

Preston Public Realm Gateway Improvements Phase 2 and 3

Business Case

A Report to Lancashire County Council

August 2015

Executive Summary

Overview of the investment proposition

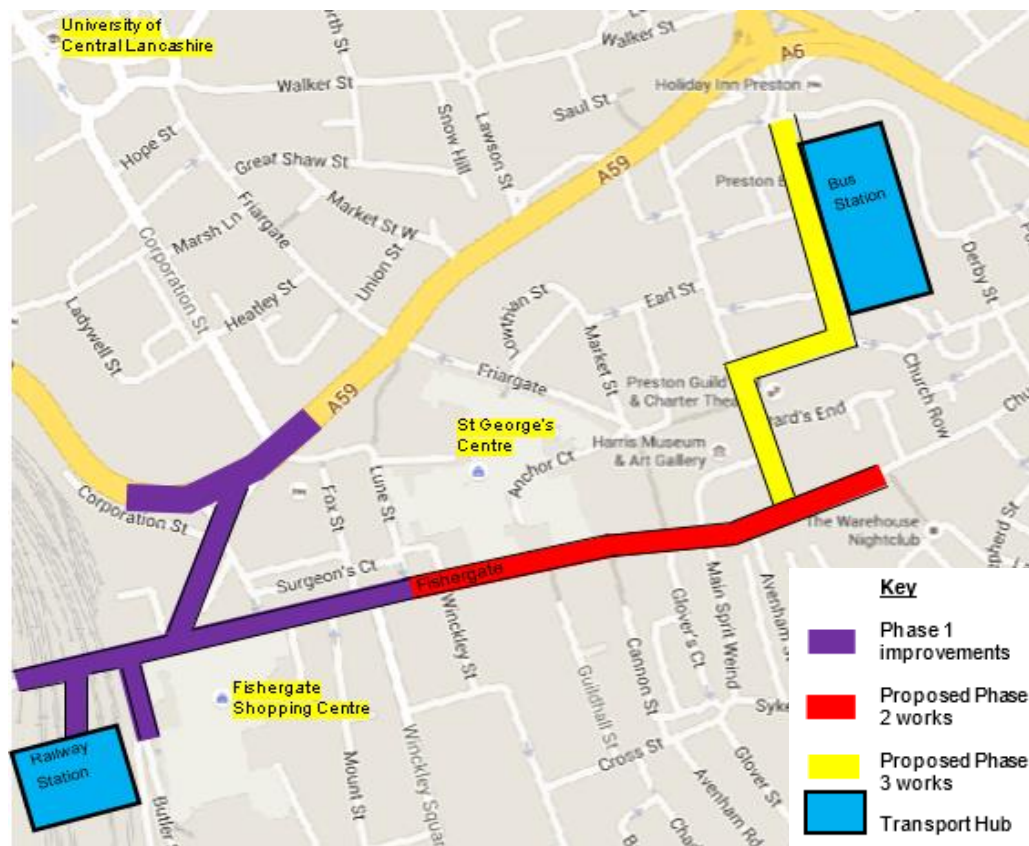
Improving accessibility and enhancing the attractiveness of the City Centre has been a long standing objective for local partners and the business community. Investment in public realm is an important part of this, including the programme of public realm gateway improvements to improve connectivity of the City's principal transport hubs – the bus and rail stations – with key development and commercial sites within City Centre North, a key development zone within the City Centre.

The improvements will help to create a distinctive destination for shoppers, residents and city centre workers, as well as a quality and well connected urban environment which generates confidence in the market to drive forward and support a programme of private sector investment projects.

The improvements have been divided into three phases for delivery. Phase 1 of the project, which runs from the railway station in the west and ends mid-way along Fishergate including significant improvements along Corporation Street and to the station forecourt, was part funded by ERDF and completed in October 2014. It involved reconfiguration of key gateways, public realm and pedestrian facility improvements along Fishergate from Lune Street to County Hall and improved linkages with the University of Central Lancashire (UCLan) to the north and sites located within the Corporation Street area.

The remaining phases (2 and 3) are the focus of this business case and will lead to the completion of the improvements, starting from the end point of Phase 1 on Fishergate to the bus station, including improvements along the remainder of Fishergate, Church Street, Lancaster Road, Lord Street and Tithebarn Street. The works also include the provision of high quality public realm on the remaining section of the bus station apron.

Proposed Phase 2 and 3 Context Plan



Proposed Funding Package

The total cost of phase 2 and 3 of the public realm improvements is £7m. Lancashire County Council is seeking £6m of funding through the Lancashire Growth Deal, which has been negotiated based on the economic priorities and project proposals set out in the Lancashire Local Enterprise Partnership's Strategic Economic Plan. The public realm improvements were included in the Strategic Economic Plan and in July 2014, the government announced that it would commit £6m to deliver this project, subject to the provision and approval of a robust business case that demonstrated value for money. The remaining £1m will be provided by Lancashire County Council.

The Development of Preston City Centre North

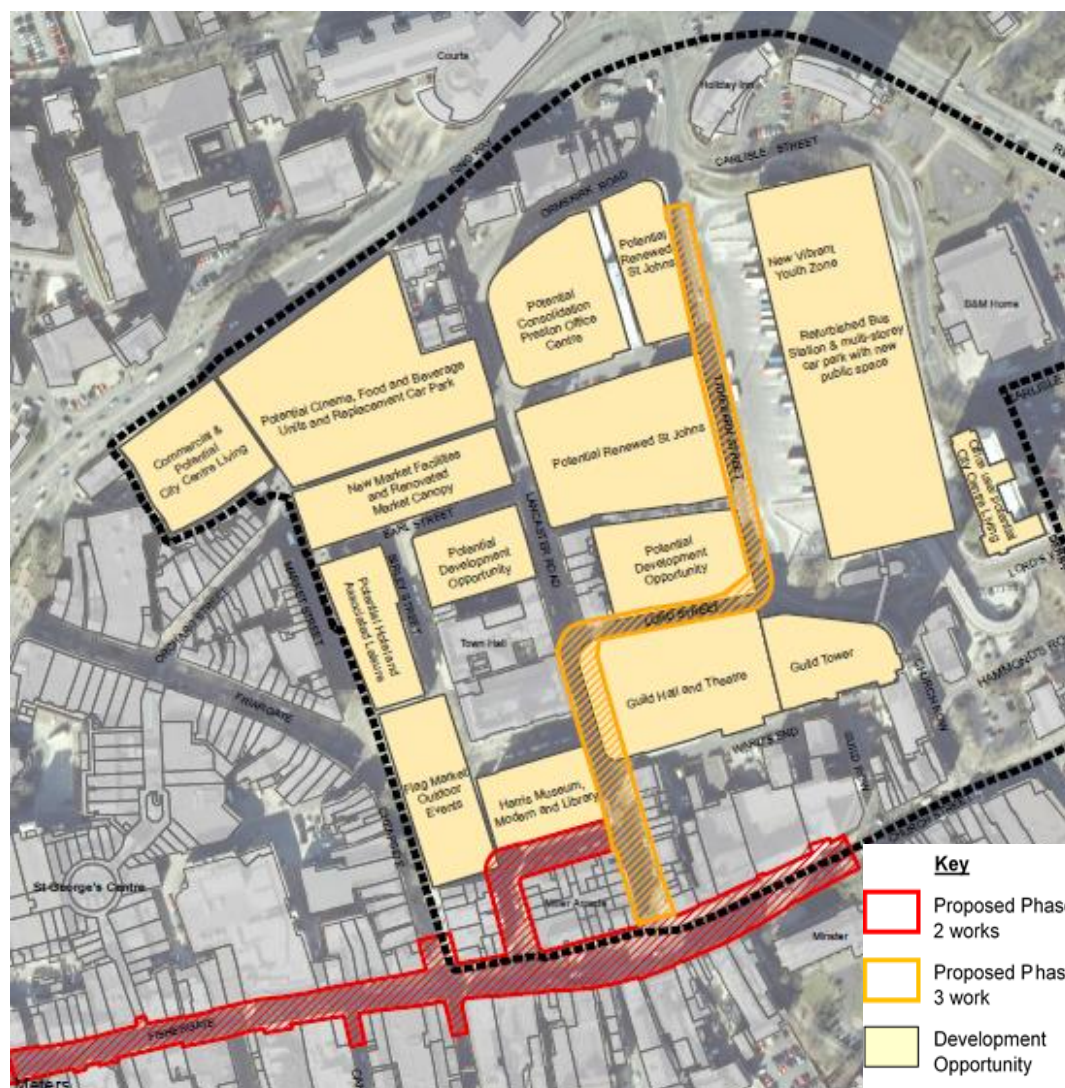
The improvements to the public realm in Preston City Centre are an important part of the plans for the City Centre North Development Zone and will support a number of proposed commercial and leisure opportunities, including:

- **A new vibrant youth zone:** subject to approvals/permissions, the youth zone will be created within part of the re-developed bus station and include 2,350-2,750m² of leisure space and 450m² of office space.
- **The refurbishment of the bus station:** subject to approvals/permissions, the remainder of the bus station will be refurbished, preserving the building's unique and Grade II listed architecture and providing in the region of 1,100m² of office space, 450m² of retail space and 3,950m² of leisure space.
- **The development of an employment site located between Tithebarn Street and Lord Street:** the site provides for the development of almost 5,300m² of office space in a four storey building.

- **The redevelopment of Miller Arcade:** this scheme is expected to include the development of 45 City Centre apartments and 450m² of retail space, as well as prompting the re-occupation of vacant units.

It will also support a reduction in City Centre vacant properties, increased footfall and support plans for development at the Harris Museum and Art Gallery, the Guild Hall and Theatre, Guild Tower and St Johns as well as the wider development programme within the zone. This includes plans for a new cinema, market facilities and hotel/leisure development.

Preston City Centre North Development Context Plan



The delivery of the City Centre North Development Zone will make an important contribution to the realisation of economic plans and aspirations for Preston, complementing investment in adjacent areas on the City. The latter includes the £200m UCLAN masterplan and the £430m Preston, South Ribble and Wider Lancashire City Deal. When complete the investments will combine to create a larger and more coherent City Centre area attractive to residents, businesses, investors and visitors.

The Strategic Case

Preston is the commercial and administrative centre of Lancashire and is by far the largest single employment centre in the County, employing 84,000 people, attracting workers locally as well as commuters from across Lancashire and beyond. Home to almost 4,500 businesses, Preston has a large and diverse economy with strengths in knowledge and service economies, high value manufacturing and a significant public sector. Preston City Centre is Lancashire's largest retail centre and is amongst the largest city centres in the North. Its importance within the Lancashire economy places an imperative on ensuring that the City is successful and maximises its economic potential.

To achieve this, there is a need to secure further investment in the City Centre. This is recognised in the ambitious plans that have been developed, such as the Preston City Centre Plan, the Preston and South Ribble City Deal and the Lancashire Strategic Economic Plan. Improving the public realm will be an important step in moving this agenda forward.

Evidence is already emerging of the impact of phase 1 works, soon after completion of the works programme. An enhanced public realm is helping to secure higher levels of occupancy and footfall in improved areas and is changing the perceptions of both visitors and potential investors. Overall, experience from phase 1 and from towns and cities across the UK shows that public realm enhancements can generate benefits that far exceed the cost of initial investments.

Market failures mean that in the absence of public investment, improvements would not be made. This position would restrict the ability of Preston City Centre to attract private sector investment in new developments and secure occupiers for existing vacant premises, with a risk that levels of vacancies could increase over time. There are clear economic drivers to make the investment with a comparatively small amount of money required to unlock wider investment and economic opportunities.

The Economic Case

The economic case covers a wide range of considerations from the options available to deliver the project, the potential economic impact, and value for money, to risks and their potential impacts (i.e. sensitivities).

Options Development and Selection

The following five options (i.e. the long list) were assessed based on their relative advantages and disadvantages and the extent to which they meet critical success factors identified for the project.

- **Option 1: Do Nothing.** This is the reference case scenario, where no public funding contribution is made to the delivery of the Preston Public Realm Improvements. Under this option, the Phase 2 and 3 improvements would not take place.
- **Option 2: Smaller Scale Improvements - Phase 2 of the public realm improvements as a standalone project.** This option would deliver phase 2 of the public realm improvements only. The improvements would start at the end point of phase 1 on Fishergate and run along to Church Street with additional improvements running alongside and between the Miller Arcade and Harris Museum and Art Gallery. This option has an estimated cost of £3.1m.
- **Option 3: Phase 2 and 3 of the public realm improvements.** This option would deliver phase 2 and 3 of the public realm improvements. Phase 2 of the improvements would start at the end point of phase 1 on Fishergate and run along to Church Street with additional improvements running alongside and between the Miller Arcade and Harris Museum and Art Gallery. Phase 3 would deliver improvements along Lancaster Road (parts of), Lord Street and Tithebarn Street, including the remaining apron outside

the bus station. This option has an estimated cost of £7m.

- **Option 4: Lower Quality Improvements – Phase 2 and 3 of the public realm improvements to a lower quality.** This option would deliver phase 2 and 3 of the public realm improvements (as per the route described under Option 3), although a lower quality scheme would be delivered. This option has an estimated cost of £5.1m.
- **Option 5: Higher Quality Improvements - Phase 2 and 3 of the public realm improvements to a higher quality.** This option would deliver phase 2 and 3 of the public realm improvements as per the route described under Option 3, although the works would be completed to a higher quality. This option has an estimated cost of £10.2m.

The table below sets out how each options scores against the critical success factors based on a scale from 0 (where the option does not satisfy the criteria) to five (where the option fully satisfies the criteria).

Scoring of Options Against Critical Success Factors					
<i>Scoring: 0= does not satisfy criteria, 5= fully satisfies criteria</i>					
	O1	O2	O3	O4	O5
Being deliverable from 2015/16	5	5	5	4	4
Providing transformational public realm gateway in the heart of the City	1	3	5	2	5
Improving connectivity of principle transport hubs and key development and commercial sites	0	2	5	3	5
Improving foot and cycle experience	0	3	4	2	4
Enhancing the attractiveness of Preston as a business and leisure destination, especially for higher value sectors	0	2	4	2	4
Bringing forward the delivery of key development opportunities at the bus station, youth zone site, Miller Arcade and the employment site situated between Lord Street and Tithebarn Street.	1	2	5	2	5
Reducing the level of vacancies at units based along the public realm route	1	3	4	3	5
Increasing footfall and dwell time in Preston City Centre	1	3	4	3	5
Acting as a catalyst for wider investment, job creation and wealth (GVA) in the City Centre	1	2	5	2	5
Supporting the future economic role of Preston City Centre as a major contributor to the growth and wealth of the North West Economy	1	3	4	3	4
Offers value for money (in terms of the scale of the benefits versus the scale of the costs)	0	3	5	3	3
Contributing to the local and sub-regional objectives including those of the Lancashire Local Enterprise Partnership	1	3	4	3	4
Total score	12	34	54	32	53

Option 3 (to deliver phase 2 and 3 of the improvements scores the highest score, closely followed by Option 5 (to deliver the phase 2 and 3 improvements to a higher quality. In both cases, the option delivers the projects objectives and is of the scale and quality required to bring forward development opportunities at Miller Arcade, the employment site located between Lord Street and Tithebarn Street, the potential youth zone and proposed redevelopment of the bus station. The scale, quality and location of the schemes will support wider investment in the City as investor confidence is raised following the works and a more attractive business and leisure destination which is capable of attracting higher value sectors is established. The schemes fully capitalise on the momentum gathered through Phase 1 of the improvements and will also contribute to further reducing vacancies and increasing footfall in the City Centre.

While Option 5 is likely to lead to a greater reduction in vacancies and increase in footfall than Option 3, it is unlikely that the additional benefits will be proportionate to the scale of the additional costs.

Option 2 has the third highest score given that it partly delivers the project objectives and would unlock a small scale development opportunity.

Based on the initial assessment, Options 2, 3 and 5 have been shortlisted and are subject to further assessments of their potential economic impact and value for money. Both option 1 (do nothing) and Option 4 (to deliver the phase 2 and 3 works to a lower quality) were discounted on the basis that they failed to deliver the project objectives, meet critical success factors, and capitalise on the momentum gained following the delivery of Phase 1. Both options also offered limited or no additional economic benefits and would impact negatively on Preston and its credentials as a businesses and leisure destination.

Economic Appraisal

The economic appraisal considers the costs and benefits for each of the three shortlisted options. The appraisal focuses on the indirect benefits of each option, namely the number of new jobs created and additional GVA. These benefits are generated through three main routes:

- The development and occupation of additional employment floorspace (in new and refurbished properties) unlocked through the delivery of the public realm improvements.
- Vacant properties becoming occupied as a result of the public realm improvements.
- Increased footfall and spend in the City Centre.

In accordance with Green Book guidance, the financial return and value for money of each option is also considered.

A spreadsheet has been prepared to underpin the appraisal. It sets out the project costs and scale of the additional employment floorspace, footfall and reduction in vacancies under each option based on information provided by the project team and lessons from the Phase 1 improvements. These figures are used to estimate the economic impacts generated. Estimates are based on benchmarks from official guidance and statistics (as set out in Section 3b of the main report) combined with information provided by Preston City Council and Lancashire County Council, which takes account of their existing knowledge of the relevant schemes and extensive experience of delivering developments locally and across the County.

Both the gross and net economic impact of each option has been estimated. The latter takes account of deadweight and displacement as well as the benefits of multipliers. The level of net adjustment varies for each option, reflecting the nature of the activities and the likely levels of additionality.

An initial cost benefit analysis and value for money assessment has also been prepared for each of the three shortlisted options.

When the results of the options are compared, Option 5 offers the greatest economic impact, although this is only marginally higher than Option 3 despite the costs being considerably higher making the proposition less attractive from a value for money perspective. The Option 2 benefits are modest, even after taking account of the reduced costs highlighting the importance of the phase 3 route and the completion of a holistic programme of public realm improvements to secure economic impacts. Overall, Option 3 offers a combination of significant impacts and value for money, with the lowest public sector cost per net FTE and the highest net GVA per annum return of the three options.

Economic Assessment			
	Option 2	Option 3	Option 5
Costs			
Total Cost	£3.1m	£7m	£10.2m
Economic impact			
Gross FTEs	379	1,128	1,217
Gross Annual GVA	£11.5m	£51.8m	£54.4m
Net FTEs	219	716	751
Net Annual GVA	£7.6m	£39.8m	£41.0m
Value for money			
Public Sector Cost per net FTE	£14,157	£9,780	£13,587
Net GVA per annum per £1 public sector investment	£2.50	£5.70	£4.00

The City Centre improvements are an important component of the plans to increase the economic contribution of Preston to Lancashire's economic growth. A renewed City Centre has an important role to play in creating an attractive environment for business, professional service, creative and digital companies to locate, linked to Lancashire's priority sectors, as well as creating an environment for younger people to live as well as work.

The City Centre improvements will also increase business rates income, as well as generating Income Tax and National Insurance from the additional employment. As such, there will be a significant increase to both national and local government impact as a result of the public sector investment.

Risks to Economic Impact and Value for Money

As the three project options are very similar in terms of the nature and delivery approach, the same risks apply to each option. The varying scale of the projects (from both a physical and cost perspective) does, however, mean that the level of risk varies for each option as set out in the table below.

This is based on scales where the likelihood and impact range from 0 (high) to 10 (low). Therefore, the project with the highest score (Option 3) has the lowest risk. The fact that Option 3 is based on continuing the phase 1 works (from a quality and process point of view) reduces the likelihood of risks when compared to Option 5 where there is a focus on higher quality and the likelihood of cost estimates proving inaccurate is higher. Option 3's larger scale and more transformational nature when compared to Option 2 reduces the likelihood of the project failing to secure its economic benefits.

Risk Assessment						
<i>Likelihood: 0= high, 10 = low, Impact 0= high, 10 = low</i>						
	Option 2		Option 3		Option 5	
	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact
Operational Risks						
Conflicts between highways and public realm	8	5	8	5	7	5
Limited support from stakeholders and businesses affected by works	8	5	7	5	7	5
Cost estimates prove inaccurate	8	5	8	5	7	5
Unforeseen challenges identified on site	8	5	8	5	7	5
Failure to secure required consents	9	5	9	5	8	5
Inclement weather impacts on deliver	5	5	5	5	5	5
External Risks						
Take up of new and vacant supporting premises is lower than expected	7	4	5	4	5	4
Planned site developments do not occur	5	4	7	4	7	4
Footfall and expenditure does not increase	5	4	7	4	7	4
Pedestrian safety not improved as a result of the project	6	5	8	5	8	5
Project does not comply within funder requirements	8	2	8	2	7	2
Overall Risk (Likelihood x impact)	344		357		335	

From an economic and value for money perspective, the risks which would have the greatest impact are associated with the realisation of the economic benefits (i.e. the planned developments do not go ahead, and the take up of new or vacant premises and/or planned footfall and expenditure increases are lower than expected).

Selection of the Preferred Option

When the results of the economic impact, value for money and risk assessment are combined, Option 3 – to deliver phases 2 and 3 of the public realm improvements – is identified as the preferred option. While the economic impact of the project is slightly lower than the impact of Option 5, the lower costs lead to this option offering the best value for money. The scale of Option 3 and its transformational nature also mean that it has the lowest level of risk.

Selecting the Preferred Option			
	Option 2	Option 3	Option 5
Economic impact	3rd	2nd	1st
Value for money	3rd	1st	2nd
Risk	2nd	1st	3rd
Overall Ranking	3rd	1st	2nd

Sensitivity Analysis

The sensitivity analysis focuses on those risks which could have the greatest impact on the economic impact and value for money that the project offers. As such, the following sensitivities are tested on the preferred options:

Economic benefits from new space developed:

- Only 90% of the new space developed becomes occupied
- Only 80% of the new space developed becomes occupied

Economic benefits from reduced vacancies:

- Reduction in vacancies is 5% points lower than expected
- Reduction in vacancies is 10% points lower than expected

Economic benefits from increased footfall:

- Increase in footfall is 10% lower than expected
- Increase in footfall is 20% lower than expected

At a headline level, the results demonstrate that if these risks were to occur, the project would continue to offer value for money despite the lower level of economic impact. The risk management processes adopted by the delivery team, will seek to minimise risks to the economic impact of the project to ensure that the maximum value of the project is secured for the Preston and wider Lancashire economy.

The Commercial Case

In-house delivery of the main works contract draws on in-house expertise and experience as well as offering value for money. In cases where goods and services need to be procured from other parties, detailed specifications will be prepared and the process will be undertaken in accordance with regulations and associated good practice. Once contracts are awarded, payment terms will be agreed to align with the delivery of works packages.

The nature of the scheme means that risks to both the construction phase and ongoing maintenance of the asset are low. The team's experience of planning, overseeing and maintaining such works and partners' commitment to taking the works forward, along with positive experiences from phase 1 further supports this position. No substantive dependencies or ongoing costs are foreseen. Maintenance arrangements will be agreed by the Preston Programme Board and will be built into either Lancashire County Council's or Preston City Council's existing programme of activity. Works can be delivered relatively quickly and will align with activities being taken forward on adjacent sites.

The Financial Case

The timing of the funding and cash expenditure for the preferred option is set out below. The profile aligns with the timescales for the work and is based on funding being available to cover total costs each year.

Financial Expenditure						
Costs	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Capital costs	£0.3m	£2m	£0.8m	£2.45m	£1.45m	£7m
Funding / Cash Expenditure						
Lancashire Growth Deal	£0.3m	£2m	£0.8m	£1.45m	£1.45m	£6m
Lancashire County Council				£1m		£1m
Total	£0.3m	£2m	£0.8m	£2.45m	£1.45m	£7m

The preferred option is affordable and requires a relatively low level of public sector investment (£7m), particularly when the benefits are taken into account. The project is being funded via committed and experienced partners and the costs have been subject to detailed assessment. Furthermore, the preferred option is able to draw on the experience and financial model from the phase 1 works, which were delivered using a similar approach and the same quality materials. This further reduces the level of risk associated with the financial profile.

The Management Case

The project team is able to draw on an extensive range of skills to deliver this project. An experienced team of named personnel has been identified to both deliver and manage the works. Identified expertise include strengths in project management, urban design, traffic engineering, communications and financial management. Clear roles and responsibilities have been outlined ensuring accountability and transparency regarding how the team will work together.

There are also clear governance arrangements, ensuring that the day to day delivery of activity is supported by strategic oversight. The project manager will directly report to the Preston Programme Board ensuring that activity aligns with and supports wider plans for Preston City Centre and the wider sub-region. In turn, progress and achievements will be reported up through the LEP's governance structures.

Day to day activity will occur in accordance with Lancashire County Council's risk management and change management procedures, ensuring that any potential issues can be identified and addressed at as early a stage as possible. Evaluation requirements have also been considered through the project's development and will continue to be applied throughout delivery and beyond.

Conclusions: Project Recommendation

There is a strong case for investment in the phase 2 and 3 public realm gateway improvement works in Preston City Centre. Based on the evidence available, Option 3 – to deliver the works to the same quality as the phase 1 works at a total cost of £7m – is strongly recommended as the preferred option for delivering the scheme. This option requires £6m of funding from the Lancashire Growth Deal, with the remaining £1m already committed by Lancashire County Council.

The preferred option performs strongly, delivering the project objectives, meeting critical success factors and delivering economic impacts and value for money. Specifically, the preferred option:

- Builds upon the momentum gathered as a result of the phase 1 works, providing continuity and delivering the project in line with local expectations.
- Provides transformational public realm in the heart of the City Centre, which improves the connectivity of principle transport hubs and key development and leisure sites and supports the development of a more coherent City Centre area that is attractive to residents, businesses, investors and visitors.
- Delivers an important part of the plans for the City Centre North Development Zone and will support a number of commercial and leisure opportunities, including proposals for (subject to necessary approvals/permissions) a new vibrant youth zone, the refurbishment of the bus station, the development of an employment site located between Tithebarn Street and Lord Street and the redevelopment of Miller Arcade.
- Leads to a reduction in City Centre vacancies, increased footfall and supports plans for development at the Harris Museum and Art Gallery, the Guild Hall and Theatre, Guild Tower and St Johns as well as the wider development programme within the City Centre North. This includes plans for a new cinema, market facilities and hotel / leisure development.
- Addresses recognised market failures associated with investment in public realm and the costs of public realm improvements and the distribution of benefits across a wide range of users, rather than as a direct return to the investor. These factors are prohibitive to private sector investment in public realm.

- Creates jobs and additional GVA and delivers value for money. It is expected to lead to a total gross employment impact of 1,128 FTEs generating £51.8m of GVA per annum, which will directly contribute to the LEPs target to create 50,000 jobs in 10 years. Once adjusted to take account of deadweight, displacement and multipliers, the net economic impact continues to be considerable, with an estimated net increase of 716 FTE posts, generating £39.8m of GVA per annum.
- Offers value for money – a core requirement set out in the LEP's Assurance Framework. The public sector cost per FTE job (£9,780) and the net additional GVA per annum per £1 of public sector investment (£5.70) are strongest under this option.
- Generates benefits for the exchequer – further contributing to the value for money that the project offers. This includes additional income tax revenue and national insurance contributions (from both employees and employers).
- Is able to withstand risk to the economic impacts and continue to deliver value for money
- Offer low risk during both the construction and maintenance phase. The team's experience of planning, overseeing and maintaining such works and partners' commitment to taking the works forward, along with positive experiences from phase 1 further supports this position.
- Is affordable and requires a relatively low level of public sector investment (£7m), particularly when the benefits are taken into account. The project is being funded via committed and experienced partners and the costs have been subject to detailed assessment.
- Being delivered and managed by an experienced team of named personnel. There are also clear governance arrangements, ensuring that the day to day delivery of activity is supported by strategic oversight.

Based on all of the points above, there is a strong case for public investment in the phase 2 and 3 public realm gateway improvement works.

1 Introduction

This report sets out the Five Case Model Business Case for £6m of Growth Deal investment in the second and third phase of Preston's Public Realm Gateway Improvements. The Business Case has been prepared in line with the Treasury Green Book Guidance, including the sample templates, and draws on the information provided about the project in the initial Growth Deal Business Case submitted to the LEP earlier in 2015.

Overview of the investment proposition

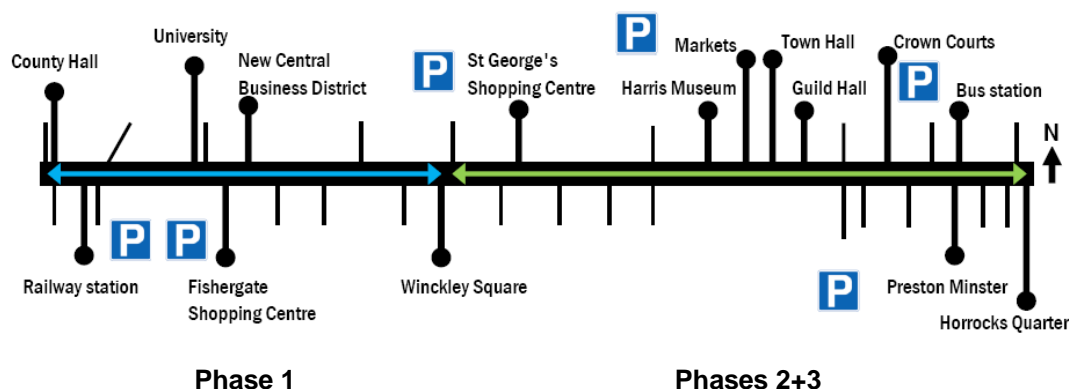
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Improving accessibility and enhancing the attractiveness of the City Centre has been a long standing objective for local partners and the business community. Investment in public realm is an important part of this, including the programme of public realm gateway improvements to improve connectivity of the City's principal transport hubs – the bus and rail stations – with key development and commercial sites within City Centre North, a key development zone within the City Centre.

The improvements will help to create a distinctive destination for shoppers, residents and City Centre workers, as well as a quality and well connected urban environment which generates confidence in the market to drive forward and support a programme of private sector investment projects.

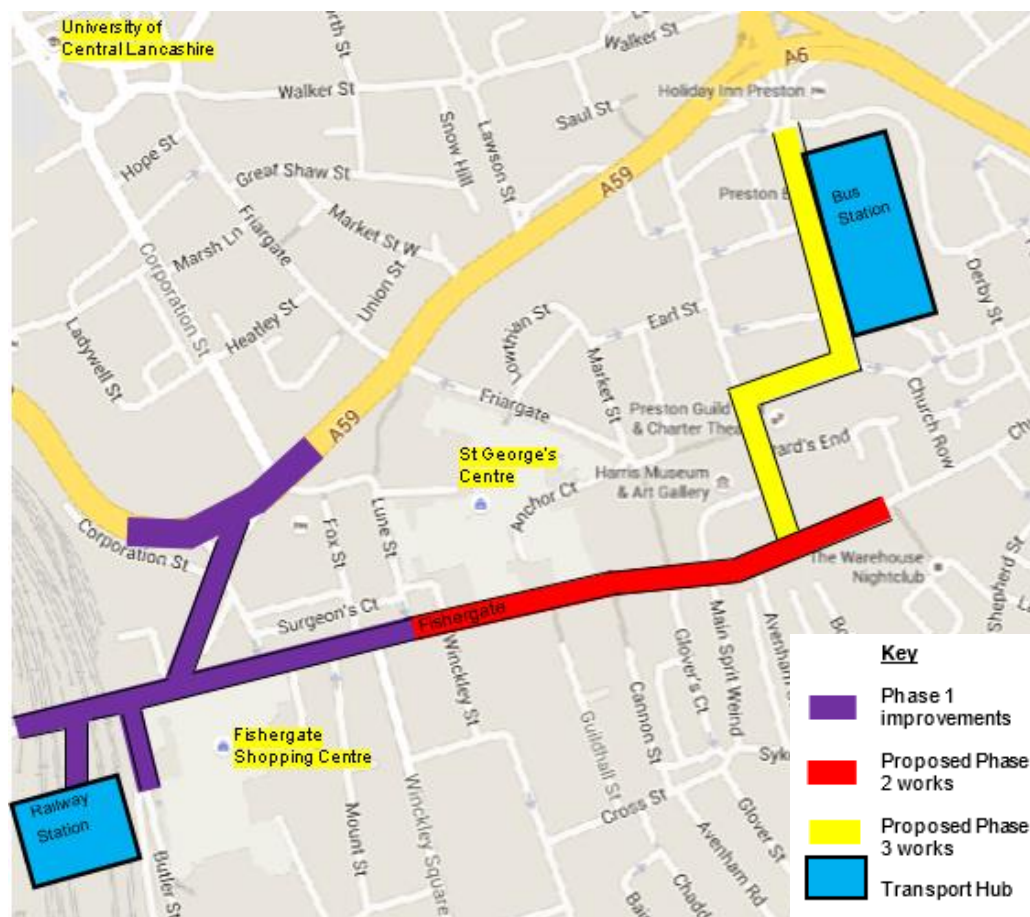
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The route of the proposed improvements is shown in more detail on the plan below.

Proposed Phase 2 and 3 Context Plan



The Development of Preston City Centre North

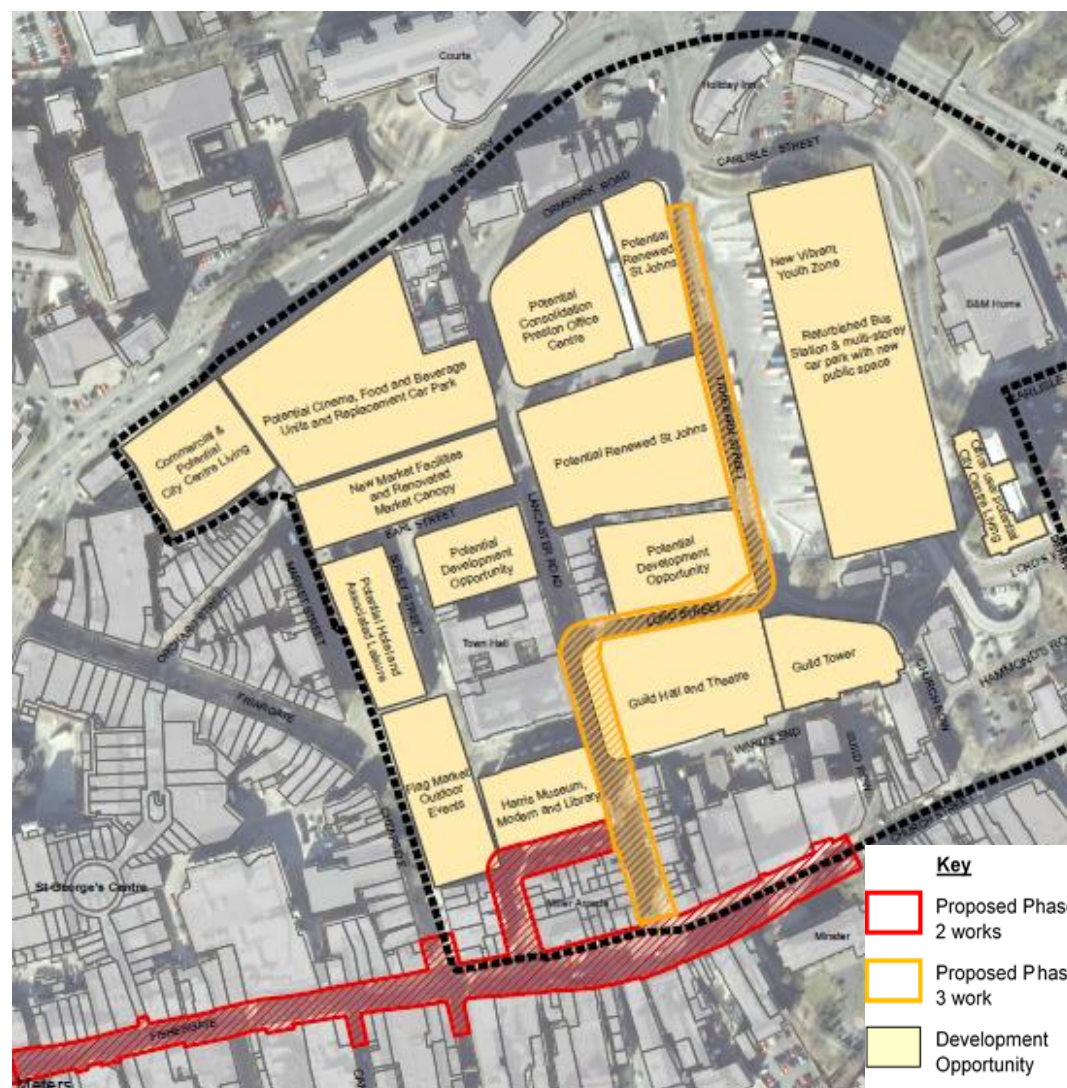
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- **A new vibrant youth zone:** subject to approvals and permissions the youth zone will be created within part of the re-developed bus station and will include 2,350-2,750m² of leisure space and 450m² of office space.
- **The refurbishment of the bus station:** subject to approvals and permissions, the remainder of the bus station is proposed to be refurbished, preserving the building's unique and Grade II listed architecture and providing 1,100m² of office space, 450m² of retail space and 3,950m² of leisure space.
- **The development of an employment site located between Tithebarn Street and Lord Street:** the site provides for the development of almost 5,300m² of office space in a four storey building.
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in the map below. This includes plans for a new cinema, market facilities and hotel/leisure development.

Preston City Centre North Development Context Plan



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Preston Public Realm Phases 2 and 3	
Capital	£m
Growth Deal	£6m
LCC	£1m
Total	£7m

Structure of Report

The remainder of the report is structured as follows:

- Section 2 sets out the **Strategic Case**
- Sections 3a-3c sets out the **Economic Case**
- Section 4 sets out the **Commercial Case**
- Section 5 sets out the **Financial Case**
- Section 6 sets out the **Management Case**

2 The Strategic Case

This section sets out the strategic context within which the project will be delivered as well as the rationale for the investment. The strategic context provides an overview of the drivers for the investment including consideration of the role and assets of successful city centres and the contribution that the project will make towards sub-regional strategies, programmes and plans. The case for change focuses on the need to invest in public realm improvements with a particular focus on why public sector investment is required.

The Strategic Context

The Imperative for Successful City Centres

Cities as drivers of change

Cities are drivers of economic growth across the UK, as centres of research and innovation, migration and high value added employment activity. UK city economies are 21% more productive than non-urban areas and host 72% of all highly skilled jobs¹. Looking within cities, on average almost a quarter of all private sector jobs in cities are now based in their centres. Cities' relative importance to the national economy has been recognised by the devolution of powers and allocation of central funding to regional centres across the country, providing the opportunity to allocate resources to reflect local opportunities and challenges. The success of cities in the UK outside of London will be crucial in rebalancing the national economy, with the formation of a 'Northern Powerhouse' aiming to drive this.

The Urban Tendency

Over the past two decades and through the urban renaissance agenda, many of the UK's city centres have been regenerated to function in new ways. This has coincided with declining interest in out-of-town office locations for businesses, as they seek to utilise the benefits of central locations. This pattern of businesses wishing to locate in city centres is referred to by Jones Lang LaSalle² as the 'Urban tendency', which is expected to intensify over the next decade. This is a result of six fundamental drivers:

- **Demographics** – increasing numbers of young, single people living in city centres and inner suburbs – meaning locating centrally is key to staff recruitment and retention;
- **Immigration and Globalisation** – the UK is increasingly host to international talent which wants to locate in cosmopolitan cities;
- **Working practices** – the rise of flexible working, mobile and cloud computing and self-employment reinforces the need for central meeting points;
- **Sustainability** – offices in city centres enable walking, cycling and public transport use;
- **Policy** – Government policy continues to restrict out-of-town development;
- **Transport improvements** – New train services and other public transport services make city centres even more accessible; younger workers shift away from the car and towards public transport and cycling.

¹ 'Cities Outlook 2015' – Centre for Cities, 2015

² 'The New Geography of Office Demand – 1: The Urban Tendency' – Jones Lang LaSalle, 2013

Agglomeration effects

Whilst many industries such as manufacturing and construction will continue to favour an out-of-town environment, businesses such as those in the financial and professional services sector receive increased benefits from the clustering effects of proximity to other businesses. The three main benefits of this are:

- **Matching** – access to a wider pool of highly skilled labour makes it more likely that business can find employees with the specific skills set they require.
- **Knowledge sharing** – opportunities for face-to-face contact help diffuse knowledge and skills
- **Shared resources** – access to shared resources such as transport infrastructure and educational facilities³.

An example of this is the concept of Innovation Districts, which as stated in a recent report by Centre for Cities⁴, bring together leading research institutions such as universities and R&D companies with large firms and small start-ups in well-connected, mixed use, urban locations that are attractive places to live, work and play. Innovation districts bring together economic, physical and networking assets. In this context, physical assets refers to (i) the quality of the public realm; (ii) the quality of the private realm in economic assets such as businesses and universities, and (iii) the quality of assets that link the Innovation District with the broader city and residential areas – such as broadband, public transport, bicycle and pedestrian paths.

Cities as residential locations

The economic and physical regeneration of cities in the UK has been supported by a growing residential sector in cities, particularly in city centres. For example, Manchester City Centre's population increased by over 50% between 2001 and 2011. City centres have become more attractive places to live, combining employment opportunities, cultural and leisure facilities and high quality accommodation for the workforce. A growing city centre population can help to drive wider rejuvenation, for example through greater spend in shops, restaurants and bars and more widely contributing to the vibrancy of the place.

The changing high street

Many policy interventions in city centres in the UK have been focused on retail – or the traditional 'high street'. However, research by Centre for Cities, 2013⁵ suggests that declining retail is the symptom of an underperforming city centre and not the cause of it. If a city centre lacks jobs, residents and/or leisure amenities (the primary city centre functions), then this will shrink the size of the market that retail (a secondary city centre activity) can serve.

In order to improve the number and quality of jobs in the city centre, policy makers must make city centres that are attractive places for businesses to locate, by creating areas of sustainable employment and job quality. Knowledge intensive business services (KIBS) jobs gain most from the agglomeration effects of city centres, leading to 50% of jobs in city centres being taken by graduates (as opposed to 33% for other parts of the country). Conversely cities without KIBS jobs tend to have a higher proportion of lower paid and less secure jobs, which can have wider impacts for a cities' overall economic output.

³ 'Size Matters – the importance of small firms in London's economy' – Centre for Cities, 2012

⁴ 'Making it: the advanced manufacturing economy in Sheffield and Rotherham' – Centre for Cities, 2015

⁵ 'Beyond the High Street: Why our city centres really matter' – Centre for Cities, 2013

Successful city centres include businesses located close together, with retail and entertainment close by, along with residential areas, resulting in less sprawl. The changes then directly influence the performance of the high street, as people are pulled into the city centre, which increases footfall and creates a market for retailers and restaurants to sell to. Cities with strong city centre economies tend to have a strongly performing high street, while those with a more dispersed economy have lower footfall in the centre, and a weaker high street⁶.

Investing in Preston City Centre

As one of Lancashire's principal cities, maximising the economic potential of Preston and ensuring that it is able to compete as a successful City Centre is an imperative and a driver for investment in the public realm improvements. In recent years, a series of ambitious plans, strategies and masterplans have been developed which focus specifically on the economic development and regeneration of the City Centre, the wider Preston area and the Lancashire LEP area. As set out in the following sections, the public realm improvements align with, and often make a direct contribution to the aims and objectives in these documents.

Economic Context Central Lancashire

Central Lancashire comprises the three districts of Preston, South Ribble (with its urban centre Leyland) and Chorley. The three local authority districts function as an integrated local economy and travel to work area, as well as a single housing market, with nearly 80% of house moves taking place within the area defined as Central Lancashire. Policy makers have therefore considered it appropriate to address issues facing Central Lancashire in a collaborative way to better plan for the future of the area. The 'Central Lancashire Economic Regeneration Strategy: 2026' outlined a shared economic vision for Central Lancashire, to make it a sought after place to live and work in the North West, and to play a leading role in Lancashire's wider economic ambitions. Central Lancashire is a driver of sustainable economic growth for the whole region, with its location also providing a natural hub for the rest of the region.

The three districts that make up Central Lancashire have a combined population of over 361,000, with Preston as the major urban centre, accounting for 39% of this figure. Central Lancashire is also home to over 180,000 employees and almost 12,000 businesses. The population in Central Lancashire has increased by 7% between 2001 and 2013, exceeding the Lancashire and North West figure, a pattern which is expected to continue over the next decade. It is also an area with a relatively young population (27% between the ages of 15 and 34), and is home to the University of Central Lancashire, one of the largest universities in the country. Additionally, residents in the area are more likely to be employed in highly skilled occupations than the Lancashire average, and this figure is expected to increase further over the next ten years.

Central Lancashire accounts for 29% of jobs within the LEP area (compared to 25% of the population), with many jobs in the financial and professional services sector concentrated in Preston, demonstrating its economic significance for the region. Whilst employment growth is expected to out-perform the county level over the next ten years, particularly in construction and the administrative support services (accounting for two thirds of employment growth), a number of economic challenges have been identified as areas to address for the region. These include lack of external investment, low levels of graduate retention, a need for investment in transport infrastructure, and a lower than average percentage of the population with higher level qualifications.

⁶ 'Delivering change: Putting city centres at the heart of the local economy' – Centre for Cities, 2014

Economic Context Preston

The major urban centre in Central Lancashire, with the largest potential for economic growth and job creation is the city of Preston. Preston has a population of 140,500, just under 10% of the total in Lancashire. The city contains a wide variety of businesses accounting for 14% of Lancashire's total employment. As the county's administrative capital and largest urban centre, Preston plays a key function in the region's economy. Its sector strengths are in business administration and support services, public administration and defence, and health.

The predominant occupations in Preston are administrative and secretarial occupations and skilled trades. In spite of its role as a major urban centre, professional occupations are currently underrepresented in the city when compared to the Lancashire figure with 12% compared to 17%. Growth of the financial and professional services sector (as considered later in this section) provides opportunities for this position to change and is a recognised priority sector for the creation of jobs in Preston City Centre.

Enhancing Preston's City Centre Standing

Preston's City Centre focuses on its medieval core, comprising Fishergate, Friargate, Church Street and Market Place. This area (which provides the focus for public realm enhancements delivered to date and proposed through this business case) forms both the commercial and civic heart of the city and provides the focus for most visitors arriving for both leisure and business purposes.

Current City Centre Position

In 2013/14, Preston City Centre was ranked 60th in terms of its retail offer by Venue Score, but was one of the biggest climbers in the 2014/15 rankings rising by 6 places to be 54th. It is home to a wide range of high street stores including Marks and Spencer, Next, Primark and Debenhams as well as restaurants and bars, including chains such as Nandos, Pizza Express and Starbucks. Preston has a significant catchment area for potential beneficiaries of the City Centre, with approximately 650,000 people living within 20km, which represents a significant potential retail market if improvements are achieved.

Despite improving conditions, vacancies continue to be found across Preston City Centre, with areas that are yet to benefit from public realm improvements continuing to report high levels of vacancies. For example vacancies remain at 19% in St Georges and 38% on Winckley Square.

The Office Market

In 2012, Preston accounted for 28% of Lancashire's total office space, at 391,000m², making it the predominant location for office-based business in the county. Recent monitoring reports prepared by Lancashire County Council show that there are active enquiries for Preston City Centre office accommodation. However the city currently has a relatively low percentage of businesses (9%) categorised as being in knowledge intensive business services, ranked 50th out of 63 primary urban areas in the UK⁷. This is combined with a relatively low GVA per worker in the city (50th out of 63) and average weekly earnings (51st out of 63). Interventions in Preston City Centre will therefore aim to attract jobs and investment, to improve the vitality and economic prosperity of the City Centre.

Growing the Financial and Professional Services Sector

The city has set out its intentions to grow its professional services offer and strong progress is being made, particularly in Preston City Centre. Between 2005 and 2014, Lancashire's FPS employment level grew by 26% - a rate greater than that recorded across the UK (21%). Recent research, completed as part of the work to prepare a skills action plan for Lancashire's financial and professional services (FPS) sector, shows that Preston provides the heart of Lancashire's offer in the sector. The city accounts for 14,400 jobs in the FPS sector, 17% of the Lancashire

⁷ 'Cities Outlook 2015 – Centre for Cities, 2015'

total. This proportion is higher than the Lancashire average for the sector (13%) and Preston's share of all sub-regional employment (14%).

The sector is expected to experience further growth with Preston recognised as the prime location for employment uplift. Employment is expected to grow to 121,000 (+14%) across Lancashire between 2015 and 2025 (with Preston recording 12% growth from an already high base) and its gross value added contribution to £8.1 billion. Growth is expected to be focused in head offices, office administration and real estate activities, sub-sectors where Preston provides opportunities to capture a high proportion of activity.

Growth in the sector will be supported by existing clusters of businesses within the City Centre (e.g. legal services in Winckley Square) and the presence of large employers across the city (e.g. Key Retirement Solutions – one of the UK's leading equity release providers – and HCL Technologies – which provides outsourced insurance administration services). Attracting investment in a high quality, expanded office offer at the heart of the city will be a key factor in supporting growth in this priority sector, both through the attraction of new businesses and growth of existing businesses.

Contributing to Local Ambition

Whilst Preston may continue to face some challenges, it is a city with an optimistic future and of great ambition. A series of development plans are in place for the City Centre itself and edge of centre occupiers and the city is recognised to have an important role to play in the achievement of Lancashire wide ambitions.

Lancashire Strategic Economic Plan

The Lancashire Strategic Economic Plan identifies Lancashire's growth opportunity areas, comprising a combination of industrial hotspots, strategic sites, clusters of high value activity and centres of research and innovation that form an *arc of prosperity* that sweeps across Lancashire. Being the county's largest urban centre, located on major transport links and home to the University of Central Lancashire, Preston is central to realising this vision and thereby delivering Lancashire's economic prospects.

The vitality of Preston City Centre supports a number of objectives outlined in the Lancashire Strategic Economic Plan. Development opportunities facilitated through investments in infrastructure and the public realm will offer potential for outside investment, and will accommodate businesses in the priority growth sectors. Preston is identified as Lancashire's main office market, capable of growing its role as a financial and professional service sector, due to its critical mass and transport links. Maximising the economic value of Lancashire's centres for research and innovation is also a principal objective, and UCLan in Preston will be a key driver. Preston is also located between Lancashire's enterprise zones of Samlesbury and Warton, centres of aerospace manufacturing and advanced engineering, providing opportunities for spin out opportunities to be captured.

As Preston City Centre is at the heart of the *arc of prosperity*, illustrated in the Lancashire Strategic Plan, the public realm improvements will aid linkages between transport hubs, the university and retail, as well as facilitating office developments which will support the growth of the plan's priority sectors, specifically financial and professional services.

The Preston, South Ribble and Lancashire City Deal

A key component of the Preston, South Ribble and Lancashire City Deal is creating a successful City Centre in Preston, due to its size and economic importance to the wider region. Preston is seen as a key employment generator for Lancashire, being identified as a location that can consistently deliver new jobs and economic growth. In order to unlock market driven growth and private sector investment, the City Deal aims to remove infrastructure barriers to enable sustainable housing and economic growth. Approximately 147,000 square metres of new office led development and 6,850 new homes are forecast to be created in the City Centre as a result of City Deal activities.

The public realm improvements in Preston City Centre will further support transport infrastructure from the City Deal, help to link connections between the core of the City Centre and existing transport hubs and unlock further employment and development opportunities as part of the wider growth agenda.

Preston's Public Realm Framework

Preston's Public Realm framework⁸ establishes the need for a strategic, spatial vision for the City Centre which integrates development opportunities, patterns of movements and the quality of existing built environment to create a high quality, attractive and secure network of streets and spaces across the city. The objectives which the public realm framework sets out to achieve are:

- To give a strategic, spatial, context to the enhancement of the City Centre through the design of its public spaces and the contribution that new development can make to this.
- To act as a tool to assist in the planning and regeneration of the City Centre; including the development of coordinated masterplans for key areas of the city.
- To ensure investment from the public and private sector is coordinated to maximise its benefits in the long term and to identify priorities for that investment
- To support a high quality and sustainable approach to the design and management of the public realm from all relevant agencies and groups operating in the City Centre.

Improvements to the public realm are therefore seen as a catalyst for future developments and investment in Preston City Centre, to help to achieve its ambitions and contribute to wider Lancashire economic goals.

Preston City Centre Plan

With the opportunities arising from the City Deal, facilitating housing and employment growth in the Preston area, it is important for the City Centre to position itself as the natural choice for residents to shop, work and take part in cultural and leisure activities. The Preston City Centre Plan is framed around three key themes of securing economic vitality, creating a sense of place, and enhancing accessibility and movement.

Public realm improvements are of importance to each of these objectives, however enhancing accessibility and movement is most closely aligned, with the City Centre Plan emphasising the disconnection of key public transport hubs from the City Centre, of which Phases 2 and 3 will aim to address. This in turn would expect to improve the economic vitality of the area, as the major routes in the City Centre become more open to pedestrians.

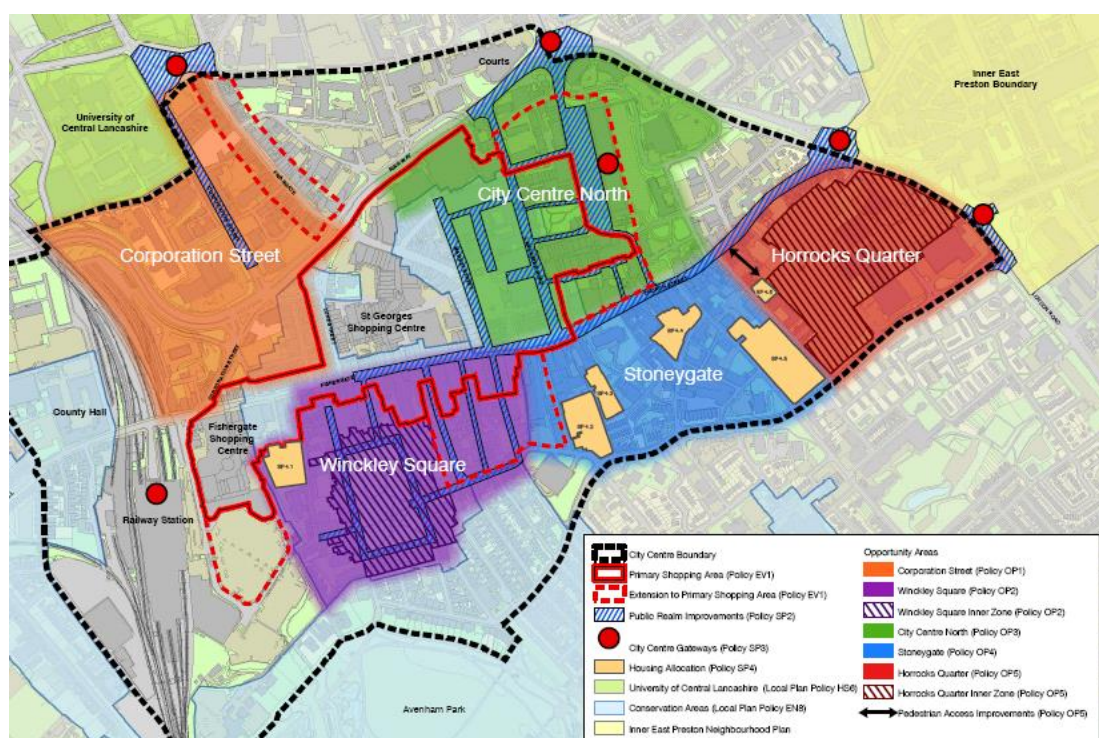
The City Centre Plan also identifies the five 'opportunity areas' in the City Centre, which each have their own visions for development. The public realm improvements to Fishergate will serve to link multiple opportunity areas in the centre, with a focus on the City Centre North area and its associated development opportunities. The other identified opportunity areas and their respective visions are:

- **Corporation Street** – located between two major gateways to the City Centre, and linked to the main university campus, this acts as an important pedestrian corridor linking the university and railway station. The vision is to utilise unused or underused land, harnessing the university's assets and creating a high quality public realm and pedestrian environment. One development in this area is Portergate, a private sector led residential development adjacent to the UCLan campus
- **Winckley Square** – encourage maximum usage of all floorspace fronting the gardens and restoring the public realm. To create a high quality and economically active historic environment which will project a positive image, create investor confidence, attract high

⁸ 'Preston Public Realm Framework, Preston City Council – 2011'

value jobs and improve competitiveness. Townscape Heritage Initiative Funding (THI) has been used to promote development/investment into Preston's Professional Services hub and to bring vacant floor space back into use. Also heritage lottery funds have been used for a parks project to revive the square's historic gardens.

- **Stoneygate** – plan to define a purpose for Stoneygate, with its potential for residential development. Also to improve pedestrian experience with public realm improvements and to improve commercial offer and frontage activity. A number of sites have been allocated for residential development in this area, to create an 'urban village' in the City Centre.
- **Horrocks Quarter** – to deliver a high quality, well-designed and sustainable development as a prominent location on a key arterial route and major gateway into the City Centre. Proposed as an area of mixed use development.



UCLan Masterplan

The University of Central Lancashire (UCLan) is one of the UK's largest universities, with a combined staff and student population of approximately 38,000. With an annual turnover of nearly £200m, the university contributes £300m to the local economy. In the 2012/13 academic year, UCLan had 24,196 students at its main Preston campus (19,817 undergraduates and 4,379 postgraduates). The university has plans to grow student numbers further, catering for more students across a wider range of courses. Key subjects such as engineering are targeted for growth, with the aim of doubling the current engineering undergraduate figure of 419 by the 2018/19 academic year.

UCLan is focused on improving the experience for students, and is investing £200m as part of the Estate Masterplan over 10 years in a transformation of its Preston Campus. The first stage of the development will be the £30m Engineering Innovation Centre (EIC) with work due to start in 2016. Another early development will be an iconic gateway to the university, with the construction of new public space provisionally known as Adelphi Square, to draw together the university and the city.

Improving the university's facilities, reputation and public realm all contribute to a better student experience, making it a more attractive destination for future students. The City Centre itself

and surrounding areas to the university can also significantly impact a student's decision on where to study. A higher footfall of students creates a larger market for local businesses, which would be a mutually reinforcing method of maintaining vitality in the City Centre and university.

The UCLan Preston campus is situated immediately north of the City Centre, and is connected to the city primarily by Friargate and Corporation Street to the south. The built environment and public realm are central to UCLan's ambitions of creating an attractive and inviting campus, to match its position as one of the UK's largest universities, competitive on a world stage. Some of the objectives set out in the UCLan masterplan include; reinforcing connections with Preston City Centre to encourage wider regeneration opportunities; creating better quality open spaces defined by new buildings; improving and extending the public realm to support campus activities and reinforce connectivity and legibility of pedestrian and cycle routes; and relocating car parking from the centre to the edge of the campus to promote a healthier, more pedestrian friendly campus.

The Public Realm Gateway improvements Phase 2 and 3 will complement the objectives in the UCLan Masterplan, by improving connectivity between the university, the railway station, bus station and the rest of the City Centre, as well as placing emphasis on pedestrian and cycle routes and unlocking regeneration opportunities.

City Centre North Development Proposals

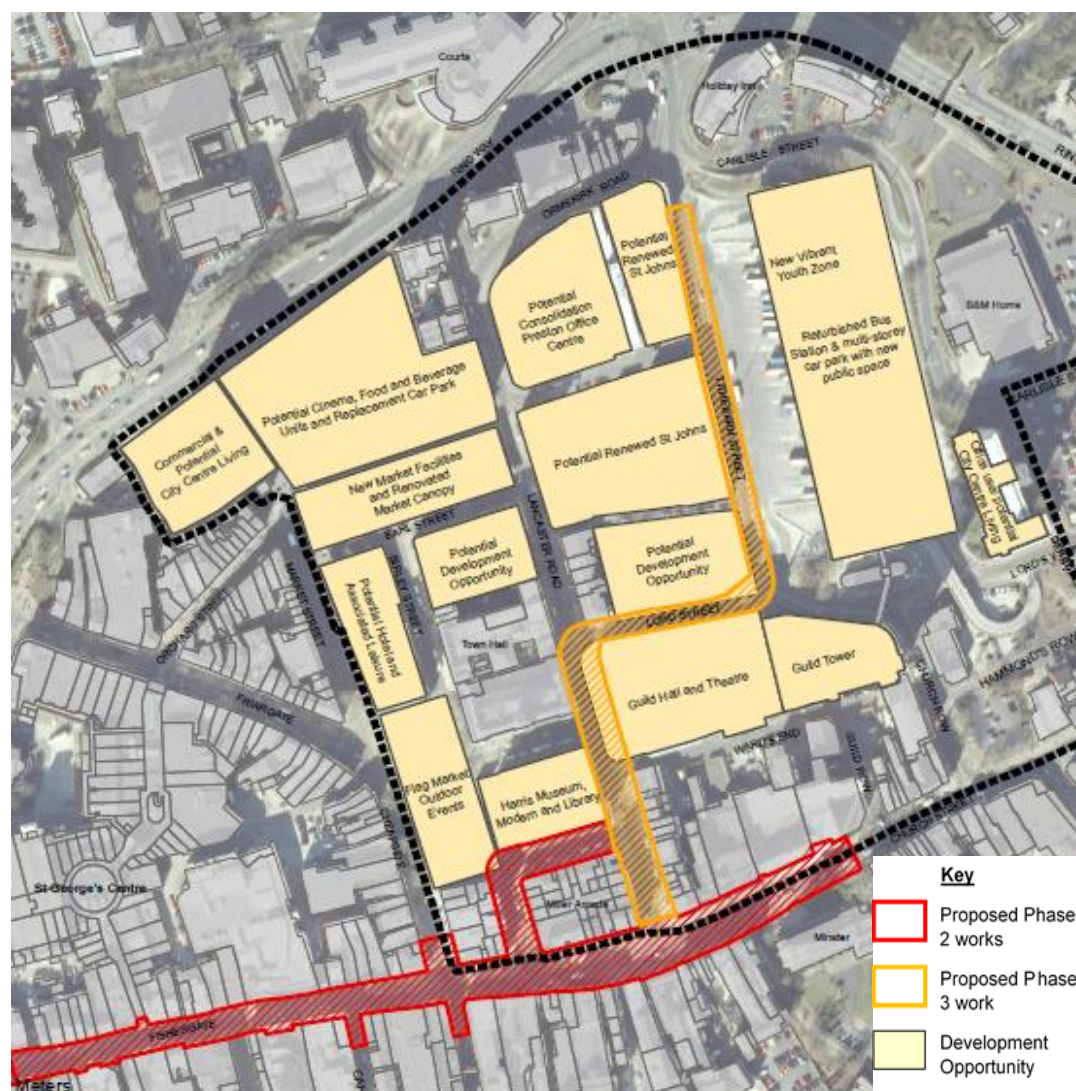
The City Centre North is the largest development opportunity area in the City Centre and includes the phase 2 and 3 public realm improvements. Within the City Centre North, the Markets Quarter, Bus Station and Harris Quarter are identified as priorities in the Council's Heritage Investment Strategy, by integrating these physical assets with high quality new developments and public realm improvements. The City Centre North is pivotal in achieving the City Centre's wider redevelopment, in terms of creating an area with high quality built environment, accessibility and movement, and economic conditions. The development opportunities in the City Centre North include proposals (subject to receipt of necessary approvals and permissions) for:

- **A cinema, food and beverage units and new car park** – a 9-12 screen, 2,500 capacity multiplex cinema, food and beverage units and 500 space multi-storey car park.
- **New markets and flexible events space** – renovation of the Grade II listed Canopy to provide a new food market, revitalised outdoor market and covered flexible events space.
- **Flag market event space** – development and implementation of a 3-4 year co-ordinated events programme for Flag Market and Market Canopy.
- **Former Post-office and fish market** – disposal to the private sector to facilitate mixed use hotel/leisure development and refurbishment of the former Fish Market Canopy for the use outlined above.
- **Creative hub** – conversion of buildings to provide artist led/ third sector cultural hub.
- **Harris Museum and Art Gallery** – development of Harris into a 21st century cultural centre to be managed as a single entity by PCC/LCC. This is expected to include renovation and adaption of the Grade I listed building to deliver an enhanced cultural offer building on the existing museum, art gallery and library uses.
- **New vibrant youth zone** – provision of youth zone facilities and immediately related services in a portion of the bus station.
- **Bus station** –refurbishment to improve passenger facilities, enhancing the public realm and improving the car park. The bus station is crucial to the City Centre as a point of access and a landmark, however due to its current layout, condition and pedestrian

accessibility it is not currently fit for purpose. Plans for this site were released in July 2015.

- **City Centre living** – promote re-use of vacant buildings for residential use.
- **Consolidation of Preston Office Centre** – co-location of public services to POC.
- **Renewed St Johns** – improvement of St John's Shopping Centre and improved public realm linkages between the Bus Station and Markets Quarter.
- **Guild Hall and Theatre** – recently transferred to the private sector to develop a refurbished commercial leisure facilities, including restaurants, café, bars and an expanded events programme.

The yellow route on the map below shows the proposed phase 3 of the public realm improvements, going through the middle of the City Centre North area. As well as supporting development opportunities and providing a platform for the area's heritage buildings, this final phase of public realm improvements will complete the route beginning at the railway station and ending at the bus station, linking Preston City Centre's two transport hubs.



The Case for Change

Current Public Realm Constraints

The key rationale for improving the public realm in Preston City Centre is to improve accessibility and movement within the City Centre and from the two public transport hubs of the railway station and bus station. The railway and bus stations are situated at opposite ends of the City Centre, and do not offer a high quality experience to visitors. The bus station does not present a positive arrival experience, with generally poor connectivity and functionality. The railway station lacks presentation and prominence as a gateway to the city, and needs improvement to function as an interchange and to take advantage of future investment opportunities, including HS2.

The transport network in the city at present prioritises car accessibility at the expense of pedestrians and cyclists. Quality of public realm is lacking on key routes in Preston City Centre, which impacts on visitor experience. Whilst Phase 1 works have helped to improve connections from the railway station, further works are now required to extend benefits across the City Centre and enhance connections from the bus station.

Fishergate is the primary pedestrian route between the railway station and the bus station, as well as being the main shopping street in the City Centre. This has created a conflict between movement of pedestrians and other forms of transport, which has detracted from the shopping experience. Fishergate Central Gateway Phase 1 has already enhanced the pedestrian experience with the allocation of 'shared space' and other traffic calming measures to put emphasis on pedestrians, whilst providing linkages to other areas of the City Centre. This will need to be completed to provide a pedestrian-friendly route through Preston City Centre and between the transport hubs. Delivery of phase 1 has further demonstrated the need for change across the remainder of the City Centre.

Proposed works will:

- Provide cohesion to the public realm and provide an attractive environment for all visitors, whether in the centre for business or leisure purposes;
- Improve the pedestrian experience and create a safer environment;
- Enhance connections between different areas within Preston City Centre, including enhancing routes from the bus and train stations, ensuring visitors have a clear route into the City Centre when arriving at these nodes, and improving links between green spaces; and
- Improve pedestrian and cyclist experiences through the provision of wider footways and shared space which in turn will encourage greater use of green travel modes.

Benefits of Public Realm Investments

National Experience

A high-quality public realm can contribute significantly to the economic fortunes of urban areas. As well as contributing to health and wellbeing, the presence of good public space can be important in attracting private investment, particularly when competing with other towns and cities as is increasingly the case.

Case study: Evesham Town Centre, Worcestershire

Evesham undertook a number of environmental improvements as part of the Market Towns Programme. The riverside and town centre regeneration package has involved substantial improvements to the town's gateways, riverside, parks and high street, in addition to the development of brownfield land and other sites for open space and recreation.

The rationale for improving the physical environment was to attract investment. Port Street, which had a vacancy rate of 20% at the beginning of the programme, had reduced to 5%. Confidence by investors has continued to increase, with the development of multiple premises with accommodation above. The riverside regeneration programme has also increased the tourist offer, hosting riverside festivals which attract increased visitors to the town.⁹

As well as providing an attractive environment for investors and business occupiers, a clean, accessible and well-maintained public realm in Preston City Centre can impact on the number of people visiting retail areas, or footfall, and their dwell time. There is evidence that well planned improvements to public spaces can improve retail sales by 30% and retail footfall by 10-25%.¹⁰ For example in Coventry City Centre, urban design improvements including streetscape, signage, public art and a civic square have increased footfall by 25% on Saturdays.¹¹ Furthermore, there is a general finding that pedestrians and cyclists are better customers and spend more than people arriving by motorised forms of transport. This is due to people arriving on foot or by bus spending more time in an area, and visiting more often than those who arrive by car.

Case study: Spinningfields, Manchester

Provision of a high quality public realm is increasingly seen as an integral part of development proposals. An example of this is Spinningfields in Manchester, a combination of high quality office space, retail and leisure and public realm. The area is now the centre of Manchester's financial and professional services sector, with large companies occupying the principal office sites. The public realm in Spinningfields serves as a facilitator of relations between similar businesses in close proximity with each other, combined with restaurants and other facilities. The public realm also contributes to making Spinningfields a destination outside of the working week, with a number of bars maintaining vitality in the area for more hours of the day, and the grassed areas offering activities in the summer and winter months.

⁹ 'Economic Impact of the Public Realm: A Final Report to the East Midlands Development Agency' – ECOTEC, 2007

¹⁰ 'Making the case for investment in the public realm' – Living Streets, 2015

¹¹ 'Public Realm Toolkit' – Regenerate East Midlands, 2008

A report by ECOTEC¹², 2007 proposed that based on a substantive literature review, there was a clear typology of economic benefits and impacts arising from improvements to the public realm, which included:

- **Attracting investment** – businesses value proximity to public space, and the quality of the streetscape to attract customers or tenants.
- **Increasing land and property values** – high quality public realm contributes to property prices in an area.
- **Attracting visitors** – people are more likely to want to shop in a well-designed and more aesthetic environment.
- **Increasing tourism** – investment in the physical environment is critical for attracting tourists.
- **Improved productivity** – better designed environments impact on productivity, health and satisfaction of the workforce.
- **Enhancing image** – high quality public realm can improve perceptions and investor confidence in an area, building a positive image and reputation which will provide a basis for growth.

Case study: The Gold Route, Sheffield City Centre

Sheffield City Centre has undergone a significant amount of public realm improvement in recent years, with key assets being linked together with high quality improvements in the form of 'The Gold Route', linking the railway station, universities, public space and retail areas. The city's two universities act as twin poles which the route connects.

Each space in the Gold Route has its own distinctive character, with elements such as water features, lighting, and public art, but with common themes and materials – flowing water, highly crafted metal and Pennine Sandstone – building on Sheffield's history and character as dictated in the City Centre masterplan.¹³

The investments have seen an improved image of the city to visitors, improved connectivity, increased footfall, particularly at the Sheffield Peace Gardens which increased by 35%, increased investment and the beginnings of City Centre living.

Lessons from Preston

Experience in Preston shows that following the investments in the public realm through Phase 1 of the Fishergate public realm improvements; the area has seen a notable increase in footfall. Measurements taken in April 2014 at multiple points along Fishergate showed there to be a 27% average increase in footfall on April of the previous year. Perceptions of the improvements to Fishergate have also been positive in Preston. The public realm has also been well received. A survey of over 1,000 members of the public produced by the Preston Business Improvements District (BID) showed that 79% of respondents were in favour of the new shared surface on Fishergate.

The number of vacant premises on Fishergate (which provides the focus for phase 1 public realm improvement works) has declined from a 17% vacancy rate in May/June 2013 to 8% in May/June 2014. Winckley Square (adjacent to completed works) has also experienced a decline in vacancies, going from 49% to 38% empty premises during the same time period. Comparatively, in areas of the City Centre which are seeking to benefit from future improvements to the public realm, vacancy rates have remained relatively stationary over the past two years.

¹² 'Economic Impact of the Public Realm: A Final Report to the East Midlands Development Agency' – ECOTEC, 2007

¹³ 'Research and Evaluation of Public Realm Schemes – Genecon 2010'

There has already been evidence of new investment and relocation amongst retailers on Fishergate, such as River Island moving to a larger premises along Fishergate, and Sainsbury's and chain restaurant Turtle Bay opening new branches. Furthermore, the chain restaurant Wagamama has declared an interest in opening a branch in Preston, and is considering a number of premises on Fishergate as the area with highest footfall.

Market Failure

As recognised elsewhere in this business case, Preston City Centre has under-performed in recent years, and this has resulted in low levels of investment in office, retail and residential accommodation. It is now recognised that high quality accommodation is needed to support growth and attract higher value activities into the City Centre that will improve Preston's overall economic performance. Although there are some signs of growing market confidence, there is a recognised need to pump prime investment, creating an environment which supports wider investment in stock. Public realm improvements have been prioritised to achieve this.

There is long standing recognition of the need for public sector investment in public realm in response to market failures. The focus of failures is on economic efficiency considerations, reflecting that public realm can be defined as a public good – it does not generate benefits for a single business or user, instead generating benefits for all. The ability and likelihood of any developer to fund works is therefore limited as they will not see a direct return on their investment and benefits will also be experienced by competitors on adjacent sites and premises.

An assessment completed in 2011 to inform Community Infrastructure Levy charges in Preston found that City Centre commercial development schemes had a negative residual value, i.e. development costs exceed development values, which hinders development. As well as limiting the amount of development occurring in the City Centre, this position means that it is not possible to place requirements on developers (e.g. through Section 106 agreements) to fund public realm improvements through the planning system.

The cost of proposed works in the identified locations is particularly prohibitive to private sector investment. The high quality historic environment surrounding the proposed works raises expectations on the quality of public realm it would be appropriate to deliver. Additional costs are incurred due to the materials used in this setting to ensure works blend with the built environment and do not detract from the surrounding buildings (including the Grade I Listed Harris Museum and Art Gallery, Grade II Listed Town Hall and Grade II listed bus station). A low quality public realm would detract from heritage features and could act as a disincentive to wider investment in the area. It is not possible to recoup these costs through the market as they represent an abnormal development cost.

Proposed works will create the environment to attract wider investment. The impact public realm can have in helping to change perceptions and experiences of spaces is significant, helping to catalyse development and occupier interest as well as supporting longer visitor dwell time (as considered above). Major public realm schemes have been supported by public funds across the country in recognition of this position, for example:

- ERDF investment in NOMA's public square in Manchester;
- a diverse package of public investment in Sheffield's Gold Route including ERDF, Yorkshire Forward and Single Regeneration Budget; and
- Council, Yorkshire Forward and Regional Transport Board investment in Bradford's £25m City Park.

Given the scale of private sector investment anticipated to be made in Preston City Centre going forward, the proposed public realm works represent a relatively low public sector investment to help kickstart a wider programme of activity that is expected to generate considerable benefits.

3a The Economic Case – Options Development and Selection

The economic case is the most substantive of the five case model. It covers a wide range of considerations from the options available to deliver the project, the potential economic impact and value for money, to risks and their potential impacts (i.e. sensitivities).

The Process

The process begins with options development to identify and test the potential actions that could be taken to deliver overarching objectives and ensure that the best possible outcome is achieved in terms of deliverability, value for money and return on investment.

Green Book guidance requires the identification of a 'long list' of options that could potentially be delivered to meet the project's objectives. The guidance indicates that options should always include a 'do nothing/do minimum' option where the public sector takes the minimum amount of actions necessary, including possibly no actions, thereby allowing the rationale and market failure reasons for intervention to be judged.

The long list informs a short-list of options for more detailed review, with the reasons behind the rejection of each excluded option recorded. The costs and benefits of all short-listed options are then reviewed to allow for a robust comparison in terms of value for money.

Long List of Options

The following five options for delivering phase 2 and 3 of the public realm improvements have been identified:

- **Option 1:** Do Nothing
- **Option 2:** Smaller Scale Improvements - Phase 2 of the public realm improvements as a standalone project
- **Option 3:** Phase 2 and 3 of the public realm improvements
- **Option 4:** Lower Quality Improvements – Phase 2 and 3 of the public realm improvements to a lower quality
- **Option 5:** Higher Quality Improvements - Phase 2 and 3 of the public realm improvements to a higher quality

Assessing the Options Critical Success Factors

The advantages and disadvantages of each option are considered in the following section, which informs the assessment of the extent to which each option meets the schemes objectives and critical success factors.

The critical success factors identified for the public realm improvements are:

- Being deliverable from 2015/16 (i.e. the project is delivery ready)
- Providing transformational public realm gateway in the heart of the City Centre
- Improving the connectivity of principle transport hubs and key development and commercial sites within the City Centre
- Improving foot and cycle experience by widening of footways or introduction of shared space where appropriate to enforce a short in prioritisation of this area from vehicular movement
- Enhancing the attractiveness of Preston as a business and leisure destination, especially for higher value sectors
- Bringing forward the delivery of key development opportunities at the bus station, youth zone site, Miller Arcade and the employment site situated between Lord Street and Tithebarn Street.

- Reducing the level of vacancies at units based along the public realm route
- Increasing footfall and dwell time in Preston City Centre
- Acting as a catalyst for wider investment, job creation and wealth (GVA) in the City Centre
- Supporting the future economic role of Preston City Centre as a major contributor to the growth and wealth of the North West Economy
- Offering value for money (in terms of the scale of the benefits versus the scale of the costs)
- Contributing to local and sub-regional objectives including those of the Lancashire Local Enterprise Partnership

These factors help to ensure that the project meets the criteria set out in the LEP's Assurance Framework – the overarching document that sets out the processes, protocols and policies on the LEP, including those for ensuring that the LEP is able to demonstrate value for money throughout the process of developing, prioritising, appraising and approving projects.

Option 1: Do Nothing

This is the reference case scenario, where no public funding contribution is made to the delivery of the Preston Public Realm Improvements. Under this option, the Phase 2 and 3 improvements would not take place.

Advantages

The primary benefit is that it removes the call on the public purse (although no additional benefits would be generated) allowing alternative opportunities to be identified and other projects pursued. The proposed Lancashire County Council funds could also potentially be re-allocated to other projects that support other forms of economic development. This option would also remove all financial and other risks to Lancashire Enterprise Partnership and Lancashire County Council, although the risk would return if alternative investment options were identified. This option assumes that recent investments would create the momentum to continue improvements in the City Centre.

Disadvantages

The main disadvantages with this option are that it does not address the current issues with the public realm or secure the follow on investment and associated benefits. The City would retain an area which is currently unsuitable as a major gateway into the City Centre, and as one of the city's prime business locations, act as a major constraint to raising investment levels and preventing much needed commercial developments from coming forward in the City Centre. Essentially, it would perpetuate the current poor arrival experience at Preston City Centre and the lack of investment. Importantly, this option would also fail to capitalise on the momentum achieved via the Phase 1 improvements and would result in a disjointed high street and continued confusion around traffic flow, further contributing to a lack of confidence in the market amongst both local businesses (who are expecting Phase 2 and 3 to be delivered) and external investors.

Scoring of Option 1

<i>Scoring: 0= does not satisfy criteria, 5= fully satisfies criteria</i>	
Being deliverable from 2015/16	5
Providing transformational public realm gateway in the heart of the City	1
Improving connectivity of principle transport hubs and key development and commercial sites	0
Improving foot and cycle experience	0
Enhancing the attractiveness of Preston as a business and leisure destination, especially for higher value sectors	0
Bringing forward the delivery of key development opportunities at the bus station, youth zone site, Miller Arcade and the employment site situated between Lord Street and Tithebarn Street.	1
Reducing the level of vacancies at units based along the public realm route	1
Increasing footfall and dwell time in Preston City Centre	1
Acting as a catalyst for wider investment, job creation and wealth (GVA) in the City Centre	1
Supporting the future economic role of Preston City Centre as a major contributor to the growth and wealth of the North West Economy	1
Offers value for money (in terms of the scale of the benefits versus the scale of the costs)	0
Contributing to the local and sub-regional objectives including those of the Lancashire Local Enterprise Partnership	1
Total score	12/60

Initial Assessment

This option is discounted on the basis that it: a) does not address long standing market failures of investment in public realm; b) would not generate any additional economic impact; and c) would represent a missed opportunity to build on the momentum of the phase 1 public realm improvements.

Option 2: Smaller Scale Improvements – Phase 2 of the Public Realm Improvements as a Standalone Project

This option would deliver phase 2 of the public realm improvements only. The improvements would start at the end point of phase 1 on Fishergate and run along to Church Street with additional improvements running alongside and between the Miller Arcade and the Harris Museum and Art Gallery. This option has an estimated cost of £3.1m.

Advantages

The main advantage of this option is that it partly delivers the project objectives and completes the public realm works on Fishergate at a lower cost. It would also bring forward a development opportunity to create a restaurant at Miller Arcade. With a lower capital cost (than options 3,4 and 5), it would reduce the call on the public purse allowing alternative projects to be pursued.

Disadvantages

The main disadvantage of this option is that it does not deliver all of the planned public realm works and associated benefits. In particular, this option would only bring forward the delivery of Miller Arcade (the smallest of the follow on development opportunities identified for the full public realm opportunities). The partial completion of the overall public realm package conflicts with the plans and messages set out in the Preston City Centre investment prospectus. It would send a negative message to investors and businesses about local commitment to invest in helping the city to reach its economic potential. While parts of the City would be improved, key areas along Lancaster Road, Lord Street and Tithebarn Street, including the area outside the bus station, would continue to be an unattractive business location. The project would also fail to improve the connectivity of the bus and train station and have limited impact on Preston's gateway experience.

Scoring of Option 2

<i>Scoring: 0= does not satisfy criteria, 5= fully satisfies criteria</i>	
Being deliverable from 2015/16	5
Providing transformational public realm gateway in the heart of the City	3
Improving connectivity of principle transport hubs and key development and commercial sites	2
Improving foot and cycle experience	3
Enhancing the attractiveness of Preston as a business and leisure destination, especially for higher value sectors	2
Bringing forward the delivery of key development opportunities at the bus station, youth zone site, Miller Arcade and the employment site situated between Lord Street and Tithebarn Street.	2
Reducing the level of vacancies at units based along the public realm route	3
Increasing footfall and dwell time in Preston City Centre	3
Acting as a catalyst for wider investment, job creation and wealth (GVA) in the City Centre	2
Supporting the future economic role of Preston City Centre as a major contributor to the growth and wealth of the North West Economy	3
Offers value for money (in terms of the scale of the benefits versus the scale of the costs)	3
Contributing to the local and sub regional objectives including those of the Lancashire Local Enterprise Partnership	3
Total score	34/60

Initial Assessment

This option receives the third highest score of the five options against the success criteria and is shortlisted for further assessment on the basis that it: a) partly addresses the project objectives; and b) would deliver economic benefits for Preston.

Option 3: Phase 2 and 3 of the public realm improvements

This option would deliver phase 2 and 3 of the public realm improvements. Phase 2 of the improvements would start at the end point of phase 1 on Fishergate and run along to Church Street with additional improvements running alongside and between the Miller Arcade and the Harris Museum and Art Gallery. Phase 3 would deliver improvements along Lancaster Road (parts of), Lord Street and Tithebarn Street, including the remaining apron outside the bus station. This option has an estimated cost of £7m.

Advantages

The main advantage of this option is that it fully delivers the project objectives and leads to the completion of the overall package of public realm improvements linking the train and bus station. This option is of the scale and quality required to bring forward development opportunities at Miller Arcade, the employment site located between Lord Street and Tithebarn Street, the potential youth zone site and the bus station. The scale, quality and location of the scheme will also act as a catalyst for wider investment within the City Centre as investor confidence is raised following the works and a more attractive business and leisure destination which is capable of attracting higher value sectors is established. The scheme fully capitalises on the momentum gathered through Phase 1 of the improvements and will also contribute to further reducing vacancies and increasing footfall in the City Centre.

Disadvantages

The main disadvantage of this option is the cost to deliver the quality and scale of public realm improvements, although this needs to be reviewed against the scale of the economic benefits as set out in the following section.

Scoring of Option 3

<i>Scoring: 0= does not satisfy criteria, 5= fully satisfies criteria</i>	
Being deliverable from 2015/16	5
Providing transformational public realm gateway in the heart of the City	5
Improving connectivity of principle transport hubs and key development and commercial sites	5
Improving foot and cycle experience	4
Enhancing the attractiveness of Preston as a business and leisure destination, especially for higher value sectors	4
Bringing forward the delivery of key development opportunities at the bus station, youth zone site, Miller Arcade and the employment site situated between Lord Street and Tithebarn Street.	5
Reducing the level of vacancies at units based along the public realm route	4
Increasing footfall and dwell time in Preston City Centre	4
Acting as a catalyst for wider investment, job creation and wealth (GVA) in the City Centre	5
Supporting the future economic role of Preston City Centre as a major contributor to the growth and wealth of the North West Economy	4
Offers value for money (in terms of the scale of the benefits versus the scale of the costs)	5
Contributing to the local and sub-regional objectives including those of the Lancashire Local Enterprise Partnership	4
Total score	54/60

Initial Assessment

This option receives the highest score of the five options against the success criteria and is shortlisted for further assessment on the basis that it: a) addresses the project objectives; b) would deliver economic benefits for Preston, and c) aligns with and contributes to local investment priorities.

Option 4: Lower Quality Improvements - Phase 2 and 3 of the public realm improvements to a lower quality

This option would deliver phase 2 and 3 of the public realm improvements (as per the route described under Option 3), although a lower quality scheme would be delivered. This option has an estimated cost of £5.1m.

Advantages

The main advantage of this option is that it leads to the completion of the overall package of public realm improvements linking the train and bus stations at a lower cost (i.e. £2m less) than Option 3.

Disadvantages

The main disadvantage of this option is the quality of the works which would lead to a discontinuity between phase 1 and the later phases and would result in a scheme that will not have the transformational impact required. The lower quality works in phase 2 and 3 would provide a negative message to investors and affect confidence levels. While the scheme may stimulate a low level of investment, it would not be capable of catalysing wider investment or attracting higher value sectors and would lead to a lower level of reduced vacancies and increased footfall in the City Centre, with businesses more likely to choose locations along the higher quality public realm route delivered through Phase 1. There would also be a number of concerns about the alignment between heritage buildings and low quality public realm.

Scoring of Option 4

<i>Scoring: 0= does not satisfy criteria, 5= fully satisfies criteria</i>	
Being deliverable from 2015/16	4
Providing transformational public realm gateway in the heart of the City	2
Improving connectivity of principle transport hubs and key development and commercial sites	3
Improving foot and cycle experience	2
Enhancing the attractiveness of Preston as a business and leisure destination, especially for higher value sectors	2
Bringing forward the delivery of key development opportunities at the bus station, youth zone site, Miller Arcade and the employment site situated between Lord Street and Tithebarn Street.	2
Reducing the level of vacancies at units based along the public realm route	3
Increasing footfall and dwell time in Preston City Centre	3
Acting as a catalyst for wider investment, job creation and wealth (GVA) in the City Centre	2
Supporting the future economic role of Preston City Centre as a major contributor to the growth and wealth of the North West Economy	3
Offers value for money (in terms of the scale of the benefits versus the scale of the costs)	3
Contributing to the local and sub-regional objectives including those of the Lancashire Local Enterprise Partnership	3
Total score	32/60

Initial Assessment

This option is discounted on the basis that it: a) does not deliver the project objectives (i.e. transformational public realm); b) delivers limited economic benefits along the phase 2 and 3 route; c) would have a negative impact on the image of Preston and its credentials as a business and leisure destination; and d) does not significantly reduce costs and risks.

Option 5: Higher Quality Improvements – Phase 2 and 3 of the Public Realm Improvements to a higher quality

This option would deliver phase 2 and 3 of the public realm improvements as per the route described under Option 3, although the works would be completed to a higher quality. This option has an estimated cost of £10.2m.

Advantages

The advantages of this option are very similar to those of Option 3 given the likeness between the two schemes. The option fully delivers the project objectives and leads to the completion of the overall package of public realm improvements linking the train and bus stations. This option is of the scale required to bring forward development opportunities at Miller Arcade, the employment site located between Lord Street and Tithebarn Street, the potential youth zone site and the bus station. The scale, quality and location of the scheme would also act as a catalyst for wider investment within the City Centre as investor confidence is raised following the works and a more attractive business and leisure destination which is capable of attracting higher value sectors is established. The scheme fully capitalises on the momentum gathered through Phase 1 of the improvements and will also contribute to further reducing vacancies and increasing footfall in the City Centre. The higher quality environment is likely to lead to a greater reduction in vacancies and increase in footfall than Option 3.

Disadvantages

The main disadvantage of this option is the cost to deliver the higher quality public realm. While this needs to be reviewed against the economic benefits that will generated, it is unlikely that the additional benefits when compared to those of option 3 will be proportionate to the scale of the additional costs. The City Centre opportunities have a maximum scale i.e. they are not unlimited.

Scoring of Option 5

<i>Scoring: 0= does not satisfy criteria, 5= fully satisfies criteria</i>	
Being deliverable from 2015/16	4
Provision of transformational public realm gateway in the heart of the City	5
Improving connectivity of principle transport hubs and key development and commercial sites	5
Improving foot and cycle experience	4
Enhancing the attractiveness of Preston as a business and leisure destination, especially for higher value sectors	4
Bringing forward the delivery of key development opportunities at the bus station, youth zone site, Miller Arcade and the employment site situated between Lord Street and Tithebarn Street.	5
Reducing the level of vacancies at units based along the public realm route	5
Increasing footfall and dwell time in Preston City Centre	5
Acting as a catalyst for wider investment, job creation and wealth (GVA) in the City Centre	5
Supporting the future economic role of Preston City Centre as a major contributor to the growth and wealth of the North West Economy	4
Offers value for money (in terms of the scale of the benefits versus the scale of the costs)	3
Contributing to the local and sub-regional objectives including those of the Lancashire Local Enterprise Partnership	4
Total score	53/60

Initial Assessment: This option receives the second highest score of the five options against the success criteria and is shortlisted for further assessment on the basis that it: a) addresses the project objectives; b) would deliver economic benefits for Preston; and c) aligns with and contributes to local investment priorities.

Short List of Options

Based on the initial assessment of the five options to deliver public realm improvements in Preston City Centre, three have been shortlisted. The three projects received the highest scores against the critical success criteria and in particular, either partly or fully deliver the project objectives, generate an economic impact, and contribute to local investment priorities.

Scoring of Options

<i>Shortlisted</i>	
Option 2: Smaller Scale Improvements – Phase 2 of the Public Realm Improvements as a Standalone Project	34/60
Option 3: Phase 2 and 3 of the public realm improvements	54/60
Option 5: Higher quality Improvements – Phase 2 and 3 of the Public Realm to a higher quality	53/60
<i>Discounted</i>	
Option 1: Do Nothing	12/60
Option 4: Lower quality Improvements - Phase 2 and 3 of the public realm improvements to a lower quality	32/60

These three options are examined further in the following sections of this report to assess their potential economic impact and value for money.

3b Economic Case – Economic Appraisals

This section sets out the costs and benefits for each of the three shortlisted options. The appraisal focuses on the indirect benefits of each option, namely the number of new retail, office and leisure jobs created and additional GVA. These benefits are generated through three main routes:

- The development and occupation of additional employment floorspace (in new and refurbished properties) unlocked through the delivery of the public realm improvements.
- Vacant properties becoming occupied as a result of the public realm improvements.
- Increased footfall and spend in the City Centre.

In accordance with Green Book guidance, the financial return and value for money of each option is also considered.

Economic Impact Assumptions

A spreadsheet has been prepared to underpin this appraisal report. It sets out the costs and scale of the additional employment floorspace and footfall and reduction in vacancies under each option based on information provided by the project team and lessons from the Phase 1 improvements. These figures have been used to estimate the economic impacts generated. Estimates are based on benchmarks from official guidance and statistics (as set out below) combined with information provided by Preston City Council and Lancashire County Council, which takes account of their existing knowledge of the relevant schemes and extensive experience of delivering developments locally and across the County.

The key assumptions underpinning the estimates and appraisal of economic impact are:

- The phase 2 and 3 public realm improvements will occur over a four year period, during which Preston City Council, Lancashire County Council and other local partners will be working with developers to secure and deliver investment in the surrounding sites.
- The scale of the employment impact depends on the type of employment floorspace (i.e. retail, office, leisure) that is being developed / refurbished / reoccupied. The starting point for the employment estimates are the employment density benchmarks provided in the OffPAT and Homes and Communities Agencies 2nd Edition Employment Densities Guide which have been applied to floorspace estimates provided by Preston City Council and Lancashire City Council. Local intelligence has then been used to test the scale of employment and adjust this where necessary. All employment impacts are expressed as Full Time Equivalent employees.
- Similarly the scale of the GVA impact varies depending upon the sector in which the jobs will be created (i.e. professional and business services for office space; arts, entertainment and recreation for leisure space; and retail for retail space). GVA estimates are based on benchmarks of the level of GVA generated per FTE being applied to the number of additional FTE posts created. The benchmarks are based on sectoral employment and GVA data for the North West from the Annual Business Survey and the Business Register and Employment Survey.
- Assumptions on the footfall vary for Saturday and the rest of the week in line with footfall data collected locally. Similarly the level of average spend varies (£15 per head on Saturday and £10 per head Sunday – Friday). The level of additional spend is used alongside estimates of the level of turnover required on an annual basis to sustain a FTE position in the retail and food and drink sector to estimate the number of additional FTE posts that are supported through the additional spend. The benchmarks on sectoral turnover per FTE are based on data available for the North West from the Annual Business Survey and Business Register and Employment Survey.

- The assumptions on vacancies are based on the area of units that are currently vacant within 50 yards of the public realm improvements. Employment densities for retail and restaurant space (based on the source noted previously) are then applied to estimate the employment impact. Based on the lessons from the Phase 1 improvements, it is assumed that 92% of the vacant space becomes occupied (over a number of years – see below).
- The employment and GVA impacts, and particularly those relating to the occupation of new sites and reduced vacancies, will build up over time as sites are delivered and occupied on varying timescales.

Both the gross and net economic impact of each option has been estimated. The latter takes account of deadweight and displacement as well as the benefits of multipliers. The level of net adjustment varies for each option, reflecting the nature of the activities and the likely levels of additionality. Full details are provided in the spreadsheet prepared alongside this report.

Cost Benefit Analysis and Assessment of Value for Money

An initial cost benefit analysis and value for money assessment is presented for each of the three shortlisted options. Green Book guidance states:

“Costs and benefits considered should normally be extended to cover the period of the useful lifetime of the assets encompassed by the option under consideration.”

Recognising that the jobs will be created in a single year and then sustained leading to an annual GVA uplift, the GVA benefits have been assessed over a 15 year period.

The two indicators measured through the cost benefit analysis are:

- The economic net present value – the difference between the discounted social benefits and the discounted total costs;
- The benefit-cost ratio – the ratio of the present value of social benefits to the present value of social costs over the time horizon.

As set out in the EU Guide to Cost Benefit Analysis of Investment Projects, the economic net present value is the most important and reliable social CBA indicator and should be used as the main reference economic performance signal for project appraisal. However, the benefit-cost ratio is useful given that it takes account of the size of the project. In principle, every project with a negative economic net present value should be rejected. The principal assumptions adopted in this case are:

- The analysis period is 2015 to 2030 i.e. 15 years from the start date of the public realm improvements; and
- A 3.5% social discount rate is applied in line with HM Treasury Green Book guidance.

Two core value for money measures are also considered:

- Public sector cost per net job created; and
- Net additional GVA generated per £1 of public sector investment.

Option 2: Smaller Scale Improvements – Phase 2 of the Public Realm Improvements as a Standalone Project

Costs and Funding

This scheme would be delivered at a total capital cost of £3.1m, all of which would be funded by the public sector. This is the lowest cost of the three shortlisted options, reflecting the scale of the works. In this case, the improvements would be delivered over an 18 month period with expenditure in three financial years.

Economic Impact

Delivery of phase 2 of the public realm improvements will act as a catalyst for development and employment creation at Miller Arcade, providing 468m² of additional restaurant space.

Option 2: Floorspace at Developed / Refurbished Sites (m²)

	Office	Leisure	Retail / Restaurant	Total
Miller Arcade			468m ²	468m ²
Total			468m ²	468m ²

The space at Miller Arcade would create 26 additional FTE positions, generating £0.8m of GVA per annum. Of the three shortlisted options, this is the smallest impact in terms of jobs and GVA created at developed sites, with the majority of key development sites located along the phase 3 route rather than phase 2.

Option 2: Gross Employment and Annual GVA Impacts at Developed / Refurbished Sites

	Office	Leisure	Retail / Restaurant	Total
Employment - FTEs				
Miller Arcade			26	26
Total			26	26
Annual GVA - £m				
Miller Arcade			£0.8m	£0.8m
Total			£0.8m	£0.8m

The employment and GVA impacts will be further boosted by a reduction in vacant units along the phase 2 route. Vacant units covering 5,520m² of retail, restaurant and bar space have been identified. Assuming that 92% of this space becomes occupied (based on vacancies being reduced to 8% as a result of the Phase 1 improvements), a total of 275 FTE positions will be created, generating an annual GVA impact of £8.3m. Again, the focus of this scheme on the Phase 2 route only means that this option generates the lowest benefits of this type.

Option 2: Gross Employment and Annual GVA Impacts through reduced vacancies

	Total
FTEs	275
Annual GVA	£8.3m

The retail and restaurant sector will also benefit from increased footfall in the City Centre. Based on current footfall levels, it is estimated that there will be an additional 924,000 visits to the City Centre per annum (a 2.5% increase) generating additional expenditure that supports 79 FTE positions in the retail and food and drink sector, generating £2.3m GVA per annum.

Option 2: Gross Employment and Annual GVA Impacts through increased footfall

	Total
FTEs	79
Annual GVA	£2.3m

When the employment and GVA impacts are combined, they result in a total gross employment impact of 379 FTEs generating £11.5m of GVA per annum.

Option 2: Total Gross Impact

	FTEs	Annual GVA £m
Employment created at development sites	26	£0.8m
Employment created through reduced vacancies	275	£8.3m
Employment supported through increased footfall	79	£2.3m
Total	379	£11.5m

The gross impact has been adjusted to take account of deadweight, displacement and multipliers. The adjustment for deadweight removes the economic benefits that would have occurred in the absence of the public sector investment, while the displacement adjustment reduces benefits to take account of jobs and expenditure being relocated/redistributed from other parts of the sub-regional economy to the new and vacant units. The multipliers include the indirect and induced effects resulting from increased expenditure on suppliers by the companies creating additional jobs and the recirculation of the wages generated by the new posts in the local economy.

Overall, the net impact of Option 2 is estimated at 219 FTE posts, generating £7.6m of GVA per annum.

Option 2: Gross and Net Impact

	FTEs	Annual GVA £m
Gross Impact	379	£11.5m
Net Impact (including multipliers)	219	£7.6m

Cost Benefit Analysis

In order to capture the full economic impact of the project, the costs and benefits need to be considered over the useful lifetime of the asset (i.e. 15 years in this case). In line with green book guidance the costs and benefits are extended, recognising that the annual GVA impact will be repeated for each year the job exists, and the social discount rate is applied to all costs and benefits. This option results in a positive net present value, reinforcing that this is a viable option from an economic perspective.

Option 2: Cost Benefits Analysis

Total public sector costs (undiscounted)	£3.1m
Total public sector costs (discounted)	£3.0m
Net GVA benefits over 15 years (undiscounted)	£89.0m
Net GVA benefits over 15 years (discounted)	£66.6m
Benefit-cost ratio	22.37
Net present value	£46.1m

Value for Money

Value for money is assessed in terms of the public sector cost per job and net additional GVA generated in a typical year (following the creation of all jobs) per £1 of public sector investment. While the cost of creating jobs and the GVA return that this option offers are reasonable the project offer less value for money than Option 2, reflecting the lower level of benefits generated by the completion of the Phase 2 route only.

Option 2: Value for Money

Public sector cost per net FTE job	£14,157
Net additional GVA per annum	£7.6m
Net additional GVA (£) per annum per £1 of public sector investment	£2.50

Option 3: Phase 2 and 3 of the Public Realm Improvements

Costs and Funding

This scheme would be delivered at a total capital cost of £7m, all of which would be funded by the public sector. Of the three shortlisted options, this is the mid-cost option. The improvements would be delivered over three and a half years, with expenditure in four financial years.

Economic Impact

The public realm improvements will act as a catalyst for development and employment creation at 4 key sites along the phase 2 and 3 routes: the youth zone, bus station, Miller Arcade and the site located between Tithebarn Street and Lord Street. The developments would primarily provide new office space as well as additional leisure, retail and restaurant space. In total, almost 13,000m² of additional / refurbished floorspace would be provided.

Option 3: Floorspace at Developed / Refurbished Sites (m²)

	Office	Leisure	Retail / Restaurant	Total
Youth Zone		3,575	3,575	7,150
Bus Station				
Miller Arcade			468	468
Tithebarn Street and Lord Street Site	5,279			5,279
Total	5,279	3,575	4,043	12,897

New jobs would be created at each of these sites. In total, the delivery of the four sites is expected to create 505 FTE positions leading to an annual GVA uplift of £32.9m. This estimate focuses on additional employment and takes account of the existing employees at the bus station. Reflecting the profile of the floorspace, jobs will be created across several sectors – professional and business services (in the office space); arts, entertainment and recreation (in the leisure space) and retail and restaurants. The larger scale benefits secured through the development of new sites under this option (when compared with Option 2 where 26 additional jobs are created), demonstrates the significance of continuing the improvements along the phase 3 route.

Option 3: Gross Employment and Annual GVA Impacts at Developed / Refurbished Sites

	Office	Leisure	Retail / Restaurant	Total
Employment - FTEs				
Youth Zone		19	20	39
Bus Station				
Miller Arcade			26	26
Tithebarn Street and Lord Street Site	440			440
Total	440	19	46	505
Annual GVA - £m				
Youth Zone		£0.8m	£0.6m	£1.4m
Bus Station				
Miller Arcade			£0.8m	£0.8m
Tithebarn Street and Lord Street Site	£30.7m			£30.7m
Total	£30.7m	£0.8m	£1.4m	£32.9m

The employment and GVA impacts will be further boosted by a reduction in vacant units along the phase 2 route. Vacant units covering 9,370m² of retail, restaurant and bar space have been identified. Assuming that 92% of this space becomes occupied (based on vacancies being reduced to 8% as a result of the Phase 1 improvements), a total of 466 FTE positions will be created, generating an annual GVA impact of £14.1m. Again the scale of the impact is greater than under option 2 where the improvements end at phase 2.

Option 3: Gross Employment and Annual GVA Impacts through reduced vacancies

	Total
FTES	466
Annual GVA	£14.1m

The retail and restaurant sector will also benefit from increased footfall. Based on current footfall, the completion of phases 2 and 3 of the improvements are expected to lead to an additional 1.8m visits to the City Centre per annum (an uplift of 5%) generating additional expenditure that supports 157 FTE positions in the retail and food and drink sector, generating £4.8m GVA per annum.

Option 3: Gross Employment and Annual GVA Impacts through increased footfall

	Total
FTES	157
Annual GVA	£4.8m

When the employment and GVA impacts are combined, they result in a total gross employment impact of 1,128 FTEs generating £51.8m of GVA per annum.

Option 3: Total Gross Impact

	FTES	Annual GVA £m
Employment created at development sites	505	£32.9m
Employment created through reduced vacancies	466	£14.1m
Employment supported through increased footfall	157	£4.8m
Total	1,128	£51.8m

The gross impact has been adjusted to take account of deadweight, displacement and multipliers. The adjustment for deadweight removes the economic benefits that would have occurred in the absence of the public sector investment, while the displacement adjustment reduces benefits to take account of jobs and expenditure being relocated/redistributed from other parts of the sub-regional economy to the new and vacant units. The multipliers include the indirect and induced effects resulting from increased expenditure on suppliers by the companies creating additional jobs and the recirculation of the wages generated by the new posts in the local economy.

Overall, the net impact of Option 3 is estimated at 716 FTE posts, generating £39.8m of GVA per annum.

Option 3 : Gross and Net Impact

	FTEs	Annual GVA £m
Gross Impact	1,128	£51.8m
Net Impact (including multipliers)	716	£39.8m

Cost Benefit Analysis

In order to capture the full economic impact of the project, the costs and benefits need to be considered over the useful lifetime of the asset (i.e. 15 years in this case). In line with green book guidance the costs and benefits are extended, recognising that the annual GVA impact will be repeated for each year the job exists, and the social discount rate is applied to all costs and benefits. The project results in a positive net present value (and a net present value that is higher than Option 2 reflecting the more significant increase in benefits relative to costs), reinforcing that this is a viable option from an economic perspective.

Option 3: Cost Benefits Analysis

Total public sector costs (undiscounted)	£7m
Total public sector costs (discounted)	£6.5m
Net GVA benefits over 15 years (undiscounted)	£436m
Net GVA benefits over 15 years (discounted)	£323m
Benefit-cost ratio	£49.99
Net present value	£227.5m

Value for Money

Value for money is assessed in terms of the public sector cost per job and net additional GVA generated in a typical year (following the creation of all jobs) per £1 of public sector investment. This option performs strongly in terms of value for money, offering the lowest cost per net FTE and the highest annual GVA return per £1 of public sector investment of the shortlisted options.

Option 3: Value for Money

Public sector cost per net FTE job	£9,780
Net additional GVA per annum	£39.8m
Net additional GVA (£) per annum £1 of public sector investment	£5.70

Option 5: Higher Quality Improvements – Phase 2 and 3 of the Public Realm Improvements to a higher quality

Costs and Funding

This scheme would be delivered at a total capital cost of £10.2m, all of which will be funded by the public sector. This is the highest cost of the three shortlisted options, reflecting the quality of the works (the scale of the improvements are the same as Option 3).

Economic Impact

The public realm improvements will act as a catalyst for development and employment creation at four key sites along the phase 2 and 3 routes: the youth zone, bus station, Miller Arcade and the site located between Tithebarn Street and Lord Street. The developments would primarily provide new office space as well as additional leisure, retail and restaurant space. In total, almost 13,000m² of additional / refurbished floorspace would be provided.

Option 5: Floorspace at Developed / Refurbished Sites (m²)

	Office	Leisure	Retail / Restaurant	Total
Youth Zone		3,575	3,575	7,150
Bus Station				
Miller Arcade			468	468
Tithebarn Street and Lord Street Site	5,279			5,279
Total	5,279	3,575	4,043	12,897

New jobs would be created at each of these sites. In total, the delivery of the four sites is expected to create 505 FTE positions leading to an annual GVA uplift of £32.9m. This estimate focuses on additional employment and takes account of the existing employees at the bus station. Reflecting the profile of the floorspace, jobs will be created across several sectors – professional and business services (in the office space); arts, entertainment and recreation (in the leisure space) and retail and restaurants. These impacts are higher than option 2, which will deliver phase 2 only and in line with the benefits of Option 3, given that the improvements are of the same scale and along the same route.

Option 5: Gross Employment and Annual GVA Impacts at Developed / Refurbished Sites

	Office	Leisure	Retail / Restaurant	Total
Employment				
Youth Zone		19	20	39
Bus Station				
Miller Arcade			26	26
Tithebarn Street and Lord Street Site	440			440
Total	440	19	46	505
Annual GVA				
Youth Zone		£0.8m	£0.6m	£1.4m
Bus Station				
Miller Arcade			£0.8m	£0.8m
Tithebarn Street and Lord Street Site	£30.7m			£30.7m
Total	£30.7m	£0.8m	£1.4m	£32.9m

The employment and GVA impacts will be further boosted by a reduction in the number of vacant units along the phase 2 and 3 route. Vacant units covering 9,370m² of retail, restaurant and bar space have been identified. Assuming that 94% of this space becomes occupied (based on vacancies being reduced to 6% as a result of the Phase 1 improvements and the higher quality public realm leading to a greater reduction), a total of 476 FTEs positions will be created, generating an annual GVA impact of £14.4m.

Option 5: Gross Employment and Annual GVA Impacts through reduced vacancies

	Total
FTEs	476
Annual GVA	£14.4m

The retail and restaurant sector also benefits from increased footfall. The completion of phases 2 and 3 of the improvements to a higher quality is expected to lead to an additional 2.7m visits to the City Centre per annum generating additional expenditure that supports 236 FTE positions in the retail and food and drink sector, generating £7.1m GVA per annum.

Option 5: Gross Employment and Annual GVA Impacts through increased footfall

	Total
FTEs	236
Annual GVA	£7.1m

When the employment and GVA impacts are combined, they result in a total gross employment impact of 1,217 FTEs generating £54.4m of GVA per annum. This is the highest employment and GVA impact of the three options.

Option 5: Total Gross Impact

	FTEs	Annual GVA £m
Employment created at development sites	505	£32.9m
Employment created through reduced vacancies	476	£14.4m
Employment supported through increased footfall	236	£7.1m
Total	1,217	£54.4m

The gross impact has been adjusted to take account of deadweight, displacement and multipliers. The adjustment for deadweight removes the economic benefits that would have occurred in the absence of the public sector investment, while the displacement adjustment reduces benefits to take account of jobs and expenditure being relocated/redistributed from other parts of the sub-regional economy to the new and vacant units. The multipliers include the indirect and induced effects resulting from increased expenditure on suppliers by the companies creating additional jobs and the recirculation of the wages generated by the new posts in the local economy.

Overall, the net impact of Option 5 is estimated at 751 FTE posts, generating £41.0m of GVA per annum.

Option 5 : Gross and Net Impact

	FTEs	Annual GVA £m
Gross Impact	1,217	£54.4m
Net Impact (including multipliers)	751	£41.0m

Cost Benefit Analysis

In order to capture the full economic impact of the project, the costs and benefits need to be considered over the useful lifetime of the asset (i.e. 15 years in this case). In line with green book guidance the costs and benefits are extended, recognising that the annual GVA impact will be repeated for each year the job exists, and the social discount rate is applied to all costs and benefits.

The project results in a positive net present value, reinforcing that this is a viable option from an economic perspective. The net present value of Option 5 is the highest of the three options as a result of the project having the greatest economic impact. However, the benefit-cost ratio is lower than Option 3, reflecting the disproportionate increase in costs when compared to the uplift in benefits – this is also highlighted in the following value for money section.

Option 5: Cost Benefits Analysis

Total public sector costs (undiscounted)	£10.2m
Total public sector costs (discounted)	£9.4m
Net GVA benefits over 15 years (undiscounted)	£448.8m
Net GVA benefits over 15 years (discounted)	£311.7m
Benefit-cost ratio	35.24
Net present value	£231.4m

Value for Money

Value for money is assessed in terms of the public sector cost per job and net additional GVA generated in a typical year (following the creation of all jobs) per £1 of public sector investment. While the cost of generating jobs and the GVA return that this option offers are reasonable, the project offers less value for money than Option 3 with the increase in costs being much higher than the increase in benefits.

Option 5: Value for Money

Public sector cost per net FTE job	13,587
Net additional GVA per annum	£41m
Net additional GVA (£) per annum per £1 of public sector investment	£4.0

Overall Assessment

When the results of the options are compared, Option 5 offers the greatest economic impact, although this is only marginally higher than Option 3 despite the costs being considerably higher making the proposition less attractive from a value for money perspective. The Option 2 benefits are modest, even after taking account of the reduced costs highlighting the importance of the phase 3 route and the completion of a holistic programme of public realm improvements to secure economic impacts. Overall, Option 3 offers a combination of significant impacts and value for money, with the lower public sector cost per net FTE and the highest net GVA per annum return of the three options.

Economic Assessment			
	Option 2	Option 3	Option 5
Costs			
Total Cost	£3.1m	£7m	£10.2m
Economic impact			
Net FTEs	219	716	751
Net Annual GVA	£7.6m	£39.8m	£41.0m
Value for money			
Public Sector Cost per net FTE	£14,157	£9,780	£13,587
Net GVA per annum per £1 public sector investment	£2.50	£5.70	£4.00

3c Economic Case – Risk Assessment and Sensitivities

Section 5 (the commercial case) of this report notes that as with all capital investments, there are a series of risks that could potentially impact on the project's delivery and includes a table that sets out the main risks and an accompanying narrative on the mitigating factors. This section focuses on considering how risks will impact upon the economic impact and value for money that the project is expected to generate.

The risks are considered for each of the shortlisted options. The results are then combined with the economic impact and value for money assessment to identify the preferred option. A series of sensitivity tests are ran on the preferred option, to quantify and test the impact that risks would have on the project benefits and value for money. The tests provide an indication of the extent to which the project can withstand risk.

Risk Assessment

As the three project options are very similar in terms of the nature and delivery approach, the same risks apply to each option. The varying scale of the projects (from both a physical and cost perspective) does, however, mean that the level of risk varies for each option as set out in the table below. This is based on scales where the likelihood and impact range from 0 (high) to 10 (low). Therefore, the project with the highest score (Option 3) has the lowest risk. The fact that Option 3 is based on continuing the phase 1 works (from a quality and process point of view) reduces the likelihood of risks when compared to Option 5 where there is a focus on higher quality and the likelihood of cost estimates proving inaccurate is higher. Option 3's larger scale and more transformational nature when compared to Option 2 reduces the likelihood of the project failing to secure its economic benefits.

Risk Assessment						
<i>Likelihood: 0= high, 10 = low, Impact 0= high, 10 = low</i>						
	Option 2		Option 3		Option 5	
	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact
Operational Risks						
Conflicts between highways and public realm	8	5	8	5	7	5
Limited support from stakeholders and businesses affected by works	8	5	7	5	7	5
Cost estimates prove inaccurate	8	5	8	5	7	5
Unforeseen challenges identified on site	8	5	8	5	7	5
Failure to secure required consents	9	5	9	5	8	5
Inclement weather impacts on deliver	5	5	5	5	5	5
External Risks						
Take up of new and vacant supporting premises is lower than expected	7	4	5	4	5	4
Planned site developments do not occur	5	4	7	4	7	4
Footfall and expenditure does not increase	5	4	7	4	7	4
Pedestrian safety not improved as a result of the project	6	5	8	5	8	5
Project does not comply within funder requirements	8	2	8	2	7	2
Overall Risk (Likelihood x impact)	344		357		335	

From an economic and value for money perspective, the risks which would have the greatest impact are associated with the realisation of the economic benefits (i.e. the planned developments do not go ahead, and the take up of new or vacant premises and/or planned footfall and expenditure increases are lower than expected). The impact that these risks would have on the economic impact and value for money offered by the preferred option is tested in the sensitivity section.

Selection of the Preferred Option

When the results of the economic impact, value for money and risk assessment are combined, Option 3 – to deliver phases 2 and 3 of the public realm improvements – is identified as the preferred option. While the economic impact of the project is slightly lower than the impact of Option 5, the lower costs lead to this option offering the best value for money. As set out in the preceding section, the scale of Option 3 and its transformational nature also mean that it has the lowest level of risk.

Selecting the Preferred Option			
	Option 2	Option 3	Option 5
Economic impact	3rd	2nd	1st
Value for money	3rd	1st	2nd
Risk	2nd	1st	3rd
Overall Ranking	3rd	1st	2nd

Sensitivity Analysis

In line with the Green Book Business Case Guidance, the sensitivity analysis is only carried out for the preferred option i.e. option 3 – to deliver phases 2 and 3 of the public realm (to the same quality standard as the phase 1 works). The sensitivity analysis focuses on those which could have the greatest impact on the economic impact and value for money that the project offers. As identified earlier in this section, in this case, these relate to the realisation of the economic benefits. As such, the following sensitivities are tested:

Economic benefits from new space developed:

- Only 90% of the new space developed becomes occupied
- Only 80% of the new space developed becomes occupied

Economic benefits from reduced vacancies:

- Reduction in vacancies is 5% points lower than expected
- Reduction in vacancies is 10% points lower than expected

Economic benefits from increased footfall:

- Increase in footfall is 10% lower than expected
- Increase in footfall is 20% lower than expected

Each of these sensitives has been tested using the master economic impact spreadsheet developed for Option 3. The results are set out in the following table and, at a headline level, demonstrate that if these risks were to occur, the project would continue to offer value for money despite the lower level of economic impact. The risk management processes adopted by the delivery team (as set out in the management case), will seek to minimise risks to the economic impact of the project to ensure that the maximum value of the project is secured for the Preston and wider Lancashire economy.

When each of the sensitivities is applied the number of net FTE jobs that the project is expected to create ranges from 642 to 710 (compared to the base estimate of 716). In all cases, the project continues to be economically viable with a positive net present value.

Sensitivity Analysis - Economic Impact			
	Net FTE Jobs	Net Annual GVA	Net Present Value
90% of new space occupied	679	£37.0m	£210m
80% of new space occupied	642	£34.3m	£193m
Reduction in vacancies is 5%pts lower	700	£39.2m	£224.9m
Reduction in vacancies is 10%pt lower	684	£38.7m	£222.3m
Increase in footfall is 10% lower	710	£39.6m	£226.5m
Increase in footfall is 20% lower	704	£39.3m	£225.4m
Base Case	716	£39.8m	£227.5m

The project also continues to offer value for money in each case. Even when the jobs numbers fall to 642 (as a result of just 80% of the new space developed becoming occupied), the cost per net FTE remains reasonable at £10,899 as does the net annual GVA return of £4.90 per £1 of public sector investment. In all cases, even if the risks occur, this option continues to offer better value for money than Option 2 (of delivering phase 2 only) and Option 5 (of delivering phase 2 and 3 to a higher quality).

Sensitivity Analysis - Value for Money		
	Public Sector Cost per Net FTE	Net GVA per annum per £1 of public sector investment
90% of new space occupied	£10,309	£5.3
80% of new space occupied	£10,899	£4.9
Reduction in vacancies is 5%pts lower	£10,001	£5.6
Reduction in vacancies is 10%pt lower	£10,232	£5.5
Increase in footfall is 10% lower	£9,858	£5.7
Increase in footfall is 20% lower	£9,939	£5.6
Base Case	£9,780	£5.68

4 Commercial Case – Procurement and Contracting

This section focuses on considerations for delivery of the preferred option to demonstrate that robust processes and procedures are in place to guide delivery, both in accordance with good practice in the delivery of capital works and compliance with public funding requirements. The content of this section will remain under review throughout the project's delivery period and will be amended as necessary (e.g. to update project risks) to reflect experience of delivering the project itself and any changes in wider conditions. All proposals build on Lancashire County Council's and Preston City Council's experience of successfully delivering comparable contracts.

Procurement and Contracting Arrangements

Following consideration of a series of delivery options, a decision has been made for the main works contract to be delivered by Lancashire County Council in-house. The project works are contained within the footprint of the adopted highways. The works are within the capability and capacity of the County Council's in-house operational services unit and the team has experience of delivering schemes of a similar nature on time and budget.

This approach allows the Council to:

- Make a prompt start on site;
- Closely monitor the works programme and the quality of works being completed;
- Minimise risks around external delivery pressures and the potential for rising costs;
- Draw on experience of delivering wider programmes of work in the county; and
- Potentially secure efficiencies when sourcing materials.

The project costs have been subject to assessment to ensure the proposed delivery route offers value for money. The cost of delivering the contract has been compared to tenders received for delivery of phase 1 works plus inflation (allowing direct comparison for the nature of works, materials to be used and the delivery location) and is comparable to the average cost identified through an open procurement process.

Associated requirements will be secured through procurement exercises conducted in compliance with public procurement regulations. For example, paving materials will be procured from the market, ensuring competition that allows contractors of all sizes to tender for the work and for value for money to be secured through the process.

All procurement exercises outside the main works contract will be tailored to reflect the value and nature of requirements to ensure they are proportionate.

Delivered in accordance with Lancashire County Council's Procurement Policy and Strategy, all procurement exercises will be transparent, accountable and fair. All tender documents will be prepared to comply with procurement regulations and will confirm:

- The nature (and required quality standards) and location of works to be completed;
- The timescales for the submission of proposals, assessment of bids, selection of a contractor and completion of required works;
- Any minimum requirements expected of bids (e.g. level of professional insurances held, evidence of relevant skills) and how they should be evidenced;
- The criteria that will be applied for the shortlisting and selection of a contractor;
- The process for raising any queries during the tender process.

All successful contractors will receive a contract through Lancashire County Council which clearly outlines:

- The name and details of the contract holder;
- The scope of works to be completed, including details of materials to be used, volume of activity and location of works;
- The programme for delivery of works that clearly specifies the timing of different elements of works being completed;
- The fee that will be paid for completion of the works outlined and the associated invoicing and payment terms;
- Change control procedures and arrangements for management of risks, including arrangements for reporting any changes in risk profile;
- Arrangements for monitoring the works and how the contractor will liaise with the County Council; and
- Dispute resolution procedures.

In the event of any non-compliance issues being identified, the reasons for non-compliance will be explored and agreement reached on how the position will be corrected. In the unlikely event issues cannot be addressed, the potential to implement penalty clauses will be explored.

Service Requirements and Outputs

The overall service requirement and associated outputs are:

Requirement
To deliver a programme of public realm improvements that link the recently completed phase 1 public realm works and complete the programme of improvements running from the railway station to the bus station along Fishergate, Church Street, Lancaster Road, Lord Street and Tithebarn Street. Works will comprise preparing for and laying new paving, kerbs and setts to create a unified public realm as well as introducing new street furniture and planting.
Outputs
The primary output of intervention will be 20,630 m ² of high quality public realm delivered
Outcomes
<ul style="list-style-type: none"> • Reduced vacancy rates • Private sector investment attracted • New development schemes supported • High quality and safe pedestrian environment • Green modes of travel increased • Visitor dwell time increased

The project has been broken down into a series of service requirements, each to be commissioned through a separate procurement process. The requirements reflect different elements of the project, with works packaged to reflect common scopes and/or locations of works. A detailed service requirement will be prepared for each exercise, comprising the details below.

Service Requirement 1	
Requirement	<i>Overview of the activity to be commissioned</i>
Location	<i>Detail of area covered</i>
Objective	<i>Purpose/aim of the activity</i>
Outputs	<i>Required outputs/performance measures</i>
Timescales	<i>For both procurement and delivery</i>
Procurement route	<i>Summary of approach to be taken</i>

Implementation Timescales

Headline on-site implementation timescales are:

Phase	Start Date	End Date
Phase 2: End of Phase 1 to Preston Minster	February 2015	September 2016
Phase 3: Lancaster Road to Preston bus station	January 2017	Autumn 2018*
* Subject to alignment with programme of developments in City Centre North		

A detailed project delivery programme sits below this indicating the timescales associated with each phase and within this individual elements of work (e.g. digging channels, excavating, laying paving and kerbs), running from the start of procurement activity through to sign off of the completed works. A copy of the phase 2 works programme from this period forward until when works ceased for Christmas 2015 is provided in Annex 1. The programme for the remainder of phase 2 which will recommence on site Jan 16, and phase 3 programme to be confirmed during quarter 3 of 2015/16, to align with the delivery of surrounding developments in the area.

This document will provide the basis for monitoring of project activities throughout the delivery period. It will be reviewed on a regular basis to check if activity remains on track and allow action to be taken to return the project to profile when necessary.

Project Risks

As with every project, there are a series of risks that could potentially impact on the project's delivery. A wide range of risks have been considered, building on the team's experience of planning, procuring and delivering a wide range of capital projects, including the phase 1 public realm works and the following primary risks have been identified.

Risk	Likelihood	Impact	Mitigating Action
Operational risks			
Conflicts between highways and public realm	Low	Moderate	Discussions started at an early stage of scheme design to allow potential challenges to be overcome
Limited support from stakeholders and businesses affected by the works	Low	Moderate	Early consultation completed to alert stakeholders and businesses to the works and active steps being taken to keep them informed as plans progress
Cost estimates prove to be inaccurate	Low	Moderate	Estimates based on recent experience of phase 1 delivery providing confidence around current market conditions. 15% contingency budget is included in costs. Control measures to be implemented throughout delivery
Unforeseen challenges identified on site	Low	Moderate	Site surveys completed and lessons identified from phase 1 delivery to allow additional checks to be completed. Rigorous investigations undertaken on site and potential risks planned for
Procurement exercise affects scheme delivery	Low	Moderate	Procurement items identified at an early stage of the project's development and built into the delivery timescales
Failure to secure required consents	Low	Moderate	Consents sought at an early stage and lessons learned from phase 1 delivery
Traffic issues impact on construction delivery	Low	Low	Potential traffic issues identified at an early stage and mitigating measures implemented

Inclement weather impacts on delivery	Moderate	Moderate	Allowance built into the programme to accommodate potential delays and opportunities to accelerate later works if necessary
External risks			
Take up of surrounding premises is lower than expected	Moderate	Moderate	Interest to be monitored and any issues to take up to be addressed where possible
Planned site developments do not occur	Low	Moderate	Dialogue being maintained with known site developers and opportunities to address any issues arising to be explored. Most schemes now at an advanced state with strong commitment
Pedestrian safety not improved as a result of the project	Low	Moderate	Designs prepared to focus on pedestrian safety and lessons learned from phase 1 delivery and wider experience. Safety audit procedures used
Project does not comply with funder requirements	Low	High	Clear scope of works confirmed at an early stage and funder informed of progress as required

The overall project risk is considered to be low. The County Council has extensive experience of overseeing comparable works programmes, including the successful delivery of the phase 1 public realm works, and has taken a series of steps based on this experience to minimise the likelihood of risks arising and the impacts if they do.

Appropriate arrangements will be implemented to ensure that risks are held by delivery bodies through clearly articulated risk transfer arrangements. In each instance risks will be assigned to the organisation best able to manage them, for example, Lancashire County Council will bear the external project risks and those specifically relating to the delivery of their works. In cases where works are procured through external bodies, both procurement documents and the final contract will clearly set out responsibilities for risk management and will transfer operational risks directly associated with delivery of those elements of the works package. Provision may be made to impose penalties in the event that works are not delivered on time or to required quality standards.

In broad terms, risks identified above are expected to be shared as follows:

Anticipated risk allocation			
Nature of risk	Public sector	Private sector	Shared
LCC delivered works			
Conflicts between highways and public realm	✓		
Limited support from stakeholders and businesses affected by the works	✓		
Cost estimates prove to be inaccurate	✓		
Unforeseen challenges identified on site	✓		
Failure to secure required consents	✓		
Inclement weather impacts on delivery	✓		
Take up of surrounding premises is lower than expected	✓		
Planned site developments do not occur	✓		
Pedestrian safety not improved as a result of the project	✓		

Project does not comply with funder requirements	✓		
Non-LCC delivered works			
Conflicts between highways and public realm			✓
Limited support from stakeholders and businesses affected by the works			✓
Cost estimates prove to be inaccurate	✓		
Unforeseen challenges identified on site			✓
Failure to secure required consents	✓		
Inclement weather impacts on delivery	✓		
Take up of surrounding premises is lower than expected	✓		
Planned site developments do not occur	✓		
Pedestrian safety not improved as a result of the project			✓
Project does not comply with funder requirements	✓		

As part of internal project management procedures, all risks will also be assigned an owner to ensure transparency in risk management responsibilities. Clear reporting routes will also be in place to ensure the project leader is alerted to any changes in risk profile, for example if the likelihood of a risk arising is considered to have increased or wider implications of potential risks are identified. This approach will ensure the prompt escalation of risks and allow for necessary actions to be taken to ensure the project continues to be delivered on budget, to time and to high quality standards. Consideration of risks will also be a standing agenda item for project meetings.

Payment Mechanisms

Payments will be drawn down for Lancashire City Council delivered works at key milestones. Payments will at no point exceed the extent of costs incurred and stage of works completed at that stage.

For externally delivered works, all payment terms will be clearly outlined as part of the tender and contracting process. Documentation will clearly articulate that payments will be linked to the delivery of services. Payment milestones will be agreed at the start of the contract payment along with evidence requirements associated with each payment. Funds will only be released at the point milestones are reached and the agreed requirements for that stage has been evidenced as achieved.

All works will be procured on a fixed cost basis, passing risks associated with potential cost over-runs once the contract is live on to the contractor. Contract terms will highlight the potential use of penalty clauses in the event of failure to deliver works to the agreed specification (including to agreed timescales and quality standards) with the option to terminate the contract noted in the event of failure to perform.

5 Financial Case

This section focuses on the affordability and funding requirement of the preferred option, in relation to the other shortlisted options, to demonstrate that the recommended deal is affordable.

Financial Overview and Funding Statement

The financial model and requirements for each of the shortlisted options are similar and straightforward given:

- The similar nature of work to be carried out for each project;
- The relatively small scale nature (with capital costs ranging from £3.1m to £10.2m); and
- The short delivery timescales.

In each case, all of the expenditure would be capital and funding would be secured from the Lancashire Growth Deal (via the Local Enterprise Partnership) and Lancashire County Council. The Lancashire Growth Deal sets out a commitment to provide funding for the public realm works and a written statement of support from Lancashire County Council is available evidencing their commitment to invest £1m. Across the options, the Lancashire Growth Fund requirement ranges from £2.2m to £9.2m, with the preferred option (option 3) as the mid scale ask.

Costs and Funding Package			
Costs	Option 2	Option 3	Option 5
Capital costs	£3.1m	£7m	£10.2m
Funding			
Lancashire Growth Deal	£2.2m	£6m	£9.2m
Lancashire County Council	£1m	£1m	£1m
Total	£3.1m	£7m	£10.2m

Budget Statement and Cash Flow

The table below set out the resource costs over the lifetime of the preferred option. The costs have been determined by the delivery team, take account of inflation and include a contingency budget to ensure that there is sufficient financial cover for risks and uncertainties.

The costs have been subject to assessment to ensure that the proposed delivery route offers value for money. This involved comparisons with the costs in the tenders received for delivery of phase 1 works plus inflation (providing a direct comparison for the nature of works, materials to be used and the delivery location). There is no existing spend to take into account.

The timing of the funding and cash expenditure for the preferred option is set out below. The profile aligns with the timescales for the work and is based on funding being available to cover total costs each year.

Financial Expenditure						
Costs	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Capital costs	£0.3m	£2m	£0.8m	£2.45m	£1.45m	£7m
Funding / Cash Expenditure						
Lancashire Growth Fund	£0.3m	£2m	£0.8m	£1.45m	£1.45m	£6m
Lancashire County Council				£1m		£1m
Total	£0.3m	£2m	£0.8m	£2.45m	£1.45m	£7m

Affordability Assessment

Overall, the preferred option is affordable and requires a relatively low level of public sector investment (£7m), particularly when the benefits are taken into account. The project is being funded via committed and experienced partners and the costs have been subject to detailed assessment. Furthermore, the preferred option is able to draw on the experience and financial model from the phase 1 works, which were delivered using a similar approach and the same quality materials. This further reduces the level of risk associated with the financial profile.

6 Management Case

Project Management Arrangements

Project Team

The project will be managed by Lancashire County Council, in partnership with Preston City Council. A Project Manager will be responsible for the overall management and decision making for all elements within the scheme, ensuring compliance with contract arrangements and fulfilling the objectives as required by stakeholders. Using Prince II methodology the Project Manager will lead the Project Team to ensure delivery across the various elements of the project.

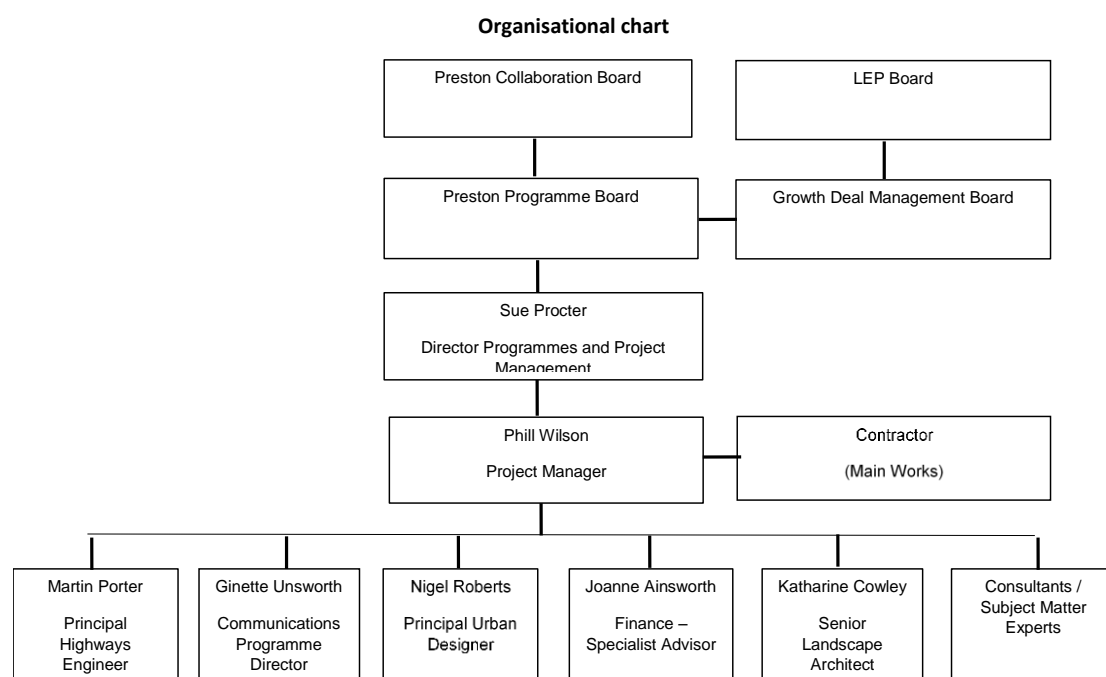
The Project Team will comprise: Project Manager, Principal Engineers, Communications Manager, Landscape Architects, and a Finance Manager. Consultants and subject matter experts (e.g. planning, legal, urban design etc.) will be utilised where necessary to give specialist advice on key elements relating to project delivery.

The Project Manager will report to the Preston Programme Board (PPB), a Strategic Joint (Director Level) Economic Development Working Team established between Preston City Council, Lancashire County Council and the University of Central Lancashire (UCLan) to provide a united economic development support mechanism for developers and investors to catalyse economic growth potential. Both the Project Team and Programme Board have been fully involved in shaping and delivering Phase 1 and will continue this role for Phase 2 & 3 of the public realm works, as a key priority, to ensure it compliments and adds value to the vision for Preston City Centre and the wider sub-region.

The PPB reports to the Preston City Centre Collaboration Board (Leader / Chief Executive level), a formal Board established between Lancashire County Council, Preston City Council and UCLan to oversee the delivery of economic development schemes in the City Centre.

Reporting Lines and Responsibilities

The need for all team members have clear areas of responsibility and understand how they fit into a wider team structure is widely recognised, drawing on good practice and project delivery experience. Reporting lines will be as shown in the following diagram with details of the responsibilities of all team members below this.



Project Management Structure			
Work Stream	Name	Title	Role/Responsibilities
Programme Board	Sue Procter	Director Programmes and Project Management	<ul style="list-style-type: none"> To coordinate project & programme activity across Lancashire County Council to maximise impact and shape strategic direction. Provide the strategic direction and leadership to the project Ensure project activity adds value and compliments wider strategic objectives Ensure the project delivers objectives within the contract requirements Provide update reports to both the Preston Programme and Preston Collaboration Boards
Project Management	Phill Wilson	Project Manager / Contract Manager	<ul style="list-style-type: none"> Responsible for the management / delivery of the project as directed by the Programme Board Lead the Project Team to achieve the project objectives Development and delivery of the Project Plan Management of delivery against targets Co-ordinating the various work streams Compliance with internal regulations, policy and practices Main Works contract manager Report to the Programme Board
Network Management	Martin Porter	Principal Highways Engineer	<ul style="list-style-type: none"> Development of traffic engineering principles of the project. Assisting in coordinating the overall design including liaising with highways, landscape and urban design specialists. Leading on the detail design of traffic control elements. Monitoring and Evaluation Lead
Finance	Joanne Ainsworth	Finance – Specialist Advisor	<ul style="list-style-type: none"> To maintain the project accounts Maintain project budget, within the wider context of Growth Deal and City Deal Provide reports as required to Project Manager
Design / Preston City Council	Nigel Roberts	Principal Urban Designer	<ul style="list-style-type: none"> Lead project contact to Preston City Council, Officers and Members Contribute to the delivery of the final design Highlight complimentary development activity
Design	Katharine Cowley	Senior Landscape Architect	<ul style="list-style-type: none"> Lead on the design for the landscape areas of the scheme Produce tender Manage planting contract
Communications	Ginette Unsworth	Communications Programme Director	<ul style="list-style-type: none"> Plan & deliver an appropriate communications action plan for the project Advise on communications strategy and best use of channels and tactics to disseminate information Engagement and effective liaison with stakeholders and general public Update PCC / LCC Members as required Manage the message and respond to issues Produce press releases, publicity and stakeholder updates Liaise with PCC communications ensuring consistent message

Job descriptions for the primary roles above are provided in Annex 2.

The Council, and the named staff members assigned to this project, has extensive experience of delivering publicly funded capital works, including public realm improvement works. Recent experience of delivering phase 1 of the Fishergate public realm improvements has provided directly relevant experience and has allowed lessons to be learned for the delivery of future phases. Regular project meetings will be held to review progress against the project plan (see Annex 1), plan next steps and address any issues arising.

Project Governance

Effective management will also be ensured through arrangements that go beyond the direct delivery team. As noted above, the Project Manager will report to the **Preston Programme Board (PPB)** to ensure that the project aligns with a wider programme of activity being delivered in the city.

The terms of reference for the PPB state that its objectives are to:

- agree and oversee an on-going programme of activity and timetable of actions, delivered by a number of working groups, to implement the Council's aspirations.
- ensure that the work of the Programme Board and Working Groups are consistent with the objectives of the two Councils, the City Deal, the City Centre Plan and the LEP's Strategic Economic Plan.
- guide and oversee the implementation of LEP Growth Deal projects in Preston City Centre and to endorse the quarterly monitoring returns for submission to the Growth Deal Management Board. (Terms of Reference for this group are being prepared and will be circulated following LEP approval).
- prepare and approve quarterly update reports to the Preston Collaboration Board on the implementation of the Collaboration Plan.

Given the proposed funding package, the project's progress will also be reported to the **Growth Deal Management Board**. The remit of this Board (as outlined in its terms of reference) is to:

- implement and monitor the Growth Deal in accordance with the Growth Deal Implementation Plan and Growth Deal Monitoring and Evaluation Framework;
- ensure that the Growth Deal Implementation Plan and Monitoring and Evaluation Framework are updated according to operational need, and annually as a minimum;
- oversee the work of the Monitoring and Evaluation Sub Group, receive quarterly reports from the same and approve the submission of quarterly monitoring reports;
- ensure that any conditions attached to Growth Deal funding agreements are discharged appropriately;
- refer to the LEP Board any issues arising if project sponsors are unable to comply with the Growth Funding principles agreed by the LEP Board;
- make recommendations to the LEP Board on any proposed material changes to funding profiles, including redirecting significant resources in year and between projects; and
- make recommendations to the LEP Board (who in turn would need to seek approval from Government) on any proposed material changes to project funding in the event of non-delivery, and / or the withdrawal of grant offer.

This Board feeds into the LEP's governance arrangements which have their own agreed terms of reference.

The Growth Deal Management Board (GDMB) has been established by the LEP to oversee the implementation and performance of Lancashire's Growth Deal. Following final LEP approval, the project sponsor will sign a funding agreement with the LEP's accountable body. This will commit the project sponsor to providing quarterly management information on outputs, delivery and financial spend to the GDMB, via an established Growth Deal Monitoring and Evaluation Group.

Post Project Arrangements

Maintenance arrangements on completion of the public realm improvements will be agreed at the Preston Programme Board. A maintenance plan will be prepared for each item and agreement reached as to whether Lancashire County Council or Preston City Council will be responsible for the ongoing maintenance of each item/asset created through the project. The public realm will be included in a schedule for regular cleaning and maintenance where necessary, ensuring that the value of the asset is protected. The responsible Council will also take responsibility for ensuring that any authority undertaking works which affect the asset (e.g. utility providers) return the asset to its original materials and condition. A stock of materials used during the course of the project will be maintained by the Council for this purpose.

Change Management Approach

The project team recognises the need to remain alert to the need to change elements of the project during both the design and implementation stages. A series of mechanisms are in place (including project review meetings and through risk management arrangements) to allow the need for change to be identified at an early stage and options to be considered and assessed in response. The team's experience of delivering other large scale investments has also provided direct experience of the need to identify and act on requirements for change.

All project team members will be briefed on change management mechanisms, many of which closely align with risk management procedures. In broad terms, the process is:

- Regular review of activity (project manager) and risks (individual risk owners and project team) to identify the potential need for change (either in response to challenges encountered or new opportunities identified);
- Requirement for change flagged to the project team;
- Agreement reached by the Project Manager reporting to the Preston Programme Board on whether a change is required and, if it is, the form it should take having taken account of a range of options. All changes will be recorded in writing to explain the nature of the change and the process taken to reach the decision;
- All affected parties (e.g. project team members, funders and businesses affected by works) advised of the change and any necessary permissions secured;
- Change enacted;
- Review of activity continues, including assessing whether the change effectively addresses the challenge or opportunity identified.

Throughout the project delivery period, team members will be reminded of the procedure and through regular project meetings the potential need to consider and manage change challenged. This process will ensure that the project delivers to its objectives and offers value for money.

Benefits Realisation

As noted elsewhere in this business case, a wide range of benefits are forecast to be generated through delivery of the phase 2 and 3 public realm gateway improvements. Our team recognises the importance of having robust arrangements in place to allow benefits to be captured and to be alert to instances where there may be challenges to achieving anticipated benefits.

Our approach to benefits capture includes:

- Agreeing target benefits at the point of finalising project details, prior to delivery commencing, including indicators to be used, how they are anticipated to arise from supported activities, responsible owners and timescales for achievement.
- Alerting all members of the delivery team to the anticipated range of benefits at the outset of activity so everyone is aware of the target indicators (including the definitions being used).
- Giving the project manager overall responsibility for benefits capture with responsible owners to be identified against each indicator below this.
- Alerting works teams/contractors to the benefits they are responsible for realising and how evidence will need to be captured (e.g. frequency, definitions, form to be completed, timing and submission arrangements).
- Having clear overall monitoring and evaluation approaches (see later section on this business case).
- Reviewing progress against benefits indicators as part of project meetings and agreeing remedial actions in the event of performance below target.
- Completing a benefits register, updated as necessary on a rolling basis (see template below).

The following benefits register has been compiled for all benefits identified through the economic case (see Section 3). The content will remain under review through the course of implementation to ensure identified indicators continue to provide a true reflection of the activities being delivered and benefits arising.

Benefit type	Output
Description	Area of improved public realm created
Link to supported activity	To be achieved as a direct output of supported activity
Potential dis-benefits	Potential impact on the perceived quality of surrounding public realm although the phased approach is intended to enhance public realm across the City Centre creating a coherent appearance
Responsible owner	Phill Wilson in association with the lead officer for the works team
Performance measure	M ² of public realm improved
Collection method	Captured through contractor records and photographic evidence of works delivered
Target improvement	20,630m ²
Timescale	By Autumn 2018

Benefit type	Result
Description	Uplift in City Centre visitor numbers
Link to supported activity	A more attractive public realm will encourage more people to visit the City Centre, as already seen as a consequence of phase 1 works
Potential dis-benefits	Visitors displaced from other retail areas
Responsible owner	Phill Wilson
Performance measure	Number of pedestrians
Collection method	Lancashire County Council footfall counts delivered as part of a scheduled programme of activity
Target improvement	5% uplift on current City Centre wide levels

Timescale	By Autumn 2019
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Benefit type	Result
Description	Uplift in jobs
Link to supported activity	Increased confidence in the City Centre (including seen in new development) leads to an uplift in jobs
Potential dis-benefits	Potential for jobs to be displaced from other locations although the focus is on supporting forecast economic growth
Responsible owner	Phill Wilson
Performance measure	Number of additional full time equivalent posts
Collection method	Survey of new tenants attracted to vacant units and new developments
Target improvement	1,128 gross FTE positions
Timescale	Autumn 2021

Benefit type	Impact
Description	GVA uplift
Link to supported activity	Increased confidence in the City Centre (including seen in new development) leads to an uplift in jobs which in turn generates additional GVA
Potential dis-benefits	As above, potential for benefits to be displaced from other locations although the focus will be on supporting growth (i.e. the generation of additional benefits)
Responsible owner	Phill Wilson
Performance measure	Additional GVA
Collection method	To be calculated based on new jobs evidenced above multiplied by published statistics for the average level of GVA contribution
Target improvement	£51.8m gross GVA per annum
Timescale	Autumn 2021

These approaches build on the County Council's experience of collecting evidence in support of a wide range of capital investment programmes, including being the accountable body and secretariat for the £30m North and Western Lancashire Priority 1 Action Plan and the delivery of individual publicly funded projects such as the phase 1 public realm improvement works and Superfast Lancashire infrastructure works.

Managing Risk

Risk Strategy

Lancashire County Council has established risk management procedures in place to guide all of its activities, supported by effective project management and change management procedures (see details in earlier sub-sections of this business case). Effective risk management allows the Council to avoid problems and failures rather than simply reacting to them as they arise. This approach supports the effective targeting of resources to exploit more opportunities.

The Council adheres to the principles outlined in the International Risk Management Standard (ISO:31000). Accordingly, all identified risks and opportunities are formalised and recorded. The Council's Risk Management Plan ensures that risks are considered as part of all supported activities.

Our Risk Management Framework comprises four steps:

Step 1: Communicate and consult	Step 2: Establish context
Create the risk management plan, risk register and risk management policy and secure approval from the Director of Governance, Finance and Public Services, Management Team and the Audit and Governance Committee	Risk assessments completed by: <ul style="list-style-type: none"> Selected senior management Heads of service Risk management groups and key partnerships Programme and project managers
Step 3: Complete the risk assessment	Step 4: Report, monitor and review
Risks identified, classified and analysed to include consideration of potential consequences, risk scoring and mitigation measures as well as identifying a responsible owner	Risks scoring above 6 on the residual risk score placed on the Corporate Risk Register or Corporate Opportunities Register, both of which are released quarterly

Roles and Responsibilities

The Risk Management Plan is fully supported by Council Members, Management and Officers and is overseen by the Audit and Governance Committee. Clear lines of responsibility ensure that the plan is understood and actioned throughout the organisation, as summarised below.

Role	Responsibilities
Director of Governance, Finance and Public Services	<ul style="list-style-type: none"> Approving the Council's Risk Management Plan annually Reviewing the effectiveness of risk management across the Council Reporting all significant risks to the Management Team and to the Audit and Governance Committee
Risk Management Lead Officer	<ul style="list-style-type: none"> Implementing the Risk Management Plan throughout the Council Populating the Corporate Risk Register and the Corporate Opportunities Register Reporting to the Director of Governance, Finance and Public Services
Senior Management	<ul style="list-style-type: none"> Highlighting risks and opportunities in the Corporate Plan
Heads of Service	<ul style="list-style-type: none"> Highlighting risk and opportunities in their business plans
Chairs of risk management groups and key partnerships	<ul style="list-style-type: none"> Highlighting risks and opportunities
Programme and Project Managers	<ul style="list-style-type: none"> Highlighting risks and opportunities from their programme and projects
Auditors	<ul style="list-style-type: none"> Highlighting risks and opportunities e.g. ICO Audit, VfM report, Annual Governance statement
All officers	<ul style="list-style-type: none"> Highlighting risks and opportunities and reporting them to their line manager who can then report them to the Head of Service

Maintaining a Risk Register

Details of anticipated risks and an overview of how they will be managed are provided in Section 4 of this business case. Building on these headline risks, a detailed risk register will be prepared for the project. Against each risk the register will detail:

- a summary of the nature of the risk and the unique reference number allocated to it
- who raised the risk
- the risk owner
- the date identified
- the date the entry was last updated
- likelihood of the risk arising
- the anticipated impact if the risk does arise
- mitigation measures
- current risk status

This single, comprehensive document supports the regular monitoring of risks and encourages staff to consider interlinkages between risks in doing so.

Identification of Unacceptable Risks

The Council will not accept the following risks:

- Anything negatively affecting the safety of employees or customers
- Anything having a damaging impact on our reputation
- Anything leading to breaches of laws and regulations
- Anything endangering the future operations of the Council

Any high rating risks will be listed on the Corporate Risk Register.

Incorporating Risk Management into Day to Day Activity

Our day to day approach to risk management to be applied across all stages of the project's delivery includes:

- **Identifying potential risks early and modifying as necessary** – risks begin to be identified at an early stage of project development and are amended as necessary to reflect any new issues arising.
- **Ensuring ownership of risks** – all risks are allocated to individuals as soon as they are identified to ensure there is ownership and ongoing oversight of potential areas of challenge.
- **Agreeing mitigation measures** – opportunities are identified against every specified risk to mitigate against both risks arising and their impact in the event that they do arise. Approaches are tailored to each project but reflect wider experience of scheme delivery.
- **Regular monitoring of risks** – by identified risk owners and through review as part of project meetings and the escalation of risks to the Preston Central Steering Group where necessary. This allows for the re-categorisation of risks where necessary.
- **Taking prompt action** – in the event risks do arise, the steps above ensure actions can be taken quickly to allow risks to be overcome.
- **Learning from experience** – experience of delivering capital works, including the phase 1 public realm improvements, have enhanced knowledge of potential risks and how they can be effectively managed. Lessons are shared across teams to ensure they are learned from.

Risks will also be reduced through our delivery processes including ensuring clarity of requirements through procurement and contracting processes, requiring fixed cost proposals, involving partners in both development and delivery phases, maintaining regular contact with works teams and maintaining stocks of materials to accommodate maintenance requirements.

Project Evaluation

Lancashire County Council recognises the importance of both monitoring and evaluating activities to assess how investments respond to stated objectives and allow lessons to be learned to inform future delivery. The project manager (Phill Wilson) will be responsible for ensuring an evaluation is completed and setting out the scope of the exercise.

Evaluation will comprise two elements, in accordance with guidance:

- Project evaluation review – conducted during the project design and implementation stages; and
- Post implementation review – conducted after delivery has concluded.

The scope of each exercise is outlined below.

Proposed Evaluation Considerations	
Project Evaluation Review	Post Implementation Review
<ul style="list-style-type: none"> • The need for intervention • Strategic fit/contribution to partner objectives • Ability of proposed works to address identified challenges • Robustness of procurement processes • Appropriateness of proposed delivery arrangements • Risk and change management procedures 	<ul style="list-style-type: none"> • Effectiveness of delivery arrangements • Ability of the project to respond to any challenges encountered • Achievement of target outputs • Achievement of wider objectives • Nature and scale of benefits realised • Value for money/return on investment • Lessons for future activity

The project evaluation review (PER) is being undertaken in-house but will be supported by the outcomes of the Green Book appraisal of this business case, the preparation of which has, in itself, led the team to refine its approaches. The content of the business case has also been shaped in response to stakeholder feedback secured throughout the project development phase and in response to feedback received on the phase 1 public realm improvement works. This reflects the iterative process taken to finalise scheme details and associated delivery arrangements. In contrast, the post implementation review (PIR) will be undertaken by an independent party. The PER will be a formative evaluation while the PIR will be a summative evaluation.

7 Conclusions

Project Recommendation

There is a strong case for investment in the phase 2 and 3 public realm gateway improvement works in Preston City Centre. Based on the evidence set out in the business case, Option 3 – to deliver the works to the same quality as the phase 1 works at a total cost of £7m – is strongly recommended as the preferred option for delivering the scheme.

This option requires £6m of funding from the Lancashire Growth Deal, with the remaining £1m already committed by Lancashire County Council.

The Strategic Case: An important contribution to strategic ambitions

The delivery of phase 2 and 3 public realm gateway improvements will make an important contribution to realising the strategic ambitions for Preston, Central Lancashire and Lancashire. As Lancashire's largest knowledge and service centre and one of the largest City Centres in the North, there is an imperative to ensure that Preston is successful and maximises its economic potential. To achieve this, there is a need to secure further investment in the City Centre. This is recognised in the ambitious plans that have been developed, such as the Preston City Centre Plan, the Preston and South Ribble City Deal and the Lancashire Strategic Economic Plan. Improving the public realm will be an important step in moving this agenda forward.

Evidence is already emerging of the impact of phase 1 works, soon after completion of the improvement programme. An enhanced public realm is helping to secure higher levels of occupancy and footfall in improved areas and is changing the perceptions of both visitors and potential investors. Overall, experience from phase 1 and from towns and cities across the UK shows that public realm enhancements can generate benefits that far exceed the cost of initial investments.

Market failures mean that in the absence of public investment, improvements would not be made. This position would restrict the ability of Preston City Centre to attract private sector investment in new developments and secure occupiers for existing vacant premises, with a risk that levels of vacancies could increase over time. There are clear economic drivers to make the investment with a comparatively small amount of money required to unlock wider investment and economic opportunities.

The Economic Case: Preferred option for delivery

Assessment of the options shows that the preferred option performs strongly, delivering the project objectives, meeting critical success factors and delivering economic impacts and value for money. Specifically, the preferred option:

- Builds upon the momentum gathered as a result of the phase 1 works, providing continuity and delivering the project in line with local expectations.
- Provides transformational public realm in the heart of the City Centre, which improves the connectivity of principal transport hubs and key development and leisure sites and supports the development of a more coherent City Centre that is attractive to residents, businesses, investors and visitors.
- Delivers an important part of the plans for the City Centre North Development Zone and supports a number of commercial and leisure opportunities, including (subject to required approvals and permissions being secured) a new vibrant youth zone, the refurbishment of the bus station, the development of an employment site located between Tithebarn Street and Lord Street and the redevelopment of Miller Arcade.

- Leads to a reduction in City Centre vacancies, increased footfall and supports plans for development at the Harris Museum and Art Gallery, the Guild Hall and Theatre, Guild Tower and St Johns as well as the wider development programme within the City Centre North. This includes plans for a new cinema, market facilities and hotel / leisure development.
- Addresses recognised market failures associated with investment in public realm associated with the costs of public realm improvements and the distribution of benefits across a wide range of users, rather than as a direct return to the investor. These factors are prohibitive to private sector investment in public realm.

While option 5 – to deliver the phase 2 and 3 public realm improvements to a higher quality – also delivered on these objectives, the significant increase in cost would be disproportionate to the increase in benefits. It would also result in the phase 2 and 3 works being disjointed from the phase 1 works. As such, this option was discounted from the shortlist. Option 2 – to deliver the phase 2 only benefits – was also discounted on the basis that it fails to deliver significant economic benefits and could have a detrimental impact on local and external confidence in Preston City Centre.

Other options initially considered as part of the long list and discounted included doing nothing and completing the phase 2 and 3 works to a lower quality. Both of these options were discounted on the basis that they failed to deliver the project objectives, meet critical success factors and capitalise on the momentum gained following the delivery of Phase 1.

The Economic Case: Job and GVA creation that delivers value for money

In terms of economic impact, the preferred option is expected to lead to a total gross employment impact of 1,128 FTEs generating £51.8m of GVA per annum, which will directly contribute to the LEPs target to create 50,000 jobs in 10 years.

Option 3: Total Gross Impact

	FTEs	Annual GVA £m
Employment created at development sites	505	£32.9m
Employment created through reduced vacancies	466	£14.1m
Employment supported through increased footfall	157	£4.8m
Total	1,128	£51.8m

Once adjusted to take account of deadweight, displacement and multipliers, the net economic impact continues to be considerable, with an estimated net increase of 716 FTE posts, generating £39.8m of GVA per annum.

Option 3 : Gross and Net Impact

	FTEs	GVA
Gross Impact	1,128	£51.8m
Net Impact (including multipliers)	716	£39.8m

The option offers value for money – a core requirement set out in the LEP's Assurance Framework. The public sector cost per FTE job and the net additional GVA per annum per £1 of public sector investment are strongest under this option.

Option 3: Value for Money

Public sector cost per net FTE job	£9,780
Net additional GVA per annum	£39.8m
Net additional GVA (£) per annum per £1 of public sector investment	£5.70

The creation of these jobs will also generate benefits for the exchequer – further contributing to the value for money that the project offers. This includes additional income tax revenue and national insurance contributions (from both employees and employers).

The Economic Case: Project is able to withstand risk and continue to deliver value for money

The main risks identified from an economic and value for money perspective are those associated with the realisation of the FTE and GVA economic benefits. For example, if the project leads to lower levels of development and/or occupancy; the uplift in footfall is lower than expected; and / or the decrease in vacancies is lower than expected.

Sensitivity testing on the preferred option demonstrates that the project is able to withstand risk and continue to offer value for money should these risks occur.

When each of the sensitivities is applied the number of net FTE jobs that the project is expected to create ranges from 642 to 710 (compared to the base estimate of 716). In all cases, the project continues to be economically viable with a positive net present value.

The project also continues to offer value for money in each case. Even when the jobs numbers fall to 642 (as a result of just 80% of the new space developed becoming occupied), the cost per net FTE remains reasonable at £10,899 as does the net annual GVA return of £4.90 per £1 of public sector investment. In all cases, even if the risks occur, this option continues to offer better value for money than Option 2 (of delivering phase 2 only) and Option 5 (of delivering phase 2 and 3 to a higher quality).

The City Centre improvements are an important component of the plans to increase the economic contribution of Preston to Lancashire's economic growth. Other subsequent development opportunities will complement planned City Deal infrastructure investment as well as emerging plans to develop the railway station as a key transport hub for the north of England.

A renewed City Centre has an important role to play in creating an attractive environment for business, professional service, creative and digital companies to locate, linked to Lancashire's priority sectors, as well as creating an environment for younger people to live as well as work.

The City Centre improvements will also increase business rates income, as well as generating Income Tax and National Insurance from the additional employment. As such, there will be a significant increase to both national and local government impact as a result of the public sector investment.

The risk management processes adopted by the delivery team will seek to minimise risks to the economic impact of the project to ensure that the maximum value is secured for the Preston and wider Lancashire economy.

Commercial Case: Practical approach to delivery

In-house delivery of the main works contract draws on in-house expertise and experience as well as offering value for money. In cases where goods and services need to be procured from other parties, detailed specifications will be prepared and the process will be undertaken in accordance with regulations and associated good practice. Once contracts are awarded, payment terms will be agreed to align with the delivery of works packages.

The nature of the scheme means that risks to both the construction phase and ongoing maintenance of the asset are low. The team's experience of planning, overseeing and maintaining such works and partners' commitment to taking the works forward, along with positive experiences from phase 1 further supports this position. No substantive dependencies or ongoing costs are foreseen and the maintenance will be built into Lancashire County Council's existing programme of activity. Works can be delivered relatively quickly and will align with activities being taken forward on adjacent sites.

Financial Case: Planned expenditure and funding

The timing of the funding and cash expenditure for the preferred option is set out below. The profile aligns with the timescales for the work and is based on funding being available to cover total costs each year.

Financial Expenditure						
Costs	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Capital costs	£0.3m	£2m	£0.8m	£2.45m	£1.45m	£7m
Funding / Cash Expenditure						
Lancashire Growth Deal	£0.3m	£2m	£0.8m	£1.45m	£1.45m	£6m
Lancashire County Council				£1m		£1m
Total	£0.3m	£2m	£0.8m	£2.45m	£1.45m	£7m

The preferred option is affordable and requires a relatively low level of public sector investment (£7m), particularly when the benefits are taken into account. The project is being funded via committed and experienced partners and the costs have been subject to detailed assessment. Furthermore, the preferred option is able to draw on the experience and financial model from the phase 1 works, which were delivered using a similar approach and the same quality materials. This further reduces the level of risk associated with the financial profile.

Management Case: Experienced delivery and management team

The project team is able to draw on an extensive range of skills to deliver this project. An experienced team of named personnel has been identified to both deliver and manage the works. Identified expertise include strengths in project management, urban design, traffic engineering and financial management. Clear roles and responsibilities have been outlined ensuring accountability and transparency regarding how the team will work together.

There are also clear governance arrangements, ensuring that the day to day delivery of activity is supported by strategic oversight. The project manager will directly report to the Preston Programme Board ensuring that activity aligns with and supports wider plans for Preston City Centre and the wider sub-region. In turn, progress and achievements will be reported up through the LEP's governance structures.

Day to day activity will occur in accordance with Lancashire County Council's risk management and change management procedures, ensuring that any potential issues can be identified and addressed at as early a stage as possible. Evaluation requirements have also been considered through the project's development and will continue to be applied throughout delivery and beyond.

Based on all of the points above, there is a strong case for public investment in the phase 2 and 3 public realm gateway improvement works.

Annex 1: Proposed Works Programme

Please refer to the document that accompanies this Business Case.

Annex 2: Job Profiles

Role Description for Sue Procter

Purpose

A senior post providing leadership across a major operational service encompassing a complex and strategic collection of delivery services or major corporate service encompassing a complex and strategic collection of technical functions. As a senior leadership post within a major part of the organisation the post will determine what and how the council is specifically going to achieve within their service area and lead culture change across the service area. As part of the strategic leadership team of the relevant part of the organisation and the council's senior leadership team, supporting elected members, the chief executive, the executive leadership team and the corporate director in achieving the county's vision and ambition.

Scope of Work

The role requires a high level of operational and/or technical knowledge and experience gained through broad and deep experience and academic study. The job holder will select, develop and assess the applicability of methodology and practice using both their theoretical and conceptual understanding and their substantial experience and expertise within their service area. As a member of the council's senior decision-making group there is a considerable requirement for the job holder to apply evaluative judgement to determine a course of action beyond the council's previous experience and solutions.

Accountabilities/Responsibilities

The following are a range of duties that are appropriate to this grade.

- To lead, plan, manage and provide strategic direction to a major operational service or a major corporate service.
- Job holders in the operational role will also have responsibility as the recognised Deputy for Corporate Director for the service.
- Drive the implementation of the transformation of services within their service area and deliver a transformed business model and workforce able to quickly evolve and adapt to new ways of working in response to changing priorities and needs.
- Lead on the development of internal and external partnership working with strategic partner organisations and key stakeholders to deliver effective services within their area of responsibility.
- Lead the Council's strategies relevant to their service area and ensure the delivery of high quality, best practice and value for money services to communities and citizens.
- To provide advice and guidance to members and senior managers on the implications of new legislation, policies and any other major external and internal drivers for change and to ensure the effective implementation of required changes.
- The post holder is responsible for the service area budget and delivery of high quality, value for money services within the budgetary parameters.

Skills, knowledge and experience

- Broad knowledge and understanding of local government and the relevant service area.
- Comprehensive experience, knowledge and understanding of the operation, activities and objectives of their service area. Working within the financial policy, financial regulations, standing orders and procedures within the corporate policy context.
- Leadership of large scale change programmes and demonstrative track record of achievement.
- Good understanding of the political context at national, regional and local level.
- Strategic and analytical thinking to find innovative and creative solutions to problems.
- Significant experience and understanding of partnership working and managing external relationships.
- Ability to operate sensitively in a political environment, developing relationships with all members gaining respect, trust and confidence.

Role Description for Phill Wilson, Joanne Ainsworth and Ginette Unsworth

Purpose

Plans and manages multiple related projects, services or teams engaged in diverse or complex work to ensure service objectives are met.

Scope of Work

Role holders at this level may provide 'portfolio' leadership for a range of small teams in related professional/service areas OR may lead a large team. They will have considerable scope for operational decision-making and will be expected to resource services, manage and motivate teams and resolve complex problems. Roles may be large team managers reporting to Group Managers.

Accountabilities/Responsibilities

The following are a range of duties that are appropriate to this grade.

- Lead on medium term planning (typically beyond one year ahead) for the area, translating wider Group and Service Area objectives into a clear Service Plan.
- Attend groups/boards/partnerships to contribute to wider strategic planning processes within the Service Area.
- Interpret complex management and financial information to review progress towards team objectives on an ongoing basis, and improve systems where appropriate to enhance data quality.
- Lead on identifying and delivering change within the service area to ensure continuous operational, performance and efficiency improvement. This includes scoping and leading medium to large sized projects.
- Provide advice and guidance both internally and externally on a range of complex issues that may fall outside of established policies or procedures, to ensure that the best outcome for the service and Council.
- Review and prioritise the use of resources, including buildings, equipment and/or vehicles, to ensure they are put to best medium term use in delivering the service. This may include proposals on developing new income streams and difficult efficiency savings, for review by senior management.
- Develop, manage and motivate a team which aspires to high standards of work and behaviour, by providing ongoing coaching and undertaking training needs analyses.
- Build and develop partnerships and relationships with members, senior officers, external organisations and the community to ensure services are developed in line with changing priorities and needs.

Skills, knowledge and experience

- Knowledge and professional experience likely to be 6-8 years post qualification or equivalent
- Experience of managing and developing people from increasingly diverse backgrounds
- Ability to build relationships and influence at senior level
- Excellent understanding of Service Area objectives, as well as of Corporate Plan and Community Strategy
- Excellent understanding of current developments in own and related service areas
- In addition to the skills knowledge and experience described above, you may be required to undertake a lower graded role as appropriate.

Role Description for Martin Porter

Purpose

A highly competent professional providing expert professional services and advice to customers within a broad specialist area. Accountable for the quality and professionalism of others, such as a team of professionals.

Scope of Work

Role holders will use their expertise to deal with highly complex and high risk service problems across a diverse range of situations. Although they will work within well-defined functional objectives, they will be expected to exercise a fair degree of professional discretion and responsibility in interpreting Council practice or procedures.

Accountabilities/Responsibilities

The following are a range of duties that are appropriate to this grade.

- Act as technical/professional lead, monitoring and providing guidance on the most complex policy decisions/cases/projects within a focused area, which will have a perceptible impact on the team's profile, reputation or service level.
- Produce recommendations for service planning, budgets and workforce planning, using expertise to proactively identify relevant customer, professional or legislative trends that may impact on delivery.
- Produce major and complex ad hoc analyses of internal service and management information to contribute to the development of new services and innovative working practices.
- Lead on the development and delivery of specific medium sized improvement projects to contribute to the continuous improvement of services. This may include initiating and/or shaping the overall project objectives.
- Design, develop and deliver technical training programmes for both internal and external service providers to ensure best practice is delivered across the service.
- Build partnerships/networks both internally and externally to shape and improve service delivery.

Skills, knowledge and experience

- Experience of managing staff
- Experience of managing and controlling budgets
- Management qualification (if required)
- Strong analytical skills and problem solving capability

Role Description for Katharine Cowley

Purpose

Experienced professionals providing specialist professional services and advice to customers within own specialist area. Uses expertise to deal with highly complex and high risk issues across a range of situations.

Scope of Work

Although they will work within well-defined functional objectives, they will be expected to proactively question or challenge Council practice or procedure based on improvements in technology, legislation or best practice. They may be responsible for a small team of professionals or a large team of paraprofessionals.

Accountabilities/Responsibilities

The following are a range of duties that are appropriate to this grade.

- Deliver and manage complex and high risk service assignments and activities (e.g. inspections, assessments, investigations, managing caseloads), to meet service requirements and to ensure the best outcomes for both customers and the Council.
- Provide technical assurance and prepare standards, policies and procedures within area of specialism, ensuring compliance with best practice, relevant legislation and Council policy frameworks.
- Shape and influence service planning and budgets, using expertise to identify relevant customer, professional or legislative trends that may impact on delivery.
- Produce and analyse internal service and management information to contribute to the development of new services and innovative working practices.
- Lead on the development and delivery of specific small to medium improvement projects to meet a defined objective to contribute to the continuous improvement of services.
- Design, develop and deliver formal and informal technical training programmes for both internal and external service providers to ensure best practice is delivered across the service.
- Build partnerships/networks both internally and externally to shape and improve multi-agency service delivery as well as use of best practice.

Skills, knowledge and experience

- Typically professionally qualified/relevant degree (or equivalent), plus substantial experience OR substantial vocational experience demonstrating development through involvement in a series of progressively demanding roles.
- Experience of using up to date and authoritative knowledge in a technical/specialist area to support delivery of a complex operation/function/service.
- Experience of working in different operational areas or supporting activity across different service.
- Experience of providing effective support for operational activity or service undergoing change and challenge.
- Proven ability to implement and deliver effective delivery of complex and challenging solutions which are consistent with existing, new or evolving policy/procedure.
- Effective communication and networking skills with a wide range of staff and external organisations.
- Demonstrative knowledge of the application, principles, theory and practice of the specialist area of responsibility.
- Ability to apply technical/specialist judgement to ensure service area objectives are achieved.
- Ability to plan and organise a range of complex activities and priorities within a focused area of service.
- Comprehensive understanding of all existing Policy and Procedures in the service area and application in a changeable and challenging environment.