



LEP – Sub Committee

Growth Deal Management Board

Private and Confidential: No

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Growth Deal – Final Investment Approvals

Report Author: Beckie Joyce, 01772 536617 Beckie.joyce@lancashire.gov.uk

Executive Summary

In accordance with the LEP's Assurance Framework, the business cases of prioritised Growth Deal projects are subject to independent assessment, prior to a final investment decision by the LEP Board. At its meeting on the 6th October 2015 the LEP Board considered and approved four Growth Deal schemes: A6 Broughton Bypass, Blackpool Integrated Traffic Management, Preston City Centre Improvements and Blackpool and The Fylde College – Lancashire Energy HQ

This report provides further information of the first three schemes, with Blackpool and The Fylde Energy HQ being the subject of separate report on this agenda.

In accordance with the terms of reference of the Growth Deal Management Board (GDMB) the LEP Board has requested that the actions advised by the independent appraisers in relation to each of the three schemes are discharged by the GDMB.

Recommendations

1. Note the decisions by the LEP Board to grant full approval for A6 Broughton By-pass, Blackpool Integrated Traffic Management and Preston City Centre Improvements
2. Note the decision made by the LEP Board that the GDMB be required to ensure that conditions relating to the granting of full approval are fully met;
3. Note the decision made by the LEP Board that the GDMB be required to ensure that any actions advised by the independent scheme appraisers, are discharged;
4. Request that the Monitoring and Evaluation Sub Group engage with the project sponsors for the three projects to ensure that there is clarity regarding metric collection and outcome evaluation; and
5. Request that LGF Agreements (or equivalent) are prepared for the approved schemes.



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 Three Growth Deal schemes: A6 Broughton Bypass, Blackpool Integrated Traffic Management and Preston City Centre Improvements were considered and received full approval by the LEP Board at its meeting on 6th October. The GDMB is required to ensure that a range of conditions are met and actions discharged in relation to the three schemes and these are set out below.
2. **A6 Broughton Bypass – Full Approval Application**
 - 2.1 The A6 Broughton Bypass is a long-standing proposal promoted by Lancashire County Council, the Growth Deal project sponsor, and is 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. The bypass will remove through traffic, reduce congestion, significantly improve the local environment and provide sufficient capacity to enable new housing and employment development to come forward.
 - 2.2 The 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. The project sponsor'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 with 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 undertook the independent scrutiny of the Full Business Case and recommended that Full Approval be granted, conditional on a preferred bidder with firm and final prices being selected. The project sponsor has since 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, business cases for schemes seeking over £5M LGF, are required to be published for a six week period. This period will end on the 30th October, following which, and subject to no material issues being raised, the LEP Board approval can be implemented. 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 material will be brought 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, which is key objective of Lancashire's Growth Deal. Improved traffic and event management will contribute positively to the overall visitor experience in Blackpool.
- 3.2 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. 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 undertook the independent scrutiny of the Full Business Case. 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 LEP Board at its meeting on 6th October. Given a procurement exercise has not yet been undertaken the LEP Board 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. The LEP Board agreed that a condition of Full Approval being granted is that the tender costs come back as expected. The GDMB are required to oversee the discharge of this condition and report back to the LEP Board if this condition is not met.

4. Preston City Centre Improvements – Full Approval Application

- 4.1 This scheme, building on a phase 1 scheme which is already completed, seeks to deliver large scale public realm improvements in Preston City Centre. The Growth Deal project sponsor is Lancashire County Council.
- 4.2 The scheme has a 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.



- 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 undertook the independent scrutiny of the Full Business Case for the scheme and recommended that Full Approval be granted subject to an operational risk register being provided. The GDMB are required to ensure that this action is undertaken.
- 4.7 In accordance with the LEP's Assurance Framework, business cases for schemes seeking over £5M LGF, are required to be published for a six week period. This period will end on the 13th November, following which, and subject to no material issues being raised, the LEP Board approval can be implemented. 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 material will be brought to the GDMB to determine an appropriate course of action.

5. Monitoring and Evaluation

- 5.1 The Business Cases and independent appraisals of the three schemes outlined in this report consider the anticipated outputs, outcomes and impacts of the schemes. It will be important for the GDMB to understand how these will be monitored and reported, to the GDMB, the LEP's Performance Committee and to Government, via the LOGASNET information management system.
- 5.2 The Monitoring and Evaluation Sub Group of the GDMB has been established to ensure that there is a robust and methodical approach to the monitoring and evaluation of all Growth Deal projects and it is recommended that the Sub Group engage with the project sponsors for the three projects to ensure that there is clarity regarding metric collection and outcome evaluation from the outset and that the Sub Group present an update at a future meeting of the GDMB..

6. Local Growth Fund Agreements

- 6.1 All prioritised Growth Deal projects have already received a copy of the core LGF Agreement. Final investment approval from the LEP Board provides the trigger for LCC, as the accountable body and project sponsors to ensure that the supporting schedules which form part of the LGF Agreements and which set out eligible expenditure, draw down profile, milestones and outputs are prepared and executed. It is therefore recommended that agreements are now prepared for the three schemes outlined in this report. It should be noted that agreements for A6 Broughton By-Pass and the Preston City Centre Improvements will take the form of a memorandum of understanding given Lancashire County Council as both the project sponsor and accountable body cannot "contract" with itself.