



FIVE YEAR BUSINESS PLAN – Executive Summary

April 2021

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Executive Summary

Introduction

Aylesbury Vale Enterprise Zone (AVEZ) was designated by the government in 2016 and an Implementation Plan was drawn up for the first five years of operation. That Implementation Plan expired in March 2021 and this Business Plan is intended to replace it for Years 6-10 (2021-26) of the AVEZ lifespan.

There have been significant changes in the first five years of the EZ:

- Performance against plan has been good, but the metrics used do not align with our objectives for the EZ.
- From 1 April 2021, businesses moving into the EZ will not qualify for rates relief as an incentive, so we need to develop a replacement offer.
- Much of the strategic context for the EZ has changed. In particular, the creation of the new unitary Buckinghamshire Council gives an opportunity to tie EZ objectives to the countywide economy rather than just the development of the EZ sites themselves.
- The three individual EZ sites have developed in different ways at different paces and now require different strategic approaches to maximise their potential.
- As the EZ gathers pace, its capacity to generate income and invest in growth is increasing rapidly.

Because of these changes, we have decided to review our strategic ambitions to see if the original vision and objectives were still appropriate, as well as updating the Implementation Plan.

In preparing this Plan, we commissioned an independent review of performance against targets and of our financial model. We consulted the site owners and our principal partners, Buckinghamshire Council and Buckinghamshire Business First. While this Plan is a public document in accordance with our principles of openness and transparency, it is intended primarily as a management tool to assist the AVEZ board and staff in planning for the next five years of the EZ.

The role of the AVEZ board is to:

- Manage the delivery of the strategic vision, objectives, and priorities of AVEZ.
- Guide the investment model for the EZ and make decisions on the use of income, financial incentives and interventions, and projects.
- Supervise the Executive Team of AVEZ; monitor the performance of the EZ against key measures including financial targets and economic outputs.
- Alongside the Accountable Body (Buckinghamshire Council), monitor and account to government for the proper and responsible use of EZ funds.

Key Assumption

We assume that under any likely scenario AVEZ will generate an increasing revenue from retained rates during the plan period that will be sufficient to fund its programme of activities. This plan includes provision for substantial capital contributions to two major projects required for the EZ sites to reach their full capacity. If those projects do not progress as hoped (or do not require capital support), the EZ may fail to maximise its long-term potential but it will create a short to medium term revenue surplus. This Plan may need an early review to address this issue. Any surplus will be relatively small but can be used to fund individual capital projects that meet our investment / economic development priorities at the time.

Performance against Plan

Overall progress, in terms of floorspace achieved and income generated, has been good in the first five years and close to the original targets. Despite the impact of COVID, we expect new development at Silverstone and Westcott to come on stream in 2021, proving that the EZ continues to be a success.

In this Plan period we will:

- Develop a new methodology for capturing jobs created by businesses on EZ sites.
- Conduct more research into the relationship between floorspace and jobs.
- Change our key metric from gross direct jobs created to GVA to better reflect the economic impact of the EZ on the Buckinghamshire economy.
- Continue to record gross jobs and numbers of businesses new to the EZ to meet government monitoring requirements.
- Keep the possibility of a small, targeted rates relief scheme under review but not introduce one for the present.

Strategic Context

The EZ Programme is now a legacy programme at national level and while it is expected to continue for the full 25 years, it is less likely to be a convincing rationale for government support in the future.

The direction of travel for central government policy is towards the levelling-up agenda which is more favourable to areas further north in England. In consequence, government funding will be harder to obtain unless it meets central government policy objectives.

AVEZ will therefore be reliant on retained rates income to finance its programmes and investments. A fuller review of business rates and prudential borrowing policy is included in the Financial Case.

The creation of the unitary Buckinghamshire Council and the development of a countywide partnership to promote economic growth provides the opportunity to reshape the AVEZ strategy to maximise its impact on the Buckinghamshire economy, as a whole. The existing countywide strategies, including the BLEP Local Industrial Strategy already endorse the EZ sites and set out the direction of travel.

At the moment, the strategic intent is clear, but the action plan needed to deliver it is not yet developed. Our immediate task is to develop that action plan.

Our approach will be sector based because we believe that now that business rates relief is no longer available to incoming businesses, the attraction of the EZ sites owes as much to their status as clusters as it does to their physical characteristics:

- Silverstone - High tech engineering
- Westcott - Space Innovation
- Arla/Woodlands - MedTech and Creative and Digital

The sector-based approach also will help tie Arla/Woodlands to the MedTech cluster growing around Stoke Mandeville Hospital and to the Creative and Digital cluster in the south of the county centred on Pinewood.

We will develop a compelling sector-based offer for businesses to replace the original rates relief incentive. For businesses we will develop:

- An inward investment offer.
- Business support programmes to improve growth and productivity.
- Capital investment where the opportunity matches our investment / economic development priorities.
- Supply chain opportunities for local businesses.

To improve local jobs up-take we will develop:

- Skills training, including apprenticeships.
- Improved accessibility to the EZ sites.
- Opportunities to engage with EZ businesses.

To achieve this strategy, we also need to maximise the development potential of each EZ site.

Silverstone Park

Silverstone is located on the northern boundary of Buckinghamshire and fell in the Northampton Travel to Work Area in the 2011 Census. This means that most of the businesses in the EZ are relocating from outside Buckinghamshire – for example from Brackley and Towcester - which is beneficial – but they create very few indirect jobs in the county because most of the local population and facilities are in Northamptonshire. Moreover, the area has a low density of population which can create problems of labour supply and accessibility.

Over the next five years, Silverstone Park will continue to grow organically and there is no need for us to intervene to speed up the pace of development itself. Indeed, MEPC has just announced its intention to build out Phase 3 of the EZ speculatively in 2021. However, it is apparent that many businesses have room to expand their workforce and the more we can

help them to do that quicker, the better the impact on our economy. These jobs are typically much more productive than the UK average with a higher GVA per job.

Our priorities for the next five years are to:

- Work with MEPC and the Silverstone Technology Cluster to maximise marketing for new businesses and business support for existing businesses.
- Capital investment where the opportunity matches our investment priorities.
- Develop supply chain opportunities for local businesses
- Improve accessibility to the site for local workers and students.

Longer term, there are proposals to extend the business park to the south, beyond MEPC ownership (without necessarily formal EZ status). We will support preparatory work on this proposal during this Business Plan period.

Westcott Venture Park

The immediate challenge is to obtain funding for the next Satellite Applications Catapult project at Westcott, which is the Disruptive Innovation Space Centre, a £30m project comprising a building provided by Patrizia and fitted out with the latest equipment to assist prototype testing and manufacture. This is intended to provide move-on space for the incubation and innovation centre tenants as well as to attract established international businesses. AVEZ has been assisting with business case development and with lobbying but progress has been slowed by the COVID crisis. We hope for more positive news during 2021.

Patrizia is providing a smaller building outside the EZ for an interim DISC so momentum can be maintained but the full DISC is essential for Westcott to reach critical mass and be a self-sustaining commercial proposition. Our assumption is that, without it, Westcott will not develop much further although there is some scope for non-space related uses.

Westcott also suffers from many of the issues that affect Silverstone. It is in a relatively under-populated area with few facilities nearby and poor accessibility. It is also technically in the Oxfordshire Travel to Work area with some of its workforce still commuting from Harwell.

There are proposals from SAC for a visitor/training centre and, longer term, for further development targeting sectors such as Agri-tech. We will support preparatory work on these proposals during this Business Plan period.

Our priorities for the next five years are to:

- Support SAC in seeking government funding for DISC
- If necessary, be prepared to co-fund the DISC using prudential borrowing, repaid by retained rates.
- Work with Patrizia and SAC to
 - Develop the masterplan for the site.
 - Maximise marketing for new businesses and business support for existing businesses.
 - Develop supply chain opportunities for local businesses
 - Improve accessibility to the site for local workers and students.
 - Support proposals for the visitor centre.

Woodlands/Arla

Woodlands presents a complex set of challenges because the land is currently in private ownership but BLEP and the Council, through their subsidiary Buckinghamshire Advantage, are the development promoters.

There are now embryonic plans to establish a healthcare or MedTech campus at the Woodlands site and while this is a long-term ambition, it may require some early revenue expenditure to explore the implications. It would also enable Woodlands to be promoted as a MedTech campus.

It also has also been recently confirmed that two units in the first phase of the Symmetry Park development will be occupied by Apple as a TV / film production centre for its streaming service. This is exciting news, and it also provides a chance to link Woodlands to the creative digital cluster in the south of the county.

Our priorities for the next five years, working with Buckinghamshire Advantage and the landowners, are:

- The agreement of a major planning and investment package to deliver the Eastern Link Road South and the infrastructure needed to open up the Woodlands site, with revenue support for pre-development work where required.
- If necessary, be prepared to co-fund the infrastructure using prudential borrowing, repaid by retained rates.
- Marketing and business support through our revenue budget to develop the Woodlands offer for the MedTech and Creative and Digital sectors.

Our default assumption is that AVEZ will only be involved as provider of revenue support programmes and can rely on BLEP and the Council to take the lead in commercial arrangements. Clearly, that would change if AVEZ were providing significant capital investment and AVEZ would need to work with BLEP and the Council to agree suitable commercial arrangements.

Economic Case

In the section on Performance against Plan, we identified a need to change our key metric from gross direct jobs created to GVA to better reflect the economic impact of the EZ on the Buckinghamshire economy.

In the Section on Strategic Context, we concluded that we would develop a revenue programme providing support for businesses and training for local people.

To achieve this strategy, we also need to maximise the development potential of each EZ site.

We looked at four different options or scenarios, using HMT Green Book methodology:

1. *Do nothing* – in which we made no further interventions in the EZ and simply collected the business rates to fund other activities.
2. *Programme and Project revenue support* – In which we spend £500,000pa on revenue support for the strategy, but the EZ sites fail to develop fully.
3. *Optimistic outcome* – this option is the same as Option 2 except that the EZ sites develop fully, without needing capital investment from AVEZ.

4. *Capital support* - in which we are also required to make significant capital contributions to the development of Westcott and Woodlands to ensure that the sites develop fully.

There is a sound economic case for investing in a revenue support programme for businesses and training with a BCR of 2.6:1 which is very good, even if the EZ sites fail to develop fully.

Enabling the EZ sites to develop to their full potential improves the economic case so much that it is fully justified. Even if it requires significant capital contributions, on our assumptions the BCR would still be 33:1 which is exceptionally good.

Commercial Case

As previously, all capital investment will be appraised to ensure it meets the requirements of the relevant funding stream and BLEP's assurance framework. Capital projects funded from retained business rates will be expected to meet the strategic priorities of this business plan together with the government's own investment priorities at the time.

Currently most of the relevant business support and skills activities are provided in-house by BLEP or by existing arrangements with Buckinghamshire Business First which operates the LEP Growth Hub. Until now these have been mainly focussed on Aylesbury and the south of the county, with Silverstone Technology Cluster and the SAC leading activities at Silverstone and Westcott respectively. There are several further and higher education bodies who also play a role and the new Buckinghamshire Council has an active economic development team. As part of the implementation plan for our revenue support programme, we will carry out a comprehensive review of who does what, to make sure that the programmes are arranged to minimise overlaps.

Management Case

As the EZ expands its activities and generates more income, we need to build its management capacity by:

- Enlarging the AVEZ board
- Improving the interaction with our accountable body
- Adding financial management capacity.
- Improving our data collection
- Developing our revenue support programmes into a coherent offer.

We will continue our prudent approach to risk management by making allowance for voids and delays to projects in our income forecasts and by only borrowing against income from completed and committed development.

