

CABINET – 21 OCTOBER 2025

ENTERPRISE ZONE BUSINESS RATES – FORECAST & UPDATE ON PLANNED USE

Report by Executive Director of Resources and Section 151 Officer

RECOMMENDATION

Cabinet is RECOMMENDED to:

- a) Note the intention to develop an Enterprise Zone Investment Plan.
- b) Consider and endorse the proposed Enterprise Zone investment priorities as set out at paragraph 41.
- c) Conditionally approve an allocation of up to £10m from the retained funding for Enterprise Zone 1 (Science Vale) to enable the delivery of priorities arising from the forthcoming OxRail strategy.
- d) Conditionally approve an allocation of up to £4m from Enterprise Zone 2 (Didcot Growth Accelerator) for infrastructure that directly enhances access to the Enterprise Zone itself.
- e) Conditionally approve an allocation of £0.700m in 2025/26 for additional economic strategy and delivery capacity and capability at Oxfordshire County Council and Enterprise Oxfordshire from the Enterprise Zone 1 retained business rate funding.
- f) Conditionally approve an on-going allocation of up to £1.254m each year for additional economic capacity and capability at Oxfordshire County Council and Enterprise Oxfordshire from 2026/27 – 2027/28, from the Enterprise Zone 1 retained business rate funding.
- g) Note that, regarding Enterprise Oxfordshire, the acceptance of those funds will be subject to agreement of the Enterprise Oxfordshire Board and Shareholder Committee and will be considered in light of both a revised business plan for 2025/26, and a business plan for 2026 plus.
- h) Delegate authority to the Director for Economy & Place in consultation with the Cabinet Member for Future Economy & Innovation, to oversee the preparation of business cases for recommendations e) and f).
- i) Note that the Cabinet Member for Future Economy & Innovation, in conjunction with the Director for Economy & Place, will undertake engagement with district councils regarding the Investment Plan and pipeline of investible propositions.

- j) Approve switching the use of remaining funding of £15.7m from supporting on-going borrowing costs to a direct contribution to finance the capital investment allocated towards the City Deals & Pinch Point Programme.

Executive Summary

1. This report sets out background, principles and conditional proposals for the use of retained business rates funding generated through the two Enterprise Zones in Oxfordshire to support economic development in Oxfordshire.

Background

2. Enterprise Zones (EZs) were established across the UK in 2012 as part of the Governments "Plan for Growth (2011)", supporting businesses and promoting economic growth and wellbeing.
3. For the first five years of operation, EZs were able to encourage businesses to move to the area by offering substantial discounts on their business rates. Since the conclusion of the discount scheme, businesses continue to see incentives to relocate to an EZ, such as the key industry clusters in the area and the reinvestment of business rates in local infrastructure projects.
4. Oxfordshire has two multi-site EZs and these are located within the South Oxfordshire and Vale of White Horse district council areas. The two EZs sites encompass a total of 16 sites covering 216 hectares of commercial development land.
5. Science Vale EZ1 was created in 2012 and is located around the Harwell Campus and Milton Park sites. The Didcot Growth Accelerator EZ2 was created in 2016 and is located around the Milton Park and areas of the north of Didcot
6. All business rates growth generated within the EZs are retained for 25 years to reinvest in local economic development. Local is defined as the relevant geographic and economic area, i.e. Oxfordshire.

Accountable Bodies and Governance

7. Vale of White Horse District Council is the Accountably Body for the collection and holding of the business rates generated within the Enterprise Zones.
8. Until 31 March 2024 OXLEP Ltd was responsible for decisions about the use of the retained funding. From 31 March 2024, Local Enterprise Partnerships

(LEPs) ceased to have official recognition and existing LEP functions were transferred to upper-tier local authorities or combined authorities, where they exist.

9. Since 1 April 2024 the County Council has had a controlling interest in Enterprise Oxfordshire (previously OxLEP Ltd) and is the sole member. As a result the County Council took on the responsibility for the utilisation of the Oxfordshire Enterprise Zone business rates.
10. Looking ahead the Ministry of Housing, Communities and Local Government (MHCLG) has indicated that responsibility for the retained business rates will transfer to the Strategic Authority as part of plans for Local Government Devolution.

EZ Development in Oxfordshire

11. Since the launch of the Enterprise Zones in Oxfordshire, significant progress has been made in the development of the two sites. By 2023/24, they had created almost 6,000 jobs within just over 160 businesses.
12. Businesses range across the business sectors including, Construction & Property Services, Digital & Technologies, Life Sciences, Education & Health Services, and Professional & Business Services.

Risk Assessment of EZ Retained Income

13. Projected business rates income is risk assessed as follows:
 - Actual: retained rates collected to date from buildings where the occupant is paying business rates. For future financial years, the actual figure assumes that rates collection will continue at the level of the last financial year (minus any backdated payments).
 - Secure: these are forecast of business rates calculated for completed buildings, that are not yet being collected (e.g. either not yet in the ratings list, or within an exemption period).
 - Pipeline: these are business rates that are forecasted to be received from planned future developments that are not covered by either of the above points (e.g. development planned and/or started, not an area of development assigned for future development).

Existing Planned Use of EZ1 and EZ2 Retained Funding

- Enterprise Zone 1
 14. Existing investment from business rates generated from EZ1 has been focused on two main capital programmes as well as the operating costs of Enterprise Oxfordshire.

15. As part of the overall City Deals & Local Pinch Point Programme, the investment priorities looked to address the barriers to growth caused by congestion in the road network and create an environment that incentivises businesses to locate in the area.
 16. A total of £41.8m borrowing was agreed to part fund a £91m programme to support more local infrastructure projects including Milton Interchange, Chilton Junction Improvement, Harwell Employment Access Road and other Road improvement projects. A further £10m (borrowing & contribution) was agreed to support the Didcot Garden Town Housing Infrastructure (HIF 1) programme. The total cost of these investment decisions is estimated to be £79.1m (borrowing plus contribution plus interest).
 17. In addition an annual revenue contribution has been made towards the operational costs of Enterprise Oxfordshire. As part of the council's budget process for 2025/26 this was agreed up to and including 2026/27 and amounts to £1.6m in 2026/27.
 18. The capital investment to support the previous funding decisions has not yet all been completed. As all the other funding sources were used first on the City Deals & Pinch Point Programme, a total of £26.0m has been borrowed to date from the £41.8m allocated. The remaining £15.8m is planned to be taken in 2025/26 and 2026/27 and relates to agreed contributions towards the Oxford Station Development and the A4130 Steventon Lights scheme.
 19. Reflecting that 2025/26 is year 13 of the operation of EZ1, the projected business rates income for the year is £8.8m and the current cash balance is £30.6m it is recommended that this remaining borrowing of £15.8m is funded by a direct contribution (instead of borrowing) over the years the expenditure is incurred. While this will reduce the cash balance in the short term, in the long term this will increase funding available due to the saving on the cost of borrowing which would otherwise add about 50% to the amount borrowed.
- Enterprise Zone 2
20. Because EZ2 was created later, and income has only more recently started to be generated, the only existing commitment is an annual contribution towards South and Vale Council operating costs. This is for the whole duration of the 25-year period and is currently set at £0.160m for 2025/26.

Corporate Policies and Priorities

21. The use of the Enterprise Zone funding for economic development in Oxfordshire is consistent with the council's Strategic Plan. It will enable the delivery of other strategies such as the Oxfordshire Infrastructure Strategy, Local Transport & Connectivity Plan, and the forthcoming Oxfordshire Rail Strategy.

Financial Principles for the Use & Availability of EZ Funding

22. Business rates income in both EZ1 and EZ2 is expected to continue to grow and increase over time, but if improved infrastructure is needed in advance of full contributions and the plan is to front fund as much as possible, borrowing would have to be undertaken. If the delivery of the agreed priorities is over a much wider timeframe then the possibility to make a direct contribution can be considered
23. Since the County Council currently incurs the capital expenditure through its accounts, they also facilitate the borrowing. The Council will calculate the borrowing costs using its existing arrangements (interest and statutory minimum revenue provision (MRP) for debt repayment) and these are then be funded from the EZ business rates retained income. The Council will also undertake the decision on whether to borrow or take direct contributions from held funds from the previous year's receipt of unused business rates income.
24. Previously, the funding available to support capital and revenue investment was only based on actual & secure income. As the EZs are now more mature, decision making can be assessed against the overall affordability of the funding model. However, to ensure that appropriate income projections are assessed against possible changes, appropriate financial management principles need to be adopted. These reflect that the assumed level of business rates income is highly sensitive to anticipated levels of development activity especially if developments fail to materialise in line with projections. There is also risk around the backdated impact of appeals against the most recent business rates revaluations by the businesses paying business rates and of businesses moving out of the Enterprise Zone in future.
25. In deciding on the approval and timing of spend, the following financial management principles are recommended to be agreed. These will be kept under review and risk assessed depending each time there is an update to income projections and the schemes being funded.
 - 15% of future projected income (Actual & Secure) every year is ring-fenced for uncertainties and the release of contingency kept under review on annual basis (this is for both income projections and funding decision (previously or new))
 - 5% of future projected income (Actual & Secure) is ring-fenced to mitigate a potential loss of business rates income, including Valuation Office Rate Reviews and bad debts.
 - 15% of pipeline income is ring-fenced for development uncertainties on EZ1.
 - Because EZ2 is less progressed 25% of that pipeline income is ring-fenced for development uncertainties.
 - All borrowing is over 25 years and therefore any repayment liability will run outside the 25 year EZ business rates period.
 - All expenditure must comply with Oxfordshire County Council's accounting and debt repayment policies.
 - The decision to borrow or take a direct contribution will be subject to both the timeframe of the delivery investments and the affordability as agreed between

the respective S151 officers of both Accountable Bodies (Oxfordshire County Council and Vale of White Horse District Council).

- The annual closing cash balance for each of EZ1 and EZ2 should be higher than £5m when considering the use of direct contribution over borrowing.
- The financial contributions provided from EZ business rate income are as approved and the receiving body undertakes any financial risk to deliver the agreed goals within the funding envelope provided.

EZ1 Science Vale

26. Based on the position as at 31 March 2025, the business rates forecast for EZ1 is £217.1m. This total includes actual income of £42.0m received by 31 March 2025, with £9.7m of that total received in 2024/25 (including backdated income). The forecast actual for 2025/26 is £8.8m.

EZ1 Business Rates Forecast to 2037/38	£'m
Actual Business Rates income received as at 31 March 2025	42.0
Secure Business Rates from existing businesses paying business rates	114.6
Secure Business Rates which will start to be received from 2025/26	21.8
Pipeline Funding relating to future development – not yet secure	38.7
TOTAL	217.1

27. A further £114.6m forecasted income is based on assumptions that business located within EZ1 will continue to pay business rates at the current rate in future year's (up to 2037/38). A further £21.8m is secured, which relates to business rates that are secured and will start to be collected in future years.
28. A further £38.7m is classified as pipeline funding. This relates to potential business rates income relating to future development. This element of the forecast carries the most risk as it is not yet certain that this will be received. Due to the uncertainty to the timing and value of this funding, it is not prudent to include all of this when making decisions about the use of the funds.

Retained Business Rates Reserve / Forecast	Actual by 2024/25 £'m	Overall Forecast by 2037/38 £'m
Retained Business Rates – Actuals & Secured	42.011	178.466
Retained Business Rates – Pipeline		38.705
Total Forecast Income by 2037/38	42.011	217.172
Repayment of Borrowing Costs	-5.711	-78.004
Planned contribution to HIF1 in 2025/26	0.000	-1.100
Repayment of Growing Places Funding	0.650	-0.650
Enterprise Oxfordshire/OxLEP Operational Costs	-7.782	-10.982
Interest on reserve balance	2.784	2.784
Closing Balance	30.652	129.219

Retained Business Rates Reserve / Forecast	Actual by 2024/25 £'m	Overall Forecast by 2037/38 £'m
Less		
Revaluation, Uncertainties & Contingency		-35.032
Pipeline Adjustment (15%)		-5.806
Adjusted Balance		88.381

29. Borrowing costs include £41.752m allocated towards the City Deals Programme and £8.9m towards HIF 1 plus interest. A further £1.1m has been allocated as a direct contribution towards HIF 1, making a total contribution of £10m to the programme. The cost will be greater due to the cost of borrowing.
30. Interest is only included in the actuals to date. While interest is expected to be received on future balances the level will be dependent on the timeframe of the delivery and the type of funding provided, direct contribution or through borrowing so is not certain enough to include in the forecast balance.
31. While the actual balance as at 31 March 2025 was £30.652m, current liabilities include borrowing costs of £72.293m, the HIF1 Contribution £1.1m and operational costs of £3.2m, a total of £76.593m. Borrowing costs will continue past 2037/38 as they will be based over 25 years from when the borrowing is taken.
32. Operational costs for Enterprise Oxfordshire are included up to and including 2026/27.

EZ2 Didcot Growth Accelerator

33. As at 31 March 2025, the business rates forecast for EZ2 is £246.0m. This total includes actual income of £8.2m received by 31st March 2025, with £2.4m received in 2024/25. The forecasted actuals for 2025/26 are £2.3m.

EZ2 Business Rates Forecast to 2040/41	£'m
Actual Business Rates income received as at 31 March 2025	8.2
Secure Business Rates from existing businesses	37.4
Secure Business Rates which will start to be received from 2025/26	2.4
Pipeline Funding relating to future development – not yet secure	198.0
TOTAL	246.0

34. A further £37.4m forecasted income is based on assumptions that business located within EZ2 will continue to pay business rates at the current rate in future year's (up to 2040/41). A further £2.4m is secured, which relates to business rates that are secured and will start to be collected in future years.
35. A further £198.0m is classified as pipeline funding. This relates to potential business rates income relating to future development. This element of the forecast carries the most risk as it is not yet certain that this will be received.

Due to the uncertainty to the timing and value of this funding, it is not prudent to include all of this when making decisions about the use of the funds.

Retained Business Rates Reserve / Forecast	Actual by 2024/25 £'m	Overall Forecast by 2040/41 £'m
Retained Business Rates – Actuals & Secured	8.150	47.997
Retained Business Rates – Pipeline		198.039
Total Forecast Income by 2040/41	8.150	246.036
Repayment of Borrowing Costs	0.000	0.000
South & Vale Management Costs	-0.975	-3.535
Interest on reserve balance	0.620	0.620
Closing Balance	7.795	243.121
Less		
Revaluation, Uncertainties & Contingency		-47.502
Pipeline Adjustment (25%)		-49.510
Adjusted Balance		146.109

36. Interest is only included as actuals to date. Interest will be received on future balances; however, the level of interest will be dependent on the timeframe of the delivery and the type of funding provided, direct contribution or through borrowing.
37. While the balance as at 31 March 2025 was £7.795m, current liabilities include operational costs of £2.6m up to 2040/41. If and when borrowing is taken, the borrowing cost will continue for 25 years and will run beyond 2040/41.

Developing the Future Investment Plan

38. Given the significant forecast income – particularly from EZ2 – it is important that Oxfordshire has a clear investment plan that sets out how retained business rate income will be invested judiciously to develop the Oxfordshire economy.
39. An Enterprise Zone Investment Plan will not only help deliver important economic interventions across Oxfordshire; it will also help to give confidence to the market that the public sector is making the necessary enhancements to the county to enable growth.
40. Should Oxfordshire join a strategic authority, accountability for the Enterprise Zone will transfer to that authority. It is therefore important to strike an appropriate balance between a functional investment programme with clear priorities and a pipeline of investible propositions, without fettering the strategic authority's hands in the coming years.
41. Examining good practice at other Enterprise Zones, the following high-level priorities are proposed:

Priority 1: Strategic site development Stimulating new development and supporting the viability of sites, to make them deliverable and commercial attractive.	
Example interventions: <ul style="list-style-type: none"> • Enabling works to address constraints • Public infrastructure to enable connectivity and accessibility 	Benefits: <ul style="list-style-type: none"> • Additional commercial floorspace • Increased employment opportunities • Space for businesses to grow and remain competitive • New homes
Priority 2: Delivering high-quality infrastructure Unlocking sites, enabling access for people, and connecting businesses to markets.	
Example interventions: <ul style="list-style-type: none"> • New transport schemes, prioritising public transport and active travel • Improvements to the public realm 	Benefits: <ul style="list-style-type: none"> • Unlocked sites • Businesses attracted and retained • Enhanced public realm and environment • Reduced congestion and increased active travel
Priority 3: Business support Attracting and retaining businesses, improving competitiveness and productivity, and encouraging investment	
Example interventions: <ul style="list-style-type: none"> • Inward investment promotion and facilitation • Support for local start-ups, scale-ups and social enterprises • Workforce training and upskilling 	Benefits: <ul style="list-style-type: none"> • Improved business competitiveness • New businesses attracted in priority sectors • Private capital invested • New jobs created • Start-ups, scale-ups and social enterprises encouraged • Improved workforce skills and labour productivity

42. It would be prudent to revisit these priorities at the conclusion of the work that has recently been commissioned to review and determine Oxfordshire's economic development priorities and implementation plan.

Initial Investment Priorities

43. Following the work that has been underway since May this year, some early priorities for investment have been identified. Cabinet is recommended to grant conditional approval to these investments, i.e. to endorse the use of Enterprise Zone funds for these projects subject to the development of a full business case.

- £10m to enable the delivery of priorities arising from the forthcoming Oxfordshire Rail Strategy (which is on the forward plan for Cabinet in November).
 - £4m for infrastructure that directly enhances access to the Enterprise Zone itself.
44. Both of the above would meet Priority 2. Conditional approval will give confidence to promoters to undertake the necessary preparatory work, and to stakeholders that the county is investing in vital infrastructure improvements.
 45. In addition to infrastructure, the need for additional resource at both Oxfordshire County Council and Enterprise Oxfordshire has been identified.
 46. While Oxfordshire County Council now has a Head of Future Economy and Place & Ecosystems Manager (both on interim contracts), there is a need for both longer-term and additional resource to develop and deliver a new economic strategy for the county. This includes business and labour market policy, data and intelligence, and a small budget to commission licenses and expert support.
 47. In addition, in the course of developing its business plan (working closely with County Council officers), resource pressures have been identified at Enterprise Oxfordshire that put the delivery of current projects and programmes at risk. Moreover, initial comparative analysis undertaken has shown that Enterprise Oxfordshire does not have the resources of other similar organisations with which it is effectively competing. To address this shortfall, Enterprise Oxfordshire is developing a proposal for additional resources in 2025/26 and 2026+ that would meet Priority 3.
 48. It is therefore recommended that Cabinet grants conditional approval to invest up to £0.700m in economic strategy and delivery capacity and capability at Oxfordshire County Council and Enterprise Oxfordshire in 2025/26.
 49. Given the majority of these costs will be human resource, this would represent an ongoing commitment from the Enterprise Zone. It is therefore recommended that Cabinet grants conditional approval to invest up to £1.254m in economic strategy and delivery capacity and capability at Oxfordshire County Council and Enterprise Oxfordshire in 2026/27 and 2027/28.
 50. Conditional approval will give confidence that resource is available, subject to the development of business plans. In agreeing it, Cabinet is recommended to delegate authority to the Director of Economy & Innovation, in consultation with the Cabinet Member for Future Economy & Innovation, to oversee the development of the business plans.
 51. Cabinet is also recommended to note that a revised business plan for Enterprise Oxfordshire for 2025/26 will be presented to the Enterprise Oxfordshire Board and Shareholder Committee for approval.

52. Finally, in developing an Investment Plan and making some early commitments of Enterprise Zone funding, it is important that district councils are sighted on the approach and have the opportunity to input into both the strategic priorities and the pipeline of investible propositions. Cabinet is therefore recommended to note that the Cabinet Member for Future Economy & Innovation, in conjunction with the Director for Economy & Place, will undertake this engagement in the coming months.

Financial Implications

53. The report includes the latest forecasts retained income for the Enterprise Zones. These are prepared by Vale of White Horse District Council (VOWH) as the Accountable Body for the Enterprise Zones and approved by VOWH's Section 151 Officer.
54. The on-going impact of a business rates revaluation from 2024/25 has been built into the forecasts. However, since the companies affected by the revaluation can appeal up to the next revaluation, there is a risk that this may reduce the actual and forecasted funding in future years if any of the companies are successful. The proposals in this report mitigate the risk around this through a reduction in the amount of income assessed to be available to support investments.
55. The adjusted retained income balances for each EZ are sufficient to meet the proposed conditional contributions.

Comments checked by:
Kathy Wilcox, Head of Corporate Finance

Legal Implications

56. The Non-Domestic Rating (Designated Areas) Regulations 2021 provide Vale of White Horse District Council, as billing authority, with the power to retain additional business rates generated in the Enterprise Zone areas over and above a baseline quoted in those regulations.
57. All business rates growth generated within the EZs are retained for 25 years to reinvest in local economic development. Prior to 2024, Local Enterprise Partnerships (LEPs) were responsible for Enterprise Zones but following the government's support for LEPs being withdrawn in 2024, the functions of the Oxfordshire Local Enterprise Partnership transferred to the County Council and OxLEP became a wholly owned company of the Council. As a result, the Council now has the responsibility for the utilisation of the Oxfordshire Enterprise Zone business rates.

Comments checked by:

Jayne Pringle, Head of Law & LBP (Contracts & Conveyancing)
Jayne.pringle@oxfordshire.gov.uk

Staff Implications

58. There are no staffing implications arising directly from this report.

Equality & Inclusion Implications

59. There are no equality and inclusion implications arising directly from this report.

Sustainability Implications

60. Funding for the Rail Strategy underpins more sustainable travel options in the county. Other infrastructure improvements would also help support more sustainable travel and development.

Risk Management

61. Risks around the availability of actual and forecast retained business rates income, and recommendations to manage the impact are set out in the body of the report.

LORNA BAXTER
Executive Director of Resources and Section 151 Officer

Contact Officers: Kathy Wilcox, Head of Corporate Finance
Nicholas Glover, Head of Future Economy

October 2025