The Scottish Government announced details in January 2012 of the four Enterprise Areas that are to be created in Scotland. This briefing outlines the origins of Enterprise Zones in the UK and summarises evidence in relation to their success. Furthermore, it looks at the criticisms of Enterprise Zones and lessons for the future. Finally, it outlines the recent announcements with regard to the creation of Enterprise Zones in England and Enterprise Areas in Scotland, highlighting the proposed areas and incentives.

Manufacturing for aquamarine power at Arnish Fabrication Yard

Leila Angus/HIE
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EXECUTIVE SUMMARY

Enterprise Zones were introduced in the UK in the 1980s as a means to revive urban areas which were experiencing economic decline and the rundown of basic heavy industries such as steel and ship building. 38 Enterprise Zones were designated between 1981 and 1996. In Scotland the Zones were; Clydebank, Invergordon, Tayside, Inverclyde and Lanarkshire. Developers were offered 100% allowances for corporation and income tax purposes for capital expenditure on industrial and commercial buildings and exemption from Development Land Tax. New and existing businesses within the Zones were offered tax and regulatory incentives such as; a simplified planning regime, business rates exemption and exemption from industrial training levies.

A Final Evaluation of the Enterprise Zones published in 2005 found that some 1,500 new firms and about 58,000 full time jobs were additional to the local areas, after allowing for deadweight, displacement and short term multiplier effects. The total public cost per 10-year job amounted to £17,000. The Evaluation outlined that “Firms report that rates relief was the most important benefit in attracting them to Zone premises, although the availability of enhanced capital allowances and the relaxed planning regime were also significant” (PA Cambridge Economic Consultants 1995). One of the major criticisms of Enterprise Zones is that they did not deliver a high number of additional new jobs, and that many were simply displaced from other parts of the UK. Another key criticism relates to their expense and the high cost per job relative to other programmes. In addition, their ability to bring about lasting economic prosperity has been questioned, with suggestions that once the incentives run out few firms have reason to stay.

In Budget 2011, the UK Government outlined plans for new Enterprise Zones. These new Enterprise Zones differ from their 1980s forerunners in that many are focused on economic growth and job creation, rather than regeneration. Barnett consequentials as a result of this announcement mean that the Scottish Government has provisions to introduce a similar policy.

On 17th January 2012 the Scottish Government announced that 14 sites were being proposed in four different Enterprise Areas. The change in terminology, from Enterprise Zones to Enterprise Areas, is thought to reflect the change in emphasis from designating specific sites for such status to instead designating particular growth sectors for such status. The four Enterprise Areas are; Life Sciences Enterprise Area, Low Carbon/Renewables North Enterprise Area, Low Carbon/Renewables East Enterprise Area and General Manufacturing and Growth Sectors Enterprise Area.

The Scottish Government has stated that the range of incentives which could be offered, either individually or in combination depending on site characteristics, includes; business rate discounts, a streamlined approach to planning, Scottish Development International support to attract inward investment and integration with existing policies. Scottish Government officials are also in discussion with HM Treasury regarding the scope to offer enhanced capital allowances to encourage early investment in manufacturing plant and machinery at a limited number of sites and as an alternative to business rates discounts. The aim is to have the Enterprise Areas operational from April 2012. Spending plans and information on who will take the lead with regard to individual Areas or sites has not yet been made available.
THE FIRST ENTERPRISE ZONES IN THE UK

Enterprise Zones were introduced in the UK in the 1980s as a means to revive urban areas which were experiencing economic decline and the rundown of basic heavy industries such as steel and ship building. Developers were offered 100% allowances for corporation and income tax purposes for capital expenditure on industrial and commercial buildings and exemption from Development Land Tax. New and existing businesses within the Zones were offered tax and regulatory incentives such as; a simplified planning regime, business rates exemption and exemption from industrial training levies.

38 Enterprise Zones were designated between 1981 and 1996, each with an initial lifespan of ten years. In Scotland the Zones were:

- Clydebank (1981-1991)
- Invergordon (1983-1993)
- Tayside (1984-2004)
- Inverclyde (1989-1999)
- Lanarkshire (1993-2003 initially, then continued as an Enterprise Zone until 2011)

EVALUATING THE SUCCESS OF THESE ENTERPRISE ZONES

Enterprise Zones in the UK have been subject to continuous monitoring and evaluation since they were first introduced in the 1980s. The most significant evaluations were the interim and final evaluations of the first two rounds of Enterprise Zones designated in 1981/2 and 1983/4 (including Clydebank, Invergordon and Tayside in Scotland), commissioned by the Department of the Environment and undertaken by PA Cambridge Economic Consultants.

The Final Evaluation of Enterprise Zones 1995

The Final Evaluation stated that total public sector cost for the 22 Zones evaluated was estimated to be £798-£968 million in 1994/5 prices, depending on the methodology used to discount costs, largely accounted for by tax revenues forgone as a result of business rates relief (46%) and enhanced capital allowances (45%) available to firms in these Zones. These policy instruments were intended to provide a major stimulus to the property development sector and so in the majority of Zones, between 20-50% of the rate relief accrued to landlords through rental appreciation and 85-90% of the capital allowance benefit went to investors or developers.

The study found that some 1,500 new firms and about 58,000 full time jobs were additional to the local areas, after allowing for deadweight, displacement and short term multiplier effects. The total public cost per 10-year job amounted to £17,000 in 1994/5 prices (£25,300 in 2011/12 prices). The cost per job figures for accessible and remote Zones were 25% and 33% lower than the average for all Zones whilst the figures for urban Zones were 33% higher. In relation to the importance of different incentives, the Evaluation outlined that:

“Firms report that rates relief was the most important benefit in attracting them to Zone premises, although the availability of enhanced capital allowances and the relaxed planning regime were also significant. In addition, the availability of premises, an available labour force and an attractive environment were also important.” (PA Cambridge Economic Consultants 1995)
Following de-designation, the Evaluation found that 82% of firms felt that the restoration of business rates would have no effect on their current employment levels, although 18% felt that there would be a decrease in employment, with the average expected decrease estimated to be 22% of employees (PA Cambridge Economic Consultants 1995).

**Final evaluation of the Inverclyde Enterprise Zone 2000**

A specific evaluation of the Inverclyde Enterprise Zone was undertaken by Cambridge Policy Consultants. The total public cost of the Zone was estimated to be £36-40 million in 1998 prices, net of receipts. It is estimated that, after displacement and multiplier effects are taken into account, 2,000 net additional full-time jobs were created at a cost of £18-21,000 per job in 1998 prices (£24-28,000 in 2011/12 prices). The Zone consisted of a collection of relatively small sites with a range of problems limiting their development potential. The relatively high cost per job is thought to reflect the relatively high cost of site reclamation and preparation for some of the key Zone sites.

It is believed that the recession of the early 1990’s has affected the success of the Zone. Other factors, such as competition from Irvine, East Kilbride and Cumbernauld (designated New Towns with Development Corporations) as well as the wind up of the Inverclyde Initiative (which managed the Zone) when the Scottish Development Agency became Scottish Enterprise in 1991, are also believed to have impacted development momentum. However, the improvements made to environment and infrastructure are cited as one of the most successful aspects of the Zone. In addition the Zone succeeded in attracting a number of blue chip companies, although it was acknowledged that their longer-term viability would be determined by global factors (Cambridge Policy Consultants 2000).

**Final evaluation of the Lanarkshire Enterprise Zone 2004**

A specific evaluation of the Lanarkshire Enterprise Zone was also commissioned by Scottish Enterprise Lanarkshire and undertaken by Roger Tym & Partners. The total public cost of the Zone between 1993 and 2003 was estimated to be £120.5 million in 2003/4 prices, net of receipts, with 89 new firms and around 8,250 net full time jobs generated, once displacement, leakage and multiplier effects are taken into account. Cost per 10 year job is estimated to be around £14,600 in 2003/4 prices (£17,900 in 2011/12 prices). However, the gross number of new full time jobs generated (8,429) fell short of the 12,222 target, with the evaluation stating that efforts were hampered by inward investment which subsequently collapsed as a result of unfavourable market circumstances.

Other factors negatively affecting performance included lack of control over design in key sites, (particularly where inward investors were involved) and the relatively poor performance of joint ventures. It was also highlighted that one of the key challenges in implementing major projects such as those in Lanarkshire Enterprise Zone is to develop effective ways of linking employment opportunities stimulated through regeneration activity with disadvantaged areas with high concentrations of those seeking work or joblessness.

The evaluation outlined the factors which influenced business decisions to locate on the Zone. Site location was identified as the main factor by 30% of firms, with the availability of modern accommodation and the availability/retention of workforce the next most influential. The report stated that “Although the availability of financial incentives and the overall EZ package is clearly an important positive factor in attracting businesses it would seem to have been only one of a number of key factors influencing the decision making process” (Roger Tym & Partners 2004).
The performance of the Zone has benefitted from a number of positive factors such as initial 100% public sector land ownership, distinct target sectors, early allocation of sites for different uses, a clear management regime and the release of public sector finance to serve and remediate designated land for development (Roger Tym & Partners 2004).

Criticism of Enterprise Zones

One of the major criticisms of Enterprise Zones is that they did not deliver a high number of additional new jobs, and that many were simply displaced from other parts of the UK. Research by Potter and Moore found that short-distance transfers into Enterprise Zones accounted for up to a third of businesses and approximately a quarter of associated employment (2000).

Another key criticism relates to their expense and the high cost per job relative to other programmes such as the Future Jobs Fund (Centre for Cities 2011). In addition, their ability to bring about lasting economic prosperity has been questioned, with the Work Foundation suggesting that they instead provide a short-term boom (2011). The Centre for Cities stated that because they were in areas with poor transport connections and labour market linkages, once the incentives ran out, few firms had reasons to stay (2011).

Cameron judged that the Enterprise Zones were of limited success because the number of new jobs in Enterprise Zones was small relative to an annual unemployment volume of over 1 million in these areas and because they had not been very effective in targeting new job opportunities upon the most disadvantaged (1990).

There has also been criticism about the incentives used. For example, the Centre for Cities believes that some elements like the simplified planning process were not delivered in practice (2011). The Work Foundation questions whether tax breaks were the most effective way to stimulate job creation (when, for smaller businesses, questions about rent, skilled workers and access to markets are likely to be more significant) and suggest that Enterprise Zones may discourage the knowledge economy given that the focus is on committing investment in physical assets (2011).

In an article in the Sunday Herald Steven Vass outlined further criticism that has been targeted at Enterprise Zones in Scotland, such as the focus on unsustainable foreign direct investment in these areas, the offering of Greenfield sites to the detriment of the redevelopment of city brownfield areas and a bias towards commercial sites which has resulted in many call centres being established (2010).

Lessons for the future

The evaluations of, and articles on, Enterprise Zones often outlined areas of good practice and/or considered lessons for the future. Some of the key recommendations are outlined below.

Location

A study commissioned by the Office of the Deputy Prime Minister into transferrable lessons from Enterprise Zones found that selecting the right location is the most important factor if the development is to be sustainable beyond the life of the initiative. It went on to warn that in
situations where Zones are in less than ideal market locations then market fragility will continue to exist or reappear when incentives come to an end (Sheffield Hallam University and King Sturge International Property Consultants 2003). The Centre for Cities believes that Enterprise Zones will be most successful in areas with real growth potential (2011). And the Final Evaluation of Enterprise Zones recommended that site selection should ideally take into account access to transport infrastructure and how well positioned the site is in relation to the growth of new economic activity (PA Cambridge Economic Consultants 1995).

Management and ownership

The Final Evaluation of Enterprise Zones stresses that it is helpful to have one coherent Zone management body (PA Cambridge Economic Consultants 1995). This view is supported by the Work Foundation who believe that Enterprise Zones should have clear governance arrangements that are free from conflict between local and national Government (2011). The Lanarkshire Enterprise Zone Evaluation also found that public sector ownership and control of the land is beneficial, in particular “to prevent private sector monopoly or occupiers having no procurement flexibility” (Roger Tym & Partners 2004). The Work Foundation argues that the Government must “Ensure that Enterprise Zones are supported by local communities, and are not governed in a way that is incompatible with localism” (2011).

Strategic direction

The Centre for Cities believes that Enterprise Zones should be couched within a wider development framework (2011) and the Final Evaluation of Enterprise Zones also states that “Benefits are more readily maximised when the Zone is developed with an overall economic development strategy for the area concerned which considers the relative strengths and weaknesses of the area” and went on to state that “Establishing an identity for the Zone has often benefited from a sectoral focus” (PA Cambridge Economic Consultants 1995).

Incentives

In the study undertaken for the Office of the Deputy Prime Minister, Sheffield Hallam University and King Sturge International Property Consultants suggest that:

“In order to have any real impact on the regeneration of deprived areas through attracting private investment, the benefits offered to investors have to be significant. Tax based incentives are essential if developers are to be encouraged to construct buildings in areas of perceived low demand and if investors are to be encouraged to invest” (2003).

When considering the range of incentives previously offered, the Centre for Cities recommended that each incentive should be matched to a relevant goal. In addition, it suggested reducing capital-based incentives that primarily benefit local landowners and emphasised that if relaxed planning is proposed for Enterprise Zones then there is a need to ensure that it is executed, particularly in areas where it is a barrier to growth (2011). Potter and Moore stated that incentives should not simply encourage the transfer of employment within the local area and that a mechanism is needed to limit short-distance transfer activity (2000).

The Work Foundation also recommended that the government should “Accompany Enterprise Zones with targeted investments in skills and infrastructure, to ensure that they lead to lasting improvements in competitiveness” (2011). This view is shared by Potter and Moore who state that “the importance of labour supply nonetheless suggests a role for training, skills match, job-search initiatives and placement initiatives to complement existing EZ incentives” (2000). In their
evaluation of Inverclyde Enterprise Zone, Cambridge Policy Consultants also suggested that “more emphasis be placed on improving the quality and depth of the local labour market in order to bring more currently unemployed into contention for available job opportunities” (2000).

Alternatives to Enterprise Zones

It should be noted that some experts advocate a different approach altogether to bring about economic growth in specific areas. For example, the Work Foundation states that:

“Government should focus on the long-term drivers of economic growth: innovation, trade, skills, infrastructure and entrepreneurship. The recovery will be led by innovation, with a small proportion of high growth firms producing the majority of all jobs. The government needs to focus on these long-term issues, rather than short term measures which are likely to move jobs around, and have little sustained impact on economic growth” (2011).

ENGLISH ENTERPRISE ZONES ANNOUNCED IN BUDGET 2011

In Budget 2011, the UK Government outlined plans for new Enterprise Zones, to be designated for a period of five years. These new Enterprise Zones differ from their 1980s forerunners in that many are focused on economic growth and job creation, rather than regeneration.

SELECTING THE SITES

To date, 24 Zones have been identified across England, specifically:

- 11 of these were selected by the UK Government and assigned to the relevant Local Enterprise Partnerships (LEPs) at the time of the Budget.
- A further 10 were to be awarded to LEPs following a competitive bidding process. The UK Government increased this to 11 because of the “strength of applications” (HM Treasury 2011a).
- A further two were announced separately in response to significant job cuts at three BAE Systems sites (BBC 2011).

ABOUT THE INCENTIVES

The package of measures that the Enterprise Zones will benefit from differs from what was previously offered in the 1980s and 1990s, but includes flagship incentives such as business rates relief and the consideration of enhanced capital allowances. The full package of measures is as follows:

- A business rate discount worth up to £275,000 per business over a five year period for firms that move into a Zone between April 2012 and April 2015
- All business rates growth within the zone for a period of at least 25 years will be retained by the local area, to support the Partnership’s economic priorities and ensure that Enterprise Zone growth is reinvested locally
- Government help to develop radically simplified planning approaches for the zone using, for example, existing Local Development Order powers
Government support to ensure that superfast broadband is rolled out throughout the zone, achieved through guaranteeing the most supportive regulatory environment and, if necessary, public funding

And in specific circumstances, additional options include:

- Enhanced capital allowances for plant and machinery, in a limited number of cases and subject to State Aid, where there is a strong focus on manufacturing
- Tax Increment Finance to support the long-term viability of the area
- UKTI support for inward investment or trade opportunities in the zone (Communities and Local Government 2011)

MANAGEMENT, TIMETABLE AND BUDGET

Enterprise Zones in England will be managed by the relevant LEP. Up to March 2012 the UK Government is continuing to work with LEP’s to agree the specific packages required to address the local economic challenge. In addition, planning authorities are establishing local development orders, to create simplified planning zones. The next significant steps are:

**By April 2012:** local authorities will have the power to discount business rates for specific businesses within the Enterprise Zone.

**By April 2013,** subject to the Government’s consideration of proposals from the Local Government Resource Review, new funding arrangements will be available to local authorities, allowing them to retain business rates and to deliver Tax Increment Financing schemes to develop infrastructure in support of Enterprise Zone development (Communities and Local Government 2011).

It is estimated there will be 200 properties per Enterprise Zone, with an average composition of 20 large industrial properties, 100 medium sized industrial properties and 80 offices. As rates discounts will be funded by the Government, there will be a loss of revenues to the Exchequer.

In March 2011, when 21 Enterprise Zones were planned, the Exchequer impact of reduced business rates was estimated as:

<table>
<thead>
<tr>
<th>Year</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchequer impact (£m)</td>
<td>0</td>
<td>-20</td>
<td>-40</td>
<td>-65</td>
<td>-80</td>
</tr>
</tbody>
</table>

Note – this costing includes the Barnett consequential. This costing will also likely have increased since March 2011 subsequent to three additional Enterprise Zones being created in England against the original estimate (24 instead of 21).

Source: HM Treasury 2011b

SCOTTISH ENTERPRISE AREAS ANNOUNCED IN JANUARY 2012

In response to a UK Parliamentary Question in April, David Mundell, Parliamentary Under Secretary of State for Scotland, confirmed that provisions would be made through Barnett consequentials for the Scottish Government to introduce a similar policy to the Enterprise Zones being introduced in England (UK Parliament 2011). The SNP subsequently outlined a commitment to establish four Enterprise Zones in Scotland in their 2011 manifesto.

On 17th January 2012 the SNP Government announced that 14 sites were being proposed in four different Enterprise Areas and that the policy would have a five year timeframe. The
change in terminology, from Enterprise Zones to Enterprise Areas, is thought to reflect the change in emphasis from designating specific sites for such status to instead designating particular growth sectors for such status. The four Enterprise Areas are as follows:

1. Life Sciences Enterprise Area
2. Low Carbon/Renewables North Enterprise Area
3. Low Carbon/Renewables East Enterprise Area
4. General Manufacturing and Growth Sectors Enterprise Area

The Scottish Government stated that “We are taking this innovative sectoral approach as it will make better use of resources and target investment where it will be most effective” (2012a).

Further details on the specific sites in each Enterprise Area are provided in Appendix 1.

SELECTING THE SITES

Although in England there was a competition set up for enterprise zone status, which Local Economic Partnerships could enter, the Scottish Government decided not to follow this approach. The Government took this decision because of factors such as the limited number of enterprise areas being designated, the resource implications for applicants and the limited time available to set up the programme. Instead, Scottish Government officials worked with Scottish Enterprise and Highland and Islands Enterprise to identify potential Enterprise Area locations. 50 potential sites were identified and Ministers undertook an initial appraisal which reduced the number of potential sites to 34. A list of the 16 sites which were sifted out after the initial assessment is available on the Scottish Government website - http://www.scotland.gov.uk/Topics/Economy/EconomicStrategy/Enterprise-Areas

The remaining sites were then appraised against a set of criteria to identify the most viable potential enterprise area locations. The selection criteria against which potential sites were assessed were:

- **Evidence of market failure/s and barriers to growth**: the extent to which the site can overcome market failures and stimulate improved and sustained economic performance by encouraging greater and faster business and job creation.
- **Evidence of opportunity and additionality**: the extent to which the site can support deliverable manufacturing opportunities in locations which have clear routes to development.
- **Evidence of need for improvement in local economic performance**: the extent to which the site can support growth opportunities in areas where improved economic performance is needed.
- **Development challenges**: the extent to which the site can use enterprise area status, alongside other interventions, to optimise return on investment and leverage.

In addition, Minister’s considered other factors including:

- The need to ensure a reasonable **geographic spread** to ensure equity, while recognising that the greatest potential for the first wave of renewable energy manufacturing and generation is in the North and East of Scotland, with opportunities spreading to the West in the medium to longer term.
- Supporting **opportunities in renewables** but also in other growth sectors.
• Complementing rather than overlapping with other initiatives, such as Tax Incremental Financing, to ensure that public sector resources impact as widely as possible.
• The ability of some sites, working together, to stimulate wider economic and employment benefits by generating supply chain and support linkages to the firms locating within the Enterprise Area site.
• Specific sectoral market issues.
• The level of public resource already contributed and committed to initiatives within a particular area (Scottish Government 2012b).

As a result of this assessment there are 14 sites which, subject to detailed engagement with the relevant local authorities on aspects of implementation, the Scottish Government intends to take forward as enterprise areas. The Scottish Government stated that “They represent the strategic locations in our key sectors with clear, achievable opportunities for development in the short term” (Scottish Government 2012a). The 14 proposed sites within the four Enterprise Areas are highlighted on the map below.
Figure 1: Map of proposed Enterprise Area sites across Scotland

Key
- Renewables
- Creative Industries
- Life Sciences
- Aerospace

- Arnish Lewis: off-shore wind generation
- Scrabster: wave and tidal
- Lyness: marine energy
- Nigg: Nigg Harbour
- Forres Enterprise Park: life sciences
- Inverness Campus: life sciences
- Dundee: Dundee Port
- Edinburgh: BioQuarter
- Edinburgh: Port of Leith
- Midlothian: Biocampus
- Prestwick International: aerospace manufacturing
- Irvine: life sciences
- Glasgow: Creative Clyde
The following information is noteworthy with regard to the scoring of these sites against the selection criteria:

- Nine of the 14 sites, particularly in the renewable and life sciences sectors, received the highest score with regard to the extent to which the site can support deliverable manufacturing opportunities in locations which have clear routes to development.

- The 14 sites scored most differently with regard to the extent to which there was evidence of need for improvement in local economic performance. In particular, the sites in Edinburgh (Port of Leith, BioQuarter and Biocampus) scored low against this criteria while sites such as Dundee Port and Arnish in the Outer Hebrides scored highly.

- Creative Clyde and Hatston in Orkney scored highest against the extent to which the site can use enterprise area status, alongside other interventions, to optimise return on investment and leverage. The supporting evidence explains that development of the buildings that will form the basis of the Enterprise Area at Hatston is already underway and that the proposed enterprise area at Creative Clyde sits within an area designated for use by “business and industry” within City Plan 2.

- Nigg and the Port of Leith, both key National Renewables Infrastructure Plan (N-RIP) sites, scored highest with regard to the extent to which the site can overcome market failures and stimulate improved and sustained economic performance. The Edinburgh Biocampus also scored highly against this criteria with the supporting evidence stating that the exceptionally high fit out costs associated with industrial bio technology are a barrier to entry.

The scoring of each of the 34 sites is detailed in the Scottish Government’s publication: Enterprise Area preliminary appraisal (2012c).

ABOUT THE INCENTIVES

The Scottish Government are currently determining the range of incentives to be offered to encourage private investment at each of the sites. They have stated that the range of incentives which could be offered, either individually or in combination depending on site characteristics, includes:

- Business rate discounts
- Streamlined approach to planning
- Scottish Development International support to attract inward investment
- Integration with existing policies

Scottish Government officials are also in discussion with HM Treasury regarding the scope to offer enhanced capital allowances to encourage early investment in manufacturing plant and machinery at a limited number of sites and as an alternative to business rates discounts. As with all the incentives, state aid issues as well as the regional aid map and guidelines will impact on the availability of enhanced capital allowances (Scottish Government 2012d).

Each site will offer a different deal depending on what is most likely to attract investors. It means, for example, that rates relief can be concentrated on the sites most likely to attract small companies, such as the life sciences ones. Large manufacturers, on the other hand, may prefer the capital allowances for investments into plant and machinery. The Scottish Government has identified the financial support which each site would most benefit from, and this is outlined in Table 2 below.
Table 2: Financial support which each Enterprise Area would benefit most from

<table>
<thead>
<tr>
<th>Location</th>
<th>Financial support which the site would benefit most from</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irvine</td>
<td>Enhanced capital allowances</td>
</tr>
<tr>
<td>Dundee Port</td>
<td>Enhanced capital allowances</td>
</tr>
<tr>
<td>Arnish, Outer Hebrides</td>
<td>Enhanced capital allowances</td>
</tr>
<tr>
<td>Nigg, Cromarty Firth</td>
<td>Enhanced capital allowances</td>
</tr>
<tr>
<td>Enterprise Park Forres</td>
<td>Enhanced capital allowances</td>
</tr>
<tr>
<td>Hatston, Orkney</td>
<td>Rates relief</td>
</tr>
<tr>
<td>Scrabster Harbour</td>
<td>Rates relief</td>
</tr>
<tr>
<td>Lyness, Orkney</td>
<td>Rates relief</td>
</tr>
<tr>
<td>Inverness Campus</td>
<td>Rates relief</td>
</tr>
<tr>
<td>Edinburgh BioQuarter</td>
<td>Rates benefit on new development</td>
</tr>
<tr>
<td>Creative Clyde</td>
<td>Rates benefit on occupation of existing unused buildings as well as any new development.</td>
</tr>
<tr>
<td>Port of Leith</td>
<td>Rates benefit on occupation of existing unused buildings as well as any new development.</td>
</tr>
<tr>
<td>Edinburgh Biocampus</td>
<td>Rates benefit on occupation of existing unused building as well as any new development.</td>
</tr>
<tr>
<td>Prestwick International</td>
<td>Rates benefit on occupation of existing unused buildings as well as any new development.</td>
</tr>
</tbody>
</table>

Source: Scottish Government 2012c

Some commentators have expressed concern with regards to the incentives on offer. For example, Martin Cowie of PwC commented that R&D grants would be much better for attracting life sciences companies than tax breaks. David Gebbie, a partner at Arisaig Property Partners which runs Maxim Business Park, believes that the programme should have retained the original Enterprise Zone focus of incentivising developers, but with a clause so the incentives only kicked in when a tenant was in place. He also points to studies that have shown that incentives are actually a very small part of the reason why businesses invest in certain areas. By far the most important is labour (Sunday Herald 2012).

**MANAGEMENT, TIMETABLE AND BUDGET**

The Scottish Government is working together with Scottish Enterprise, Highlands & Islands Enterprise and local authorities in taking forward the introduction of these Enterprise Areas. Information on who will take the lead with regard to individual Areas or sites has not yet been made available. However, the Scottish Government states that “The aim is to have Scotland’s Enterprise Areas operational from April” (Scottish Government 2012a).
The Scottish Government have stated that there is £2 million allocated within the Enterprise Bodies level 3 budget line in 2012/13 for costs associated with the set up of the Enterprise Areas (Scottish Parliament 2011a). The ongoing costs for the Enterprise Areas will be driven by take up of the main financial incentive – business rate discounts. This will result in a loss of local government revenues which the Scottish Government will reimburse. The Scottish Government have not detailed cost estimates for this, but the Barnett consequential in relation to Enterprise Zones were outlined in June 2011 as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Barrett consequential (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>0</td>
</tr>
<tr>
<td>2012/13</td>
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</tr>
<tr>
<td>2014/15</td>
<td>5.6</td>
</tr>
<tr>
<td>2015/16</td>
<td>6.6</td>
</tr>
</tbody>
</table>

Note – these consequentials will likely have increased since June 2011 subsequent to three additional Enterprise Zones being created in England against the original estimate (24 instead of 21).

Source: Scottish Parliament 2011b

In addition to the £10 million Barnett consequentials over the spending review period (to 2014/15), an article in the Sunday Herald indicates that the Scottish Government will contribute the same amount again “to make the incentives go further” (2012). This would imply a total government spend of around £20 million by 2014/15. It is not clear how this additional spend is accounted for within the Scottish Government spending plans for 2012/13 to 2014/15 as outlined in Scotland’s Spending Review and Draft Budget 2012/13.

Any enhanced capital allowances offered in Scotland will be funded by the UK Government as this is a tax power that is reserved (Scottish Government 2012d).

No additional budget has been allocated for delivering a stream-lined planning approach or for Scottish Development International to promote the opportunities provided by Enterprise Area sites to the global market (Scottish Government 2012d). Delivery of enhanced broadband facilities at Enterprise Area sites will be addressed as necessary through the Scottish Government’s Next Generation Broadband Infrastructure Plan, against which public sector funding of at least £185m has been identified (Scottish Government 2012e).

The Scottish Government has not yet set out what targets it is putting in place for the Enterprise Areas or how it will evaluate their success.
ANNEX 1 – DETAILS OF THE ENTERPRISE AREAS

The four Enterprise Areas are:

1. **Life Sciences Enterprise Area**
   Irvine (N Ayrshire) – covers three co-located sites and a total area of 86 hectares; i3 Irvine Innovation and Industry Park (formerly Riverside Business Park). This site is a strategic 200 acre fully serviced, single user inward investment site – the largest in the North of the UK.
   Annickbank. This site has full site infrastructure in place for an office park development of 9,000 m² Expansion land at GSK Irvine.

   Forres (Moray) – This 10 hectare site offers a strong opportunity to build on the cluster of expertise in the P4 Digital Healthcare sector which has developed along the Inverness-Elgin corridor, the sector having expanded from 50 to 80 active businesses between 2009 and 2011.

   Inverness Campus (Highland) – a five hectare site which is part of a larger site housing the University of the Highlands & Islands, the Centre for Health Science and the Scottish Agricultural College, the site will provide opportunities in research and development as well as in the provision of incubation units.

   BioQuarter (Edinburgh) – flagship life sciences site in Scotland which offers manufacturing as well as research and development opportunities at the 20 hectare site. It is also located adjacent to Parc Craigmillar URC and will reinforce the wider regeneration efforts for that section of Edinburgh.

   Biocampus (Midlothian) - a nine hectare site which is unique in that it supports possibilities for large scale biomanufacturing activity and will complement the activity undertaken at Edinburgh BioQuarter. The site also presents opportunities to diversify the local economy into high value adding sectors and away from the reliance in recent years on mining and other primary industries.

2. **Low Carbon / Renewables North Enterprise Area**
   Hatston (Orkney) – a five hectare marine site identified in the National Renewables Infrastructure Plan (N-RIP). Construction of six workshop units is underway and there are potential agglomeration benefits when considered together with Lyness and Scrabster.

   Arnish (Western Isles) – sited in Lewis this is the only industrial site of scale (50 hectares) in the Outer Hebrides. It offers short-term opportunities in off-shore wind generation and medium to long term opportunities in wave generation and was identified in N-NIP as an integrated manufacturing site.

   Nigg (Highland) – this site, identified as a strategic location for integrated manufacturing in N-RIP, has recently been purchased by Global Energy Group who intend to develop the site as a service hub for the energy industry. The Enterprise Area site is 50 hectares.

   Scrabster (Highland) – identified as a priority site in the Northern Marine cluster by the N-RIP this 5 hectare site is ideally situated on the Pentland Firth to take advantage of wave and tidal opportunities. There are potential agglomeration benefits when considered in combination with Hatston and Lyness. The site aims to support marine energy projects planned for the South of Orkney and in the Pentland Firth.
Lyness (Orkney) – a key N-RIP marine site which is currently being developed to support the assembly, storage and servicing on marine energy devices, this five hectare site offers agglomeration benefits when considered along with Hatston and Scrabster. The site is a deep harbour facility located within Scapa Flow, which is a perfect location for the wet storage of marine devices and can be used to assemble, test, fix and repair marine energy devices.

3. **Low Carbon / Renewables East Enterprise Area**
   Dundee Port (Dundee) – a key renewables site identified within N-RIP there is currently strong demand from manufacturing companies in the site.

   Port of Leith (Edinburgh) – providing uninterrupted access to the Forth estuary and North Sea, this is a key N-RIP site which offers significant opportunities to develop an offshore wind sector supply chain, especially as the 60 hectare site is the largest potential development area across all Scottish east coast ports.

4. **General Manufacturing and Growth Sectors Enterprise Area**
   Creative Clyde (Glasgow) – a 14 hectare site based at Pacific Quay offering opportunities for creative industries. This will build on the success of the Digital Media Quarter which in the last 10 years has attracted Headquarter functions for Scottish Television and BBC Scotland among others to Pacific Quay.

   Prestwick International (S Ayrshire) – the vast majority of the Scottish aerospace industry, including the high value adding space manufacturing sector, is based in the west of Scotland with Prestwick accommodating 12 companies in the sector.
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