



## Lancashire Enterprise Partnership Limited

**Private and Confidential: NO**

**Date:** Monday, 11 February 2019

### **Growth Deal Funding Approvals**

(Appendix 'A' refers)

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#### **Executive Summary**

This report asks that the Lancashire Enterprise Partnership Board to approve Growth Deal funding for the AMuseum scheme.

The report also provides the Board with an update on the overall performance of the Growth Deal programme and specifically seeks the Board's sign-off for the Growth Deal quarterly reporting for Quarter 2 (July to September) 2018/19, which is attached at Appendix 'A'.

#### **Recommendation**

The Lancashire Enterprise Partnership Board is asked to:

- 1). Approve a maximum funding allocation of £1.500m to the AMuseum scheme, subject to:
  - (i) the conditions as detailed within the body of this report being completed to the satisfaction of the Growth Deal Management Board; and
  - (ii) the finalisation and execution by Lancashire County Council (as accountable body for the Lancashire Enterprise Partnership) under the guidance of the Directors of Corporate Services and Growth Environment and Planning of a Grant Funding Agreement and other relevant legal documentation as may be necessary to protect the interests of Lancashire County Council and the Lancashire Enterprise Partnership;
- 2). Approve the implementation of the Lancashire Enterprise Partnership's Growth Deal Reallocation Procedure in respect of the £16.490m currently unallocated within the Growth Deal Programme including the proposed consideration of any emerging projects which meet the criteria proposed in the report;
- 3). Note the update on the overall performance of the Growth Deal Programme and approve the submission of the Growth Deal Quarterly Reporting Summary Dashboard for Quarter 2 (July to September) 2018/19 to the Cities and Local Growth Unit.



## Background and Advice

### AMuseum Scheme

At the meeting of the Growth Deal Management Board held on the 2<sup>nd</sup> July 2018, consultants Ekosgen, presented their independent appraisal findings of the AMuseum project Business Case, which was seeking a £1.500m Growth Deal funding approval recommendation.

The AMuseum, is a £13.600m project designed to secure a national profile attraction and diversify Blackpool's leisure offer to serve as a draw for new visitors to the resort and support the town's regeneration. The attraction would be Blackpool's first museum focussed on telling the story of Blackpool's role as the first and largest seaside resort in Britain and the role it has played in British popular entertainment over the last 150 years.

The 2,100m<sup>2</sup> museum will be developed on the first floor of the redeveloped Palatine Building on the 'Golden Mile', next door but one to Blackpool Tower. The building will also house Blackpool's first five star hotel through a scheme being delivered by the private sector. The project is expected to commence works on site April 2019, and complete by April 2020.

The project has been developed by Blackpool Council who are the applicant and accountable body for the project. It will be operated by an arms-length charitable company limited by guarantee with Blackpool Council as its sole member.

The Growth Deal Management Board meeting held on the 2<sup>nd</sup> July 2018, resolved to defer making the funding recommendation to the Lancashire Enterprise Partnership Board, in order to provide Blackpool Council with the opportunity to respond to the areas identified both in the AMuseum presentation/report and also subsequent matters raised by the Growth Deal Management Board members during the course of the meeting. The areas identified were as follows:

- Updates to be provided regarding progress in securing the remainder of the project's funding package (including through fund raising) with no Growth Deal expenditure to occur (subject to a final decision being made to support the project) until all resources are secured (which reflects the anticipated expenditure profile).
- Confirmation of planning permission being secured for the change of use to museum space to be provided. As the scheme is being delivered as part of a wider redevelopment of the site, further clarity is also required regarding the timescales and nature of improvements to the building facade (which falls outside the project scope).
- A more detailed set of milestones be prepared to support progress monitoring.
- Detailed costings to be shared once they become available to provide confidence that works are deliverable within budget and to the planned scope. Implications for the final Growth Deal contribution should also be considered (on the basis that if costs are lower than expected the funding contribution would reduce).



- Ongoing testing of forecast visitor numbers (with further activity understood to be planned for Summer 2018) to demonstrate deliverability of current forecasts or amend them as applicable. Any changes to visitor forecasts and implications for direct and indirect/induced employment benefits should be shared as soon as they become known.
- A commitment to be made by Blackpool Council to under-write any operating losses (to a level above and beyond the current £310,000 annual revenue allocation identified) and to confirm anticipated arrangements beyond the current period of committed support.
- Monitoring arrangements for the capture of indirect and induced scheme benefits be clarified along with the scope for the counting of any benefits within Growth Deal timescales.
- Consider the low benefit to cost ratio of **1:40**, which is sensitive to change to visitor numbers. For example a 30% reduction in visitor number could result in a benefit to cost ratio of less than one. Whilst the LEP's Assurance Framework when assessing value for money for 'economic schemes' does not state a minimum benefit cost ratio, for transport schemes 2.0 is identified with anything below this figure representing low value for money.
- Provide further detail of the arrangements, certainty and long term viability of the other occupants of the building i.e. Hotel and Restaurant. For example, what would be the impact to the AMuseum if they go out of business?
- Confirm the Strategic Vision for the facility, and how that supports attraction of an on-going supply of new visitors from outside Blackpool.
- Provide further detail of what exactly will be on show / display in the AMuseum
- Provide information on the background and relevant experience you will seek from the people employed to 'manage' the AMuseum, especially in relation to this sector and the need to attract and sustain visitor numbers.

Following the meeting of the Growth Deal Management Board:

- The requirements were circulated to the project applicant;
- A meeting was held on the 1<sup>st</sup> August 2018 between the applicant, their advisors AMION Consulting, the Lancashire Enterprise Partnership, and Ekosgen, to discuss the areas requiring further clarification;
- The applicant has submitted a written response to the questions raised.

The update report, which would include a response to each requirement as detailed above was due to be presented to the Growth Deal Management Board at its meeting on the 3<sup>rd</sup> October 2018, however in the interim period the applicant requested that the report be deferred to the 12<sup>th</sup> December 2018 meeting of the Growth Deal Management Board to allow senior council representation to be present at the Growth Deal Management Board meeting to respond to queries, and also to reflect the timescales for receipt of detailed costing information and funding outcomes. The Chair of the Growth Deal Management Board agreed to this. In addition it was also agreed that given the low benefit to cost ratio for this scheme, that the applicant provide a further response which provided quantified evidence of why this scheme is essential to the wider Renewal of Blackpool programme.

At its meeting on the 12<sup>th</sup> December 2018, Ekosgen, who completed the independent appraisal of the business case, presented a further appraisal update report to the



Growth Deal Management Board, which provided an update of progress made on the project since the 2<sup>nd</sup> July 2018 meeting, outlining the information provided in response to each requirement as detailed above.

***The Overall Assessment Findings and Points for Consideration (extract from Ekosgen appraisal update report):***

A number of areas of progress have been made since the AMUSEUM investment proposal was considered at the July 2018 meeting but other elements of the scheme's development remain ongoing and/or details have not been provided by the project team to allow a definitive conclusion to be reached.

***Areas of Progress*** - The primary areas of progress have been:

- Continued development of the museum concept and how the space available will be used.
- An application being made to secure planning permission for museum use (with permission expected to be confirmed to be in place at the 12<sup>th</sup> December meeting).
- Greater understanding secured of wider development proposals for the site and how timescales for the museum development fit within the wider programme of on-site works.
- Clarification of the overarching process to determine visitor numbers (although the scale and focus of Summer 2018 market research is limited).
- Further development of scheme costings as part of the RIBA Stage 3 development process, providing greater cost surety and allowing exhibition costs to be increased.
- Confirmation secured that the Council will commit to retain the museum for a minimum period of 8 to 10 years, as a condition of funding.

***Areas of Ongoing Uncertainty*** - Although significant progress has been made by the applicant to advance proposals since June 2018, a number of requirements have not been directly or fully addressed through the appraisal and associated clarifications process. It may be that information is held by the client team and that verbal updates can be provided at the December Board but responses have not been shared with the appraiser at the time of preparing this report.

The primary areas where a degree of uncertainty remains are:

- Securing the final elements of the project's funding package, including contributions from the Heritage Lottery Fund and Coastal Communities Fund and ongoing fund raising activity.
- Further understanding of the target market for the attraction in terms of socio-economic groups and age bands and, linked to this, the additionality of visitor numbers to the resort and Lancashire as a whole.
- Confidence regarding visitor demand – based on the latest scheme proposals – from a current non-Blackpool visitor market.



- Greater understanding regarding the extent and nature of interactive exhibitions to be accommodated in the museum (although some further details have been provided since June and this will be an ongoing area of development).
- Ongoing financial sustainability, given the tight operating margin (although the Council has noted that a review of costs is underway – which would, potentially, in turn, impact on levels of direct, indirect and induced employment – and a commitment has been made to under-write the museum's operations for 8 to 10 years).
- Quantification of the added value of the inclusion of the museum project within the Renewal of Blackpool programme.

It was known at the time of the July 2018 Growth Deal Management Board meeting that some of these points would remain unresolved by this stage in the process, reflecting overall timescales for the project's ongoing development and delivery. Further progress was however anticipated to have been made on other points as market research, RIBA Stage 3 designs and exhibitions planning has been advanced.

The project's BCR – even following potential adjustments – also remains below the level typically required for Growth Deal support. Changes to operating assumptions may also impact on the scale of forecast benefits.

### ***Ekosgen Overarching Findings and Considerations***

- Based on the information considered, AMUSEUM is not a typical candidate for Growth Deal support. The level of direct economic benefits to be generated is low and induced benefits associated with increased visitor numbers are potentially low in terms of their additionality in an already popular visitor destination. The museum is therefore not – in its own right – a significant generator of additional economic benefits for Lancashire.
- The project does however form an element of wider plans to rejuvenate Blackpool and considerable time and effort continues to be invested in progressing plans. The commitment of Blackpool Council to make the scheme a success – through the commitment of staff time, capital funding and a commitment to under-write ongoing operations for up to 10 years – means that, despite some areas of challenges, the risks to Growth Deal investment are less than they would otherwise be.
- The Growth Deal Management Board will need to take a view on whether they are comfortable to support the project, either in its own right or as an acknowledged element of wider plans to transform the town centre and generate economic benefits, based on the additional information outlined in this update report.
- If the scheme is to proceed, it is recommended that further information be secured as soon as possible against each of the points highlighted as ongoing areas of uncertainty. Agreed timescales for the receipt of information against each point should be set with the applicant, to ensure there is clarity regarding satisfaction of conditions that would be placed on a funding award. Potential



Growth Deal involvement within project governance arrangements would also need to be considered.

### ***Growth Deal Management Board Resolution***

The Growth Deal Management Board, at its meeting on 12<sup>th</sup> December 2018, resolved that a maximum funding approval of £1.500m of Growth Deal funding be recommended to the next meeting of the Lancashire Enterprise Partnership Board subject to the following conditions:

- Securing the final elements of the project's funding package, including contributions from the Heritage Lottery Fund and Coastal Communities Fund and ongoing fund raising activity.
- Further understanding of the target market for the attraction in terms of socio-economic groups and age bands and, linked to this, the additionality of visitor numbers to the resort and Lancashire as a whole.
- Confidence regarding visitor demand – based on the latest scheme proposals – from a current non-Blackpool visitor market.
- Greater understanding regarding the extent and nature of interactive exhibitions to be accommodated in the museum (although some further details have been provided since June and this will be an ongoing area of development).
- Ongoing financial sustainability, given the tight operating margin (although the Council has noted that a review of costs is underway – which would, potentially, in turn, impact on levels of direct, indirect and induced employment
- Confirmation from the applicant to under-write the museum's operations for 10 years).
- Quantification of the added value of inclusion of the museum project within the Renewal of Blackpool programme.
- Provision of the final management/operating structure together with recruitment process, to provide confidence re the delivery of this sector intervention.

### **Growth Deal Programme Performance Update**

The £320.000m Growth Deal programme is delivering in accordance with Lancashire's agreed Growth Deal milestones and Government's reporting requirements.

95% of funds are allocated to 43 projects within the Growth Deal Programme, of which:

- 39 projects (91%) have received a funding approval from the Lancashire Enterprise Partnership;
- 37 projects (86%) have completed contracting; and
- 20 projects (46%) have completed their capital works

The Board is advised that in the Growth Deal 3 allocation, £16.25m was allocated to the South Lancaster scheme. Following discussions with the project applicant it has been identified that this scheme cannot be delivered within the GD programme timescales (by 31<sup>st</sup> March 2021). As this is a retained scheme, a discussion has taken place with the Department for Transport to conclude how the £16.25m funds can be utilised and it has been confirmed that these funds are no longer retained and can be released into the GD programme for re-allocation.



In addition, there is a further £240,000 currently unallocated within the programme equating to £16.490m in total including South Lancaster.

It is therefore suggested that the Board implements its Reallocation Procedure, in respect of the £16.490m, reviewing existing Growth Deal Priority Schemes. This work will be undertaken by the Growth Deal Programme Manager, in conjunction with the support of independent consultants. The independent consultants will review the existing pipeline of priority schemes which was generated and approved as part of Lancashire's Growth Deal 3 submission. In discussion with scheme sponsors, the consultants will be receptive to the consideration of additional schemes providing they meet the following proposed criteria:

- 1). Can commence delivery immediately and can be completed by 2021;
- 2). Has a complete matched funding package in place;
- 3). Has a compelling strategic fit with the aims and objectives of the Strategic Economic Plan and delivers better value for money than the existing prioritised project.

In addition, LEP Directors are asked to use their own networks to identify any emerging projects which meet the criteria proposed above. The Board is advised that an open call at this stage could result in projects being submitted for consideration which may not fit the requirements of the Growth Deal programme.

The findings of this exercise will be shared with the Lancashire Enterprise Partnership Board at its next meeting to determine next steps in allocation of these funds.

In terms of the four remaining projects to seek Lancashire Enterprise Partnership Approval, the current position is to be noted as follows:

1. AMuseum (formerly Blackpool BHVA (£1.500m Growth Deal) – Seeking a funding approval at this meeting of the Lancashire Enterprise Partnership Board.
2. M55 to St Anne's Link Road (£1.98m Growth Deal) – Due to seek funding approval / recommendation from meetings of Transport for Lancashire and Lancashire Enterprise Partnership in March and April 2019 respectively.
3. Pennine Gateway Programme (£12.000m Growth Deal (£3.44m has been approved)) – There are three projects within the Pennine Gateway programme, all of which will seek separate project funding approvals from Transport for Lancashire and the Lancashire Enterprise Partnership Board:
  - Furthergate Scheme (£3.440m Growth Deal) – This project was approved by the Lancashire Enterprise Partnership Board at its meeting on 26th June 2018.
  - North Blackburn Scheme (£2.300m Growth Deal) – This project was approved by the Lancashire Enterprise Partnership Executive Committee via written resolution on 22<sup>nd</sup> January 2019 following a funding recommendation made by Transport for Lancashire at its meeting on 16<sup>th</sup> January.
  - South East Blackburn Scheme (£6.260m Growth Deal) – This project is expected to be presented to meetings of Transport for Lancashire and the Lancashire Enterprise Partnership Board in Oct / Nov 2019.



4. Preston Western Distributor (£58m GD) – The project received conditional approval to proceed to full business case at the January 2018 meeting of the Lancashire Enterprise Partnership Board. A full business case is expected to seek approval at Transport for Lancashire and Lancashire Enterprise Partnership Board meetings in March 2019 and April 2019 respectively.

*Growth Deal Cities and Local Growth Unit – Quarter 2 (July to September 2018) 2018/19 Reporting*

As part of the governance arrangements for the delivery of the Growth Deal programme, Lancashire County Council in its role as Accountable Body, is required to provide cumulative reporting on the delivery of the Growth Deal programme to the Cities and Local Growth Unit. This is to be provided on a quarterly basis and includes performance against both financial and output metrics for each scheme within the Growth Deal programme.

In October 2017, the Cities and Local Growth Unit issued new guidance which included the requirement for Local Enterprise Partnerships and their Accountable Bodies' S151 Officers to approve the quarterly reporting, prior to its submission to the Cities and Local Growth Unit.

With regards to the quarterly reporting for the period to the end of Quarter 2 2018/19 (1 July 2018 to 30 September 2018), approval is now sought from the LEP Board. The quarterly reporting summary dashboard is attached at Appendix A.

In terms of output delivery, Lancashire's Growth Deal is currently forecast to overachieve its agreed outputs. Original outputs were 3,900 new homes, 11,000 new jobs and 43,829m<sup>2</sup> of commercial floorspace.

Current forecasts indicate the Lancashire Growth Deal will achieve 3,944 new homes, 11,145 jobs and 80,075 m<sup>2</sup> of commercial floorspace.

To date we have achieved 96 new homes, 792 new jobs and 3,510 m<sup>2</sup> of commercial floorspace. We have also achieved 9,424 new learners assisted.

The Board is advised that in terms of measuring performance of the Lancashire Growth Deal against its current objectives, the programme is still in its infancy in relation to realising outputs/outcomes, with significant reporting not expected until towards the end of the programme 2020/21.

However confidence should be felt as 91% of projects within the programme have now received a LEP funding approval in line with their original objectives.

The Board is asked to note that the dashboard identifies a Local Growth Fund award of £226.67m. This number is less than the £320.86m Growth Deal programme allocation, which also includes retained transport schemes and a £26m loan from the Public Works Loan Board to Blackpool Council at a project rate discount of 40 basis points below the standard Public Works Loan Board rate.





### List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A