**Lancashire Enterprise Partnership Limited**

**Private and Confidential: NO**

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**Growth Deal Funding Approvals**

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| **Executive Summary** This report requests the Board's approval for the Darwen East Development Corridor project and requests that the Board grants Conditional Approval for the Preston Western Distributor project.  The report also seeks the Board's approval for additional funding of £2.200m to the Advanced Manufacturing Research Centre (AMRC) NW project and provides the Board with an update on the Health Innovation Campus project. **Recommendation** The Board is asked to:  1). Note the contents of this report;  2). Approve a Growth Deal funding allocation of up to £2.500m to the Darwen East Development Corridor project;  3). Grant Conditional Approval to the Preston Western Distributor project;  4). Approve additional funding of £2.200m from within Lancashire's Growth Deal programme to the Advanced Manufacturing Research Centre NW project; and  5). Receive an update on the Health Innovation Campus project. |

**Background and Advice**

Lancashire's Growth Deal programme is worth £320m and is one of the largest Growth Deal programmes nationally. The programme has 44 identified projects, with 34 projects having received a LEP funding approval to date.

One project, the Darwen East Development Corridor, is now seeking a LEP funding approval. The project has been independently appraised and considered by Transport for Lancashire at its meeting on 20 November. The independent appraisal for the scheme is available on request.

*Darwen East Development Corridor*

The Darwen East Development Corridor is a £3.320m project which has a £2.500m Growth Deal funding allocation. The project comprises a series of junction improvements together with a short length of new road on the eastern side of the town that will unlock land to enable the future development of new housing and improve access to local employment opportunities identified within Blackburn with Darwen Council’s adopted Local Plan. The scheme will also provide improved access to the M65 for residents in South East Darwen.

In accordance with the LEP's Assurance Framework, Blackburn with Darwen Council has submitted a Strategic Outline Business Case for funding approval, which has been independently assessed by consultants Jacobs on behalf of the LEP.

Jacobs are satisfied that the project has been developed to the expected standard and recommend that funding approval be granted. The project is predicted to deliver very high value for money with a benefit to cost ratio of 7.85 and has the potential to generate a further £0.550m of wider economic benefits per annum, arising from the development of employment sites that the scheme will unlock. Scheme construction is expected to take place between February 2018 and March 2019.

On receiving the findings of the independent appraisal at its meeting on the 20 November, Transport for Lancashire recommended that the project's funding allocation of a maximum of £2.500m from Lancashire's Growth Deal be approved by the LEP Board.

*Preston Western Distributor*

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.

The project, which has a Growth Deal funding allocation of £58.000m, is by far the largest scheme in the Lancashire Growth Deal programme and key to unlocking the North West Preston strategic housing location (circa 5,000 new homes). It will also improve access between the Enterprise Zone site at Warton and the Strategic Road Network as well as facilitating the 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 current projected outturn capital cost of the Preston Western Distributor as set out in the Outline Business Case is £161.600m; this is somewhat higher than the £104.500m 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 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 agreed capital contribution from the Local Growth Fund through the Lancashire Growth Deal remains fixed at £58.000m. Highways England has also confirmed its £25.000m contribution towards the cost of the new M55 Junction 2. The Preston, South Ribble and Lancashire City Deal will fund the balance. Also, to meet the requirements of Condition Approval and proceed to Full Business Case, the County Council has confirmed 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.

Lancashire County Council, in its capacity as project sponsor, has submitted an Outline Business Case to the LEP for Conditional Approval. The consultants Atkins have undertaken an independent assessment of the Outline Business Case on behalf of the LEP with the findings presented to Transport for Lancashire for consideration at its meeting on 10 January.

The independent assessment concludes that the project has been developed to the expected standard in most areas and 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.

However, 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.

Based on the findings of the independent appraisal, Atkins have recommended that Conditional Approval be granted to enable the scheme to progress to Full Business Case submission in 2019. Transport for Lancashire concurred with Atkins' recommendation that the LEP Board grant the scheme Conditional Approval at its next meeting on 30th January.

*Advanced Manufacturing Research Centre (AMRC) NW*

At the last meeting of the LEP Board in November, a Growth Deal funding allocation of £15.000m was conditionally approved towards the AMRC NW project subject to a number of conditions which are currently being addressed with the scheme sponsor and officers of the LEP and the County Council. The Board also recommended up to a further £5.000m of Growth Deal funding to the project to support the delivery of a £20.000m as opposed to a £15.000m project, which would deliver the following outputs by 2021:

* 4,200 m2 of research and development floor-space;
* 10 large companies engaged with to enable investment in major research activity to develop new products and processes;
* 200 enterprises receiving support to improve their productivity;
* 20 new products introduced to the market;
* 60 direct gross FTE jobs; and
* 2 new inward investors attracted to the Samlesbury Aerospace EZ.

The allocation of a further £5.000m of Growth Deal funding to the project was subject to the recommendation of the Growth Deal Management Board following its December meeting.

At the December meeting of the Growth Deal Management Board, the Board considered and agreed a process to redistribute any unallocated funding within the Growth Deal programme. The agreed approach is set out below:

1. First call would be given to those schemes within the current programme that had requested additional resource;
2. If no schemes were identified via that process, a second call would focus on priority 1 Growth Deal 3 schemes that had failed to secure an allocation;
3. If no schemes were identified via that process, a review of priority 2 and 3 Growth Deal 3 schemes would be undertaken to determine if any schemes were still a priority; and
4. After exhausting the existing pipeline, LEP Board approval would be sought for an open call for new scheme proposals

The Growth Deal Management Board requested that the decision process should be communicated in a clear and transparent way and, that in accordance with the approach agreed, it was recommended to the next meeting of the LEP Board that a further £2.2m Growth Deal funding be approved to the AMRC NW project.

H*ealth Innovation Campus*

The Health Innovation Campus project, sponsored by Lancaster University, is the LEP's largest non-transport scheme within Lancashire's Growth Deal programme with an approved funding allocation of £17.000m. Lancaster University are providing £12.000m of funding to the project.

The Board will recall that final negotiations were taking place with the Ministry for Housing, Communities and Local Government (HMCLG – formerly DCLG) with regards to a European Funding contribution to the scheme via the Lancashire European and Structural Investment Fund (ESIF) programme. Lancaster University had sought £12.000m of European funding towards the scheme through the programme's Priority 1 axis; Promoting Research and Innovation.

In November, Lancaster University were finally offered an award of £8.460m from DCLG which the University accepted. The University has also agreed to fund the remaining £3.540m making their total contribution to the scheme £15.540m.

HMCLG has issued a Grant Funding Agreement to Lancaster University which is due to be submitted by 24 January.