



Lancashire Enterprise Partnership Limited

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Key Initiatives Report

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Executive Summary

At its meeting on the 2 September, the Performance Committee agreed to propose to the Chair of the LEP Board, at its next meeting on the 13 September, that future Board agendas contain a standing item on the LEP's key initiatives. The initiatives to be included at present are the City Deal Programme, Growth Deal Programme, Enterprise Zone Programme, Boost Business Growth Hub and Growing Places Investment Funding.

The recommendation was agreed by the Board at its September meeting and it was agreed that the change to Board agendas would take place with effect from the 8 November meeting.

This report captures activity and progress made in delivering the key initiatives identified above, specifically achievements, current challenges, future issues, financial and non-financial performance metrics, potential risks and any general observations.

Recommendation

The Board is asked to note and comment on the updates received from each of the LEP's key initiatives.

Background and Advice

This report is intended to capture activity and progress made in delivering the LEP's key initiatives, specifically City Deal Programme, Growth Deal Programme, Enterprise Zone Programme, Boost Business Growth Hub and Growing Places Investment Funding.

To ensure consistent information is provided to the Board on each of the above initiatives, the following information has been captured for each:



- Achievements in the last three months;
- Current challenges;
- Future issues;
- Financial and non-financial KPIs including programme spend to date including other funding or resources leveraged, jobs created, commercial floorspace created and housing unit completions;
- Newly identified potential risks; and
- Other general observations.

Programme updates are provided below for the Board's information.

City Deal Programme

Current Challenges

Whilst progress on outputs has so far has been strong, targets for future years will increase, and therefore delivery progress on employment and housing sites must be maintained.

The following represent the major current challenges that are being monitored and dealt with, where possible, through a Risk Management programme;

Infrastructure:

- As schemes are progressing through the design stages more certainty is now being gained on costs and in some cases funding pressures are emerging. Mitigating action is being taken to value engineer and prioritise schemes within the business plan as well as identifying additional funding sources where necessary.

Housing:

- Some house-builders are building out at a slower rate than anticipated on some sites.
- Some developers and house-builders continue to monitor the impact of CIL payments on viability.

Commercial:

- Office (anchor tenant) demand and viability issues have led to a revision of some City Centre development timescales.
- Delivery of commercial floor-space connected to complex mixed-use sites is delaying some site development.

Future Issues

At a national level, potential changes to New Homes Bonus, Business Rates and the Community Infrastructure Levy have the potential to significantly impact the deliverability of the programme.



The City Deal Executive & Stewardship Board has commissioned a Resources Review in order to understand and prepare for the potential impact and to inform future discussions with Government. The Chair of the Executive attended the LEP's Performance committee in September and a programme of work to provide assurance on; 1) keeping pace with the programme milestones, 2) value for money and 3) social value, is under way.

At a local level, in the medium to long-term, the following issues may require particular interventions to help mitigate/resolve:

Housing:

- There are a number of large sites that have complex site specific technical issues that require overcoming;
- Uncertainty over 'Starter Homes' prolonged by the Government in introducing secondary legislation may affect build out rates on some sites;
- Uncertainty brought about by Brexit may dampen developer activity/consumer demand; AND
- Labour and materials shortages may lead to developer competition for resources and slow build out rates.

Commercial:

- Uncertainty brought about by Brexit may dampen developer activity/consumer demand.
- Competing demand for residential uses in City Centre sites may squeeze out some commercial uses.

Key Performance Indicators Achieved in Quarters 1 & 2 2016/17

Progress continues to be maintained in respect of housing completions, ensuring that a pipeline of development sites are accelerated through the planning system, particularly in respect of large housing sites that drive the City Deal financial model.

Small scale commercial developments have proven attractive to the market, whilst large scale developments such as at Cuerden Strategic Employment Site have progressed towards a position whereby planning applications are being prepared for submission.

For the Quarter 1 & 2 reporting period (April-September 2016) outputs are:

- 366 housing units completed (against a target of 399).
- 1,012 housing units submitted for planning (on target).
- 360 housing units consented for planning (on target).
- 25,019 m² of commercial floorspace completed (against a target of 26,700 m²).
- 19,021 m² of commercial floorspace submitted for planning (on target).
- 1,500 m² of commercial floorspace consented for planning (on target).



Cumulative Key Performance Indicators (Years 1 & 2, Year 3 first 6 months)

The following cumulative outputs have been produced over the first two and half years of the programme:

- 1,998 housing units completed (against a target of 1,617).
- 1,732 jobs created, including 869 associated with commercial floorspace and 863 associated with construction (against a target of 1,702).
- 35,824 m² of commercial floorspace created (against a target of 35,195 m²).
- £55.1m public sector infrastructure investment (against a target of £46.7m).
- £9.2m leveraged funds (against a target of £14.5m).

Infrastructure Delivery

Progress continues to be made with the delivery of critical infrastructure in the Business Plan, including:

- Broughton Bypass is under construction and a revised completion date of August 2017 has been agreed.
- Preston Western Distributor - planning application submitted, to be determined in Quarter 4 2016/17 followed by submission of Outline Business Case in Quarter 4 2016/17.
- Penwortham Bypass - planning application to be submitted in Quarter 3 2016/17.
- A582 Dualling - planning application to be submitted in Quarter 4 2016/17.
- Preston Bus Station - Works have commenced on the Car Park repairs and the design for the improved concourse and bus station have been finalised with a planning application expected to be submitted in Quarter 3 2016/17.

Growth Deal Programme

Background

The £252m Lancashire Growth Deal funding allocated was provided by Government to kick-start nearly 40 major initiatives across the county linked to economic growth, infrastructure, jobs, skills and regeneration.

As a result, the Growth Deal would help to create 4,000 new jobs, 3,000 new homes and generate £140m of new public and private investment.

Within the Growth Deal Programme there are four key priorities:

1. Releasing Growth Potential

Create the right conditions for business and investor growth, and unlock new development and employment opportunities across Lancashire by strengthening transport connectivity to create jobs and enable housing development.



2. Renewal of Blackpool

Focus on addressing Blackpool's unique characteristics which require a specific focus, to create economic opportunities for its local communities.

3. Growing the local Skills and Business base

Realise the full potential of Lancashire's competitive economic strengths and business base and refocussing Lancashire's approach to skills provision, ensuring it is responsive to business needs and demands.

4. Innovation and Manufacturing Excellence

Maximise the economic value of Lancashire's centres of research and innovation excellence and globally competitive business clusters.

Achievements in the last 3 months

There are 39 projects within Lancashire's Growth Deal programme across the four priorities. Of the 39 projects:

- 31 projects have received LEP approval;
- 29 projects have Grant Funding Agreements in place;
- 2 projects are currently progressing their Grant Funding Agreement; and
- 8 projects will be presented to future Growth Deal Management and Lancashire Enterprise Partnership Boards within relevant timescales

The 2 projects detailed above are expected to complete contracting in early November 2016, which will result in 31 'live' projects out of the 39 within programme.

A Government announcement on Growth Deal 3 is expected as part of the Chancellor's Autumn Statement on 23 November.

Current Challenges

Programme challenges: To ensure all 'live' projects within the programme continue to deliver in accordance with contracting / agreed profiles.

Project challenges: To continue working closely with the M55 to St Annes Link Road scheme sponsor and other partners to ensure delivery of this complex scheme which has a Growth Deal funding allocation of £2m. Additionally to secure ESIF resources for Lancaster University's Health Innovation Campus project.

Future Issues and Risks

Programme Issues and Risks: To ensure the remaining 8 projects within the programme are brought forward in line with funding approval timescales identified by Project Sponsors.



Project Issues and Risks: To ensure projects fulfil their contractual requirements, in terms of both spend and output/outcome delivery, contributing to the overall performance of the programme.

Performance Issues and Risks: To ensure projects realise their full potential, collectively meeting or exceeding Lancashire Growth Deal outcomes.

Finance

£252m Growth Deal funding was awarded to Lancashire. All funding has been allocated to projects, with the exception of £1.80m unallocated funding as part of the £30m Skills Capital funding, which is being set aside until 2018/19 pending the outcome of the Area Based Review.

2015/16 Spend:

- There were total payments to Growth Deal listed projects of £30.51m in 2015/16 out of a total funding received of £39.35m;
- There is a need for project slippage from 15/16 (£8.84m) to be recouped where possible in 2016/17 and future projects to keep on track with their spend profile;
- The 2015/16 payments were audited in August 2016 as part of DCLG's governance requirements, with the audit report concluding 'very positive' management of funds received.

2016/17 Spend to date (as at the end of Quarter 1 2016/17):

- This shows there are 31 projects with spend now due in 2016/17;
- The current anticipated profile at September 2016 is:

Qtr. 1 to June 16	£ 3.658m actual payments
Qtr. 2 to Sept 16	£ 10.378m forecast
Qtr. 3 to Dec 16	£ 17.633m forecast
Qtr. 4 to March 17	£ 21.731m forecast
Total	53.40m

Outputs and Outcomes

The programme is in its infancy in relation to realising the outputs and outcomes identified for each scheme and overall. However, with 29 projects now delivering and significant reporting expected to commence in 2017/18, in line with capital spend profiles, the reporting of outputs and outcomes is expected to intensify.

Project monitoring visits and claim forms received to date demonstrate significant progress on live schemes, with all projects delivering in accordance with their contractual milestones.



Currently the programme is delivering in accordance with both the programme and individual project profiles in respect of funding, outputs and outcome targets. No queries have been raised in relation to the last claim submitted to Government in September 2016. The claim reported actuals, for both spend and outputs, as at 30th June 2016.

Social Value

The GDMB committed to maximising the Social Value benefits of Growth Deal projects.

In order to help realise this aspiration a Social Value toolkit has been produced, which when combined with the GDMB Social Value reporting structure, enables both the projects and programme as a whole to realise Lancashire's Growth Deal Social Value impact.

The Social Value framework adopted by Lancashire Growth Deal is currently being considered by City Deal colleagues in order to adopt a consistent approach to the Social Value across both programmes.

The Lancashire Growth Deal is believed to be the only Growth Deal programme measuring Social Value and has been highlighted as an exemplar by Government colleagues.

Evaluation

External consultants Warwick Economics and Development Ltd were appointed in January 2016 to commence a 3 year evaluation of the Growth Deal programme. The evaluation will include:

- A 'Project level' evaluation for each of the projects within the programme;
- An 'Exemplar Evaluation' for 6 selected projects within the programme; and
- An 'Annual evaluation' of the Growth Deal programme.

The contract is progressing on schedule, with an 'Early Progress Evaluation Report' due to be presented to the Growth Deal Management Board on 7th December 2016.

Lancashire Enterprise Zone Programme

Achievements

Samlesbury Aerospace Enterprise Zone

- Land Agreement in place between Lancashire County Council, BAE Systems' Pension Fund and BAE Systems' Operations.
- Two new access points completed into the site from A59 and A677.
- The £12.5m spine road was officially opened in September.
- The Wincanton high value defence logistics facility (135,000 ft²) was also opened in September 2016 and there was a 'soft' opening of the BAE



Systems' Academy for Skills and Knowledge (60,000 ft²) with apprentices receiving training at the facility, with the formal opening of the ASK facility scheduled to take place on 1 December.

- Work is underway to identify the infrastructure requirements, specifically electricity and power, to enable commercial development activity.
- Detailed discussions are underway between Sheffield University, Lancaster University, the LEP and LCC to deliver the proposed AMRC facility at Samlesbury.
- AMRC NW proposal was ranked as the number 1 priority 1 project in the LEP and Shadow Lancashire Combined Authority Growth Deal 3 submission.
- Appointment of Colliers International to market the site.

Warton Aviation Enterprise Zone

- Two new occupiers located to the site in 2015; Accenture and Trescal creating circa 30 new jobs.
- Completion of site masterplan by BAE Systems.
- Work is underway between BAE Systems, the LEP and the County Council to understand infrastructure requirements both on and off site.

Blackpool Airport Enterprise Zone

- There are 15 new jobs confirmed since commencement of the EZ on 1st April 2016 and an estimated 350 jobs have been safeguarded.
- Lancashire Energy HQ currently under construction.
- First Programme Board meeting held in September 2016.

Hillhouse Technology Enterprise Zone

- LEP's Growth Deal 3 submission contained a proposal to deliver A585 Junction Improvements to support accelerated delivery of the EZ.
- Discussions underway with private sector landowner NPL Estates.

Current Challenges

- Delivery capacity.
- Securing end-occupiers to stimulate infrastructure provision and development across the sites.
- Delivering a coherent approach to marketing the Lancashire EZ sites and the handling of enquiries to ensure a collaborative approach to securing inward investment opportunities/end-occupiers.

Future Issues and Risks

- Modelling of Business Rates Growth income across the Lancashire Enterprise Zone Programme.
- Establishment and oversight of individual Programme Boards to ensure delivery of each site with reporting to the Enterprise Zone Governance Committee to ensure strategic oversight.



- Delivery of the new branding strategy for Lancashire's Enterprise Zone Programme.
- Management of enquiry handling.
- Securing end-occupiers.

Boost Business Growth Hub

Achievements in the last three months

The Boost Programme continues to build on strong performance since it secured further ERDF monies in June 2016. The programme is establishing the robust leadership and compliance procedures needed to effectively manage ERDF resources and is working to establish productive relationships with both public and private providers of business support in Lancashire.

Current challenges

Whilst Growth Support and Mentoring Programmes are performing strongly, these programmes need to increase the volume of businesses they are working with as the programmes become established. There is also a focus on how best the Gateway Service can deliver its three hour advice and signposting activity to promote the full range of commercial and publicly funded business support in Lancashire.

Future issues

On the 22nd November, Boost will use a Growth Summit business event to launch a refreshed Boost brand and website.

Opportunities effectively assimilate new ERDF business funded projects will also be explored.

Key Performance Indicators Achieved

The consolidated results for the Boost Programme to the end of September 2016 show that 130 businesses have already received at least 12 hours of consultancy, training and mentoring from the Growth Deal Programme and that 50 new jobs have been created as a result of this input.

Newly identified potential risks

Given the uncertainty as to when existing ESIF arrangements might be replaced through a post-Brexit funding settlement, the Growth Hub has been identified as an activity which may need a further round of funding to sustain the offer to 2020.

Growing Places Investment Funding



Achievements

The LEP has fully recycled its original circa £20m Growing Places Funding on a commercial basis generating circa £700,000 of interest.

The fund has invested in 8 schemes to date:

- Blackpool Pleasure Beach
- Burnley Bridge Business Park
- Teanlowe Centre, Poulton le Fylde
- Luneside East, Lancaster
- Blackburn Cathedral Quarter
- On The Banks, Burnley
- Innovation Drive, Burnley
- Chatsworth Gardens, Morecambe

As of the end of October 2016, £14.8m has been repaid to the fund.

This amount does not include the proposed repayment of £2.7m from Luneside East Ltd which is anticipated in 2017.

When the revolving funds available to Barnfield Construction to support the delivery of 'On the Banks' and Innovation Drive have been accounted for, £10.9m is available for investment.

It should also be noted that £2.1m has been allocated towards Guild Hall Street, Preston but this scheme has not concluded legal or financial due diligence.

Should Guild Hall Street proceed, £8.8m is available for investment.

Key Performance Indicators Achieved

Through its commercial investment, the Growing Places Investment Fund has created:

- Almost 3,000 new jobs;
- 200 housing units;
- Nearly 500,000 ft² of commercial floorspace; and
- Leveraged £100m of private and public investment.

Current Challenges

- Ensuring a healthy strategic development pipeline.
- Ensuring investments repay.
- Establishing a 'Fund of Funds' approach in light of ESIF issues following the EU Referendum.