



CITY DEAL

Preston, South Ribble & Lancashire

CITY DEAL EXECUTIVE AND STEWARDSHIP BOARD

Private and Confidential: NO

Monday, 18 September 2017

Preston, South Ribble and Lancashire City Deal: HCA Business and Disposal Plan (2017-20)

(Appendix 'A' refers)

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Executive Summary

This report provides summary of the 2017-20 HCA Business and Disposal Plan.

Recommendation

The City Deal Stewardship Board and Executive are recommended to note:

- (i) The progress towards the successful delivery of the 11 HCA City Deal sites during 2016/17.
- (ii) HCA's current and future investment into the City Deal; and
- (iii) The updated Business and Disposal Plan (BDP) to take the site milestones through to March 2020.

Background and Advice

HCA Delivery in 2016 - 2017

Excellent progress has been made by the HCA during year 3, April 2016 – March 2017. Four of the 11 HCA City Deal sites (Cottam Hall (Phases 1 and 2), Whittingham Hospital (Phase 1), Croston Road South and Land at Eastway (residential)) have legal agreements in place with developer and are under construction.

One site (Brindle Road) completed in April 2016 and part of another site (Preston East) was disposed of in December 2016.

Since the end of the 2016/17 financial year HCA have also exchanged contracts with an occupier who will develop the Eastway commercial site.



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Outputs

The key HCA sites outputs up to the end of year 3 include:

- HCA have secured outline planning permission with consent for 2,871.
- These sites are currently being delivered across 6 development outlets/phases.
- These development outlets/phases, cover five of the HCA's 11 City Deal sites (accounting for 2 phases at Cottam Hall) and are on course to deliver 1,159 new homes. Of the remaining sites Altcar Lane will be delivered through Accelerated Construction, whilst the details of the marketing of Croston Road North are yet to be finalised. HCA are not directly in control of delivery at Cottam Brickworks or Walton Park Link Road and Preston East does not contain any residential.
- There have been 219 housing completions to the end of 2016/17.

Investment

Due to the strong delivery in 2016/17 HCA funding is being invested into the City Deal as shown below.

| | Receipt | Loan (£) | Grant (£) | Total Payment (£) |
|------------------------------|--------------------|--------------------|-------------------|--------------------|
| 2016/17 | £9,599,105 | £1,947,682 | £4,623,920 | £6,571,602 |
| Cumulative to 31.3.17 | £16,064,900 | £14,355,023 | £4,623,920 | £18,978,943 |

The first grant payment was made in June 2016 and a total of £4.6m was paid in grant in 2016/17. Future payments to be made over the next three years are shown below and the full forecast for the Deal is detailed within the BDP in Appendix A.

| | 2017/18 | 2018/19 | 2019/20 |
|-----------------------|-------------------|--------------------|-------------------|
| Cash Receipts | £9,366,306 | £7,094,243 | £5,601,250 |
| Loan payments | £3,187,708 | £* | £5,467,151 |
| Grant payments | £6,646,288 | £5,558,475 | £2,077,241 |
| Total payment | £9,833,986 | £10,500,224 | £7,544,392 |

*no loan payments will be made during 2018/19 as no deals will reach the unconditional stage during this period.

The following table demonstrates the financial position compared with where HCA forecast it would be when the 2016 BDP was drafted



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| | 2016/17 (forecast) | 2016/17 (actual) | Difference (£) |
|---------------------|-----------------------|------------------|----------------|
| Receipts (£) | 8,637,943 | 9,599,105 | +£961,162 |
| Grant (£) | 3,359,124 | 4,623,920 | +£1,264,976 |
| Loan (£) | 4,942,295 | 1,947,682 | -£2,994,693 |

The key differences between the forecast and actuals for 2016/17 relate to the delays in Cottam Hall phase 3 associated with the amendments required to the s106 agreement delaying the ability to get the deal with Morris Homes to an unconditional stage and thereby triggering the £3m loan to City Deal. The receipts and grant are both higher than was forecast within the BDP in 2016, this was mainly due to the receipt for Preston East Sector D, being considerably higher than expected, through the sale to Inchcape for a car dealership led scheme.

Since the payment of the first loan in 2014/15, HCA have received loan repayments totalling £13.76m and interest of £87k.

It is forecast that the '£37.5m 'grant cap' will be met in 2022/23. This is a year later than previously forecast, which is due to delays on some sites and others being delivered through Accelerated Construction.

Risks, Emerging Issues and Milestones

At a project level the greatest risk around delivery of HCA sites sits with Pickerings Farm and Whittingham Hospital. Pickerings Farm is a large site complicated by the disparate ownership pattern, the presence of the west coast mainline to the eastern boundary and the scale of infrastructure that is required across the site. HCA are working closely with Taylor Wimpey to ensure both organisations commercial and corporate objectives can be achieved in a manner that delivers the site at the earliest opportunity.

The first phase of Whittingham Hospital is under development, however the marketing of the further development parcels has proved unsuccessful and highlighted the shortcomings in the appeal and deliverability of the site. In order to improve this situation, HCA are working towards a revised planning application that will reposition and potentially increase the quantum of residential to improve the viability and marketability of the site. HCA will work closely with City Deal partners to ensure the financial and delivery impacts of these changes are modelled and re-forecast.

Individual milestones for each project can be found in the BDP.