



Lancashire Enterprise Partnership Limited

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LEP Growth Deal Update Report

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Executive Summary

In accordance with the LEP's Assurance Framework, the businesses cases of individual Growth Deal projects must be subject to independent assessment, prior to a final investment decision by the LEP Board. This report sets out three schemes that are seeking a final investment decision.

In addition, confirmation of an earlier investment decision for Blackpool Energy HQ project is also being sought, as a result of the decision to relocate the project on the proposed Blackpool Airport Corridor Enterprise Zone site.

Looking forward, it is likely that the Government's Autumn Statement on 25 November will provide information in relation to future Growth Deals. It will be important that the LEP is able to respond to this statement and this report sets out a proposed way forward to ensure a robust, evidence based proposal can be presented to Government in a timely manner.

Recommendations

- (i) Note the recommendation made by Transport for Lancashire to approve the granting of Full Approval to the Broughton A6 Bypass scheme and request the Growth Deal Management Board (GDMB) ensure the actions advised by the independent appraiser, Atkins, are discharged;
- (ii) Note the recommendations made by Transport for Lancashire to approve the granting of Full Approval to the Blackpool Integrated Traffic Management Scheme, subject to conditions being met, and request the GDMB ensure that these conditions are fully met and that actions advised by the independent appraiser, Jacobs, are discharged;
- (iii) Approve the granting of Full Approval to the Preston Shared Space Scheme, and request that the GDMB ensure that the actions advised by the independent appraiser, Regeneris, are discharged;
- (iv) Note the re-evaluation of elements of the Business Case for the Energy HQ by the Skills Funding Agency and, subject, to the outcome of independent appraisal, approve granting of full Approval for the scheme.



- (v) Note that Government may announce a further Growth Deal round in late November, therefore, officers of the LEP are requested to ensure that this possible opportunity is understood by potential project sponsors across Lancashire.

Background and Advice

- 1.1 In accordance with the LEP's Assurance Framework proportionate business cases for all Growth Deal projects must be submitted by the project sponsor with these business cases, in turn, subject to an independent assessment, prior to a final investment decision by the LEP Board.
- 1.2 Project sponsors of three Growth Deal schemes - Broughton A6, Blackpool Integrated Traffic Management and Preston Shared Space - have submitted their respective business cases and these have been independently appraised.
2. **Broughton A6 Bypass – Full Approval Application**
 - 2.1 The A6 Broughton Bypass is a long-standing proposal, one of four major highway improvements planned for delivery through the Preston, South Ribble and Lancashire City Deal agreed with the Government in September 2013. Broughton lies on the A6 approximately three miles north of Preston city centre close to M55 Junction 1. The four arm traffic signal-controlled junction in the centre of the village does not have the capacity to accommodate existing traffic flows, resulting in congestion and delays throughout the day, and is a constraint on new development in the local area, particularly housing. The bypass will remove through traffic, reduce congestion, significantly improve the local environment – Broughton is currently a designated Air Quality Management Area (AQMA) – and provide sufficient capacity to enable new housing and employment development to come forward. There are no practical alternatives to the proposed scheme.
 - 2.2 The project sponsor, Lancashire County Council, is now seeking Full Approval from the LEP in order to progress to construction. All statutory processes are in place. Its total cost of £24.3m includes a £15.5m contribution from the Local Growth Fund (LGF) through the Lancashire Growth Deal, of which £8.8m is committed Local Transport Body funding in 2016/17 and £6.7m an indicative allocation in 2016/17 from the competitive element of the LGF. Lancashire County Council's Section 151 Officer has confirmed that the £8.8m local contribution will be met through the City Deal Infrastructure Delivery Fund along with any subsequent cost increase above the level of grant already agreed.
 - 2.3 The scheme is predicted to deliver very high value for money, with a benefit to cost ratio of 5.8. A low growth sensitivity test indicates that with a benefit to cost ratio of 3.9, the scheme still delivers high value for money. It has the potential to generate an additional £153m of GVA benefits. The business case has confirmed that the scheme can deliver 650 (direct) and 4740 (indirect) housing units and create 750 jobs. These outputs are in line with the initial expression of interest which was used when the LEP undertook the initial



Growth Deal prioritisation process in 2014.

- 2.4 Atkins has undertaken independent scrutiny of the Full Business Case for the Broughton Bypass. The consultants are satisfied that the project has been developed to the expected standard in most areas and have recommended that Full Approval be granted to enable it to progress to implementation, conditional on a preferred bidder with firm and final prices being selected. At its committee meeting on 1st October 2015, Transport for Lancashire endorsed this recommendation. The County Council has provided reassurance that based on an 'initial assessment' of tender returns, cost estimates closely align with its own October 2014 cost estimate.
- 2.5 In accordance with the LEP's Assurance Framework, the business case was published on the LEP website at the earliest opportunity on 21st September 2015 for public comment for a six week period ending 30th October 2015. As this six week period has yet to expire, it is proposed that should the Board grant funding, this only take effect after 30th October, and subject to no material issues being raised. All comments lodged will be forwarded to Atkins for independent assessment as to whether they amount to a material consideration. Any comments that Atkins conclude are such will then be reported to the GDMB to determine an appropriate course of action.

3. Blackpool Integrated Traffic Management – Full Approval Application

- 3.1 This project seeks to improve traffic and event management in Blackpool. A strong visitor economy is vital to the renewal of Blackpool, a key objective of Lancashire's Growth Deal. Improved traffic and event management will contribute positively to the overall visitor experience in Blackpool. The project seeks to install 16 fully functional variable message signs, 19 parking guidance information signs with variable elements, a car park monitoring system, CCTV and 24 static parking signs. Being able to disseminate information to drivers would help with traffic and event management, and help direct drivers to the most appropriate destination. The scheme would help direct drivers to available spaces and along appropriate routes making the network more efficient. The proposal seeks to benefit the local economy, by reducing congestion, increasing dwell times, promoting greater economic activity and encouraging job creation.
- 3.2 The project sponsor, Blackpool Council, has submitted a full business case, and is now seeking full approval from the LEP to progress implementation. The scheme has an estimated capital cost of £2.16m with £1.51m LGF sought. A letter from Blackpool Council's Section 151 Officer has been provided which confirms the above funding arrangements and the allocation of sufficient budgets.
- 3.3 If GVA benefits are included the scheme is expected to deliver high value for money with a benefit to cost ratio of 2.38. However, if the GVA benefits are excluded the benefit to cost ratio falls to 1.09 which would represent low value for money. The scheme has not yet undertaken a procurement exercise and therefore an optimism bias has been applied. If the tender costs come back in line with the scheme cost estimates then the scheme benefit to cost ratio would



rise significantly because the optimism bias would be removed. There are estimated to be GVA uplift benefits of £8.1m with the scheme leading to 34 direct and indirect jobs being supported. These outputs are in line with the initial expression of interest which was used when the LEP undertook the initial Growth Deal prioritisation process in 2014.

- 3.4 Jacobs have undertaken independent scrutiny of the Full Business Case for the scheme. They have confirmed that a suitable business case has been presented and meets the requirements of the LEP's Accountability Framework to fund schemes which represent high value for money, if the GVA benefits are included in the benefit to cost ratio calculation.
- 3.5 The value for money issue was discussed at the meeting of Transport for Lancashire on 1st October 2015. Given a procurement exercise has not yet been undertaken it was agreed that the results of sensitivity tests should be used to inform the level of risk surrounding the scheme's value for money and consequently inform the decision on whether or not the scheme should move forward to implementation stage. It is therefore recommended that a condition of Full Approval being granted is that the tender costs come back as expected. It is recommended that the GDMB oversee the discharge of this condition and report back to the Board if this condition is not met.

4. Preston Shared Space – Full Approval Application

- 4.1 The project sponsor, Lancashire County Council is seeking Growth Deal funding for large scale public realm improvements in Preston City Centre. More specifically, the project will deliver improvements between Fishergate and the bus station, including improvements to Fishergate itself, Church Street, Lancaster Road, Lord Street and Tithebarn Street. The works also include the provision of high quality public realm on the remaining section of the bus station apron. The project represents Phases 2 and 3 of the agreed strategy of public realm improvements in Preston City Centre. Phase 1 of the project, which runs from the railway station in the west and ends mid-way along Fishergate, including significant improvements to the station forecourt along Corporation Street, was funded by ERDF and the Lancashire County Council and completed in October 2014.
- 4.2 The project sponsor has submitted a full business case, and is now seeking full approval from the LEP to progress implementation. The scheme has capital cost of £7m with £6m LGF sought. A letter from Lancashire County Council's Section 151 Officer has been provided which confirms the above funding arrangements and the allocation of sufficient budgets. It is worth noting that it was agreed between TfL special advisor and independent consultants Jacobs and the project sponsor that the business case for this scheme should be prepared in accordance with guidance for economic development schemes rather than traditional transport scheme guidance.
- 4.3 The scheme is expected to deliver good value for money and lead to the creation of 716 new jobs and generate £39.8m of GVA per annum. These outputs are in line with the initial expression of interest which was used when the LEP undertook the initial Growth Deal prioritisation process in 2014



- 4.4 Regeneris Consulting have undertaken independent scrutiny of the Full Business Case for the scheme, and this is attached as Appendix “A”. The independent appraisal raised some concern with regard to quantification of benefits and suggests that the out-turn benefits on the Preferred Option could be as much as 20-40% lower than those predicted. However the appraisal concludes that even with a reduced level of benefits the likely value for money on the project is still viewed as acceptable for a project of this nature.
- 4.5 The appraisal states that the business case offered a limited explanation as to why the chosen contracting arrangement was the optimal contracting arrangement. However, the appraisal concludes that post submission discussion with the project sponsor has clarified that the County Council has utilised (i) its extensive delivery track record and (ii) the costings framework generated by the open, competitive bidding process for the Phase 1 works to configure an appropriate delivery solution.
- 4.6 The independent appraisal recommends the project for Full Approval subject to an operational risk register being provided. In addition, the report also makes two additional observations:
- (i) Whilst the appraiser was satisfied that an appropriate delivery solution is in place for this project, it is not a solution that has emerged directly from a competitive bidding process. For future cases, the LEP Board will need to decide whether it requires evidence of a competitive bidding process in awarding Growth Deal monies for works of this nature.
 - (ii) The LEP Board should note that there is a move in DCLG, and quite likely HM Treasury, to move away from jobs and GVA as frontline measures of impact for capital investments of this nature. It is quite likely that we will see a shift towards to land value/property value uplifts being used as the primary impact measure, a change that could be reflected in the next iteration of the Green Book which is due shortly.
- 4.7 In accordance with the LEP's Assurance Framework, the business case has now been published on the LEP website for public comment for a six week period ending 13th November 2015. As this six week period has yet to expire, it is proposed that should the Board grant funding, this only take effect after 30th October, and subject to no material issues being raised. All comments lodged will be forwarded to Regeneris for independent assessment as to whether they amount to a material consideration. Any comments that Regeneris conclude are such will then be reported to the GDMB to determine an appropriate course of action.

5. Blackpool Energy HQ – Confirmation of Investment Decision

- 5.1 The LEP has previously made an investment decision on the Blackpool Energy HQ project, which was independently appraised by the Skills Funding Agency (SFA). Discussions between local partners and Government departments have taken place regarding the feasibility of relocating this project from a site in Blackpool town centre to the proposed Blackpool Airport Corridor Enterprise



Zone site. The GDMB has discussed this proposal and is satisfied that the financial implications of a revised start date can be accommodated within the overall Growth Deal programme. The project sponsor has updated the original business case which has been submitted to the SFA for independent appraisal. The SFA are providing their report on the 5th October and a verbal update on the SFA recommendations will be provided at the meeting.

6. Ongoing Project Monitoring, Reporting and Evaluation

- 6.1 The GDMB is providing oversight and direction on the implementation of the Growth Deal programme. The GDMB will ensure that the conditions and actions set out in this report are discharged.
- 6.2 Prior to draw down of the LGF resources the project sponsor will be required to agree to the terms set out in the core Local Growth Funding Agreement. These agreements will ensure that the core outputs and outcomes set out in the business cases are monitored and reported to the GDMB.

7. Future Growth Deal Programme

- 7.1 Looking forward, the Chancellor may announce in his Autumn Statement a further round of Growth Deal. Information as to the scale and scope of this fund is however currently limited due to on-going Spending Review and Devolution Deal considerations. However, all LEPs may be expected to undertake a prioritisation exercise similar to that undertaken for Growth Deal 1 with funds allocated on a competitive basis. As highlighted above, officials are informally indicating Government may seek to align, where possible, Growth Deal allocations with Devolution Deals.
- 7.2 While it is unlikely that any information will be made available prior to the Autumn Statement it is, nonetheless, prudent to alert potential scheme sponsors of the work required to ensure Lancashire's project pipeline includes a projects capable of taking advantage of a further round of Growth Deal.
- 7.3 A workshop for the lead local authority officers responsible for economic development and regeneration is being scheduled to ensure that the LEP continues to be informed about the projects and initiatives being developed and promoted by local authorities. In addition, ongoing discussions with university partners will ensure that the LEP remains sighted on innovation opportunities.
- 7.4 It is equally important that the LEP remains alert to emerging commercial development priorities and opportunities being considered by developers and business. The LEP will therefore need to use its enhanced marketing and PR capacity to ensure that any potential Growth Deal 2 opportunity is appropriately articulated.
- 7.5 The Board will also recall that the AEMTEC proposal promoted by BAE Systems is already positioned to be considered for any future Growth Deal opportunity, subject to business case. A presentation on the emerging AEMTEC proposal will be made to the Board in December 2015.