**LEP – Sub Committee**

**LEP - Transport for Lancashire Committee**

**Private and Confidential: No**

Wednesday, 10 January 2018

**Preston Western Distributor Conditional Approval Application**

(Appendix 'A' refers)

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| **Executive Summary**The Preston Western Distributor comprises a new 4.3km dual carriageway road that will connect the A583 Preston to Blackpool road at Lea with the M55 at a new Junction 2 near Bartle. It is by far the largest transport project in the Lancashire Growth Deal programme and key to unlocking the North West Preston strategic housing location (circa 5,000 new homes). Lancashire County Council has submitted an Outline Business Case to the Lancashire Enterprise Partnership (LEP) for Conditional Approval. The consultants Atkins have undertaken an independent assessment of the Outline Business Case on behalf of the LEP. Atkins are satisfied that the project has been developed to the expected standard in most areas and recommend that Conditional Approval be granted to enable the scheme to progress to Full Business Case submission.**Recommendation**The Transport for Lancashire Committee is asked to consider the attached Outline Business Case report prepared by Atkins and recommend that the LEP Board grant the scheme Conditional Approval at its meeting to be held on Tuesday 30th January 2018. |

**Background and Advice**

The Preston Western Distributor comprises a new 4.3km dual carriageway road that will connect the A583 Preston to Blackpool road at Lea with the M55 at a new Junction 2 near Bartle. It is by far the largest transport project in the Lancashire Growth Deal programme and a key project within the Preston, South Ribble and Lancashire City Deal agreed with the Government in September 2013.

The scheme will support delivery of the North West Preston strategic housing location (circa 5,000 new homes) and improve access between the Enterprise Zone site at Warton and the Strategic Road Network. It will also facilitate construction of a new 'parkway' station at Cottam on the Preston to Blackpool North railway line, taking advantage of ongoing electrification and route upgrade work to provide rail-based park and ride opportunities to Preston/Manchester/Liverpool and Blackpool. The additional capacity will help alleviate peak hour congestion in Preston City Centre affecting east-west routes and facilitate the introduction of bus priority measures, public realm enhancements and improvements to prioritise and promote walking and cycling along existing road corridors.

The scheme promoter, Lancashire County Council, has submitted an Outline Business Case to the Lancashire Enterprise Partnership (LEP) for Conditional Approval. The granting of Conditional Approval is intended to provide the expectation of funding necessary for the promoting authority to apply for any statutory powers that may be required to deliver a scheme, for example, Transport and Works Act powers, highways orders, planning consents and/or compulsory purchase orders.

Conditional Approval indicates the LEP's acceptance of an Outline Business Case demonstrating high value for money. In accordance with its Assurance Framework, the LEP will only grant Conditional Approval on the basis that there will be no material changes to the scheme's scope, cost, design, expected benefits and value for money. The granting of Conditional Approval may be subject to a small and limited number of conditions.

The current projected outturn capital cost of the Preston Western Distributor as set out in the Outline Business Case is £161.6m; this is somewhat higher than the £104.5m reported at Programme Entry. The Programme Entry estimate was based on the best information available at the time and in advance of any site investigation or design work. It was also at 2013 Quarter 2 prices and excluded any adjustment for inflation. The scheme includes the construction of two major viaducts each 250m in length; one is particularly costly due to the extremely poor ground conditions identified through detailed geotechnical investigations and subsequent requirement for deep piling. There are additional costs for the diversion of the Hodder Aqueduct (crossed twice) and the risks associated with working in hazardous environments over waterways, railways and motorways.

The County Council has undertaken a value engineering exercise taking advantage of the Early Contractor Involvement approach adopted, which identified a significant number of opportunities to reduced costs. These have informed the current projected outturn cost. Value engineering will continue through the detailed design stage for both road and structures. A 15% Optimism Bias uplift is included as recommended by the Department for Transport's Transport Appraisal Guidance.

The agreed capital contribution from the Local Growth Fund through the Lancashire Growth Deal remains fixed at £58m. Highways England has also confirmed its £25m contribution towards the cost of the new M55 Junction 2. The Preston, South Ribble and Lancashire City Deal will fund the balance, with Lancashire County Council confirming that it will underwrite the impact of any timing difference in relation to receipt of City Deal funding and any subsequent scheme cost increase. The current local contribution amounts to just under 50% of the total projected outturn cost.

The consultants Atkins have undertaken an independent assessment of the Outline Business Case on behalf of the LEP. Atkins are satisfied that the project has been developed to the expected standard in most areas and recommend that Conditional Approval be granted to enable the scheme to progress to Full Business Case submission. The scheme is predicted to deliver high value for money with a benefit to cost ratio of 2.29; it also has the potential to generate an additional £144m of GVA for the local economy over the 60 year evaluation period, principally through unlocked development. Over 5,000 new homes are dependent on or unlocked by the Preston Western Distributor.

Atkins have advised that a number of outstanding issues will need to be addressed as part of the Full Business Case submission, including securing the land required for construction of the scheme, finalising the target price with the contractor and undertaking further modelling work to comply with new Department for Transport guidance. Final 'sign-off' of the Full Business Case will also require the approval of the Secretary of State for Transport.