

**Cabinet - 11 June 2015**

**Report of the Director Programmes and Project Management**

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| Electoral Division affected:<br>All in Preston and South Ribble |
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**Delivery of the Preston, South Ribble and Lancashire City Deal**

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**Executive Summary**

The Preston, South Ribble and Lancashire City Deal (City Deal) was signed by the Lancashire Enterprise Partnership, Preston City Council, South Ribble Borough Council, Lancashire County Council and Central Government in September 2013.

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

The purpose of this report is to update Cabinet on the delivery and implementation of the City Deal since the agreement was signed in September 2013.

This is deemed to be a Key Decision and the provisions of Standing Order No 27 have been complied with.

**Recommendation**

Cabinet is requested to:

- (i) Note the progress made in delivering the City Deal since the agreement was signed in September 2013;
- (ii) Approve the allocation of £7.0m from within the council's risk reserve in respect of potential liabilities in respect of the project.

**1. Background and Advice**

The Preston, South Ribble and Lancashire City Deal was signed in September 2013 to provide a financial structure to delivering critical transport and community infrastructure across Preston and South Ribble. It presents a unique opportunity to support the area's ambitious development strategy, building on its strong economic performance over the last decade, and delivering sustainable new homes and jobs.

Over a ten year period the City Deal agreed with central government, which brings together the County Council, South Ribble Borough Council, Preston City Council, Lancashire Enterprise Partnership (LEP), and Homes and Communities Agency (HCA) will deliver:

- more than 20,000 net new private sector jobs;
- nearly £1 billion growth in the local economy;
- over 17,000 new homes; and
- £2.3 billion in leveraged commercial investment.

## **2. Governance and Delivery arrangements**

The signed City Deal set out a number of commitments for each of the City Deal partners. These commitments were incorporated in a Delivery and Implementation Plan, which set out the actions that partners needed to undertake to ensure that the City Deal could be implemented successfully from its first year in 2014/15. In that short period, a significant amount of work was undertaken to complete those actions in readiness for the City Deal to begin in 2014/15. Key amongst these actions were:

- a City Deal Executive and City Deal Stewardship Board established and appropriate technical and operational delivery mechanisms put in place;
- an Infrastructure Delivery Fund established with the county council as the accountable body and the financial principles relating to the flow of funds into the Fund agreed between the partners;
- an Infrastructure Delivery Plan, and Business and Disposal Plan to manage the HCA's assets, for 2014/15 approved;
- in all, 75 individual actions, incorporated in to a detailed Delivery and Implementation Plan, and ranging from establishing appropriate governance structures, putting in place suitable working arrangements, agreeing financial mechanisms between the partners and confirming funding commitments.

The Cabinet considered and endorsed these governance and operating arrangements in April 2013. The first Infrastructure Delivery Plan for 2014/15 was subsequently approved by the City Deal Executive later that month. Since then the City Deal Executive has met on a

quarterly basis during 2014/15 as has the Stewardship Board to receive status reports on delivery and financial monitoring and progress on communicating and marketing the City Deal programme.

### **3. Communications and Marketing**

Soon after the City Deal agreement was signed, a Communications and Marketing plan was published, which set out the foundations for the effective communication of the delivery of City Deal. This continues to guide our external communication, engagement with stakeholder groups, and our efforts to raise the profile of the City Deal area, and its impact on the Lancashire economy, on a local, regional and national basis.

The development of a City Deal brand has been critical to the effective delivery of the Communications and Marketing strategy, and progress to date has seen a general branding style and logo established for all City Deal publicity and materials.

Early communications activity focused on an official launch event for City Deal in June 2014. The event proved to be a great success with 88 delegates attending the business launch event at County Hall and Lord Heseltine delivering a keynote speech. The event gave business, house builders and local leaders the chance to hear about the ambitions for the area over the next ten years and encouragement to play their part in grasping the opportunities that will arise as part of the investment.

The media element of the day attracted considerable positive coverage. A photo call was carried out at the location of the first infrastructure project on the Chain House Lane junction in South Ribble, with Lord Heseltine and representatives of the City Deal partners, which attracted considerable television and radio media coverage. An evening event also took place for local politicians on the same day and 49 parish, district and county councillors heard from the county and district council leaders about what City Deal meant for local communities and the growth of Lancashire.

One of the key communication activities has been to establish a stakeholder communications framework for conveying key messages and effectively engaging them throughout various delivery phases of the City Deal. Since September 2013, engagement has begun with specific stakeholders representing house builders, developers and investors, local communities and public and clinical health groups. Several more specific community events have been held to publicise and consult on proposals and works concerning the A582, Preston Western Distributor, Penwortham Bypass, Cuerden and local centre improvements in Bamber Bridge, New Hall Lane and Broughton village.

A City Deal web presence has been created on the Lancashire Enterprise Partnership website, outlining the proposed activity and the future vision for Lancashire. The design and content of the site will develop over time as the

programme progresses. The intention is for the content to present the bigger picture vision and aspirational messages rather than the details on consultations and operational disruption messages about road routes, which have been more appropriately located on the relevant council websites and through branded signing, press releases, social media, flyers and local events.

#### **4. Delivery of new homes and jobs**

Key amongst the communication has been the opportunities presented under the City Deal for business growth and new development. The delivery of new housing and new commercial floor space and private sector investment and new jobs attracted into the area represent the core outputs for the City Deal.

The City Deal supports the delivery of 17,400 new homes over a ten-year timeframe across a range of strategic and smaller sites, representing an increase in overall housing provision across the area in an accelerated timeframe.

A number of key strategic sites in the City Deal area are under the ownership of the HCA, much of it as land originally assembled under the central Lancashire new town programme. The HCA prepared its first Business and Disposal Plan at the start of 2014/15 which committed to a number of actions to be delivered for the 11 HCA City Deal sites which together will deliver around 3,100 new homes. Progress since then has been excellent and in some cases has exceeded the milestones set for the first year. In terms of delivery on HCA-owned sites during 2014/15:

- 5 sites have secured planning permission, with consent for 1,871 homes;
- 3 sites for which preferred developers were selected in year 1 have a capacity for 758 homes;
- 44 homes have been completed;
- total land receipts received of almost £1.1 million;
- first loan payments made into the Infrastructure Delivery Fund of nearly £4.8 million.

Across the City Deal area, and counting HCA and private sector led housing sites, more than 2,800 houses had been granted planning permission by March 2015, and construction began during the year at a number of key sites including Cottam Hall, Whittingham, Wheelton Lane, School Lane, Lightfoot Lane and Haydock Grange.

The delivery of new homes in Preston city centre was boosted by its designation as a Housing Zone by the Government in March 2015. Preston City Council, working in collaboration with the County Council, has promoted the Preston Housing Zone, concentrating on the particular challenges to delivering housing on brownfield urban sites in the city centre, to complement the extensive planned growth on greenfield

sites across the City Deal area. As this project moves forward, it will seek to maximise the city wide impact that City Deal can bring and delivery will be set within the City Deal governance arrangements.

Plans for new commercial floor space provision in northern, eastern and central Preston employment areas took a step closer during 2014/15 with positive progress made towards adoption of Preston's Local Plan. Renewal of outline planning permission for the development of the former Whittingham Hospital site confirmed plans for employment space as part of a mixed development scheme on the larger site.

Development schemes have also progressed during 2014/15 for key City Council and County Council local partner assets, in the form of the 'city centre north' area incorporating the market space and bus station, and Cuerden.

Close collaboration between the County Council and City Council has seen plans progress for the city centre north area which will see significant investment and redevelopment of commercial floor space, with plans for a new cinema, indoor food hall, outdoor trading, and new events and cultural space.

Cuerden is the single largest economic development site in the City deal with the potential to create over 2,500 jobs across 57 hectares of commercial development space. In November 2014, the County Council as the major land owner of the site consulted on the draft site masterplan setting out the land-use and movement strategy for bringing the site forward. The final version of the masterplan was approved by South Ribble Borough Council in April 2015 which allows for a planning application to be submitted, with permission for the first phase, the enabling development, to be submitted in 2016.

## **5. Delivery of transport and other supporting infrastructure**

The first Infrastructure Delivery Plan approved in April 2014 set the partners a challenging programme to deliver in the first full year of City Deal. The programme covered the full range of activities involved in delivering development and infrastructure of this type and scale, from local plan making and master planning, concept design and consultation exercises, to engineering design, works procurement and construction activity. During 2014/15, these activities have supported significant progress across all aspects of the City Deal delivery.

### *Highways*

The Partners stated their intention to bring forward serviced sites wherever possible i.e. sites with supporting infrastructure, funded and delivered at the earliest opportunity to service the bulk of new development from first occupation.

During 2014/15 this has meant preparatory work beginning for all four major road schemes, associated road and public realm schemes, and other community infrastructure. Land and property negotiations have begun, and compulsory purchase procedures were made and a public inquiry held during 2014/15 for land needed to construct the Broughton Bypass.

During year 1, routes have been identified, consulted on and approved for Preston Western Distributor, East West Link Road and Penwortham Bypass. Such has been the positive pace of delivery for these major highway schemes, there is the opportunity to bring forward the construction of Preston Western Distributor and Penwortham Bypass, the latter by as much as 9 months. Land to be safeguarded for the A582 widening has been identified and consulted on during the year, with topographical and environmental surveys and detailed design underway for these major schemes.

Junction improvements and road widening works began during 2014/15 along the A582, with the junction with Chain House Lane completed along with a newly dualled section of Golden Way (North). Junction improvement works also began at Stanifield Lane roundabout and road dualling to Golden Way (South).

### *Public Transport Corridors*

During 2014/15, plans have been drawn up and local consultations held for improvement plans for public transport corridors and local centres covering Bamber Bridge, New Hall Lane and Broughton. Works also began in late 2014 in Penwortham to deliver some early public realm improvements in the main shopping area.

A key milestone was achieved during year 1 with work starting in February 2015 to construct a new access from the A59 to serve the Enterprise Zone at Samlesbury.

Supporting all these activities, positive progress has been made during year 1 in progressing Preston's Local Plan towards adoption. Preparatory work began on South Ribble's Central Park, and work to agree the amount and range of community infrastructure to support City Deal development has been progressed during the year with the production of an initial plan for the identification and delivery of community infrastructure, in the form of new provision for education, emergency services, health, leisure and culture and social care, that will, in some cases, fall under the funding arrangements for City Deal.

### *Other key supporting infrastructure*

Preston Bus Station and Multi Storey Car Park was identified as a scheme to be delivered under the City Deal in the agreement signed with partners in September 2013. Since then, options for the future use and utilisation of the Bus Station and Multi Storey Car Park have been under review, along with a Structural Condition Survey to understand and specify the scale and nature of the works required to maintain the structural integrity of the property.

In November 2014, the Cabinet considered and approved a series of proposals which overall would see the regeneration of the Bus Station and Multi Storey Car Park, primarily as a public services hub focussing on facilities for young people, bus and coach transportation, pedestrian safety, highway improvements, car parking and the creation of accessible and useable public open space in the heart of the city centre. The City Deal Executive and Stewardship Board at its meeting on 31<sup>st</sup> October 2014 endorsed these revised proposals and approved in principle their inclusion in the 2015/18 City Deal Infrastructure Delivery Plan, with a further report to be presented on this matter to the City Deal Executive as part of the development of the 2015/18 City Deal Infrastructure Delivery Plan.

Complementary public realm improvements in the city centre to introduce shared space between the railway station and Winckley Street, as part of the Fishergate Central scheme, have been completed during year 1, and the second phase stretching to Preston Minster began in early 2015.

The 5 year £1m Townscape Heritage Initiative (THI) scheme for Winckley Square was approved for delivery in 2014/15. This will focus on property improvement and investment to support business growth. The detailed Stage 2 bid for the improvements of Winckley Square Gardens has been submitted to the Heritage Lottery Fund for a decision in August 2015.

In all, spending under the City Deal programme, on preparatory stages and on physical works, represents an investment of £26.972 million up to March 2015.

### **6. Changes to the funding model to March 2015**

Delivery of the City Deal is funded through pooled local and national private and public sector resources. The private sector contributes through community infrastructure levy (CIL) and other contributions tied to development. Central government funding comes in the form of Department for Transport investment through local major transport scheme funding, Highways England (formerly Highways Agency) pinch point funding programme and from the Homes and Communities Agency through the local retention of value uplift from land sales. The three councils contribute via New Homes Bonus, business rates, capital programmes and grants and land.

In signing the City Deal, the County Council agreed to both cash flow any annual deficit up to a cumulative maximum of £107 million in any one financial year, and to meet any shortfall in overall funding over the 10 years of the deal. In September 2013, the county council's financial risk exposure was:

- a cumulative cash-flow deficit reaching a maximum of £106.7 million in 2018/19;
- a projected surplus overall of £3.0 million over the 10 year period.

The dynamic nature of the City Deal means that the funding model has and will continue to change on an ongoing basis. This was recognised by the County Council at the time it gave the above financial commitments. In the period since the agreement was signed in September 2013 up to March 2015, the net funding available to the City Deal programme has increased by £21.475 million and expenditure has risen by £30.815 million. Changes have also affected the timing of resources and expenditure.

Principal amongst the changes to resources have been a number of substantial transport grants, including Highways England funding for a new M55 Junction 2, Growth Deal funding for Fishergate public realm improvements and Department for Transport monies towards Golden Way dualling works. Developer contributions have also been revised upwards over this period, whilst the locally retained HCA landholding receipts have been revised downwards.

Key amongst the changes in actual and forecast expenditure has been a large increase in the cost of education infrastructure to support City Deal. At the same time, the cost of major transport infrastructure has been revised downwards to reflect savings on works already carried out and reassessed forecasts of future costs.

Improvements at Broughton M55 Junction 1 and at Golden Way North delivered by the County Council's direct services have been delivered under budget. The full costs of these projects, delivered by all partners are presented within a separate report issued to be presented to the Lancashire Enterprise Partnership.

These considerable movements in the financial model, in resources and expenditure, upwards and down, in this short timeframe demonstrate the variable and dynamic nature of the City Deal funding position. This reflects the early stages of the programme of works as well as the constantly changing picture of internal and external funding available to the City Deal.

These changes have arisen, and will continue to, as the design and costs of particular projects become more firmly established, as planning permissions establish the actual numbers of new homes and obligations on new development, as other sources of income are secured, and as actual build out rates come to influence the timing of receipts and trigger new infrastructure.



As the transport and community schemes in this programme are progressed, so budgetary positions will become clearer and costs more certain. At the present time, the major transport schemes carry as much as 44% 'optimism bias' added to their cost estimate to guard against uncertainties at this early stage in their preparation. In all, there is around £74 million of added contingency for these major transport schemes within the current forecast of expenditure.

Prior to the addition of the updated Preston Bus Station and Multi Storey Car Park proposals inclusive of the Youth Zone, and corresponding income and expenditure profile to the programme the current forecast of the county council's risk exposure is:

- a maximum annual cumulative cash-flow deficit of £76.992m in Year 5
- a forecast deficit on the City Deal of £0.626m

With the addition of the new Preston Bus Station and Multi Storey Car Park proposals inclusive of the Youth Zone, and corresponding income and expenditure profile changes including other changes from the HCA profiling of land release grants, the forecast of the county council's risk exposure as at 31 March 2015 is:

- a maximum annual cumulative cash-flow deficit of £61.222 m in Year 6;
- a forecast deficit on the City Deal of £6.357m.

In recommending the City Deal Executive to include the updated Preston Bus Station expenditure profile within the programme the county council did so on the understanding that this additional risk was acceptable within its overall risk exposure to the City Deal.

## **Consultations**

N/A

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

In order to ensure that the county council's financial risk on the project it is effectively managed it is proposed that this be reviewed annually and appropriate provisions made within the council's risk reserves. Whilst the total financial exposure on the project would not materialise until 2023/24 it would be prudent to make provision for

any forecast deficit and adjust this annually. It is therefore recommended that £7.0m be allocated within the council's risk reserve in respect of its City deal commitments.

## **Financial**

As set out at paragraph 6 in the body of the report

## **List of Background Papers**

| Paper | Date | Contact/Tel |
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| N/A   |      |             |