

Report to:	EXECUTIVE
Relevant Officer:	Alan Cavill, Director of Communications and Regeneration
Relevant Cabinet Member:	Cllr Mark Smith, Executive Member for Business, Enterprise and Job Creation
Date of Meeting	7 December 2020

BLACKPOOL AIRPORT ENTERPRISE ZONE: ANNUAL REVIEW

1.0 Purpose of the report:

- 1.1 This report sets out the further progress in the delivery of the Enterprise Zone, revisions to the Masterplan and Delivery Plan and outlines activity planned for the next twelve months. The still emerging economic impacts of the Covid-19 pandemic and the uncertainties which surround Brexit make future forecasting and planning of Enterprise Zone investment difficult and therefore an enhanced risk-based approach to delivery is being adopted for the next twelve months until greater certainty exists.

2.0 Recommendation(s):

- 2.1 To note the progress made on the delivery of the Enterprise Zone Masterplan.
- 2.2 To approve the revised draft Masterplan, with its proposed two phase delivery strategy for further consultation and presentation to the Blackpool Fylde and Wyre Economic Prosperity Board and the Local Enterprise Partnerships Enterprise Zone Governance Sub-Committee for approval.
- 2.3 To note the updated detailed expenditure and income forecast as set out in the revised delivery plan and summarised at paragraph 6.12 in respect of the overall project and the anticipated expenditure to the end of the project in 2041 of £72.6m at present value.
- 2.4 To confirm the forecast expenditure of up to £19.2m plus associated costs of prudential borrowing for the period to the end of financial year 2021/22, to enable continued development of the Phase 1 enabling infrastructure, together with site assembly and preparatory works for phase two which are within the terms of the existing approval .
- 2.5 To reconfirm and note the delegation to the Chief Executive, after consultation with the Leader of the Council, to authorise expenditure on individual schemes and property acquisitions within the Enterprise Zone and inter-related airport holdings of Blackpool Airport Properties Ltd (BAPL).

3.0 Reasons for recommendation(s):

3.1 Since the original approval in June 2018 of the Masterplan and Delivery Plan (based on three phases which allocated up to £28.8m to deliver Phase 1 works and enabling property acquisition), and the first annual review in July 2019 which agreed an extension of the Phase 1 expenditure programme to 2021, a number of factors influencing delivery of the EZ have altered. This is unsurprising as whilst significant progress has been made with the EZ Delivery Plan it is inevitable that with a long-term regeneration programme of this scale and complexity there will be many changes over its duration, hence the commitment to an annual review.

This last year has seen a specific intensity of change, additionally complicated by the Covid-19 pandemic which has itself delayed the scheduled annual review (from July). These changes have also necessitated the preparation of both a revised Masterplan and Delivery Plan.

3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.3 Is the recommendation in accordance with the Council's approved budget? Yes

4.0 Other alternative options to be considered:

4.1 a) Maintain the existing approval for expenditure of up to £28.8m and extend the timeframe for undertaking this expenditure by a further two years to the end of FY22/23. However, this would not be sufficient to complete the whole of the revised Phase 1 works which will be completed only by 2025/6 and would create difficulty in committing to some elements of the extended Phase 1 works where these might extend beyond FY22/23.

b) Approve the full £72.6m required to complete all the revised Phase 1 and Phase 2 works. In the light of the current economic turbulence there is a high probability that there will be delays and reduced demand as well as new emerging opportunities such as the data management sector which will require a more flexible and responsive approach.

c) Approve expenditure on just the extended Phase 1 works at c£38m for completion by 2025/26 and delay expenditure/progression on Phase 2 works. This would not provide the flexibility to respond to changing demand and would build in further delay to the delivery of the overall project, particularly the ability to respond to anticipated larger footprint data centre requirements, as some Phase 2 elements need to be undertaken in tandem with Phase 1.

5.0 Council priority:

5.1 The relevant Council priority is: “The economy: Maximising growth and opportunity across Blackpool”.

6.0 Background information

6.1 On 18 June 2018 the Executive approved a report in respect of Blackpool Airport Enterprise Zone with seven recommendations including agreement to the EZ delivery and marketing plans and a funding allocation of £28.8m plus the cost of prudential borrowing to support capital investment and associated revenue costs for an initial three year period to 2020/21, delegating to the Chief Executive in consultation with the Leader authorisation for expenditure on specific projects exceeding officer delegation levels.

A further progress report was presented to the Executive at its meeting on 15th July 2019, approving a revised expenditure forecast to 2021/22 and requesting that a partial review of the Masterplan be undertaken.

Since July 2019 further significant progress has been made by the EZ delivery team (part of the Council’s Growth and Prosperity Team), but as must be expected with projects of this scale, duration and complexity some elements have been progressed at a slower pace than anticipated and a degree of flexibility is required to manage delays and capitalise on opportunities.

6.2 Progress Highlights

The main highlights of progress include :

- Planning Consent obtained from Fylde Council for provision of 12 new grass playing pitches to replace existing Common Edge facilities
- Letting and completion of contracts to provide new airport fencing and emergency crash road to release land for new sports pitches
- Letting of contract to provide 12 new grass pitches underway and completed November 2020 – pitches into use September 2021
- Planning Application submitted for new changing rooms car park and 3G floodlit football/rugby pitch – decision anticipated December 2020
- Detailed design commissioned for new changing rooms and 3G pitch – anticipated tender return December 2020 allowing completion of build by September 2021
- Planning consent and funding approvals obtained for development of 40,000 B2 unit at Amy Johnson Way to be known as Carbon House
- Growth Deal funding of £800,000 secured for abnormal costs associated with Carbon House development
- Agreement secured for 25 year lease of the 40,000 sq ft unit to Multiply, a medical technology manufacturer who produce carbon fibre mouldings – commencement of construction from November 2020 with scheduled

opening in November 2021

- Base station building for Transatlantic fibre optic Aquacomms cable and local infrastructure completed and the cable connection made in October 2020, placing Blackpool and the Enterprise Zone at the heart of the North Atlantic loop, Europe's newest communications network enabling transmission of data to New York in less than 0.64 milliseconds and providing a key USP relating to speed and available capacity
- Completed Data Centre Feasibility study by Danish consultants, COWI
- Establishment of task group to support engagement with digital sector and capitalise on USP of strategic national infrastructure
- Three new private sector developments completed including 20,000 sq ft accident repair facility for ARC; a 7.5Mw Gas-fired peak demand electricity generator and a 14,000 sq ft unit for exhibition stand manufacturer, Love Expo.
- Continued refurbishment of Squires Gate Industrial Estate by new owners Euro Properties, with 18 new low-cost units created and let as larger space is sub-divided,
- Completed purchase of 10 acre site and Hangar 3 at Blackpool Airport – essential to facilitate phase 2 development
- Identified a pipeline of further occupier-driven development projects for Enterprise Zone and Airport
- Consultants appointed to refresh Enterprise Zone EZ masterplan and produce detailed proposals for reconfiguration of Airport
- Order placed for provision of Phase 1 primary sub-station for delivery in 2022/23
- Initiated lobbying for extension of Enterprise Zone fiscal benefits, now supporting national activity led by LEP network related to post Covid-19 economic recovery
- Ongoing operational commercial and marketing support for Blackpool Airport to support approved business plan
- Maintained active marketing activity to support Blackpool Airport and sister EZ at Hillhouse Technology Enterprise Zone in collaboration with LEP and Marketing Lancashire to promote the LAMEC Enterprise Zone EZ branding for international marketing.
- Provided regular newsletters to subscribing Enterprise Zone business community highlighting progress, opportunities and more recently communication of Covid-19 business support and financial assistance updates.
- Continued regular progress reporting to MHCLG, Lancashire LEP Enterprise Zone Governance Sub Committee and Blackpool Fylde and Wyre Economic Prosperity Board in accordance with approved Enterprise Zone governance regime.

- 6.3 Momentum in attracting new business and employment and investment has been maintained, despite the continuing adverse economic climate with the present position set out in Table 1 which represents good progress against the whole life targets established for the Enterprise Zone of 180 new businesses, 5000 jobs and £300m of private sector Investment.

TABLE 1: Outputs : April 2016 to October 2020	
Total new jobs (including safeguarded relocated and construction FTE)	1525
New Companies located on site	91
Live enquiries received for land or property	327
Total completed new developments	9
Completed refurbishments and extensions	4
Live planning applications lodged with Blackpool & Fylde Councils	4

As with any large scale business park development with a core of established private sector controlled accommodation, there is also an inevitable churn within the Enterprise Zone business community, with some job losses having occurred most notably with the loss of 128 jobs when B&M bargains vacated their distribution facility at Squires Gate Industrial Estate in March 2020.

Many employers within the Enterprise Zone have been able to utilise the national furlough scheme although the full impact of Covid-19 on employment within the EZ has yet to be established. To date, however, only one recently arrived business is known to have vacated as a result of the direct impact of Covid with the loss of 12 jobs. It is difficult to accurately monitor and assess overall employment within the Enterprise Zone without ongoing direct contractual engagement with all occupiers.

- 6.4 In 2018 the Enterprise Zone was forecast to have the potential to host some c.5000 jobs over its lifetime and to be capable of generating a cumulative £2.08bn Gross Value Added. To date a gross total of 1525 jobs have been supported at the Enterprise Zone, although inevitably there has also been some loss of employment as companies have relocated and in a few instances closed, and this may become a bigger issue over the next 12 months as the full economic impact of Covid-19 and then Brexit become known, potentially releasing more property to the market. The Enterprise Zone retains the capability of achieving or exceeding the 5,000 jobs target over its lifetime, although the GVA potential will have reduced from the originally forecast cumulative £2.1bn as a result of delays in bringing new development on stream, but will still be close to £2.0bn assuming it can still deliver 70 % of its maximum potential.

6.5 Marketing and Enquiries

The approved Enterprise Zone Marketing Strategy continues to be implemented with strong links to the Inward Investment activity led by the Growth and Prosperity team under the Blackpool the Place for business campaign, also working closely with the Department for International Trade, the LEP and Marketing Lancashire to promote the LAMEC brand for the four Lancashire Enterprise Zones, with work also underway to recruit a joint international property agent to focus on international promotion from March 2021.

A similar marketing service is provided to assist Wyre Council to promote Hillhouse Enterprise Zone and at the request of BEIS, team members recently provided advice to Cumbria LEP and the Kingmoor Enterprise Zone in Carlisle on Enterprise Zone best practice.

It has been difficult to undertake the normal range of marketing and promotional activity in the present constrained operating conditions, however the team have been at the forefront of keeping Enterprise Zone - based business fully briefed on Covid-19 support activity via the issue of regular E-newsletters and this has been important in ensuring companies have been aware of and able to access appropriate financial support package. Normal, marketing activity will resume in full as soon as practical including further consultation with local communities and key stakeholders.

6.6 Blackpool Airport

The Enterprise Zone team also continues to provide extensive support to the Blackpool Airport management team in the face of some significant operational challenges, with activity focused on marketing support and occupier liaison, and commercial activity helping supporting the Boards of Blackpool Airport Operations Ltd (BAOL) and Blackpool Airport Properties Ltd (BAPL) to maximise integration with the Enterprise Zone. The Aviation sector has been particularly badly hit by the effects of the pandemic and whilst Blackpool Airport has remained fully operational throughout, the level of future demand for services and new accommodation will be hard to predict with any degree of certainty with volatility set to continue for several years.

6.7 Proposed Acquisitions

Over the next two years it will be necessary to acquire additional Leasehold and Freehold interests in property, both inside the designated Enterprise Zone and beyond its boundary, to facilitate the delivery of core infrastructure, and help assemble future development sites across both phases of development. Two surrender and renewals of existing leases at Common Edge are in final negotiation and will enable the completion of the new upgraded facilities proposed in the revised Masterplan. Several long leasehold interests in aircraft hangars and land at the airport will also have to be acquired to ensure development sites can be assembled in a timely fashion, together with consolidation of reversionary freeholds held by Blackpool Airport Properties Ltd into the council estate. Existing business occupiers will be relocated to new high quality facilities to be constructed closer to the airport's main

operational runway, the anticipated costs for which are included within the Delivery Plan. Whilst negotiations are ongoing it is necessary that details remain confidential.

6.8 Factors necessitating a review of the Masterplan and Delivery Plan

In the past eight months the Covid-19 Pandemic and limitations of working practices have further impacted some aspects of delivery particularly those which require close team working such as revision of the masterplan and revised financial modelling, where restrictions on face to face meetings and stakeholder and public consultation have inevitably slowed the pace of activity.

The economic impacts of Covid -19 and the potential disruption to economic confidence following Brexit present significant unknowns at the present time making future forecasting particularly of demand for property and derived business rates growth income exceptionally difficult to gauge and will require more frequent review and adjustment to provide confidence in the levels of demand and likely costs of delivery. This uncertainty is likely to manifest itself in a reluctance by private sector developers, other than those developing for their own occupation, to risk development when required market levels of financial return cannot be assured, and it may be necessary to maintain momentum and deliver forecast jobs and business rates income for the Council to undertake more pump priming direct development, similar to the scheme now underway for Multiply Components Limited. Any such development would be judged on its individual merits with a separate business case prepared as necessary. In the case of Multiply, a grant of some £800,000 was secured from the Growth Deal Programme via the LEP to help maintain the viability of the development by covering abnormal development costs. As the availability of such grant funding cannot be assumed in the future an additional allowance to support direct delivery by way of grant subsidy for abnormal development costs and to enable the construction of replacement accommodation at the airport has been incorporated into the delivery plan, affording greater flexibility in the future funding provision

Several major issues have impacted on the delivery programme including:

- Objections to the original comprehensive hybrid planning application for Common Edge Phase 1, including from Sport England, requiring its withdrawal.
- The lengthy process of engaging with Sport England to agree a new Playing Pitch Strategy to support revised planning applications, which still awaits formal agreement and has resulted in ongoing objections from Sport England to current planning applications.
- Additional preparatory work to submit a series of separate planning applications to enable delivery of time critical elements of Phase 1 at Common Edge
- Identification of a need to acquire third party property and negotiate amended lease agreements to facilitate delivery of Common Edge phase 1.

- Requirement for larger scale highway works at Common Edge than originally anticipated following completion of details transportation and highway assessments
- Uncertainty regarding the delivery of the proposed M55 link road (see below)
- Inability to engage constructively with the new owners of Squires Gate Industrial Estate to secure integration with the Enterprise Zone and the consequent need to amend the Masterplan
- Difficulty in recruiting suitable additional delivery support
- Technical delays in completion of the transatlantic fibre optic cable link
- Covid -related delays in completing the revised physical delivery masterplan as face to face meetings and wider consultations particularly community engagement have been more difficult to organise

6.9 M55 Link Road

The M55 link road is an important component for the delivery of the Enterprise Zone, in helping to accommodate forecast longer term traffic generation. There has been considerable uncertainty around its deliverability because of its reliance upon a cocktail of funding from a variety of sources including the Enterprise Zone. The project has now secured funding from the Getting Building Fund and a tender for its construction should be let within the next twelve months. There is an expectation that the Enterprise Zone will contribute up to £1m. Initially this contribution was not to have been made until Financial Year 2026/27 but this will now be required at an earlier date, probably within the next two years.

Agreement in principle has been reached with Fylde Council that Blackpool Council, as the accountable body for the Enterprise Zone, would retain all business rates growth monies derived from the Fylde sector of the Enterprise Zone until such time that the funding contribution was required, and that these funds would be used to meet the Enterprise Zone contribution to the link road with any shortfall in the £1m contribution to be met by Fylde from its reserves. The present total of business rates growth generated from the Fylde sector to 31 March 2020 is £307,000. It is not expected that this amount will increase to exceed the £1m target by the time the funding contribution will be required. This approach will increase the reliance upon business rates growth from the Blackpool sector of the Enterprise Zone to fund early years prudential borrowing, but will not require additional borrowing to fund the contribution to the road as Fylde Borough Council will make up any shortfall.

6.10 Revised Masterplan

The refresh and revision of the masterplan is required to reflect changes in the active development area of the Enterprise Zone, with the new ownership of the Squires Gate Industrial Estate (SGIE), new locations for the junction of the Eastern Gateway access road as determined by detailed highway studies and the reconfiguration of the replacement sports facilities. More detailed consideration of how practically to enable the relocation of Airport operational infrastructure to release land for Enterprise Zone development has also

prompted significant improvements to the proposed layout of the future airport facilities.

The original development concept approved in 2018 envisaged the development being undertaken in three distinct phases – commencing with the development of the Common Edge area to the east of the Enterprise Zone, progressing to the redevelopment of Squires Gate Industrial Estate as the focus of second phase activity and concluding with development at the airport as the third phase.

The exclusion of Squires Gate Industrial Estate from proposed redevelopment activity has necessitated a modification of the approach to Enterprise Zone delivery. Initial effort will continue to be directed at the Common Edge area with some activity at the airport brought forward to become the second phase of activity to ensure there remains the ability to deliver serviced plots for development of new bespoke and, eventually, speculative property. To achieve this it becomes necessary to have some overlap of infrastructure delivery with work required in both the first and second phase areas to try and ensure that there is a continuous supply of sites for new development. The work in the vicinity of the airport will be by nature preparatory and enabling work –to complete site assembly, upgrade utility services, particularly to replace existing time expired water and electrical infrastructure so it can serve both new and current facilities and provide new secondary access at the periphery of the airport to enable some early win new development of hangar accommodation to meet immediate demand. The options to replace the existing aircraft control tower will also be explored with a view to delivery of replacement control facilities subject to an acceptable business case, which will thereafter release additional areas of the Enterprise Zone for new development.

The main focus of activity over the next 4-5 years will remain the delivery of Common Edge completing the relocation and upgrading of the current sports facilities – which should be complete by September 2021 , progressing the upgrade of Common Edge Road and the Eastern Gateway access, upgrading enabling infrastructure with a new Primary Sub-Station, drainage and other utility services , and the roll out of development of more than 250,000 sq ft of new commercial development and up to 54 homes.

The revised draft Masterplan (at Appendix 5b) reflects the following changes from that approved in June 2018:

- Squires Gate industrial Estate – whilst still within the Enterprise Zone boundary, will remain largely as existing, being refurbished and sub-divided rather than the originally proposed phased demolition and redevelopment. Access roads linking to the Eastern Gateway and other utility connections and integration with the Phase 1 development will no longer be provided, and a number of development plots to the south of the facility have been lost.
- AFC Blackpool will now remain at their present ground which, being outside the Enterprise Zone boundary and without the benefit of adjoining land,

cannot now be developed without adverse impact upon neighbouring residential property.

- The Eastern Gateway Access road, which opens up Common Edge playing fields, will now comprise a traffic light junction located to the North of South Shore Cricket and Squash Club, rather than the originally mooted roundabout access to the south of the club. This is the result of detailed highway / traffic modelling which indicated the optimum location for the new junction and the planning objections received from Sport England and South Shore Cricket and Squash Club to a reduction in the playing area and the integration of the club facilities in a new multi-purpose sports hub building
- Highway studies and uncertainty over the deliverability of the M55 link road project necessitated significant works to upgrade Common Edge highway to improve the junction with School Road and divert Jepson Way via the proposed new residential development.
- Sport England's insistence, as a statutory consultee, on like for like replacement of existing grass sports facilities (12 pitches) and refusal to accept 3G all-weather floodlit facilities as a replacement has resulted in a larger than anticipated land take for the new facilities which have to be provided before any existing grass pitches can be taken out of use. The difficulty in agreeing a new Playing Pitch Strategy with Sport England has also necessitated the reduction in the proposed number of 3G pitches from two to one.
- The larger single sports facility which was to have incorporated all changing rooms, social and new sporting facilities, including an indoor tennis centre, crèche and retail /café space proved to be unviable and took too much employment land. This will now be replaced by a dedicated changing room facility to serve the relocated grass pitches and the 3G pitch with a single large car park which will serve the cricket club and sports pitches, accessed by an improved private road at Division Lane. The retail/hospitality facilities to serve the existing Blackpool Business Park and Common Edge will now be provided on a small plot fronting Amy Johnson Way.
- A new Primary sub-station required to meet the anticipated power demands of new industry and in particular the data storage sector will be provided as part of the early stage work alongside the Eastern Gateway access road having previously been proposed as part of the originally phase 2 works at Squires Gate Industrial Estate.
- The revised Masterplan also reflects the new development which has taken place since the Enterprise Zone's inception in 2016, including the Lancashire Energy HQ, the Aldi food store at Squires Gate and developments at Dakota

Court, Enterprise Court and the ARC building on Amy Johnson Way as well as the new Multiply development and the Aquacomms base station.

- A number of changes are envisaged at the Airport to the proposed configuration of new facilities to release land along the Squires Gate Lane frontage, with the emphasis on reusing as much of the original runway infrastructure as possible and ensuring that new facilities can be constructed without having any direct impact upon the ongoing operational capability of existing facilities. This is particularly so in the case of the aircraft control tower which needs to be relocated to ensure controllers can maintain sight lines and because of its deteriorating physical condition, with the most suitable location being identified on the south side of the runway outside the Enterprise Zone boundary. The plan now identifies two locations for new hangar accommodation to meet known new demand and replace existing facilities on the eastern flank of the airport adjacent to Blackpool Business Park with new access points from Amy Johnson Way and on the western car parking area. Other facilities including the potential for new maintenance hangars for larger aircraft, executive and general aviation terminals and the Offshore helicopter terminal which will be provided in the central areas once the control tower has been relocated with existing taxiways being upgraded and new aircraft parking ramps provided. Land ultimately released for new development north of the existing control tower will be targeted at the data industries with data centres and larger footprint buildings, and the frontage will include a number of higher value uses including vehicle sales and a new electric vehicle charging station.

A written document to support the refreshed masterplan is in final preparation and will set out the details of the masterplan including background information, changes from the original Mott MacDonald authored masterplan and specifically the ongoing approach to development phasing and implementation. This document will be finalised following completion of public consultation and presented to the Executive if necessary alongside any substantive further changes to the physical plan arising out of the consultation. The Masterplan document will not be a formal planning document and will be refreshed on a regular basis.

6.11 Consultation

Consultation with the local community and key airport stakeholders has been severely hampered by social distancing requirements and where this has taken place has been on a one-to-one basis rather than collectively – and it has not proved possible as yet to consult via a community open day on the revised sports facility and access proposals at Common Edge. As soon as the opportunity arises full consultation and progress update event will be held, with the opportunity also to comment on-line via the EZ web site. A newsletter will also be prepared and circulated to the local community prior to the submission of the next planning application. Where practical the masterplan will be finessed to reflect any concerns raised

during the consultation by local residents, businesses and other key stakeholders. There will also be opportunity make representations when the planning applications are submitted, issues raised by the community during the original consultations in 2018 relating to traffic and proximity of new development to residential property have been reflected in the revised proposals. . A separate meeting is being organised with a small representative group of residents from Division Lane in Fylde to listen to concerns about local drainage with a view to the Enterprise Zone taking a lead in developing a collective solution with other relevant authorities including Lancashire County Council, United Utilities and Fylde Borough Council.

6.12 Revised Delivery Plan

In line with the revised physical layout plan for the Enterprise Zone, and the availability of additional information to support more accurate development cost estimates, the Delivery Plan model has also been updated to reflect the anticipated timing of expenditure and income over the life of the Enterprise Zone.

Expenditure planned for the next 18 months to the end of financial year 2021/22 includes key property acquisitions, construction of changing rooms, car park and 3G pitch at Common Edge, design and early construction of the Eastern Gateway Access road and Common Edge Highway works, provision of primary sub-station and on and off site drainage and utility reinforcement, together with consultancy, staff and marketing costs, and a related contingency allowance.

Expenditure is also planned for the Airport sector in parallel with the main activity to deliver Common Edge and will include a new sub-station and water main replacement, together with design and preparatory work for provision of a new apron, hangars and aircraft control facilities, and additional acquisition of leasehold property to enable future new development to progress once occupiers have been successfully relocated.

The approved Delivery Plan, as revised in 2019, envisaged expenditure of circa £28.8m plus Prudential Borrowing to deliver Phase 1 works in the four years to the end financial year 2021/22 with the overall costs of completing all three phases of the EZ estimated as £71m, plus the cost of Prudential Borrowing.

The revised Delivery Plan model (Appendix 6a exempt from publication) estimates a required expenditure of £72.6m to complete both Common Edge and Airport phases over the period to 2041 – with the bulk of infrastructure expenditure incurred over the next ten years. There will be a significant gearing up of spend in the period to March 2022 with the next stage of the sports facilities, property acquisition, highways and utility provision forecast to cost up to £19.2m. The estimates are based on current prices and exclude allowances for inflation but do include contingency at 5%. The cost of prudential borrowing would be additional to these estimates.

The Blackpool Town Deal bid included an application of up to £10m to support provision of infrastructure in Phase 1 (specifically the Common Edge Highway upgrade and the Eastern Gateway access road and associated utility and drainage infrastructure). Following the Government’s response, the offer of £39.5m has been accepted although as a result of the total offer being less than the bid a reprioritisation exercise is underway to allocate the resources and prepare the required business plans. Thus, whilst no final decisions have yet been taken regarding the overall allocation, for planning purposes an initial contribution of £7.5m from the Town Deal over a three year period has been assumed. This may, of course, vary as the final allocations are agreed in line with the report presented to the Executive on 16th November 2020. The Delivery Plan will remain under regular review and any appropriate adjustment will be made but this funding significantly reduces the requirement for Prudential Borrowing in the early years of the project.

It is difficult to isolate all specific costs for each of the two development phases with many areas of cost overlap particularly relating to the delivery and marketing activity, consultancy fees and some property acquisition and off-site costs including utility reinforcement. The approval of the £28.8m funding in 2018 was primarily related to expenditure against the original Phase 1 Common Edge works and additional property acquisition for the period to 2021/22, and it is difficult to compare costs on a direct like-for-like basis with the timescales extended and inclusion of additional costs related to the Airport phase of the Enterprise Zone. Table 2 below seeks to make a comparison between the original approved forecasts and the revised forecast included in the Delivery plan with cumulative expenditure up to 2026 estimated to be in the region of £61.9M

TABLE 2 : COMPARISON PHASE 1 EXPENDITURE		
Description	Approved 2018-21 forecasts	Revised 2018-26 forecast
Infrastructure	£6.55M	£24.3 M**
Direct Development	£3.30M	£ 13.3 M
Consultancy/fees	£0.65M	£ 1.4 M
EZ Delivery	£1.00M	£ 3.0M
Other costs	£2,585M	£ 4.9M
Land Acquisition costs	£13.3M*	£ 12.3M ***
Contingency 5%	£1,441M	£2.5m
GRAND TOTAL COSTS	£28.8M	£ 61.9M
<p>*Included provision for Squires Gate Industrial Estate purchase ** Now includes extra costs for Common Edge Highway and Primary sub-station brought forward from phase 2 which are in excess of £8m, and also reflects increased cost estimates as a result of greater knowledge of ground conditions, design progression and the tendered cost of enhanced replacement sporting facilities at Common Edge to satisfy Sport England requirements. The timescale has also been extended by 5 years *** includes brought forward acquisition of property for phase 2 Airport</p>		

Actual expenditure at £7.5m, for the period from 2018 to the end of March 2020 is substantially lower than originally forecast (c£20m) as a result of the delays outlined above.

The £19.2m to financial year 2021/22 of forecast expenditure in the revised delivery plan identifies £8.2m to be incurred to March 2021, with one large property acquisition completed and the £1m+ grass playing pitch contracts nearing completion (and £11M in financial year 2021/22)

The approved Delivery Plan estimated a total income generated from retained business rates growth of £73.31M, with the revised draft delivery plan now anticipating a total EZ lifetime income from retained business rates growth, land disposals, rentals and grant including £7.5m of Towns Fund of some £81.1m based on an assumed 30% optimism bias reduction of forecast income to reflect the probability that income generated from retained business rates and land sales/rental will be lower than the full potential, due to weaker demand, delays in delivery and occupation of new premises and potential requirements to subsidise the Enterprise Zone rates baseline income where this could be impacted by voids, bad debts and successful rating appeals. Given the expected volatility of the market for property over the next few years it would be appropriate to proceed on the basis of a higher level of optimism bias at 50%. This may, in turn, be offset if more than the £7.5m of Towns Fund is achieved.

The forecast combined expenditure to progress phases one and two to the end of financial year 2021/22 is £19.2m as set out in Table 3 below

TABLE 3	2020/21			2021/22			GRAND TOTALS
	phase 1	phase 2	Total	phase 1	phase 2	Total	
Phase 1 infrastructure	£ 600,000	£ -	£ 600,000	£ 5,158,725	£ -	£ 5,158,725	£5,758,725
Phase 2 infrastructure	£ -	£ -	£ -	£ -	£ -	£ -	
Direct Development	£ 700,000	£ -	£ 700,000	£ 800,000	£ 1,350,000	£ 2,150,000	£2,850,000
Consultancy / Fees	£ 162,000	£ -	£ 162,000	£ 237,000	£ -	£ 237,000	£ 399,000
EZ Delivery	£ 447,750	£ -	£ 447,750	£ 410,500	£ -	£ 410,500	£ 858,250
Other Costs	£ 1,530,000	£ -	£ 1,530,000	£ 2,220,000	£ 150,000	£ 2,370,000	£3,900,000
Land Acquisition Costs	£ 3,750,000	£ 570,000	£ 4,320,000	£ 198,000	£ 35,000	£ 233,000	£4,553,000
Contingency costs	£ 309,488	£ 103,500	£ 412,988	£ 426,211	£ 76,750	£ 502,961	£ 915,949
GRAND TOTAL COSTS	£ 7,499,238	£ 673,500	£ 8,172,738	£ 9,450,436	£ 1,611,750	£ 11,062,186	£ 19,234,924

Some project elements included within the above total will continue to require expenditure

into financial year 2022/23, including the Highways, utility provision and works at the Airport. A detailed business case will be produced for each specific element of project works and expenditure will only be committed beyond financial year 2021/22 where there is a clear case for doing so to complete delivery and deliver outputs and outcomes.

6.13 Prudential Borrowing

As before, the early years income streams generated by the Enterprise Zone are likely to be insufficient to meet the costs of investment required to provide enabling infrastructure, and it will be necessary to undertake Prudential Borrowing. It has been agreed by Council Loan Fund during the period 2020/21-2024/25 an 1% interest only borrowing cost will be applied to the Enterprise Zone, with capital repayment commencing in the 10th year of the Enterprise Zone and being recovered over the following 25 years, which will extend beyond the life of the Enterprise Zone.

6.14 Management of Risk

In light of the expected the economic volatility and the difficulty this presents in accurately forecasting expenditure and particularly income, performance against the delivery plan will continue to be closely monitored on a monthly basis by the Enterprise Zone Delivery team and Finance team and reviewed by the bi-monthly Project Board . Full revisions of the Delivery plan will continue to reported annually

In addition to maintaining and regularly reviewing the Project Risk Register, regular bi-monthly meetings of the Enterprise Zone and Airport Project Board are held to review progress, tackle issues and make decisions and recommendations to the Chief Executive in accordance with the scheme of delegation agreed in July 2018.

There is also a regular monthly review with the Finance team who have now identified a dedicated officer to work on monitoring progress and the financial implications.

Over the next year until the third annual review in July 2021 , the Delivery Plan will continue to be monitored and the financial modelling fully updated on a monthly basis allowing the flexibility to slow the pace of expenditure where this is warranted by delays in income needed to support Prudential Borrowing, and ensure the timely delivery of enabling infrastructure to match changing demand , and also to enable rapidly emerging opportunities to be captured ,with further commendations presented to Executive where circumstances warrant change to activity. The Enterprise Zone risk register which is shared with the Economic Prosperity Board and LEP Enterprise Zone Governance sub Committee will also be updated on a monthly basis

6.15 Does the information submitted include any exempt information? No

The Draft Delivery Plan attached at Appendix 6a includes detailed budget estimates and contingencies that enable the Enterprise Zones to be financially viable. The costings would however undermine the Council's position in continuing and future negotiations so at the time of publication this document is not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The overall budget is however summarised above in paragraph 6.12.

7.0 List of Appendices:

7.1 Appendix 6a: Draft Delivery plan- exempt
Appendix 6b: Draft Masterplan

8.0 Financial considerations:

8.1 The table below indicates the actual costs and income incurred on the scheme to date along with a forecast to 31 March 2022 and for the entirety of the scheme. They do not include the costs of prudential borrowing which will be necessary in the early stages of the scheme to facilitate development at the Enterprise Zone.

	ACTUALS TO <u>31 March</u> <u>2020</u>	FORECAST to <u>31 March</u> <u>2022</u>	TOTAL <u>SCHEME</u> <u>COST</u>
	<u>£ M</u>	<u>£ M</u>	<u>£ M</u>
COSTS	7.5	19.2	72.6
INCOME	0.8	7.5	81.2

The financial position of the scheme and its performance will continue to be monitored and an annual update will be provided to Executive.

For clarity the spend approved does not directly result in the income stream projected and is predicated on circa £200m of private sector investment once the infrastructure and other works have been completed.

9.0 Legal considerations:

9.1 None directly arising from this report.

10.0 Risk management considerations:

10.1 The primary areas of risk are associated with cost and income, with many elements including Brexit, the lasting impacts of Covid-19 and changes to the taxation system are not within the control of the Council as accountable body.

Cost

Until elements of the project are designed and full site investigation and planning requirements are known there is a significant risk that costs may increase against initial estimates, we can already see this impact in terms of increased estimates for highway costs as additional site investigation data becomes available. There is also a risk post-Brexit and during the Covid -19 recovery period that there will be cost inflation in the construction sector if there are shortages of materials or labour. Wherever appropriate detailed value engineering exercises will be undertaken to reduce cost without impact on quality.

Income

The impact on income from the effects of Brexit, Covid 19 and the natural fluctuation in market demand over the long lifespan of a project of the complexity and length of the Enterprise Zone makes it particularly difficult to forecast the timing and quantum of income as we move further into the future. There is a risk that land values on disposal may not be as great as forecast and that the delivery of individual buildings will also be delayed against forecast, which will reduce the quantum of retained business rates income and land sale receipts.

Business rates

The potential for a change in the national business rates system also adds uncertainty – whilst the funding of Enterprise Zones is based on retained rates growth, a replacement equivalency formula will need to be negotiated with Government for funding and the outcome of such negotiations cannot be guaranteed.

Mitigation

At the present time there is a strong pipeline of enquiries which is outstripping supply and at the end of the Enterprise Zone there will still be significant asset value held by the Council – not least the airport. Full reviews of the masterplan will be undertaken every 5 years with interim refreshes when appropriate, whilst the delivery plan will be monitored annually and adjusted to reflect progress, opportunity and changing environment.

A full risk register is maintained and reviewed on a monthly basis.

11.0 Equalities considerations:

11.1 None directly arising from the report.

12.0 Sustainability, climate change and environmental considerations:

12.1 None directly arising from the report.

13.0 Internal/external consultation undertaken:

13.1 Internal/external consultation undertaken:

Consultations have been undertaken with relevant directorates within the Council including Finance and Leisure, Blackpool Airport Operations Ltd and operators based at Blackpool Airport.

Following the further consultation on the Masterplan any significant revisions identified will be presented to Executive for final approval. Subsequent approval consultation on individual elements of the Enterprise Zone will take place through the normal planning application process.

14.0 Background papers:

14.1 None.

15.0 Key decision information:

15.1 Is this a key decision? Yes

15.2 If so, Forward Plan reference number: 6/2020

15.3 If a key decision, is the decision required in less than five days? No

15.4 If **yes**, please describe the reason for urgency:

16.0 Call-in information:

16.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

16.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

17.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 27 November 2020 Date approved:

18.0 Declarations of interest (if applicable):

18.1

19.0 Executive decision:

19.1

20.0 Date of Decision:

20.1

21.0 Reason(s) for decision:

21.1

22.0 Date Decision published:

22.1

23.0 Executive Members in attendance:

23.1

24.0 Call-in:

24.1

25.0 Notes:

25.1