



# CITY DEAL

Preston, South Ribble & Lancashire

## CITY DEAL EXECUTIVE AND STEWARDSHIP BOARD

**Private and Confidential: No**

**Finance Update - Quarter 2 - July - September 2017**

(Appendix A refers)

**Report Authors:**

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### **Executive Summary**

This report provides an update on the City Deal Infrastructure Delivery fund during Quarter 2; July – September 2017 and sets out the latest position going forward.

### **Recommendation**

The City Deal Executive and Stewardship Board is asked to:

- (i) Note the Quarter 2 Finance Update and
- (ii) Note the key risks and issues going forward.

## **Background and Advice**

### **YEAR 4, QUARTER 2 FINANCE MONITORING REPORT (attached)**

#### **Introduction**

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 an understanding and commitment of the partners to keep the model balanced.

It is recognised that the model is dynamic and that changes to the income and expenditure in the model will occur over time. This is sustainable subject to maximum cash flow approvals being in place and not being breached.



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## Key risks to the model

### Resources

Whilst most of the income to the model is fixed in commitment or capped amounts, the main risk (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) 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 as noted above.

The total of these in the current model is £111.656m after building in increased rates and the modelling of those sites / units which will attract CIL and other contributions. Following interim findings of the Resources Review, undertaken by external consultants, £13.425m of this is now expected to come into the model in the “run-on” period of years 11-15, due to reported slippage in sites being brought forward for development. This also has an impact on the period of time that LCC will have to cash flow the City Deal over and the resulting finance charges incurred.

While there is more certainty with regard to the CIL element of developer contributions, within this total figure of £111.656m there is also £54.097m which relates to “other developer contributions”, previously referred to as CIL Plus, and which includes monies payable through, for example, section 106/ 278 agreements. It should be noted that to date £36.513m of these have already been secured leaving an amount of £17.584m still to be sought. This represents a risk to the model remaining in balance as should these not be secured, expenditure and resource forecasts will not remain aligned. The issues relating to the agreed s106/s278 monies and the linking to delivery of schemes is addressed below and is the subject of ongoing work. There is also the risk that a renegotiation of a planning application for a key site which is reporting a secured s106 agreement will not realise as much income to the model once the new application is factored. Work is ongoing to understand the effect on the model of the suggested new application.

There are also changes to government policies proposed relating to CIL, NHB and business rates along with a housing white paper – all of which have the potential to undermine the assumptions currently in the model. These have been considered in the Resources Review work. To date only the NHB changes have been confirmed. In short the changes are from 2018/19 for NHB being paid for 4 years instead of 6 per house. The impact on the current 10 year model would be c£9m with no mitigation. Over a 15 year period with the NHB reduction, the model would continue to be adversely impacted.

### Expenditure

All agreed expenditure changes and slippages have been included in the model and items to be agreed at this meeting will be reflected in future models once agreed.



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The Executive and Stewardship Board considered, at its September 2017 meeting, a report outlining current estimates for PWD and EWLR and a report on this item appears elsewhere on this agenda. The current IDF position does not reflect revised PWD cost estimates or mitigation of meeting these costs to ensure the model remains balanced and within the maximum allowed cash flow position.

Scheme estimates set out in the model 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 a process in place to ensure that final costs are scrutinised prior to approval and schemes are fully funded prior to implementation.

It should be noted that the expenditure lines are indicative budgets allocations only – the amount needed and available for each scheme as it comes forward will depend on the dynamics of the model at the time in terms of funding secured and expected, along with competing priorities from other schemes. There is no guarantee that all allocations can be fulfilled if the income to the model is not forthcoming.

## **Position of the model as at 30<sup>th</sup> September 2017**

The model as at Quarter 2 2017-18 is appended to this report.

The model is currently showing a projected surplus over the city deal period of £3.478m, compared to a position at 30<sup>th</sup> June 2017 of £0.126m surplus.

The changes to income relate to changes in the forecasts in housing numbers and known income from a site being more than was anticipated from that site following planning approval (£3.422m additional income to the model) and increased costs for the modelling work being undertaken (£0.070m additional cost to the model)

There is a currently reported funding gap on one scheme which is being considered later in the agenda of this meeting, this is not reflected in the model at the moment and represents a risk without mitigation that the model breaches the maximum allowed cash flow and / or the model forecasts a deficit position. This risk will need to be mitigated by measures agreed by the executive.

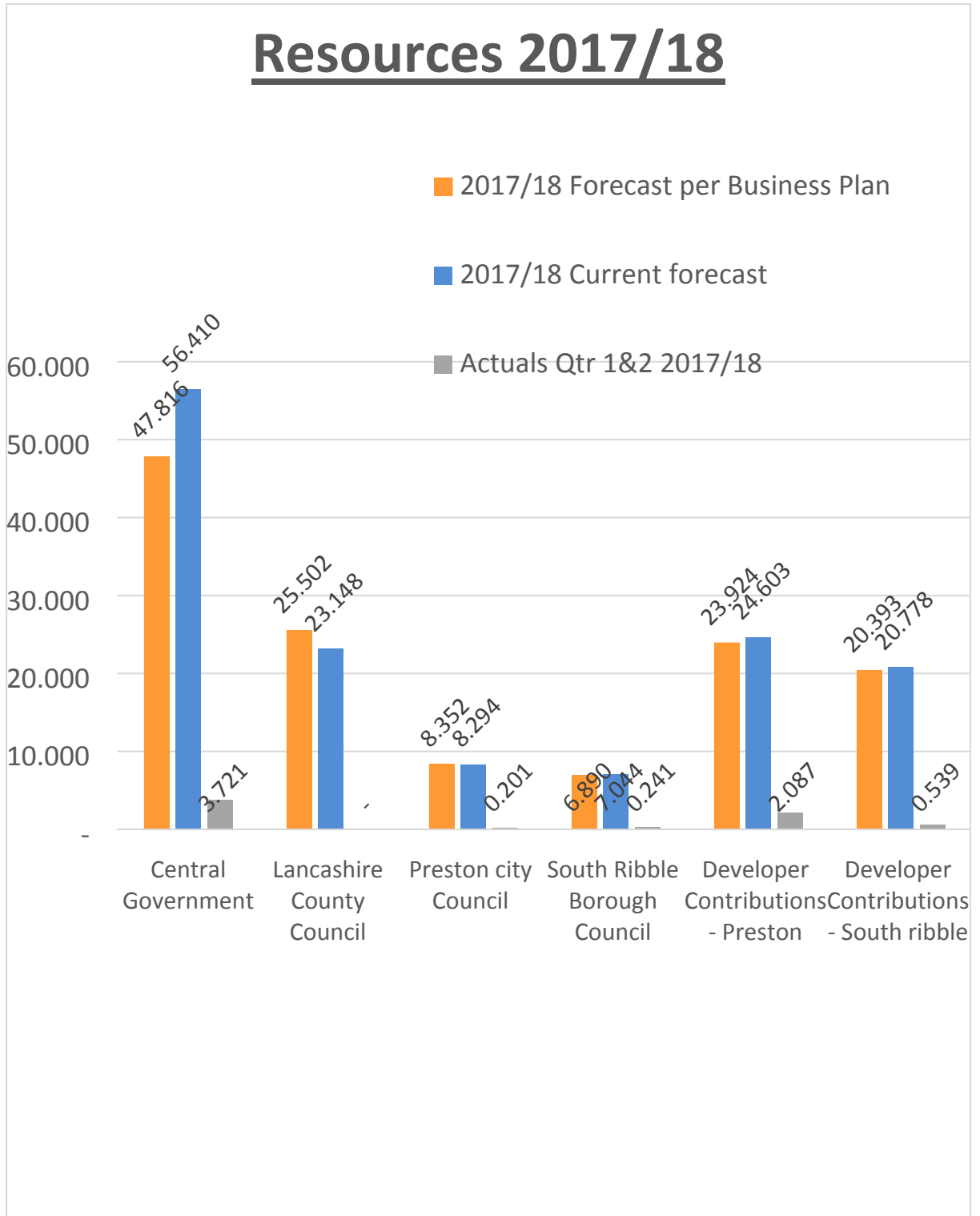
Comparing 2017/18 forecast outturn against those planned as per the business plan 2017-20 shows the graphs below. However these are subject to change following the completion of work as detailed in sections 1.9.1



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## 2017/18 Resources

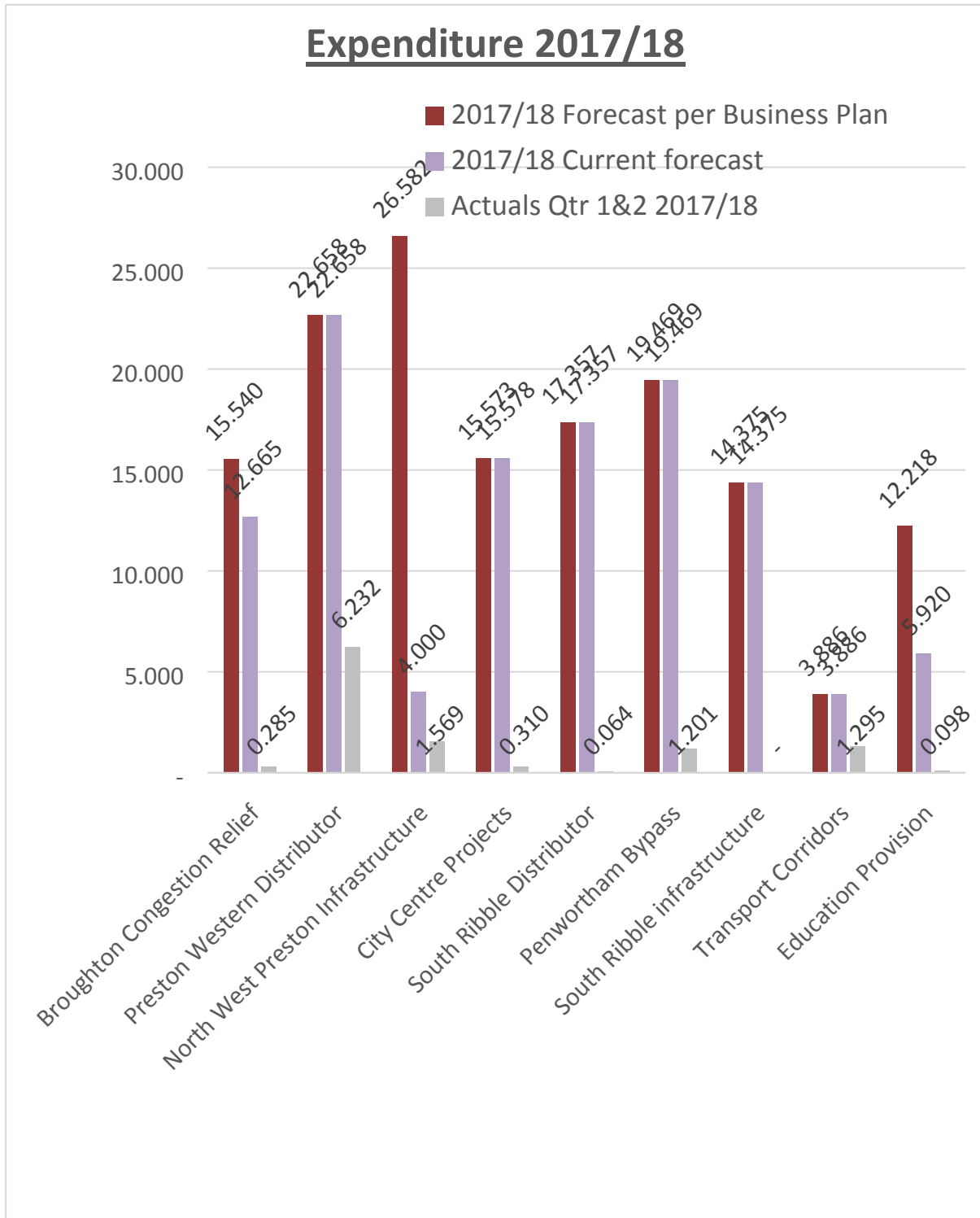




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## 2017/18 Expenditure



NB . Movements from business plan (unless reported elsewhere in the report as permanent change in the model) represent movements between years.



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## **Key issues raised by 30<sup>th</sup> September 2017**

As part of the Resources Review, Keppie Massie are advising on the assumptions made at the outset of the Deal with specific regard to the “other developer contributions” stream which includes s106 payments.

The partners continue to work together to ensure there is a shared and common interpretation of the binding Heads of Terms which require the partners to maximise the value of developer contributions being collected and paid into the fund, and to identify additional housing sites within the area. Work is underway to quantify the amount of additional developer contributions collected to date against that forecast as well as capture the projects being delivered by the funding, as part of the City Deal Infrastructure Delivery Plan.



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## Appendix A

	Total	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
	£m	Pre-2014/15	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Resources</b>																	
<b>Upper Tier Councils - Lancashire County Council</b>																	
LCC Capital Investment Programme	22.277	4.400	1.500	0.952	10.225	5.200	2.500	2.500	2.500	2.500	2.500	2.500					
Integrated Transport Block	24.250	0.500	1.250	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500					
Lostock Hall & other land receipts	0.233				2.591	1.295	1.295	1.295	1.295	1.295	1.295	1.295	1.295				
New Homes Bonus	12.953																
LCC Revenue Contribution - Capital Financing Cost	- 0.033			0.095	0.269	0.217	- 0.111	- 0.266	- 0.342	0.002	0.444	0.441					
ERDF for Fishergate Central Gateway Delivery Programme	1.799	1.000	0.380	0.221	0.198								0.229	0.103	0.061	0.016	- 0.029
LCC reserves	7.042					3.500	3.542										
<b>Central Government</b>																	
Single Local Growth Fund	79.510			16.020	27.764	1.124	0.700	15.200	20.950								
HCA - Locally Retained Landhold Receipts (1 year loan)	38.402		4.759	7.648	1.948	3.188	2.017	3.974	10.463	4.177	-	-	0.227	-	-	-	-
HCA - Expected Land Value Realisation on HCA Sites	37.500		-	-	4.624	6.646	5.558	2.477	6.307	9.465	2.421	-	-	-	-	-	-
HCA - Loan repayments	- 38.402		-	4.759	7.648	1.948	3.188	- 2.017	- 3.974	- 10.463	- 4.177	-	-	- 0.227	-	-	-
HCA - Interest on Loans	- 0.385		-	0.054	0.069	0.021	- 0.030	- 0.023	- 0.049	- 0.096	- 0.036	-	-	- 0.000	- 0.002	-	-
Highways Agency - Pinchpoint Funding for Broughton/ M55/ M6	8.600	0.600	8.000														
Highways Agency - Pinchpoint Funding for A582 Golden Way	2.109		2.109														
Highways Agency - Pinchpoint Funding for M55 Junction 2	25.000					12.500	12.500										
<b>Developers Contribution</b>																	
Community Infrastructure Levy - Commercial sites - Preston	0.347		0.048	-	-	0.062	0.047	0.045	0.043	0.037	0.035	0.030					
Community Infrastructure Levy - commercial sites - South Ribble	2.605		0.011	- 0.011	-	2.351	0.030	0.049	0.054	0.052	0.040	0.029					
Community Infrastructure Levy - housing sites - Preston	35.839		0.510	0.645	2.117	5.804	3.872	4.179	3.922	3.123	1.775	1.786	1.879	1.548	1.474	1.548	1.654
Community Infrastructure Levy - housing sites - South Ribble	30.868		0.174	- 0.174	0.315	0.946	8.195	9.874	5.850	4.718	0.713	0.257					
Community Infrastructure Levy Plus - housing sites - Preston	8.599		-	-	-	0.210	0.726	0.983	0.924	0.948	0.924	0.922	0.788	0.639	0.540	0.504	0.510
Community Infrastructure Levy Plus - housing sites - South Ribble	9.075		-	-	-	0.097	0.542	0.917	1.211	1.226	1.081	0.965	0.800	0.588	0.588	0.588	0.462
Quaker Lodge rental income	0.108		-	-	-	0.022	0.022	0.022	0.022	0.022	-	-	-	-	-	-	-
S106 / S278 Agreements - non housing related	2.933	1.893	-	0.040	-	1.000	-	-	-	-	-	-	-	-	-	-	-
S106 / S278 Agreements - sites in Preston	32.923	1.200	4.985	3.222	0.106	4.015	2.935	2.873	4.248	3.906	0.972	3.225	1.236	-	-	-	-
S106 / S278 Agreements - sites in South Ribble	0.657		-	-	-	-	-	0.124	0.258	0.275	-	-	-	-	-	-	-
<b>Lower Tier Councils - Preston City Council</b>																	
Business Rate Retention at Strategic City Deal Locations	5.135		0.031	0.042	-	0.977	0.692	0.714	0.345	0.629	0.746	0.961					
PCC Grants - lottery funding	-		-	-	-	-	-	-	-	-	-	-					
New Homes Bonus	28.051		-	0.077	0.486	0.803	2.101	2.981	4.273	5.408	6.242	5.681					
<b>Lower Tier Councils - South Ribble Borough Council</b>																	
Business Rate Retention at Strategic City Deal Locations	4.350		0.042	0.085	-	1.445	0.877	0.980	0.103	0.188	0.273	0.357					
New Homes Bonus	25.409		-	0.198	0.770	0.966	1.012	1.737	2.642	3.609	4.430	5.198	4.847	-	-	-	-
Moss Side Test Track Land Receipt	5.000		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Preston 5% CL admin charge	- 2.235		-	0.060	- 0.106	- 0.304	- 0.232	- 0.260	- 0.244	- 0.200	- 0.137	- 0.137	- 0.133	- 0.109	- 0.101	- 0.103	- 0.108
South Ribble 5% CL admin charge	- 2.116		-	-	- 0.004	- 0.170	- 0.438	- 0.542	- 0.356	- 0.300	- 0.092	- 0.063	- 0.040	- 0.029	- 0.029	- 0.029	- 0.023
Contribution for Communications & Marketing	0.065		-	0.009	-	0.056	-	-	-	-	-	-					
Community Infrastructure Levy due to Parish Councils in Preston	- 4.255		- 0.001	- 0.170	- 0.238	- 0.505	- 0.447	- 0.464	- 0.406	- 0.286	- 0.254	- 0.268	- 0.282	- 0.232	- 0.221	- 0.232	- 0.248
Community Infrastructure Levy due to Parish Councils in South Ribble	- 3.603		- 0.023	- 0.023	- 0.011	- 0.131	- 0.411	- 0.654	- 1.255	- 1.083	- 0.068	-	-	-	-	-	-
<b>Total Resources</b>	<b>400.522</b>	<b>9.593</b>	<b>23.771</b>	<b>26.362</b>	<b>45.303</b>	<b>49.162</b>	<b>44.363</b>	<b>46.753</b>	<b>58.841</b>	<b>29.107</b>	<b>19.139</b>	<b>28.181</b>	<b>10.855</b>	<b>2.269</b>	<b>2.312</b>	<b>2.292</b>	<b>2.217</b>
<b>Delivery Programmes</b>																	
<b>North West Preston</b>																	
NW Preston Green Infrastructure	5.221		-	-	0.096	0.954	0.750	0.790	0.665	0.665	0.665	0.665					
Further Community Infrastructure	4.579		-	-	0.095	0.744	0.726	0.676	0.676	0.676	0.676	0.311					
Market Quarter	0.400		-	0.035	0.357	0.008											
East-West Spine Road	9.800		0.141	0.693	0.300	1.916	1.000	2.875	2.875								
Preston Western Distributor M55 to A583, M55 Junction 2 & Land Assembl	104.500	0.197	0.994	1.749	2.939	4.421	3.000	15.700	31.400	31.400	12.700						
Quaker Lodge commission	0.097		-	-	-	0.097	-	-	-	-	-	-					
Cottam Parkway	15.000		0.004	0.001	0.145	0.456	0.900	0.900	2.000	10.594							
<b>Whittingham / Broughton / Preston East</b>																	
A6 Broughton Congestion Reduction	31.723	3.189	0.892	4.008	11.643	11.991											
M55 Junction 1 Roundabout	1.716	1.602	0.114	-	-	-	-	-	-	-	-	-					
M6 Junction 32	8.000		8.000														
<b>Preston City Centre</b>																	
Preston Bus Station	24.267	0.003	0.211	0.409	3.596	16.502	3.546										
Fishergate Central Gateway	11.000	1.746	1.744	4.223	0.677	2.610											
<b>South Ribble</b>																	
Pickerings Farm Link Road	4.500		-	-	0.004	1.296	3.200										
Moss Side Test Track Road Infrastructure	2.050		-	-	-	0.025	2.025										
Land Between Heatherleigh and Moss Lane Spine Road	1.000		-	-	0.011	0.989											
Cuenden Strategic Site Road Infrastructure	6.002		-	-	-	4.502	1.500										
Community Green Infrastructure	6.448		-	0.299	0.431	0.337	0.897	0.897	0.897	0.897	0.897	0.897					
A582 South Ribble Western Distributor/ B2523 Flensburg Way	44.543	0.152	5.841	7.328	4.640	2.000	1.000	1.000	1.000	4.585	9.170	7.827					
Completion Penwortham Bypass	17.500	0.019	0.227	0.829	0.847	7.249	7.500	0.829									
New Ribble Bridge - Preliminary Works & Route Protection	2.000		0.005	0.027	0.279	1.689	-										
South Ribble Other	5.000		-	-	-	-	-	-	-	-	-	5.000					
<b>Education Infrastructure - Preston</b>																	
Education Infrastructure - South Ribble	25.972		-	-	-	1.420	1.420	5.875	8.507	8.750	-	-					
Education Infrastructure - South Ribble	13.727		-	-	-	-	2.830	2.830	8.067	-	-	-					
<b>Community Provision - Preston CC</b>																	
Community Provision - Preston CC	8.031		0.803	0.803	0.403	0.803	0.803	0.803	0.803	0.803	0.803	1.203					
Community Provision - South Ribble BC	4.922		0.492	0.492	0.492	0.492	0.492	0.492	0.492	0.492	0.492	0.492					
<b>Public Transport Corridors &amp; Local Centres - Preston</b>																	
Public Transport Corridors & Local Centres - South Ribble	12.113	0.250	0.028	0.084	1.586	6.298	0.517	1.600	1.750								
Public Transport Corridors & Local Centres - South Ribble	12.113	0.250	0.068	0.035	0.706	3.163	5.302	2.589	-								
<b>Masterplan costs</b>																	
Masterplan costs	0.025		-	-	-	0.025											
<b>CL Transport Modelling costs</b>																	
CL Transport Modelling costs	0.339		-	0.098	0.097	0.100	0.020	0.024									
<b>Revenue costs to be included in City Deal</b>																	
Revenue costs to be included in City Deal	0.087		-	0.006	0.008	0.013	0.010	0.010	0.010	0.010	0.010	0.010					
<b>City Deal funding for LCDL staff</b>																	
City Deal funding for LCDL staff	1.309		-	-	0.164	0.164	0.164	0.164	0.164	0.164	0.164	0.164					
<b>Communications and Marketing</b>																	
Communications and Marketing	0.065		-	0.003	0.024	0.038	-	-	-	-	-	-					
<b>Construction inflation provision</b>																	
Construction inflation provision	13.030		-	-	-	2.000	1.672	1.517	2.536	3.134	1.548	0.623					
<b>Total Delivery Programmes</b>	<b>397.077</b>	<b>7.408</b>	<b>19.564</b>	<b>21.122</b>	<b>29.539</b>	<b>72.302</b>	<b>39.274</b>	<b>39.541</b>	<b>61.841</b>	<b>62.169</b>	<b>27.124</b>	<b>17.191</b> </					