



CITY DEAL

Preston, South Ribble & Lancashire

CITY DEAL EXECUTIVE AND STEWARDSHIP BOARD – 8th January 2016

Preston, South Ribble and Lancashire City Deal: HCA Progress Report Quarter 2, Year 2

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Executive Summary

This report provides an update on the progress made on the HCA land portfolio since the last Stewardship Board (SB) / Executive meeting held on 17th July 2015. The HCA Business & Disposal Plan (BDP) forms the key monitoring document for the HCA land assets included within the Deal. This report covers the progress made in quarter 2 of year 2 (July – Sept. 2015/16).

Overall, positive progress was made in quarter 2 (year 2) with the majority of schemes being progressed / delivered in line with the targets and milestones as set out in the BDP. There are a small number of milestones which have now been moved into quarter 3. This is mainly due to unforeseen technical or legal matters that are being discussed with LCC and developers. The direction of travel within quarter 3 (year 2) onwards is positive.

In terms of specific sites; there was very good progress made on Cottam Hall with the reserved matters application being granted for phase 2. The Altcar Lane Masterplan was finalised and endorsed for consultation by SRBC Planning Committee (Consultation commenced in October for 6 weeks with a number of community consultation planned). And, the HCA instructed a consultant team to prepare the outline planning application for the HCA owned part of the site. The S106 for Croston Road North has moved forward significantly and is close to completion and there is agreement between all parties to ensure the S106 is signed promptly. LCC have commenced work at the tank roundabout following the successful transfer of land between the HCA and LCC to enable the works.

The focus over the next 6 – 12 months is to continue to progress on sites in line with the milestones as set out in the BDP (2015-2018). Moving forward, the key objective for the HCA is to get Croston Road North and Altcar Lane out to market and to secure developer partners as soon as possible to ensure their efficient delivery.

A review of year 2 delivery will take place at the end of 2015 with the preparation of the updated BDP being finalised by the end of March 2016.



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Recommendation

The City Deal Executive and Stewardship Board are requested to note the content of this report and the progress made in the delivery of the HCA land assets in quarter 2 year 2.

Sites Update

The HCA are responsible for the progress of the 11 land assets. Since the last meeting on 17th July 2015 the HCA Lancashire & Cumbria (L&C) Team has made good progress, ensuring continued delivery of the land portfolio. The key milestones achieved in quarter 2 (year 2) are summarised below:

- **Croston Road South** – The conditional legal agreement with the preferred developer has progressed and is expected to be signed in quarter 3. The developer is progressing with the preparation of the reserved matters application, which is due to be submitted to SRBC shortly.
- **Altcar Lane** – The consultation masterplan has been finalised and endorsed for consultation by SRBC Planning Committee (Consultation on the masterplan started on 1st October 2015.) Consultant team now on board to prepare outline planning application for HCA site.
- **Cottam Hall** – Phase 2 Reserved Matters application approved.
- **Eastway** - Conditional legal agreement has been delayed slightly, this now planned for quarter 3. Storey Homes are currently concentrating on the Cottam Hall site, due to resource matters involving the developer/ legal resources. The HCA have a strong relationship with developer and agreement will move forward shortly.
- **Pickering's Farm** - Positive discussions are continuing with Taylor Wimpey in terms of a joint approach to delivering the site, however, the collaboration/ legal agreement is now expected to be signed in quarter 4 due to legal complexities and to ensure all matters are dealt with appropriately.
- **Croston Road North** – The S106 is close to finalisation. A number of meetings have been held between HCA and the authorities to ensure this moved forward. LCC have commenced work at the tank roundabout based on the exchange of land between the HCA and LCC.
- **Brindle Road** - Continuing to build out at a good rate.
- **Walton Park Link Road** - Reserved Matters application determined and discussions between all parties with regards to delivery of the Cross Borough Link road have moved on positively.



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An overall site by site summary including milestones for quarter 3 is provided in the attached spread sheets within Annex 1.

Financial Update

The response from housing developers and the market so far demonstrate that the receipts generated by the sale of the HCA sites are either in line with, or have exceeded the HCA's receipt forecasts. These financial forecasts will regularly be reviewed and updated within the BDP. The BDP contains information on financial forecasting set out per site, which will be sensitivity checked on an annual basis to ensure the forecasts align with the current local housing market conditions.

Future Receipts and Payments

The table below shows the forecasted receipts and loan/ grant payments the HCA anticipate to be made/ paid over the next 3 years. As these figures are forecasts, they are subject to change as deals are finalised with developers (and housing market conditions). The HCA are working closely with LCC to plan the programme of payments and the procedure in which this takes place.

	2015/16	2016/17	2017/18
¹ Cash Receipts	£5,198,593	£7,261,999	£9,274,637
² Loan payable	£8,233,354	£1,505,612	£4,768,135
³ Cash Grant payable	£0	£2,249,413	£6,130,544

Table 1 – HCA's three year forecast financial profile in relation to City Deal is set out within the table above.

HCA City Deal BDP (2015-2018) – Financial Forecasting

The BDP is in a similar format to the Year 1(2014/15) BDP, with the key difference relating to the fact it covers a three year time period and contains more financial information.

The additional financial information has been included to assist both HCA / DCLG finance teams in terms of forecasting the likely amounts and timing of loan and grant payments to LCC. Table 3 in the BDP (2015/18) provides a forecast for the level of loan and grant anticipated to be achieved from each site/ phase disposed of.

¹ Profile of actual cash receipts received.

² Total loan is payable in one payment related to the sites book value. The sum is not paid in line with cash receipts, it is paid in full when the sites disposal goes unconditional i.e. the DEL receipt is recognised.

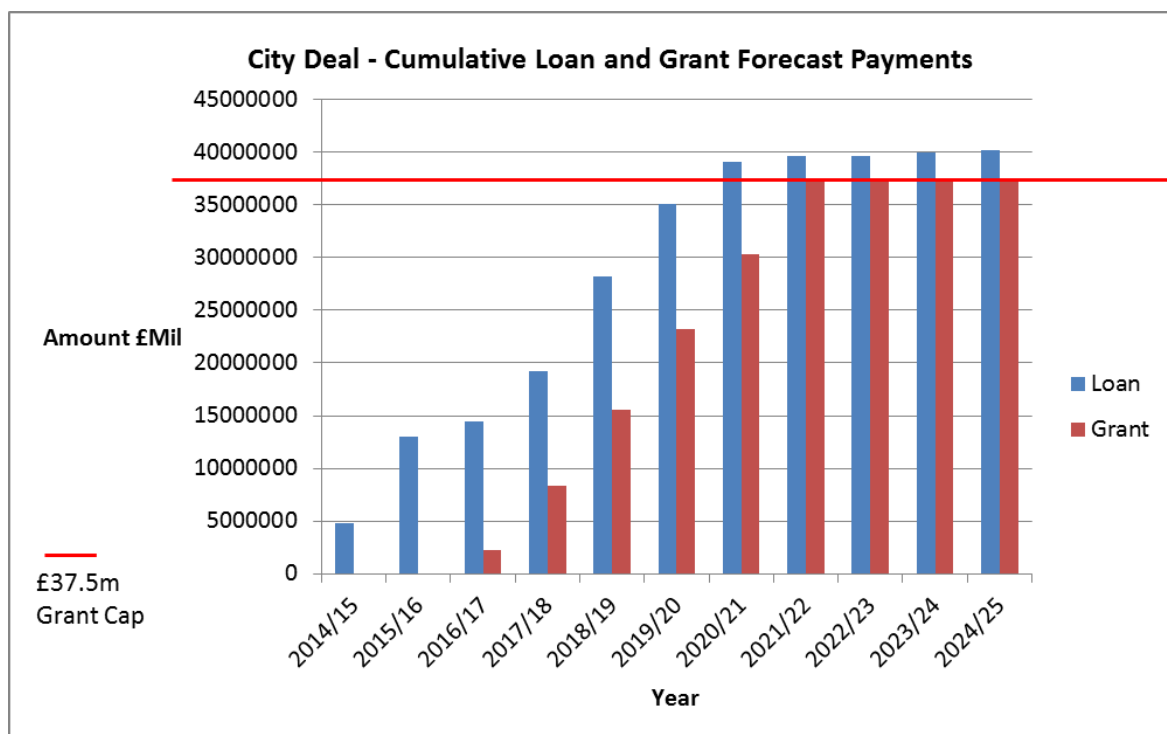
³ Timing of grant payment matches the cash receipt it relates to.



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The BDP illustrates (on a cumulative basis), the amount of grant and loan payments for each year of the Deal. It provides an indication of when the £37.5m grant cap is likely to be reached, which currently stands at year 2021/22 (see graph below).



Graph 1 - BDP Cumulative Loan and Grant Payments

* It should be noted that the figures contained in the above graph are predominantly forecasts and are subject to change.

Performance and Risks

Assessing a sites delivery is based on the milestones and targets set out within the BDP. These milestones cover the whole site delivery cycle from master planning and planning applications, through to marketing and the site disposals. Annex 1 benchmarks the 11 HCA sites against these milestones and uses a RAG performance rating to provide the direction of travel. It should be noted that the majority of the projects are rated green and there are no red ratings.

The key risks may be summarised as follows:

- Assumed land receipts fall short of expectations
- Rate of sites take up/ market demand is slower than forecast
- Sub-optimal alignment of housing with infrastructure delivery

The HCA has a responsibility to achieve best consideration in the disposal of the sites, which ultimately controls whether and when sites are sold. The HCA team



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mitigate these risks through agent advice, appropriately timed disposals and the phasing of sites to make them attractive to as many house builders as possible.

Annex 1 - HCA BDP Progress Report Spread sheet – Quarter 2, Year 2.