



CITY DEAL

Preston, South Ribble & Lancashire

CITY DEAL EXECUTIVE AND STEWARDSHIP BOARD – 21 MARCH 2016

<p>Preston, South Ribble and Lancashire City Deal: HCA Business and Disposal Plan (2016 – 2019) and Progress Update</p>
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Appendix 1: HCA Business and Disposal Plan (2016- 2019)

Appendix 2: Progress Update for Quarter 3 (Oct – Dec 2015) including Delivery Milestones

1.0 Executive Summary

1.1 This report seeks endorsement to the updated HCA Business and Disposal Plan (BDP) for the period 2016-19 and summarises the delivery progress made during year 2 of the City Deal (April 2015 – March 2016).

1.2 Significant progress has been made and developer partners are now in place on 5 of the 11 City Deal sites - 3 of which are already under construction.

1.3 This pace of delivery is set to continue in the new financial year with Brindle Road due to complete in Quarter 1 and two new schemes at Croston Road South and Eastway set to start delivering over 450 new homes.

1.4 To date the HCA has:

- Secured planning permission on 6 sites with consent for 2,671 homes
- Brought developers on board with capacity to deliver 1,159 new homes
- Completed delivery on the first 80 new homes

1.5 As a result of this activity, the HCA has been able to invest £7.6m of funding during year 2, bringing the total loan investment to £12.4m to date. The first HCA grant payment is forecast to be made in the new financial year.

1.6 This updated BDP (2016- 2019) has been prepared in accordance with the Stewardship Board Terms of Reference which state that the Board will: *“instruct, receive and endorse an annual City Deal Business and Disposal Plan”*. This is important to provide both the HCA and local partners with clear delivery milestones for the next 3 years.



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2.0 Recommendation

2.1 The Stewardship Board and Executive are requested to:

2.1.1 Note the content of this report and the progress made in Year 2;

2.1.2 Endorse the updated HCA Business and Disposal Plan (2016-2019)

3.0 HCA Site Highlights 2015/16

3.1 Strong progress has been made by the HCA during year 2 (April 2015 – March 2016) with developer partners now in place on 5 of the 11 HCA City Deal sites including Cottam Hall, Whittingham, Brindle Road, Eastway and Croston Road South. 3 of these sites - Cottam Hall (Phases 1 and 2), Whittingham Hospital (Phase 1) and Brindle Road are already under construction, with the latter due to be completed in April 2016.

3.2 There have been a significant number of milestones achieved this year most notably:

3.3 Preston

- April 2015: Conditional legal agreements being prepared with Story Homes for Cottam Hall Phase 2 (283 homes) and Eastway (300 homes)
- May 2015: Conditional legal agreement with Story Homes in place for Cottam Hall (phase 2)
- June 2015: Whittingham Hospital Phase 1 (150 homes) commenced on site
- July 2015: Cottam Hall (phase 2) reserved matters application approved
- August 2015: Negotiations with developers on Whittingham Hospital Phase 2 (200)
- December 2015: Completion of the first dwelling at the Whittingham Hospital site
- January 2016: Start on site for Broughton Bypass
- January 2016: Disposal of Cottam Hall (phase 2) to Story Homes, receipt of £8.7(Del) and a start of 283 new homes
- February 2016: Conditional legal agreement in place with Story Homes on the Eastway site, this will result in a receipt of £14.2m (Del) and 300 new homes
- March 2016: Conditional legal agreement with Morris on Cottam Hall Phase 3, delivering 119 new homes



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3.4 South Ribble

- September 2015: Altcar Lane (200 homes) Masterplan endorsed for public consultation by South Ribble Council planning committee
- October 2015: Altcar Lane Masterplan public consultation carried out
- November 2015: Conditional legal agreement in place for Croston Road South (175 homes)
- March 2016: Altcar Lane Masterplan going for endorsement by South Ribble Planning Committee
- March 2016: Outline planning permission granted on Croston Road North
- March 2016: Croston Road South (Millers) Reserved matters planning application going to Planning Committee

3.5 It is forecast that Croston Road South will commence on site in April 2016 delivering a further 175 new homes and the Eastway site will commence in June 2016 delivering 300 new homes.

3.6 Key outputs up to the end of year 2 include:

- 6 sites (made up of a number of phases) have secured planning permission with consent for 2,671 homes
- Of these six sites, developers are on board on five (made up of a number of phases) with a capacity to deliver 1,159 new homes
- There have been c80 housing completions to date

3.7 It is noted that the rate of completions (80) is marginally behind the forecasts included in the previous BDP (114) reflecting the actual build out rate of partners. We have factored this into future projections within the BDP (2016-19) to more accurately reflect market trends.

4.0 HCA City Deal Investment

4.1 Investment made via the City Deal is triggered by the disposal of HCA land and is paid from the receipts of HCA sites. Each disposal triggers a short term recoverable loan (12 months) which amounts up to baseline book values (as of March 2013). Amounts received above baseline book values will be invested as non-recoverable grant (capped at a total £37.5m).

4.2 Due to HCAs strong delivery in progressing disposals, HCA funding is being invested into the Deal in 15/16 as forecast.



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Total	Receipt	Loan (£)	Grant (£)	Total Payment (£)
2015/16	£ 5,191,900	£ 7,648,144	£-	£ 7,648,144
Total to 31.3.16	£ 6,465,795	£ 12,407,341	£-	£ 12,407,341

4.3 Loan payments of £7.6m have been paid to Lancashire County Council (LCC) in 2015/16, with a further £585,000 due to be paid in early April on completion of the Croston Road South deal. This will bring the total loan payments since the Deal was agreed to £12.9m.

4.4 Due to the continuing pace of delivery, it is projected that the HCA will make the first grant payment to City Deal partners next financial year. HCA is currently forecasting receipts of £8.6m which would trigger a loan payment of £4.9m and the first grant payment of £3.4m. Future payments to be made over the next three years are shown below and the full Deal forecast is detailed within the BDP in Appendix A.

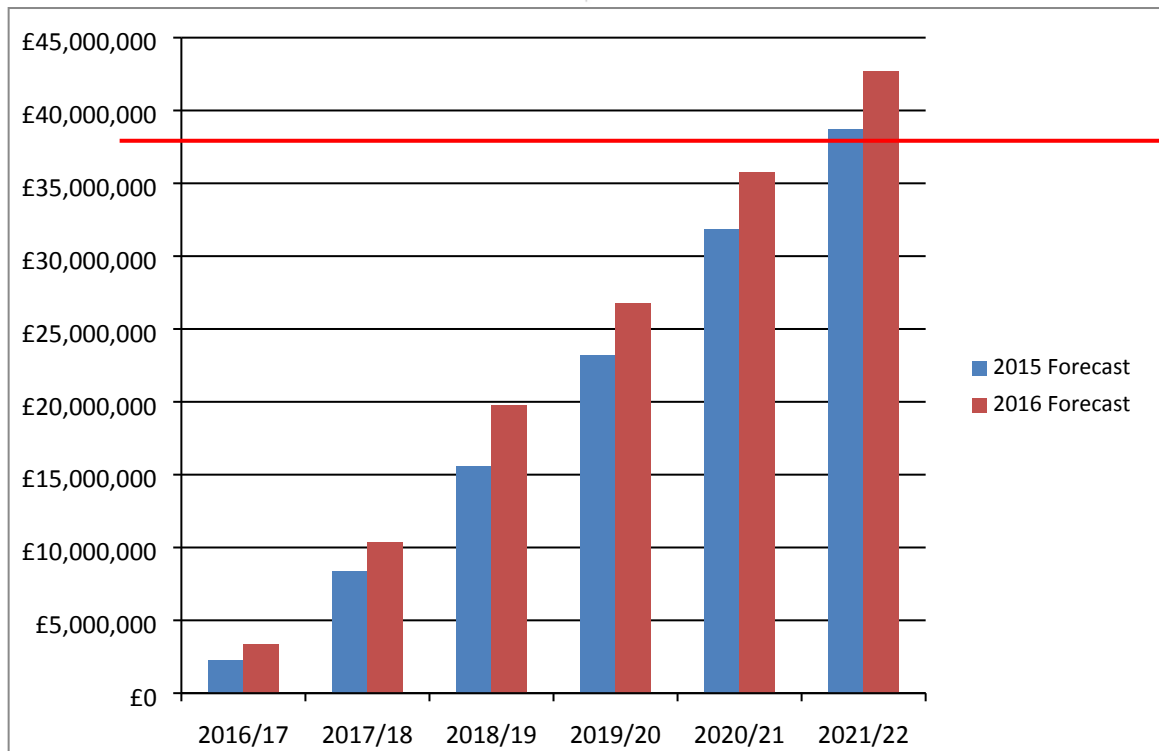
	2016/17	2017/18	2018/19
Cash Receipts	£ 8,637,943	£ 12,761,812	£ 13,735,487
Loan payments	£ 4,942,295	£ 3,521,829	£ 3,703,262
Grant payments	£ 3,359,124	£ 6,978,395	£ 9,436,994
Total payment	£ 8,301,419	£ 10,500,224	£ 13,140,256

4.5 Graph 1 overleaf, shows the current forecast grant payments from the HCA. In line with original forecasts, the '£37.5m 'grant cap' will be met in 2021/22 albeit slightly ahead of forecast.



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Graph 1: HCA cumulative grant investment into City Deal

5.0 Risks and Emerging Issues

- 5.1 The homes and investment from the HCA's 11 sites are fundamental to the successful delivery of this 10 year Deal. We are continuing to work with agents to ensure the dynamics of the local housing market are factored into our disposal activity and will undertake sensitivity testing to identify the potential implications of broader economic trends on our financial forecasting.
- 5.2 It is noted that new and emerging opportunities such as Direct Commissioning and Starter Homes may also present opportunities to maximise delivery on HCA sites.