

Cabinet

Meeting to be held on 14 July 2016

Report of the Director of Development and Corporate Services

Electoral Divisions affected: All

2015/16 – Preston, South Ribble and Lancashire City Deal Programme: End of Year Review

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Executive Summary

The purpose of this report is to provide a summary of key performance of the Preston, South Ribble and Lancashire City Deal Programme during and up to 2015/16 (Year 2). In headline terms, early progress has been encouraging and by Year 2 a total of 1,599 homes have been delivered against a target of 1,206.

This report provides an overview of how the City Deal Programme has performed during and up to 2015/16 (Year 2), highlighting progress against targets. This information is also used to report to Government progress towards agreed targets and notes progress up to March 2016.

Recommendation

Cabinet is asked to note the report and progress being made on delivering the Preston, South Ribble and Lancashire City Deal Programme.

Background and Advice

1. Background

The Preston, South Ribble and Lancashire City Deal is a 10 year Programme to provide key infrastructure in support of the delivery of 17,000 houses, over 1m sq m of commercial floor space and around 20,000 jobs.

Monitoring metrics have been agreed between Government and the City Deal Executive and Stewardship Board (E&SB) in order to monitor progress and manage risk. The primary purpose of this report is to set out progress against the Core and Supporting metrics and these are reported in this report.

In addition, in 2015/16 the E&SB established its Skills and Employment Steering

Group and endorsed its action plan to support employment growth, provide skills, training and recruitment support (in particular for the construction sector) and increase social value through the procurement process. The E&SB will be asked to approve the monitoring metrics for this work programme in due course.

During the year the City Deal partners, working alongside Marketing Lancashire, have led and contributed to a number of communication and marketing events, in particular with investors, developers and housebuilders, as part of the implementation of a comprehensive action plan.

The E&SB continue to scrutinise progress against all areas of City Deal activity so that it is able to respond to market conditions and new local and national delivery opportunities.

2. Housing Outputs

Overall, since the start of the Deal period, **housing completions** are ahead of forecast, with 1,599 completions versus a target of 1,206. During 15/16, slightly lower than forecast completions have been achieved (619 completions achieved against a forecast of 868 – 71% of the forecast total). This underperformance of 29% is made up mostly of small sites that have not yet come forward and some sites currently under construction that are taking longer to complete. On other sites there are, however, signs of over performance and/or increased acceleration on housing completions.

From the **planning perspective**, and inclusive of Year 0 (2013/14), Year 1 (2014/15) and Year 2 (2015/16), a total of 7,845 **housing units** have been submitted for planning. This is below the anticipated target of 9,774 which correlates with emerging delays on two strategic housing sites. Resources are focused upon these two priority sites in order to mobilise development activity.

Focusing upon key **HCA sites**, acting as a barometer for the market for large development sites, progress is being well maintained. To date the HCA has secured planning permission on 6 sites with consent for 2,671 homes; 5 of the 11 sites have developer partners with capacity to deliver 1,159 new homes and; completed delivery on the first 80 new homes.

Table 1

Core outputs	14/15 Target	14/15 Actual	15/16 Target	15/16 Trajectory	15/16 Actual	All Years Cumulative Variance
Total number of Housing units consented for planning *	6,590	6,501	3,027	3,027	2,174	-942
Total number of Housing units completed	338	980	868	956	619	+393
Total number of Housing units submitted for planning	6,844*	6,844*	2,930	2,930	1001	-1929

*Includes consents from previous years from City Deal sites that form the baseline position

3. Commercial Floor space Outputs

Year 2 targets have been exceeded with 6,327 sq m of **commercial floor space completions** against a target of 4,745 sq m, and although the cumulative target has not been achieved, it should be noted that these early targets were relatively modest and not on strategic sites where the bulk of future outputs will be generated.

The commercial market is occupier led, and there are mixed signs of local market recovery with;

- some (limited) signs of **retail** recovery (both in and out of town);
- examples of smaller scale speculative **industrial** development at well located business parks (plus large lettings at existing business parks), and encouraging market responses to prime sites being brought forward;
- limited **office** activity, but continuing interest by the Business Processing Operations sector.

Nonetheless, original Year 2 projections anticipated commercial development activity associated with mixed-use housing sites and whilst these have been re-profiled along with the connected housing completions, speculative industrial development activity, and some retail development, has been brought forward, all of which provides a stronger sign of local market recovery and commercial demand.

Commercial floor space consented targets have not been achieved. However, the profile of commercial floor space completions is within the 10 Year Deal period. The 2015/16 target of 79,446 sq m relates to a range of mainly large employment and city centre sites. In some cases the large scale developments have been shifted back a year within the programme as more up to date market intelligence has been provided, however these planning consents have been re-aligned with the updated completion trajectories.

Table 2

Core outputs	14/15 Target	14/15 Actual	15/16 Target	15/16 Trajectory	15/16 Actual	All Years Cumulative Variance
Commercial floor space consented (sq m)	44,000	19,442	76,446	79,446	0	-101,004
Commercial floor space completed (sq m)	21,928	3,338	4,745	4,745	6,327	-17,008
Quantity of Commercial floor space submitted for planning	44,000	78,483	67,252	67,252	14,012	-18,757

4. Jobs

Related to commercial floor space outputs, jobs outputs are above the forecast cumulative target up to 2015/16 and have performed well since the start of the Deal with 224 being achieved against a forecast 196. Similarly, jobs connected to construction activity (transport investment) have contributed a further 529 jobs.

Table 3

Core outputs	14/15 Target	14/15 Actual	15/16 Target	15/16 Trajectory	15/16 Actual	All Years Cumulative Variance
Jobs accommodated via commercial floor space completions**	86	77	110	110	147	+28
Construction jobs connected to Capital Investment***	n/a	226	245	245	303	+58

** Gross jobs based on an average of 43 sq m per job, as per CLG guidance.

*** Based on one job per £86,945 of capital investment

5. Private Sector Investment

In 2015/16 a combined total £26.36m of public and private sector investment has been invested in transport infrastructure, which has resulted in the achievement of the infrastructure milestones in Section 6 below and the construction jobs referred to in Table 3 above.

Table 4

Core outputs	14/15 Target	14/15 Actual	15/16 Target	15/16 Trajectory	15/16 Actual	All Years Cumulative Variance
Public Sector Investment (for Infrastructure programme)	£18.59m	£18.067m	£15.850m	£13.983m	£22.84m	+£6.467m
Private Sector Investment (for Infrastructure programme)	£6.18m	£5.543m	£5.522m	£6.076m	£3.518m	-£2.641m

6. Infrastructure

Considerable progress is being achieved on delivering the Highways Infrastructure;

- The Broughton Bypass on-site construction began in early 2016 following a successful compulsory purchase public inquiry early in 2015/16 and the discharge of all remaining planning conditions and appointment of a contractor;
- Preston Western Distributor and East West Link Road planning application has been submitted with a target determination of September 2016. An Early Contractor Involvement contract has been entered into providing the contracting and commercial support to move to the construction phase. Land

negotiations are underway with the underpinning of the Compulsory Purchase Process

- The Penwortham Bypass design is complete with pre-planning application public consultation held. The Planning Application to be submitted in September 2016 for determination in January 2017. Land and property negotiations are progressing well with sections of land acquired and others subject to accepted offers.
- A582 South Ribble Western Distributor Dualling has a significant amount of works complete:-
 - Golden Way South widening completed
 - Golden Way North widening completed
 - Mill Brook Way cycle infrastructure completed
 - A582/A5083 Stanifield Lane junction improvement complete
 - A582/Chainhouse Lane Junction improvement complete
 - A582/B5253 Tank Roundabout improvement 80% complete.
 - A582/Pope Lane junction improvement commencement due August 2016
 - A582 South Ribble Western Distributor Dualling main dualling scheme; Route approved and adopted and detail design and planning application preparation in progress.
- Work continued on Phase 2 of Fishergate public realm improvements between Lune Street and Preston Minster, due for completion August 2016, Worden Park improvements and on a new St. Catherine's Park;
- Public Transport Corridors are also progressing well with:
 - Preston Western Distributor to Samlesbury corridor - New Hall Lane Phase has commenced work on site with a completion in Spring 2017,
 - Bamber Bridge Centre Improvements detail design complete and construction to commence September 2016.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The key City Deal Programme risks are being managed primarily through a rolling 3 year Infrastructure Delivery Plan and through rigorous project management methods.

The E&SB is aware that national policy changes and challenges have the potential to impact upon the commercial and housing market, and ultimately the delivery and sale of housing in the City Deal area. Expert advisors are retained by the City Deal partnership to ensure that local mitigation measures against potential adverse effects are fully explored. Part of this mitigation is working with HMG and HCA in helping to deliver their planning-led housing market policies, in particular accessing Starter Homes finance and funding opportunities and the potential for Direct Delivery.

Financial

The City Deal infrastructure delivery model ("the model") is a finance model showing the finance activity to date and expected within the City Deal. The model is split into two sections - resources being income to be received into the model from the various income streams and delivery programmes being expenditure paid or forecast to be paid on the infrastructure schemes. The City Deal is an accelerated delivery model based on the understanding that while the timing of resources coming into the model will be behind expenditure on schemes, requiring cash flow support from the County Council, there is a commitment of the partners to keep the model balanced. It is recognised that the model is dynamic and that changes to the inputs and outputs of the model will occur over time. This is sustainable subject to maximum cash flow approvals being in place and not breached.

At the end of 15/16 the model showed a projected surplus over the city deal period of £1.408m.

The annual position for 2015-16 shows actual net resources in the year of £4.825 compared to forecast net resources in the year of £4.290, a positive change of £ 0.535m for the year. This is a net position and reflects changes in profiling of items such as income from growth deal and LCC capital programme monies, resources due in from developer contributions on housing sites, advancement of expenditure on schemes such as the A582 roundabouts/ dualling works and Broughton Bypass and other minor schemes profile changes as is to be expected in a programme of this magnitude. Whilst these changes show as variances in year, none of these affect the overall forecast over the city deal period as they represent profiling changes only.

Whilst most of the income to the model is fixed in commitment or capped amounts (with the exclusion of changes to Government policy and how those might affect the model which are being considered by the City Deal Executive and Stewardship Board) the main risk to the model in terms of income is certainty of securing

developer contributions in line with the expectations at the outset of the City Deal. An example of this could be that an element of the developer contributions come into the model in the “run-on” period of years 11-15 due to a reprofiling sites being brought forward for development. This would have an impact over the time that LCC will have to cash flow the City Deal over resulting in an increase in the resulting finance charges incurred of £1.295m.

The model, including the increased period of cash flow reported above (assuming for present purposes that this was to occur), remains within the limits agreed by the County Council at the inception of the deal being a maximum cumulative cash flow to be of £106.7m and a cash neutral position over the life, with an estimate of interest payable of £10.597m (the current model shows a maximum cumulative cash flow position of £77.767m and interest payable of £8.639m)

To date, no scheme funding gaps have been confirmed. The scheme estimates set out in the model will continue to be refined and tested as schemes are subject to detailed design, preparation of cost estimates and tendering prior to implementation. The Infrastructure Delivery Steering Group has approved a process to ensure that final costs are approved and schemes are fully funded prior to implementation.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
None		
Reason for inclusion in Part II, if appropriate		
N/A		