Appendix 6b

Blackpool Airport Enterprise Zone – Assessment of Economic Impact Note

GENECON – 24th July 2018

Source of Economic Benefits

It is anticipated that the delivery of new airport infrastructure on Blackpool Airport Enterprise Zone (EZ) will free up development land within the EZ for other commercial uses. The available development land opportunities will be largely focussed on an extension to the existing Airport business park and it is considered that in consolidating aviation-related activities close to the runway, land in the north-western area of the EZ (next to the existing Morrison's supermarket) would come forward for development.

Whilst most of the direct aviation-related jobs are already present on the EZ, and have therefore be deducted as 'deadweight' within the assessment of impacts, it is anticipated that the consolidation of aviation activities could also create around 280 new gross Full-Time Equivalent (FTE) job opportunities.

Gross and Net Employment Impacts

The assessment of gross FTE employment that could be supported on the EZ has relied on an understanding of the likely scale and mix of new development. A review of Blackpool Airport Enterprise Zone Masterplan (2017) has been undertaken to identify and schedule out these developments and assumptions regarding development capacity, likely uses and the take up timeframes for the new development has been tested with Council officers to ensure validity.

The mapping of Net Internal Area (NIA) floorspace that could come forward and the application of leading HCA floorspace per job benchmarks by relevant use class has then been carried out to determine the overall development capacity of development that could come forward and for prudence, it is assumed that at any given time there will be some underutilisation of space across the developments. A 15% deduction to the gross FTE jobs capacity has been included within the modelling to account for likely periods of under-occupancy.

To determine the net additionality of the gross FTE jobs within the Lancashire labour market, a 40% deduction has been made to the gross FTE jobs, to take account for leakage and displacement effects. A composite multiplier of 1.35 has then been applied within the modelling to consider indirect (supply chain) and induced (employee wage spending) effects. The approach to measuring net additionality is in line with the HM Treasury Green Book, and assumptions have drawn on leading Government guidance (HCA Additionality Guide, 3rd ed., 2015 and BIES Research into additionality, 2009), as well as ONS Supply-Use Tables (2014).

The table overleaf presents the estimates of cumulative gross and net additional FTE jobs by milestone date. When fully developed out it is estimated that new development on the **EZ could support around 2,660 new gross FTE jobs, or around 2,160 net additional FTE jobs within the Lancashire labour market by 2040.**

Gross and Net FTE Employment Effects				
	By 2025	**By 2030**	**By 2035**	**By 2040**
Gross FTE Jobs	465	754	2,134	2,662

Net FTE Jobs	377	611	1,728	2,156

Cumulative GVA Effects

To estimate the impacts of the net additional FTE job gains on the economy, an assessment of cumulative GVA has been undertaken. Alongside considering the timing of the job delivery, the forecasts also consider the persistence of the net job gains within labour market. In line with established practice (PWC/BIS National Evaluation of the RDA's, 2009) it is assumed that jobs would be present within the labour market for at least 10 years. In practice, it is likely that the new developments would support commercial activities for significantly longer than the first 10 years.

Sector-based ONS GVA per job metrics for Lancashire (ONS, 2017) have then been used to estimate the effects of net FTE employment gains within the economy and an application of a recognised HM Treasury Green Book Annual Discount Factor (-3.5% pa) has also enabled the cumulative GVA gains to be expressed in Net Present Value (NPV) terms.

On this basis, it is estimated that the net additional FTE jobs arising through the EZ could generate around **£347m in cumulative GVA towards the economy by 2040, £244m in GVA at NPV.**

Cumulative GVA Effects (incl. at NPV)				
	By 2025	**By 2030**	**By 2035**	**By 2040**
Net GVA	+£105m	+£209m	+£266m	+£347m
Net GVA (NPV)	+£90m	+£163m	+£198m	+£244m

Potential Business Rate Returns

Modelling of potential business rate returns has also been carried out to determine the potential returns to the EZ accountable body over the lifecycle of the EZ. It has been assumed that rates will be payable throughout the duration of the EZ and for prudence a 30% deduction has been included within the modelling to consider the potential for optimism bias within the assumptions used. The modelling also includes a 2 year delay on the accrual of relief payments to the EZ accountable body.

For prudence, consolidated aviation activities on the EZ have also been excluded from the modelling as some business rate returns would in also likelihood be achieved irrespective of the EZ plans.

On this basis, it is estimated that the EZ accountable body could secure around **£13m in business rate returns by 2040, around £7.5m in present values from new development on the EZ**.

Cumulative Business Rate Returns (incl. at NPV)				
	By 2025	**By 2030**	**By 2035**	**By 2040**
Gross Business Rates	+£106k	+£476k	+£4.9m	+£12.9m
Gross Business Rate (NPV)	+£86k	+£340k	+£3.0m	+£7.5m