td>New businesses / organisations are charities and small businesses so the business rate base does not grow as expected and funding not recouped</td>
<td>The project is contingent on the retention of business rates to fund further development and repay any financial commitments entered into. Small businesses and charities have differing regimes for business rates; whilst the Council can reclaim business rates for the first 5 years of businesses coming on to the site, over the longer term the Council will not be able to retain business rates to the same degree if a higher proportion of charities and small businesses are attracted on to the site.</td>
<td>The financial modelling included within Appendix 1 to the report (exempt) takes into account officers’ best estimates of the level of charities and small businesses attracted to the site in the future.</td>
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<tr>
<td>Infrastructure does not take place in accordance with</td>
<td>The purpose behind the scheme is to attract new businesses through</td>
<td>The funding proposals outlined within the report mean that the Council are funding</td>
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<tr>
<td>planned timetables which leads to delay in new businesses / businesses missing enterprise zone incentives</td>
<td>incentives. If the required investment does not progress, then the new businesses will not be attracted to the site and there is insufficient business rates generated to repay the Council.</td>
<td>the infrastructure required in order to facilitate the acceleration of the infrastructure. The partner developers will then form part of the Partnership Operational Group, which will oversee the progression of sites, in addition to the contract formed between the Council, New Anglia LEP and the partners to fund the infrastructure which will also encourage the site development. In addition, a letter of comfort will be secured by New Anglia LEP which will commit the LEP to support the Council should problems arise in development of the buildings on the EZ.</td>
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<tr>
<td>Partner developers do not undertake subsequent facility development</td>
<td>The proposal is contingent on partner bodies subsequently constructing the necessary buildings and ancillary services for new businesses to come on site. They are unlikely to do so unless they have sufficient financing and a captive market of businesses willing to move in.</td>
<td></td>
</tr>
<tr>
<td>Parts of NRP that are not covered by enterprise zone status cannot attract new growth</td>
<td>New businesses coming into the NRP EZ site can receive certain allowances. There is a risk that other parts of the NRP do not attract businesses as they will not receive the same benefits</td>
<td>Officers are continuing to assess relevant policies, and work alongside our NRP partners to encourage and promote the site. We have historically supported businesses locating on to the NRP site and will continue to do so, in line with our policies and previous approaches.</td>
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<tr>
<td>Allocation of funding does not benefit SNC area</td>
<td>The proposals highlight that a share of the business rate growth will be allocated to the wider New Anglia LEP area. Whilst this is beneficial to the wider economy, we need to ensure that SNC receives its</td>
<td>The proposals put forward have now revised the original funding agreement drafted by New Anglia LEP so that there is sufficient funding to enable the tax increment financing scheme to go</td>
</tr>
<tr>
<td>Changes to NNDR scheme and rates mean financing is insufficient</td>
<td>Were there to be a general revision downwards in business rates – whether due to the size of the rate or revaluations – this would result in a greater level of funding received.</td>
<td>DCLG have indicated that Enterprise Zones schemes are immune from changes to business rate schemes</td>
</tr>
<tr>
<td>Scheme is not compliant with state aid rules</td>
<td>South Norfolk Council can only fund proposals where they are compliant with state aid rules.</td>
<td>Legal advice has been obtained and is included within the report.</td>
</tr>
</tbody>
</table>