

Preston, South Ribble and Lancashire City Deal



Executive Summary

Building on the success of the first wave of city deals agreed last year with the eight core cities, the Preston, South Ribble and Lancashire City Deal is the first of the second wave of City Deals which will drive forward local growth by empowering city areas like Preston and South Ribble to make the most of their economic assets and opportunities.

The Preston, South Ribble and Lancashire City Deal agreed with government builds on the strong economic performance of the area over the last ten years and will help to ensure that the City Deal area continues to grow by addressing strategic transport infrastructure and development challenges to deliver new jobs and housing across the City Deal area.

Over a ten-year period the deal will generate:

- More than 20,000 net new private sector jobs, including 5,000 in the Lancashire Enterprise Zone;
- Nearly £1 billion growth in Gross Value Added (GVA);
- 17,420 new homes; and
- £2.3 billion in leveraged commercial investment.

Our signing of this document confirms our joint commitment to ensure full implementation of the Preston, South Ribble and Lancashire City Deal, proposed by the Lancashire, Preston and South Ribble Local Authorities and the Lancashire Local Enterprise Partnership; consistent with the attached detailed implementation plan. To ensure implementation and demonstrate success we will jointly track progress against mile stones and outcomes.

Introduction

Lancashire is one of the largest local economies in the North of England, currently generating over £23 billion in GVA per annum and supporting nearly 620,000 jobs. Many world class businesses are located in the county alongside an increasing number of high-performing Small and Medium Enterprises (SME's) established in the area, which is home to 45,000 businesses in total.¹

The City Deal is a crucial element of the Local Enterprise Partnership's (LEP's) strategic plan to create 50,000 new jobs over the next ten years across Lancashire. Lancashire's growth opportunities lie in its strong economic base anchored by a number of internationally competitive sectors, including aerospace, advanced engineering, and manufacturing. Lancashire has the single largest concentration of aerospace employment in the country, with the UK second only to the USA in terms of global aerospace production. Significant opportunities also exist for Lancashire to capture the economic benefits of local shale gas reserves, which are the largest in Europe.

The area benefits from excellent external road and rail links with several motorway corridors converging in the City Deal area, providing attractive development opportunities and a favourable cost base. The connectivity of the area will be further enhanced by Lancashire's superfast broadband programme, which will ensure the area has a digital infrastructure as strong and fast as anywhere in Europe by 2015.

However, these opportunities are offset by economic challenges which have included economic restructuring and heavy job losses in traditional industries; an over-reliance in some parts of the county on public sector activity and employment; a lack of suitable housing in some areas, including both affordable and executive homes; and a low external profile and lack of identity affecting the county and Preston's investment potential.

By focusing on key economic strengths, opportunities and competitive advantages, the LEP aims to reclaim Lancashire's position as a national economic leader. The City Deal and Lancashire's EZ provide key delivery mechanisms in support of this aim.

In support of the net new jobs forecast across the City Deal area, there is a real need and opportunity to deliver large-scale housing opportunities in the short to medium term. The City Deal area already has many attractive sites allocated for housing development in its adopted Core Strategy. Very few locations across the North of England offer this opportunity in such desirable yet sustainable locations. Realising these hitherto dormant sites and establishing new sustainable communities will only be achieved if the necessary critical and local community infrastructure is delivered.

Key economic opportunities and challenges which the City Deal will address

As well as representing nearly half of Lancashire's economic wealth, the City Deal area also outstrips the majority of England's Core Cities for scale and level of performance. Preston has been independently identified by the Centre for Cities and other analysts as a location that can consistently deliver new jobs and economic growth.^{2,3} This point is underlined by the City Deal unemployment rate which is significantly lower (at 7.2%) than sub-regional, regional and national rates.⁴

At present, nowhere in England north of the M25, has a higher employment density level than Preston, meaning that there are more people of working age working in Preston than living in Preston.⁵ The City Deal area is clearly the key employment generator for the whole of Lancashire.

¹ Office for National Statistics, 2012.

² Centre for Cities: Cities Outlook and Hidden Potential: Supporting Growth in Sunderland & England's other Mid-Size Cities, 2011.

³ Ekosgen, Preston CD Economic Analysis, 2012.

⁴ NOMIS December, 2012.

⁵ Lancashire Profile, 2013.

However, in order to unlock further significant levels of market driven growth and private sector investment, a more strategic and ambitious approach is required to remove the existing critical infrastructure barriers to enable sustainable housing and economic growth. This will allow the area to help realise its full economic potential. The current deleterious effect of the network capacity issues are well documented by studies which show peak traffic flow blockages on the local highway network.⁶

The Central Lancashire Core Strategy (2010-2026) was adopted in summer 2012 by the three local planning authorities in Central Lancashire: Preston City Council, South Ribble Borough Council and Chorley Borough Council. The Core Strategy provides the over-arching development and planning framework for the Central Lancashire area, setting out the scale and end-use of sites to be developed during the plan period.

The Core Strategy sets out a total provision for Central Lancashire of 22,158 new homes over the 15-year plan period. The new homes identified in the City Deal, represents the proportion of the total Central Lancashire allocation relating to Preston and South Ribble. The City Deal local planning authorities along with the County Council, in its capacity as local highway authority, worked in consultation with the Highways Agency (HA) to identify the impact of the Core Strategy on the transport network.

Several residential planning applications have been refused permission in the last twelve months on the grounds that there is insufficient capacity on the highway network.⁷ Other imminent applications are also 'at risk' of refusal. These refusals and at risk developments amount to almost 2,000 new houses which have the potential to create 3,000 jobs in the construction sector. A successful City Deal proposal would allow these houses to be built, with work commencing without delay.

As part of the City Deal local negotiation process, the local authorities have engaged with private sector house-builders and developers. For example, Preston City Council and Lancashire County Council have jointly commissioned expert planning consultants to produce, by September 2013, a detailed masterplan for North West Preston, a large site set out in the Core Strategy capable of delivering up to 5,000 new houses.⁸ This area masterplan will provide a framework for development and, with the certainty afforded by a successful City Deal, enable house builders to commence the first phase of house-building in 2014.

A current lack of strategic investment to deliver critical infrastructure could seriously limit the future prospects of the City Deal area to thrive as a dynamic place to invest and work. Indeed, it is already evident that private sector investment plans, in addition to housing sites referred to, are being hindered, with some key examples summarised below.

In Preston City Centre, there is investor and occupier demand for key elements of a comprehensive commercial mixed-use development, with a direct investment value of £50m. The developer-led scheme, which would create 3,000 jobs and generate £45m of GVA over the deal period, incorporates 18,580 square metres of new high quality office development as well as retail, cinema and associated leisure and car parking. However, the ability of the private sector to deliver the scheme continues to be undermined by uncertainty regarding the longer term development prospects of the City Centre due to highway and infrastructure constraints and a lack of finance to fund localised, but costly, highway and infrastructure improvements.

The City Deal area is home to University of Central Lancashire (UCLAN), the 5th largest university in the Country in terms of its undergraduate in-take. UCLAN is bringing forward major plans in excess of £50m through the use of its own capital investment funds and other commercial investment sources, to remodel its Preston campus as an international centre of advanced engineering underpinned by its strong research base and industrial partnerships. By realising the full potential of the City Deal area, UCLAN will be able to deliver its own ambitious plans to become a renowned international centre of learning and innovation in support of the growth of Lancashire's world-class aerospace and advanced manufacturing sector and supply chain.

⁶ Jacobs Consultancy, 2012

⁷ Includes refusal of planning applications or non-determinations for major commercial house builders

⁸ URS Planning Consultants appointed April, 2013.

UCLAN has also established a Memorandum of Understanding with Warwick University to provide leading edge support to the advanced engineering and manufacturing base, as part of the Enterprise Zone development.

Furthermore, the two sites at Samlesbury and Warton, which form the EZ, are located either side, yet within seven miles, of Preston City Centre. The EZ is set to become one of Europe's largest centres for advanced engineering and manufacturing, but the pace and scale of its future success, in part, will rely on the efficient functioning of the local and national highway network in and around Preston. The City Deal infrastructure investment will improve accessibility between the two sites and their link into the local and strategic highways networks.

Much of the economic growth and private sector investment in the City Deal area is occurring at a sub-optimal level and not at the pace possible or required. There is strong developer appetite, policy and political support for development; however, the failure to provide certainty of critical infrastructure investment is preventing the realisation of this pent-up development.

Due to the scale of investment in critical infrastructure required, only the creation of a bespoke funding and delivery mechanism will see development opportunities realised in the optimum timeframe. This approach requires local and national public resources as well as private sector investment.

The City Deal offers a real opportunity for national and local partners, with a clear understanding of the relationship between economic growth and critical infrastructure, to work together within robust, binding and innovative new governance arrangements to deliver genuine additional economic growth. Importantly, it will also provide the private sector with the confidence that the public sector is fully and financially committed to a long-term investment strategy.

The Deal

To deliver the outcomes set out in the document the City Deal partners will:

- Establish an **Infrastructure Delivery Programme** and **Investment Fund**, which together are worth £434m.
- **The City Deal Infrastructure Delivery Programme**, at £334m, will enable the delivery of critical infrastructure and allow the full development of significant commercial development and housing schemes. This includes four major highway schemes and the necessary local community infrastructure, such as schools and health facilities, required to support the scale of such ambitious development.
- The **City Deal Investment Fund** consists of a £100m local allocation from the Lancashire Pension Fund, which will be co-invested on a commercial basis in housing and development schemes in the City Deal area. The £100m allocation is a new venture for Lancashire Pension Fund.

Combined, the **City Deal Infrastructure Delivery Programme** and **Investment Fund** will act as a catalyst for commercial and housing development and will leverage £2.3 billion of commercial investment through the construction of up to 17,420 net new homes and the delivery of nearly 1 million m² of new commercial floor space.

Importantly, these benefits will begin to be delivered immediately the City Deal is agreed. By 2015, Preston and Lancashire expect to have built 1,206 houses, with a further 1,200 under construction, and created over 1,500 jobs, as a result of the certainty generated by the City Deal framework.

The City Deal Infrastructure Delivery Programme is funded through pooled local and national resources. Department for Transport (DfT), whose funding includes the Local Major scheme and the Homes and Communities Agency (HCA) will invest through the local retention of value uplift from land sales. Local partners have committed investment via New Homes Bonus (NHB), Business Rates (NNDR), land receipts

and mainstream capital programmes, and the Private Sector will invest in the City Deal through Community Infrastructure Levy (CIL) and additional value capture mechanisms.

National Government resources will be aligned and invested in line with the phasing of the Infrastructure Delivery Programme, and will be the key to unlocking constrained private sector investment to deliver economic growth which the private sector and local authorities would be unable to achieve alone.

Key elements of the City Deal

City Deal Stewardship Board

The City Deal Stewardship Board will be responsible for guiding the disposal of HCA assets in the City Deal area.

The City Deal funding model is underpinned by a staged repayment of the base value of HCA sale receipts to Department for Communities and Local Government (DCLG) over the City Deal period as the sales arise, with the additional value of up to £37m being retained in the City Deal area. In the event that a business case for waiving the claw back and overage on the 'land north of Eastway' is not approved by HM Treasury, DCLG will commit to reconsider the HCA asset uplift cap.

The City Deal Stewardship Board will set priorities and ensure alignment with wider City Deal economic and housing growth objectives. This would be set out in a Business and Disposal Plan and agreed with the HCA's National Board annually. Once agreed, the delivery of the Business Plan and disposals would be delegated to the HCA's Operating Area Director. The annual Business and Disposal Plan would be supported by an annual Infrastructure Delivery Plan which will set out costs, timescales and key milestones for each element of the Infrastructure Delivery Programme.

The City Deal Stewardship Board will be chaired by the HCA's Executive Director for the North West, with membership including the three local authority Chief Executives and the LEP's private sector Board Champion for Strategic Development. The membership of the City Deal Stewardship Board could be enhanced by the addition of other key partners critical to the delivery of the Board's agreed Business and Disposal Plan.

The City Deal Stewardship Board will provide the strategic direction for the disposal and or development of local partners assets in line with the PCD economic and housing growth strategy. A Local Partner Asset List will form part of the Stewardship Board Agreement with the removal or addition of assets requiring Stewardship Board approval. Assets will include:

Bluebell Way

Serviced cleared site in ownership of the County Council earmarked for employment use and immediately adjacent to HCA sites in North East Preston. Dependent upon the development route this could generate a receipt for inclusion in the Preston, South Ribble and Lancashire City Deal.

Cuerden

Green field land in ownership of the County Council in prime location at intersection of M65/M61/M6. Site is recognised in Core Strategy as key employment site and extensive development on part of the site likely to come forward in 2016. Dependent upon the development route this could generate a receipt for inclusion in the Preston, South Ribble and Lancashire City Deal.

Lancashire Business Park LBP (part of)

LBP is in the ownership of the County Council with completion of in excess of 300,000 square feet of new industrial space due for completion autumn 2013. The part of the site to be included in the local partner asset list is earmarked for redevelopment in 2016. Dependent upon the development route this could generate a receipt for inclusion in the Preston, South Ribble and Lancashire City Deal.

Preston Central Assets

As the commercial and administrative centre of Lancashire and the City Deal area a buoyant Preston City Centre is vital. Preston City Council has a significant land holding in the centre of Preston and the delivery of a mixed leisure and commercial development scheme in this area is a priority for the local PCD partners. The Stewardship Board will consider development proposals and provide strategic direction to ensure that the delivery is in line with the housing and economic growth objectives of the City Deal. Commercial appraisals suggest, subject to development mechanisms, that capital receipts from asset sales will be required to offset development costs and assist with viability. The Stewardship Board will review and endorse development mechanisms as proposals come forward

A 10 -year Local Major Transport Allocation

DfT has already announced a four year indicative allocation for its Local Major Transport resources for Lancashire. The City Deal will provide a ten year allocation for Lancashire, with a 6-year committed allocation and a four year indicative allocation.

Transport for Lancashire (TfL), on which DfT has observer status, will oversee the allocation of these resources on deliverable schemes which generate maximum economic benefit to the County. At its meetings on 30th May and 1st July, TfL endorsed an Assurance Framework, which includes Lancashire's Transport Scheme Priority List and confirmed its support for a ten year Local Major Transport Scheme allocation as part of the City Deal proposal and specifically the critical highway infrastructure included in the proposal.⁹

The City Deal Infrastructure Delivery Programme and Investment Fund sets out a requirement for an allocation of £72m toward the delivery of the key highway schemes.

Any allocation will be subject to TfL fully discharging its responsibilities with regard to independent scheme analysis, and agreeing a priority schemes schedule within an over-arching assurance framework.

A New Junction on M55 (Near Bartle)

A critical City Deal infrastructure element is the provision of a Junction on the M55, near Bartle, which the HA has always anticipated may be required should economic growth proposals materialise. The HA, the local highway authority and the local authorities are all in agreement that now is the time to advance this proposal to unlock the development. A collaborative approach to the delivery of the new junction is in place between the HA and Lancashire County Council in order to quickly progress to an agreed procurement strategy and delivery mechanism.

The City Deal Infrastructure Delivery Programme

The City Deal Infrastructure Delivery Programme will deliver the critical infrastructure required to enable the full development of significant housing and commercial development schemes. This includes four major new roads, a Motorway Junction, the preparatory works for a New Ribble Crossing Bridge and the necessary local community infrastructure, such as new schools, health facilities, open spaces and district centre improvements required to support the scale of such ambitious development.

City Deal local authority partners and the private sector are fully committed to delivering the City Deal Infrastructure Delivery Programme, with significant levels of resources to be deployed by local authority partners in managing and delivering the City Deal. At its peak, the £334m Infrastructure Delivery Programme requires cash-flow support of circa £107m during the ten year period. The only local organisation with the capacity and financial standing to provide this cash-flow support is Lancashire County Council, which is an AA2 rated entity.

⁹ TfL comprises membership of the Chair and Vice-Chair of the LEP and the three local transport authorities of Lancashire County Council, Blackburn with Darwen Council and Blackpool Council.

The City Deal Investment Fund

The Lancashire Pension Fund's agreement to allocate £100m for investment in commercial schemes in the City Deal area is a core City Deal Offer. The Lancashire Pension Fund Committee has agreed to approve a new Local Allocation of £150m for Lancashire (approximately 3% of the £5bn fund) to be funded through a re-allocation of existing global equity allocation.¹⁰ This allocation is targeted at the acquisition of real income generating assets in Lancashire, with a target of £100m within the City Deal area and £50m across the rest of Lancashire.

Following agreement of the mandate as a result of this deal, an OJEU notice for the Fund's management will be placed. Discussions have already taken place regarding a number of potential commercial investment schemes into which the Fund could invest its City Deal Local Investment Allocation, and the appointed fund manager will begin to assess specific opportunities in the first quarter of 2014.

Key deliverables

As a result of City Deal the following key projects will be delivered:

The Preston, South Ribble and Lancashire City Deal will deliver the critical infrastructure required to enable the full development of significant housing and commercial development schemes. This includes four major new roads, a motorway junction, and the necessary local community infrastructure required to support the scale of such ambitious development.

The four major road schemes are:

Preston Western Distributor (PWD):

A new PWD will link the A583/A584 to the motorway network via a new junction on the M55. This road will improve access to the Warton site of the Lancashire EZ, the Springfields nuclear fuel facility at Salwick and enable the comprehensive development of the North West Preston strategic housing location which will accommodate over 4,000 new homes. Scheme costs of £109.5m.

South Ribble Western Distributor (SRWD):

An enhanced SRWD will double vehicle capacity between Preston City Centre and the motorway network, at the point at which the M65, M6 and M61 connect. This enhancement will enable full development of, and access to, Cuerden strategic employment site and the adjacent Lancashire Business Park. In addition the road will unlock housing sites to create over 2,700 homes. Scheme costs: £52.5m.

Broughton Congestion Relief:

A new Broughton Bypass will provide critical relief to the A6, North East Preston and the M6. This new road will unlock housing sites to create over 1,400 new homes, as well as enabling full development of new and future employment sites in East Preston creating over 5,000 new jobs. Scheme costs: £23.9m

Penwortham Bypass:

A new section of road will complete the Penwortham Bypass, complementing SRWD capacity improvements and connecting the network to Ringway. The completed bypass will significantly improve access between local and motorway networks, reducing congestion in Preston City Centre through by-passing of City Centre routes. In addition it will enable future housing opportunities to come forward beyond 2024. It will also define the route of the new bridge crossing of the River Ribble linking with the PWD. Scheme costs: £17.5m.

¹⁰ Agreed at the meeting of the Pension Fund Committee on 22nd March 2013.

Governance

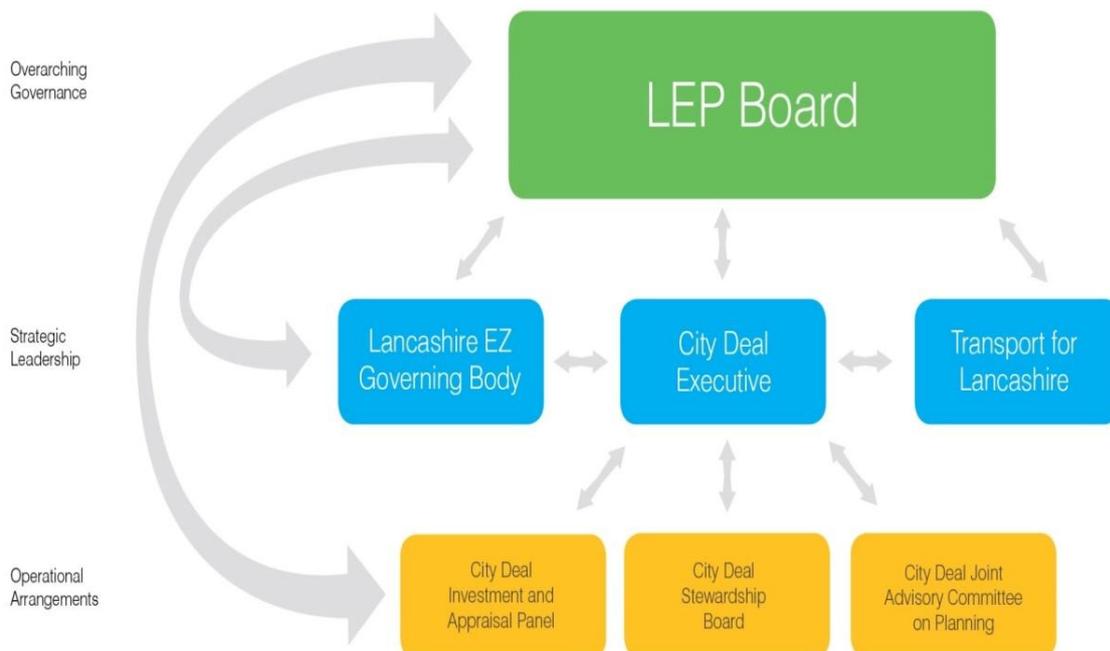
Established in April 2011, the LEP is the partnership vehicle of choice to secure the private sector leadership and leverage needed to deliver strategic economic change in Lancashire. It is within this context that partners agree the LEP should be responsible for the governance and delivery of the City Deal.

The City Deal has the capacity and desire to become a national exemplar, in terms of establishing a company-led/contractual model of City Deal governance. The City Deal also demonstrates, in an area characterised by two-tier local government arrangements, strong and inclusive cross-party civic leadership can be successfully combined with dynamic private sector drive to deliver economic and housing growth outcomes of national significance.

Since its inception, the LEP has been established as a company limited by guarantee, which is wholly-owned by the County Council, but with a clear majority of private sector directors. The LEP's Chairman and Vice-Chairman are also drawn from the private sector. As a company in its own right, the LEP's governance arrangements provide robust legal structures to guide and oversee the delivery of agreed priorities and outcomes.

It is the private sector leadership of the LEP, which has helped test and champion the development of this proposal. As major employers and representatives of many SME companies, LEP Board members have confirmed the business logic and benefits of developing a City Deal proposal with a clear focus on delivering key infrastructure and development priorities in Preston.

The details of how the LEP governance model will deliver the city deal are set out below.



Annex 1: Summary of Commitments

Preston, South Ribble and Lancashire commitments	Central Government commitments
<ul style="list-style-type: none"> • Manage and implement a £334m Infrastructure Delivery Programme, underpinned by local and central government funding and asset streams and private sector contributions, with appropriate risk mitigation and monitoring in place to invest in the projects listed below • To contribute £211m of local resources over 10 years commencing in 2014/15 toward the Infrastructure Delivery Programme • Launch a City Deal Investment Fund by June 2014, consisting of a £100m new local investment allocation from the Lancashire Pension Fund, which will be deployed on a commercial basis in support of key housing and commercial schemes in the CD area • Allocate £72m of local major transport scheme funding toward the delivery of the key highway schemes listed • To include the following assets within the Stewardship Board: <ul style="list-style-type: none"> ○ Bluebell Way ○ Cuerden ○ Part of the Lancashire Business Park ○ Preston Central Assets • To pool the receipts of the above local assets into the Infrastructure Delivery Programme. These receipts will be used if needed to cover any shortfall for investments planned under the city deal, for example if infrastructure costs should be higher, or revenues lower, than expected. Any excess revenues will be invested in infrastructure or development in the area, as determined by the Stewardship Board • The land receipt from the Lostock Hall Land, and local share of the clawback / overage on the Moss Side Test Track site will also be included in the Infrastructure Delivery Programme • To repay HCA the book value of assets as at 30 March 2013 (valued at £50.76m) placed by the HCA in the Stewardship Board in accordance with the annual Business and Disposal Plan. The HCA will receive receipts equivalent to the book value of the assets 12 months after the sale of the HCA owned asset 	<ul style="list-style-type: none"> • Confirm 10-year Local Major Transport Scheme allocation, starting in 2015/16, by July 2013; committed for the first 6 years (with the profile to be determined in the Autumn) and indicative for the following 4 years • To support a collaborative approach to the delivery of a new Junction on the M55 (near Bartle), including the identification of the preferred procurement and implementation processes to achieve an opening year of 2019/20 or before • To establish a Stewardship Board, under which assets belonging to the HCA and local partners are sold for inclusion within the Infrastructure Delivery Programme. The Board is to agree the first corresponding Business and Disposal Plan by March 2014, and annually thereafter with the HCA National Board • To include the following HCA assets within the Stewardship Board: <ul style="list-style-type: none"> ○ Cottam Hall ○ Eastway ○ Preston East Employment Area ○ Cottam Brickworks ○ Pickerings Farm ○ Croston Road South ○ Croston Road North ○ Altcar Lane ○ Brindle Road ○ Walton Park Link Road (Cross Borough Link Road) ○ Whittingham Hospital • To transfer into the Infrastructure Delivery Programme the proceeds from the sale of assets placed in the Stewardship Board, with the current book value of £50.76m provided as loan, and allowing the Infrastructure Delivery Programme to retain any uplift in HCA land values over and above this, up to a maximum of £37m (subject to the next clause). The proceeds and uplift will be released on condition of Preston and Lancashire's commitments being met • DCLG will support the waiving of claw back and overage on "land north of Eastway" and with the HCA will develop a business case to do this. In the event that the business case is not approved by HMT, DCLG will commit to

<ul style="list-style-type: none"> • To grant the necessary planning consents , in line with planning policy, and commit to ensuring delivery of the following housing units within the City Deal area: <ul style="list-style-type: none"> ○ 2014/15: 338 ○ 2015/16: 868 ○ 2016/17: 1,391 ○ 2017/18: 1,579 ○ 2018/19: 1,891 ○ 2019/20: 1,659 ○ 2020/21: 2,814 ○ 2021/22: 2,849 ○ 2022/23: 2,441 ○ 2023/24: 1,571 • To deliver the following infrastructure within the City Deal area: <ul style="list-style-type: none"> ○ Preston Western Distributor ○ South Ribble Western Distributor ○ Broughton Bypass ○ Penwortham Bypass ○ New Junction on M55 (Near Bartle) ○ Local community infrastructure • To provide from internal reserves cash-flow support of up to £107m in any one financial year during the 10-year city deal period • To provide a commitment to meeting housing need beyond the 10 year deal period. • Agree governance arrangements for the City Deal, the Infrastructure Delivery Programme, the City Deal Investment Fund and the Stewardship Board by March 2014 • Given the interdependency of local and national funding streams, the consequences of Government policy changes will be considered especially with regard to the retention of business rates funding model. If the consequences materially undermine the viability of the Infrastructure Delivery Programme the City Deal local partners and Government agree to review the City Deal. • The LEP, as sponsor of the City Deal, will work with City Deal partners to ensure that changes to City Deal funding streams announced in the 2013 Spending Review, particularly in relation to NHB and Integrated Transport Block, do not impact negatively on the City Deal. 	<p>reconsider the HCA asset uplift cap.</p> <ul style="list-style-type: none"> • Given the interdependency of local and national funding streams, the consequences of Government policy changes will be considered especially with regard to the retention of business rates funding model. If the consequences materially undermine the viability of the Infrastructure Delivery Programme the City Deal local partners and Government agree to review the City Deal
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