

<b>Report to:</b>	<b>EXECUTIVE</b>
<b>Relevant Officer:</b>	Alan Cavill, Director of Communications and Regeneration
<b>Relevant Cabinet Member:</b>	Councillor Mark Smith, Executive Member for Business, Enterprise and Job Creation
<b>Date of Meeting</b>	7 February 2022

## **BLACKPOOL AIRPORT ENTERPRISE ZONE: ANNUAL REVIEW**

### **1.0 Purpose of the report:**

1.1 This report sets out the further progress on the delivery of the Enterprise Zone and related activity at Blackpool Airport and outlines activity planned for the next fourteen months to the end of financial year 2022/23. The impacts of the Covid pandemic and the uncertainties surrounding Brexit have continued to have varying degrees of impact upon the progress of the Enterprise Zone project, in particular disrupting some income streams which continues to make future forecasting and planning of Enterprise Zone investment difficult.

### **2.0 Recommendations:**

2.1 To note the progress made on the delivery of the Enterprise Zone Masterplan.

2.2 To note the higher levels of risk associated with the overall whole life expenditure and income forecasts, given the present volatile nature of the economy and uncertainty over the long term format of business rates.

2.3 To note:

- the total estimated cumulative expenditure from April 2016 to the end of financial year 2021/22 of £14.36m
- the whole life expenditure forecast to the end of the Enterprise Zone in 2041 of £73.01m at present values, plus the associated costs of prudential borrowing and
- the estimated forecast whole life income of £74.25m as set out in paragraph 6.11.

2.4 To approve the forecast expenditure budget to the end of financial year 2022/23 of £19.82m increasing the total approved cumulative expenditure by £0.92m from £28.8m to £29.72m plus associated costs of Prudential Borrowing, as set out in paragraph 6.11.

- 2.5 To note, as set out in paragraph 6.7, that the Towns Fund project is included within the overall forecast at an estimated total cost of £18m (with a grant of £7.5m and match funding of £10.5m) and will incur expenditure of c£9.4m beyond the period to end of financial year 22/23, in the three years to financial year 25/26. A further detailed report in respect of this element of the programme will be submitted to Executive in Summer 2022 when costings are finalised.
- 2.6 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 The Enterprise Zone is a 25 year long term project now entering its sixth year of delivery. There is a clear masterplan for development, approved in 2018 and substantially refreshed in December 2020, with two main phases of delivery [see Appendix 6a]. By their very nature and scale the essential enabling and infrastructure works take time to plan and implement, with work continuing on a rolling programme of activity. The pace of delivery in the past 12 months has been slower than ideal, being impacted by a number of factors, most outside the control of the Council, and principally the ongoing pandemic and impacts of Brexit. These have resulted in reduced levels of activity and confidence from potential occupiers and private sector developers on whom most of the eventual outputs will depend. Costs of construction have also increased substantially and there are now few immediate opportunities for new development until the crucial enabling infrastructure has been put in place. Significantly, there has also been a seven month delay in securing planning consent for the new changing facilities at Common Edge as a result of problems in securing Sport England approval and removal of their objection.

Nevertheless, there has also been some major progress, detailed in paragraph 6.2 below, including completion of the Multiply development with the new 25 year lease commencing on 13 December 2021, securing £7.5m of Towns Fund grant, a grant of £250,000 from the Football Foundation towards the costs of the new sports facilities, and the transition of the Airport Civil Aviation Authority operational licenses to the Council's wholly owned company, Blackpool Airport Operations Ltd.

In excess of 1950 jobs have been facilitated at the Enterprise Zone since April 2016 and there remains a healthy pipeline of enquiries. Despite intensive lobbying efforts working with the support of Lancashire Local Enterprise Partnership and the National LEP network, there has to date been no progress in obtaining an extension of Enterprise Zone fiscal benefits, with the rates relief expiring on 31 March 2022 and the Enhanced Capital Allowances in November 2023. The rates relief incentive has been extensively taken up by new occupiers and has been instrumental in the large reduction in the void occupancy rates at the Enterprise Zone, and supporting activity pre-Covid by speculative private

sector developers.

Approval to expenditure of up to £28.8m plus the cost of associated prudential borrowing for the delivery of phase one of the Enterprise Zone was given in June 2018. This figure was originally estimated expenditure over an initial 3 year period which was extended to encompass spend over 4 years when reconfirmed in 2020. The forecasted expenditure to March 2023 and March 2024 has been re-profiled to reflect the expenditure to date which is lower than initially anticipated in the December 2020 forecast, and the planned activity for the completion of phase one at Common Edge, and in particular the works included within the £18m Towns Fund business case. The anticipated gross spend to March 2023 will now exceed the currently approved figure of £28.8m, plus the cost of Prudential Borrowing by £0.92m totaling £29.72m, and it is proposed that authority to prudentially borrow is increased by £1m to £29.8m to meet the forecast expenditure to allow the delivery of the forecast expenditure to the end of financial year 22/23.

The higher gross spend now forecast to the end of financial year 23/24 reflects the higher costs of materials, a better understanding of detailed works required as design has been progressed, for example, the quotes for a new primary substation and cable diversions essential to support the data sector being targeted has increased by 25%, and the acceleration of some works to form part of the Towns Fund project which has to be complete within a short timeframe. The expenditure forecasts also include some key infrastructure and enabling works at the airport, particularly an allowance for the relocation of the control tower and new aircraft parking aprons and taxiways.

It should be noted that in the Executive report considered in 2020, the expenditure to date figures were overstated by some £2.3m as they erroneously included expenditure incurred in respect of the direct development of the Multiply building, which sits outside the main Enterprise Zone budget as a stand alone project within the Enterprise Zone.

Following approval in December 2022 the Enterprise Zone delivery is now being delivered in two phases .The first phase focussing on the eastern sector at Common edge including the new Playing fields and highways and is predominantly within the Blackpool boundary .The second phase of activity will focus on Blackpool Airport which is within the Borough of Fylde- there will however be some overlap in timing of works across both phases .

- |     |  |     |
|-----|--|-----|
| 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 seek to contain spend by delaying elements of the project, whilst also extending the timeframe for undertaking this expenditure by a further year to the end of FY 22/23. However, this is unlikely to be sufficient to complete the whole of the revised Phase 1 and Towns Fund works which will only be completed by 2025/26, and may create difficulty in committing to some elements of the extended Phase 1 works where these might extend beyond financial year 22/23. In particular it would put the ability to secure the full Towns Fund grant at risk.
- b) Approve the full £73.01m required to complete all the revised Phase 1 and Phase 2 works. In the light of the ongoing economic turbulence there is a high probability that there will be additional delays and fluctuations in demand, as well as new emerging opportunities such as the data management sector which will require a more flexible and responsive approach, thus it would be premature to make such a large commitment at this stage.
- c) Limit further activity to provide enabling infrastructure until there is proven demand for specific elements. This would not provide the flexibility to respond to often short lead time requirements from occupiers, and would significantly reduce the potential of the Enterprise Zone to generate income to meet the costs of infrastructure, ability to meet its ambitious targets of 5,000 new jobs, and the potential to generate more than £2bn gross valued added for the economy.

#### **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 with seven recommendations including agreement to the Enterprise Zone 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 after consultation with the Leader of the Council authorisation for expenditure on specific projects.

On 7 December 2020, the Executive approved a revised two phase masterplan for the Enterprise Zone noting an increase in the whole life cost estimate of £72.4m, which included the cost of the Multiply building, and the extended timescale until 2022/23 for delivery of the enhanced Phase One. Integral to the approval was the anticipation that some £7.5m of grant funding would be available to support

highways and infrastructure provision at the Enterprise Zone via the Towns Fund.

Since December 2020, further progress has been made by the Enterprise Zone 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, hence the requirement for an annual review.

Much of the activity within the last twelve months has been by way of preparatory works with summary highlights of progress set out in paragraph 6.2 below. The next twelve months are expected to see the translation of the preparatory work undertaken this year into activity on the ground with the completion of the sports facilities at Common Edge and commencement of new highways and utility infrastructure construction within the Towns Fund project. To support the increased delivery activity, two project managers have been recruited to the Enterprise Zone team, one by way of a fully funded three year secondment from Fylde Council. This increased capacity will enable the team to accommodate the higher workloads and also provide some capacity to support the extensive Growth and Prosperity programme as this also shifts into full delivery mode.

## 6.2 Progress Highlights:

The main highlights of progress in the past 12 months include:

- Completion of new Common Edge grass sports pitches which came into full use in October 2021.
- Planning Consent obtained from Blackpool and Fylde Borough Councils for new changing rooms at Common Edge.
- Grant application submitted to Football Foundation to seek £250,000 of grant funding for changing facilities, approved in December 2021.
- Practical completion of 40,000 sq ft Multiply facility at Amy Johnson Way in August 2021. Lease to Multiply completed 13 December 2021 with fit out works underway, with full operational use due March 2022.
- Full grant recovery of £800,000 from Growth Deal to support Multiply development.
- Business case prepared and approved by Town Deal Board and the Council's Executive (under delegation) and Department for Levelling Up, Housing and Communities for £7.5m of funding for highway works, including Eastern Gateway access road, Common Edge upgrade and two new access points from Amy Johnson Way to Blackpool Airport
- Completed surrender and renewal lease negotiations with South Shore Cricket and Squash Club, to enable both new changing facilities and new highways to be constructed.
-

- Concluded negotiations and exchanged contracts for the purchase of house and stable at 2 School Road, to enable highway junction improvements at School Lane/CommonEdge Road.
- Detailed design commissioned for new highways at Common Edge Eastern Gateway access and airport access.
- Detailed design commissioned for new 3G pitch and floodlit rugby pitch at Common Edge.
- Consultants appointed to progress feasibility study for Solar panel development at Blackpool Airport.
- Progressed masterplan/design for provision of new aviation hangars at Blackpool Airport, with planning applications anticipated for early 2022
- Appointed manager to lead transition of Airport Civil Aviation Authority Licences.
- Successful transition of Civil Aviation Authority operational licences from Regional and City Airports to Blackpool Airport Operations Ltd, with effect from 1 November 2021.
- Continued refurbishment of Squires Gate Industrial Estate by owners Euro Properties, with property now substantially let. Identified a pipeline of further occupier-driven development projects for the Enterprise Zone and airport, with particularly strong interest in the data management and advanced engineering sectors.
- Ongoing operational commercial and marketing support for Blackpool Airport to support approved business plan.
- Maintained marketing activity to support Blackpool Airport and sister Enterprise Zone at Hillhouse Technology Enterprise Zone in collaboration with Local Enterprise Partnership and Marketing Lancashire to promote the Lancashire Enterprise Zones branding for international marketing.
- Supported the rebranding of the Local Enterprise Partnership controlled Lancashire Enterprise Zones and the appointment of international marketing agents Colliers to promote Lancashire's four Enterprise Zones to the global market.
- 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 the Department of Levelling up, Housing and Communities, Lancashire Local Enterprise Partnership Enterprise Zone Governance Sub Committee and Blackpool Fylde and Wyre Economic Prosperity Board in accordance with approved Enterprise Zone governance regime
- Recruited two project managers to support the delivery of new physical infrastructure and commercial development at the Enterprise Zone and airport

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, £300m of private sector Investment and £2.08bn gross value added . Quantifying the levels of private sector investment is complicated as many businesses are reluctant to share sensitive commercial information, but approaching £50m is anticipated to have been secured to date.

<b>TABLE 1: Outputs : April 2016 to November 2021</b>		<b>Lifetime Target by 2041</b>
Total new jobs (including safeguarded relocated and construction FTE)	<b>1950</b>	<b>5000</b>
New Companies located on site	<b>133</b>	<b>180</b>
Live enquiries received for land or property	<b>297</b>	
Total completed new developments	<b>10</b>	
Completed refurbishments and extensions	<b>6</b>	

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 within smaller businesses occupying easy in/easy out accommodation at Flexspace and Business First, although such accommodation is usually swiftly re-occupied. Overall the level of employment attrition as a result of Covid-19 has been relatively small. There have been some bigger employers taking space most notably Lancashire Constabulary who have 100 staff in occupation at Indemnity House.

6.4 The Enterprise Zone retains the capability of achieving or exceeding the 5,000 jobs target over its lifetime, although the gross valued added potential may have reduced slightly 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.

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 Makes it Work” business campaign, also working closely with the Department for International Trade, the Local Enterprise Partnership and Marketing Lancashire to promote the Lancashire Enterprise Zones brand for the four Lancashire Enterprise Zones.

The completion and commissioning of the Aqucomms Transatlantic fibre optic cable and the roll out of the Local Full Fibre Network across the Enterprise Zone has already generated strong interest from the digital sector, with a number of potential data centre requirements in the early stages of negotiation. A detailed digital sector prospectus is in preparation.

The branding for Lancashire Enterprise Zones has recently been refreshed and during next year will be applied to the Enterprise Zone signage and revised and updated web sites and brochures. The Lancashire Local Enterprise Partnership has also appointed international property agents Colliers, to assist in promoting the four Enterprise Zones to an international commercial audience.

Ability to undertake the full range of activities in the past year has been restricted by the continuing pandemic related restrictions but opportunities are now being identified for wider engagement with key target sectors and participation in trade and regeneration events is being planned for 2022.

#### 6.6 Blackpool Airport:

The Enterprise Zone team has continued to provide extensive support to the Blackpool Airport management team in the face of some significant operational challenges, and in particular took a prominent role in supporting six months of intensive activity to secure the transfer of Civil Aviation Authority operating licences for the Aerodrome and Air Traffic Control Services, from the outgoing contractor Regional and City Airports to Blackpool Airport Operations Ltd (BAOL); a task that was successfully concluded on 1 November 2021.

Support will continue particularly in respect of marketing, property management support, occupier liaison and commercial activity at least until the new Blackpool Airport Operations Limited management structure and a new Managing Director is in place.

A number of aviation-related opportunities have been identified and subject to planning consents being obtained from Fylde Council, it is anticipated that two new private hangar developments will be progressed within the next 12 months with further opportunities under consideration.

Implementation of the second phase of the Enterprise Zone masterplan, will necessitate the provision of some replacement operational infrastructure, Land will also need to be transferred from the airport property company, Blackpool Airport Property Limited, to the Council to enable future Enterprise Zone commercial development, and further reports will be presented for consideration in due course. The refreshed Delivery Plan estimates for whole life expenditure include an



allowance for a contribution in future years to the costs of new operational infrastructure at the airport.

#### 6.7 Blackpool Airport Enterprise Zone – Towns Fund:

Much of the past year's effort has been directed to completing the business case for the Enterprise Zone Towns Fund project. This is to support business and jobs growth within the Enterprise Zone through part funding (with Council match) the creation of the new highways and associated infrastructure at Common Edge that will aid in the mitigation of a number of existing barriers to development, principally opening up the old Common Edge sports fields (which are currently part of the designated Blackpool Greenbelt) for commercial and limited residential development.

Firstly, this project looks to create a new entry and exit point for traffic into the Blackpool Airport Enterprise Zone to the east of the designated area, (Eastern Gateway access road) negating the business park's current status as a cul-de-sac and reducing travel times and standing traffic, particularly at peak vehicle flow times. Secondly, its route through the east of the Enterprise Zone will also open up 10.5 hectares of previously inaccessible development land for the creation of serviced plots, thereby addressing the current lack of new development space within the Enterprise Zone to accommodate businesses looking to locate and grow there.

This £18m scheme, including £7.5m of Towns Fund grant, will be delivered by Blackpool Council as scheme promoter and accountable body, with the Council's Enterprise Zone team leading on project delivery, supported by the Council's Highways team. External consulting engineers Wilde, have been appointed to prepare the detailed designs for the roads and their work will be completed in mid-2022 to enable phased delivery of the road construction.

Formal approval from the Department for Levelling Up, Housing and Communities was received on 10 December 2021 with an initial tranche of Town Deal funding of £737,000 for the current financial year released. The outline planning application for the new highways will be submitted in January 2022 with a separate application to be made to Fylde Borough Council for two small access points to Blackpool Airport from Amy Johnson Way, scheduled for submission in early 2022.

Expenditure on the Towns Fund project includes £10.5m of Council match funding, which is reflected in the business plan, to be incurred between April 2021 and March 2026, therefore expenditure of circa £9.4m will be incurred beyond the financial year 22/23 for which approval will be sought when costings are finalised.. The detailed construction programme, costs and expenditure profiles are in the process of being developed, with the cost forecasts for the Highway works utilised being based on high level estimates and a further detailed report will be presented for consideration by the Executive in summer 2022, when more accurate estimates are

available, at which point the Delivery Plan model and expenditure forecasts will also be updated.

6.8 Proposed Acquisitions:

Over the next year it will be necessary to acquire additional leasehold and freehold interests in property within the Enterprise Zone to complement the two purchases concluded in the past twelve months, at 2 School Road and from South Shore Cricket and Squash Club. The objective in securing these property interests will be to enable delivery of key infrastructure, including the new secondary airport access from Amy Johnson Way, and to bring forward existing serviced sites for development where there has been a reluctance by private sector owners to do so in a timely fashion.

In the medium term 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 and development opportunity maximised. Where property acquired is used by operational tenants at the airport, better quality alternative accommodation will ultimately be provided closer to the airport's main operational runway. This may include consolidation of reversionary freeholds held by Blackpool Airport Properties Limited into the Council estate, the anticipated costs for which are included within the Delivery Plan. Whilst negotiations are ongoing it is necessary that details remain confidential.

6.9 Consultation:

Over much of this year consultation with the local community and key airport stakeholders has been severely hampered by social distancing requirements and therefore has been limited to on-line consultation (with information being provided via the regular Enterprise Zone newsletter). The first open engagement took place on 16 November 2021 at AFC Blackpool's Jepson Way ground, where local residents and representatives of the Marton Moss Neighbourhood Forum were invited to view and feedback on the proposed outline highway designs.

Overall this event secured positive feedback with some points of specific detail being highlighted which will enable appropriate adjustments to be made to the detailed designs being prepared by Wilde Consulting. There has also been regular communication with key public sector stakeholders including Lancashire County Council, Fylde Council, the Environment Agency and United Utilities, particularly to identify activity to support resolution of wider drainage concerns.

6.10 Common Edge Sport Facilities:

After significant delays, whilst an objection from Sport England was eventually resolved by way of agreeing a new Playing Pitch Strategy, and details of highway design at Division Lane were agreed with Lancashire County Council, planning consent was finally granted by Blackpool Council for the new changing facilities, car

park, 3G floodlit rugby pitch and training area at Common Edge in June 2021. Approval in principle was similarly granted by Fylde Borough Council in August 2021, although their formal issuing of the decision notice was delayed by ongoing discussions with Lancashire County as the lead local flood authority to confirm conditions appended to the consent.

Ability to progress construction work was also restricted as the Football Foundation grant conditions which would not permit this to commence until a without prejudice permission was granted by them pending the grant approval, and this was obtained at the beginning of October 2021. The grant application was completed in September after the Football Foundation amended their requirements for submission and approval of the £250,000 grant confirmed on 13 December 2021.

The contract for the construction of the changing facilities was tendered in November 2020 when it was anticipated that the planning consents would be granted in the following January. It has been possible to negotiate an extension with the successful tenderer Conlon's, to maintain the tendered price despite the impact of recent significant price rises in construction materials, with the contractor also having agreed minor variations to reflect additional works to the drainage culverts and access footpaths and access road improvements.

Construction work has now commenced with an anticipated completion date in May 2022, allowing time for the facilities to be prepared for full use from August 2022. Associated highway works to construct the improved Division Lane/Common Edge Junction will be subject to a separate tender when Wilde Consulting have completed the detailed design, with the anticipated construction to commence in May/June 2022 with an eight week delivery time.

Detailed design work for the 3G floodlight pitch and for the associated floodlight rugby pitch is ongoing, with the work scheduled to be tendered in February and a contract awarded in March, with an estimated eight month build which will enable to facilities to come into use in October 2022.

Existing changing facilities at Jepson Way will continue in use for the new sports pitches until the new changing facility is complete and commissioned, and will then be demolished. Some of the original Common Edge pitches may continue in use until Spring 2022 to provide additional capacity, until the land is needed for works in connection with the new Eastern Gateway access.

#### 6.11 Revised Delivery Plan:

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

the period to the end of the next financial year 2022/23.

The £19.16m of expenditure planned for the next 14 months to the end of financial year 2022/23 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 sub-stations at the airport, upgrading of water mains at the airport and the construction of two additional points of access to the airport estate to facilitate the construction of two new private aircraft hangars, together with associated consultancy, staff and marketing costs, and a related contingency allowance.

The Delivery Plan approved in December 2020 envisaged whole life expenditure of c.£72.6m plus prudential borrowing to deliver the Enterprise Zone. The cost to-date and costs forecasts presented to the Executive in December 2020 included the actual expenditure of £2.3m incurred in respect of the development of the 40,000 sq ft at Amy Johnson Way for occupation by Multiply. These costs have now been removed from the current forecasts as the Multiply development is now a stand-alone project with separate funding and income budgets.

There has been a small increase in the forecast overall project expenditure as a result of material costs increases and progression of detailed design. The revised Delivery Plan model (Appendix 7b) estimates a required expenditure of £73.01m 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 2023 with the next stage of activity as detailed above. The estimates are based on current prices and exclude allowances for inflation but include a general contingency of 5%. The cost of prudential borrowing would be additional to these estimates. The Towns Fund grant will also generate £7.5m of income in this period.

It is difficult to isolate all specific costs for each of the two masterplan development phases with many areas of cost overlapping, particularly relating to the delivery and marketing activity, consultancy fees and some property acquisition and off-site costs including utility reinforcement.

Table 2 below illustrates the small variations in the key expenditure components between the approved delivery plan from December 2020 and the revised forecasts

<b>TABLE 2 : COMPARISON OF PHASE 1 EXPENDITURE FORECASTS</b>		
<b>Description</b>	<b>Approved 2018-21 forecasts</b>	<b>Revised forecast to Mar 2023</b>
Infrastructure	£6.55M	£ 5.73 M**
Direct Development	£3.30M	£ 4.11 M
Consultancy/fees	£0.65M	£ 1.1 M
EZ Delivery	£1.00M	£ 1.59 M
Other costs	£2.585M	£ 5.54M
Land Acquisition costs	£13.3M*	£ 10.55 M ***
Contingency 5%	£1.441M	£ 1.1 M
<b>GRAND TOTAL COSTS</b>	<b>£28.8M</b>	<b>£ 29.72 M</b>
*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 4 years.		
*** includes brought forward acquisition of property for Phase 2 Airport		

A series of graphs at Appendix 7c (exempt from publication) illustrate the current expenditure forecast compared to the the projected spend envisaged in December 2020 showing how this has lagged slightly behind forecast. The graphs also similarly illustrate the anticipated shift in the forecast receipt of income and the years when expenditure exceeds income, there will be a continued requirement for prudential borrowing.

The approved December 2020 Delivery Plan estimated a total income generated from retained business rates growth, land sales and grants of £73.01m, with the revised draft Delivery Plan now anticipating a total Enterprise Zone lifetime income from retained business rates growth, land disposals, rentals and grant including £7.5m of Towns Fund of some £74.25m. This estimated income includes a deduction of 40% to reflect 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 or delayed due to:

- weaker demand
- delays in delivery and occupation of new premises
- potential requirements to subsidise the Enterprise Zone rates baseline income where this could be impacted by voids, bad debts and successful rating appeals

The Optimism Bias income reduction percentage used in December 2020 was set at 30% but has been increased to 40% in the current forecast to reflect increased economic uncertainty.

A more detailed summary of the forecast expenditure to progress the two Enterprise Zone delivery phases approved in December 2020 (Common Edge and Airport) are illustrated in the Table 3 below. The forecast, combined expenditure to progress Phases one and two to the end of financial year 2022/23 is £19.8m as set out in Table 3 below:

TABLE 3	2021/22			2022/23			GRAND TOTALS
	phase 1	phase 2	Total	phase 1	phase 2	Total	
Phase 1 infrastructure	£614,363	£ -	£614,363	£5,001,809	£ -	£5,001,809	£5,616,172
Phase 2 infrastructure	£ -	£0	£0	£ -	£ -	£0	£0
Direct Development	£260,000	£ -	£260,000	£3,850,000	£ -	£3,850,000	£4,110,000
Consultancy / Fees	£55,000	£ -	£55,000	£55,000	£ -	£55,000	£110,000
EZ Delivery	£485,500	£ -	£485,500	£415,500	£ -	£415,500	£901,000
Other Costs	£1,376,283	£ -	£1,376,283	£3,386,320	£ -	£3,386,320	£4,762,603
Land Acquisition Costs	£1,367,200	£ -	£1,367,200	£2,013,077	£ -	£2,013,077	£3,380,277
Contingency costs	£207,917	£ -	£207,917	£736,085	£ -	£736,085	£944,002
<b>GRAND TOTAL COSTS</b>	<b>£4,366,263</b>		<b>£4,366,263</b>	<b>£15,457,791</b>	<b>£0</b>	<b>£15,457,791</b>	<b>£19,824,054</b>

Some project elements included within the above total will continue to require expenditure into financial year 2023/24 and possibly beyond, particularly the Highways/Towns Fund project and utility provision. A detailed business case will be produced for each specific element of project works and expenditure will only be committed beyond financial year 2022/23 where there is a clear and compelling case for doing so to complete delivery and deliver outputs and outcomes.

#### 6.12 Prudential Borrowing:

As referenced in December 2020, 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 that prudential borrowing for the Enterprise Zone will be applied at a discounted rate during the development phase of the scheme and

that this will be on the basis of interest until the end of March 2025, with capital repayments 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.

6.13 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 be 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 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.

Until the next review which is proposed takes place at the end of financial year 22/23, 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 recommendations presented to Executive where circumstances warrant a change to activity. The Enterprise Zone risk register which is shared with the Blackpool, Fylde and Wyre Economic Prosperity Board and Local Enterprise Partnership Enterprise Zone Governance Sub-Committee will also be updated on a monthly basis.

6.14 Does the information submitted include any exempt information? Yes

The Draft Delivery Plan attached at Appendix 7b and the graphs at appendix 7c includes detailed budget estimates and contingencies that enable the Enterprise Zone 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.

**7.0 List of Appendices:**

- 7.1 Appendix 7a : Approved Masterplan
- Appendix 7b : Revised Delivery Plan (exempt)
- Appendix 7c: Comparative expenditure and income graphs (exempt)

**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 2023 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. Also, the spend approved does not directly result in the income stream projected and is predicated on circa £300m of private sector investment once the infrastructure and other works have been completed.

	<b>ACTUALS</b> to <b><u>31 March</u></b> <b><u>2021</u></b>	<b>FORECAST</b> to <b><u>31 March</u></b> <b><u>2023</u></b>	<b>TOTAL</b> <b><u>SCHEME COST to</u></b> <b><u>31 March 2041</u></b>
	<b><u>£ M</u></b>	<b><u>£ M</u></b>	<b><u>£ M</u></b>
<b>COSTS</b>	<b>9.9</b>	<b>29.72</b>	<b>73.01</b>
<b>INCOME</b>	<b>0.8</b>	<b>6.9</b>	<b>74.25</b>

**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 outwith the control of the Council as accountable body. A full risk register is maintained on a monthly basis.

**10.2 Costs:**

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. All major cost elements within the Delivery Plan contain an appropriate level of contingency and there is also a whole scheme contingency allowance included.

### 10.3 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.

In particular over the last year, the retained rates growth income has had to be deployed to backfill the Enterprise Zone baseline rates income, when collection of business rates within the Enterprise Zone designated boundary from Fylde and Blackpool failed to exceed the baseline threshold established in December 2016. This was a result of voids and third-party delays in establishing rateable values at Squires Gate Industrial Estate, which has deleted recovery, non payment and default of bad debts across the wider estate. This requirement to backfill the baseline rates income is believed to be a short term event with potential to recover some of the rates arrears during the current 21/22 financial year and beyond.

There is also a risk that land values on disposal may not be as great as forecast, as construction costs increases outstrip increases in rents and capital values. Similarly the delivery of individual buildings may also be delayed against forecast, which will reduce the quantum of retained business rates income and land sale receipts.

### 10.4 Business rates:

The potential for a future 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 for all Enterprise Zones with Government for funding and the outcome of such negotiations cannot be guaranteed. At present the forecasts for income from retained business rates growth reflect a deduction of 40% for optimism bias from potential income, to cover delays and the impact of rates appeals, voids and bad debt. The level of deduction for Optimism Bias has been increased from the figure of 30% utilised in December 2020.

### 10.5 Planning:

The Common Edge playing fields currently form part of the Blackpool Greenbelt, and as the outcome of the Local Plan Part 2 Examination (which took place in December 2021) will not be known until summer of 2022. Initial planning applications within this area will need to be referred to the Secretary of State for determination which may result in delays to the award of planning consents and

thus ability to commence construction, delaying expenditure and income.

**10.6** Mitigation:

At present there is a strong pipeline of enquiries which is outstripping supply and at the end of the Enterprise Zone term, there will still be significant asset value held by the Council, not least the airport and the Common Edge sports facility. Full reviews of the Masterplan will be undertaken every five years with interim refreshes when appropriate, whilst the Delivery Plan will be monitored annually and adjusted to reflect progress, opportunity and the changing environment.

**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 Consultations have been undertaken with relevant directorates within the Council including the Growth and Prosperity Board, 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: 28 January 2022 Date approved:

**18.0 Declarations of interest (if applicable):**

18.1

**19.0 Summary of Discussion:**

19.1

**20.0 Executive decision:**

20.1

**21.0 Date of Decision:**

21.1

**22.0 Reason(s) for decision:**

22.1

**23.0 Date Decision published:**

23.1

**24.0 Alternative Options Considered and Rejected:**

24.1

**25.0 Executive Members in attendance:**

25.1

**26.0 Call-in:**

26.1

**27.0 Notes:**

27.1