

The Enterprise M3 Board is asked to:

NOTE: Good progress and engaged partner commitment to development of the next steps for the EM3 Enterprise Zone.

1. Background & Summary

- 1.1. The first five-year period of the Enterprise Zone ends on 31st March 2022. At a recent meeting, the Programme Steering Group (PSG) discussed the findings of a report setting out the current situation across the Enterprise Zone. The report also proposed, as next steps, commissioning more detailed work to support informed decisions about the EZ's future development.
- 1.2. Following a relative reduction in activity to advance the EZ due to the pandemic, EM3 and our EZ partners are now both keen and in a good position to step up activity, initially in the shape of commissioning fresh analytical work. This analysis will form the foundation of a new implementation plan to take the EM3 EZ to its next level over the next five years.

2. Performance of Enterprise Zone to date with reference to targets and projections

- 2.1. An updated forecast of BRIG, including the actual income up to March 2021 and future income to 2042, is below the original projections, produced as part of the original bid to HMG (see **Annex A**). This is due to slower than anticipated progress on site occupation and the type of property uses at some sites with lower rateable values than originally envisaged.
- 2.2. Performance against the other main metrics is summarised in **ANNEX B** below. The story is largely the same on all metrics: **businesses supported** are below initial projections; **jobs created** lag behind other interventions and below projections; **floorspace developed** is also down on initial projections.
- 2.3. As section 3 of this paper sets out, it is important to acknowledge several tangible positive outcomes across the EZ, which also suggest good potential for a successful way forward.

3. Site Level Situations & Conclusions

Longcross

- 3.1. Further infrastructure investment onsite from the EZ is unlikely to be needed. The site is now completely occupied by film and tv production and by a data centre. This does mean lower rateable values and employment than envisaged. However, the inward investment of Netflix at this site and the potential for spin out jobs and growth in businesses in the creative industries should be regarded as a positive economic development opportunity.

Basing View

- 3.2. Regeneration is happening and there has been some genuine additional property development. Importantly the local vision for Basing View has evolved and should now be seen as part of the wider town centre plans. This influences the types of interventions appropriate for Basing View going forward in terms of connectivity to the town centre. Good market intelligence is essential – what is the demand for Grade A office space? Should it be single occupancy? Should the offer be enhanced by for, for example, R & D or business support facilities?

Whitehill and Bordon

- 3.3. The economic vision and the sector vision are considered as still relevant by partners but land values are the major underlying issue: office accommodation (work hub style) would require subsidy and is hard to achieve for this site, but the original sector emphasis has held good.
- 3.4. The site is not yet at a tipping point. The new site owners for Tech Forest have been selected by Homes England but not yet announced. If the EZ ended there was concern expressed by the local authority that Tech Forest might go to leisure, retail and residential and Louisburg would remain under-developed.

4. Issues for the EZ Programme

- 4.1. The public sector investment arrangement which supported the EZ so far, is not capable of being replicated for the next period of the EZ. This arrangement consisted of forward funding through the LEP with a mix of grants and loans, and the grants being reimbursed over time from BRIG proceeds. Initial conversations suggest the risks look too high for borrowing by individual councils given the poor track record on business rate growth. This requires further discussion.
- 4.2. The underlying issue for the Zone is the different stage of development between the sites. Following from that, partners point to several aspects of the programme which should be considered in a refreshed approach to the Zone:
 - a) **Tri-site EZ** - in principle the tri-site zone does provide more weight. Are the benefits clear for all three sites? The tri-site concept has not been sufficiently developed and marketed and there is interest in closer working across the zone to provide capacity that is not available at individual sites.
 - b) **Marketing** - needs to be stepped up. There is a significant issue about the balance between site specific and programme level marketing. Scale and “regional clout” are appealing to many inward investors.
 - c) **Decision Making** – the next iteration of the programme will need to consider how decisions are made about interventions, their financing and the wider use of revenues.

5. Conclusions

- 5.1. The findings of a report setting out the current situation of our EZ has provided useful clarity on the key issues and the way forward. The report, identifying the main issues as the different stages of development between the three sites; and changes in local strategic ambitions and in the wider economy, was received positively by members of the PSG.
- 5.2. The next implementation plan will need to be shaped from the findings of some thorough analysis and examination. These include gathering: better income projections; updated market analysis especially for office space; and an exploration of mechanisms to generate funds to invest in the Zone ahead of an expected return from BRIG. This work will also look to review targets and set some shorter term targets to allow better performance monitoring.
- 5.3. EM3 will now take forward two important and positive actions: to recruit a Head of the EM3 Enterprise Zone and to begin the process of procuring specialist expertise to support the development of the next implementation plan. Both will be financed by the EZ programme operational budget and taken forward in consultation with the EZ Programme Steering Group.
- 5.4. As we reach the end of the first five years of the EM3 Enterprise Zone, and enter a new phase, I would like to put on record thanks and appreciation of my colleague, Fiona McMurray, Senior Project Officer for the EZ.

Sue Littlemore – Director, Policy, Economic Strategy and Communications
21 March 2022

Annex A: BRIG Summary March 2022 update

BRIG Forecast March 2022	Total all Years	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total Yrs 1-10	Yrs 11-25
Contributed by:		17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	17-27	27-42
	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k
BDBC: Basing View	39,830	-	-	-	-	-	-	168	1,393	1,477	1,563	4,601	35,229
Runnymede: Longcross Park	50,125	116	179	107	153	107	123	2,257	2,426	2,627	2,627	10,722	39,403
East Hants: Whitehill & Bordon	25,809	4	54	46	41	39	46	882	998	1,021	1,076	4,207	21,602
Programme Costs	5,514	161	170	115	93	83	242	210	220	230	240	1,764	3,750
Net BRIG	110,250	- 41	63	38	101	63	- 73	3,097	4,597	4,895	5,026	17,766	92,484
Cumulative Net BRIG		- 41	22	60	161	224	151	3,248	7,845	12,740	17,766		110,250

Notes:

BRIG

Includes actual BRIG reported by Local Authorities to MHCLG via NNDR reports for years 2017 - 2021

BRIG for the 2021/22 financial year is based on forecasts provided by Local Authorities in NNDR1 report for the year

Forecast for 2022/23 financial year is based on forecasts provided by Local Authorities in NNDR1 for the year

Forecast for 2023/24 onwards based on updated development programme for sites

Programme Costs

For years 2017 - 2021 actual costs within LEP budget

For 2021/22 financial year estimated cost within LEP budget

For 2022/23 financial year estimated costs within LEP budget

For years 2023 - 27 onwards - estimated costs for Programme Support

ANNEX B: EZ Performance against main metrics as reported March 2022

Output	Achieved	Target (by 2042)
Jobs (Direct)	792.5	10,000
Jobs (Construction)	105	
Floorspace (sq metres)	21,934	200,000
Business Supported	24	131