



CITY DEAL

Preston, South Ribble & Lancashire

CITY DEAL EXECUTIVE AND STEWARDSHIP BOARD

Private and Confidential: No

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City Deal Review Update

**Report Author: Sarah Parry, Tel: 01772 530615,
sarah.parry@lancashire.gov.uk**

Executive Summary

This report provides an update following the last meeting of the Board in February 2021, on progress with the City Deal Review. In summary:-

- a) Meetings have been held with Government Officials and Members of Parliament (MPs) to progress and escalate the New Homes Bonus (NHB) risk for the City Deal. An announcement on a replacement for NHB is expected over the Summer and Officials are briefing Ministers on implications if the replacement income falls short of the original NHB amount.
- b) Interpretation of the original Heads of Terms (HoT) by each of the Partner Councils has been established, and the intent behind the original HoTs has been clarified. Programme Board has shortlisted a number of key provisions that will need to be agreed by each of the three Council's, to enable a 'Clarified HOTS' document to be drafted followed by a full partnership agreement.
- c) Revised financial modelling is underway, taking into consideration updated housing/commercial site completions and future forecasts and will present a range of options reflecting the Terms negotiated in b) above and setting out expenditure options based on a prioritised delivery programme.
- d) The schemes to be prioritised in a future delivery programme have yet to be discussed in full, with the Programme Board about to embark on this piece of work.
- e) It is the intention that the 'Clarified HoTs' document will be developed and used by the Programme Board to hold discussions within each of their Councils over the summer.

Recommendation

The City Deal Executive and Stewardship Board is asked to note the report.



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1. Background

- 1.1 At the last meeting in February, it was reported that Government had announced a short term interim arrangement for New Homes Bonus (NHB) which, whilst reducing the NHB deficit by £1.5m, did not address the full NHB income risk. In addition, following a period of discussion and negotiation, South Ribble Borough Council had made decisions at its Council meeting in November 2020 which required an analysis of the original Heads of Terms (HoTs) that were signed in 2014. As the original Terms were subject to interpretation, all partners were keen to understand more fully, what the implications were for the City Deal.

Current Position

2. Heads of Terms

- 2.1 In quick succession following that meeting, a series of discussions were held to unpick the original HoTs, clarifying each Council's interpretation and understanding of historical decisions taken by the City Deal Executive, that would need to be considered in any future partnership agreement.
- 2.2 In order to provide greater clarity going forwards on the meaning and intent of the original HoTs, the key provisions are being expanded and clarified. These clarified terms are likely to require further discussion within each partner council and to assist in this process, officers are drawing them together into a 'Clarified HoTs' document, for discussion within each Council, which will then be turned into a full partnership agreement for adoption.

3. New Homes Bonus

- 3.1 Alongside this, discussions with Government on the significant risks relating to NHB income have been escalated, with Leaders/CEOs/MPs meetings taking place and ministerial briefings being held by MHCLG.
- 3.2 The latest indication from Officials is that an announcement on a replacement for NHB is likely to be made over the Summer. The likelihood of a replacement (as opposed to abolition) for NHB is promising, although it is expected to result in a lower level of income being available than committed at the start of the Deal. Discussions are therefore ongoing between the Programme Board and Government officials on the need for further financial support to bridge any gap between original NHB forecasts and the revised ones. It is too early to comment on whether this further financial support will be forthcoming.



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4. Financial Forecasting

4.1 In recent weeks, the Programme Board has also reviewed the income assumptions that underpin the financial forecasting. The end of year housing and commercial site completions have been compiled which has enabled an actual position on the fund to be reported (see financial monitoring report elsewhere on this agenda). Also, future housing and commercial site delivery forecasts are in the process of being finalised which will enable a revised financial forecast to be produced, based on a number of income and expenditure assumptions. These assumptions are also informed by the Clarified HoTs referred to earlier.

5. Delivery Programme

5.1 At this stage, only high level discussions have taken place at Programme Board regarding which projects should be prioritised in the event that the financial forecasting requires a reduction in the expenditure programme. The Scheme Prioritisation Report prepared by independent consultants Steer in 2019, will be used as the starting point for discussions, as will the updated financial forecasting, once completed.

5.2 In the meantime, the pause on non-committed spend remains in place with the affected schemes being held in abeyance.

6. Next Steps

6.1 It is intended to prepare Clarified HoTs, which will be complemented by an updated financial model and prioritised delivery programme over the coming weeks, in order to enable each of the partners to discuss the details within their authorities over the summer months, ultimately culminating in a final partnership agreement being brought to a future meeting of the Board.

Implications

Ordinarily, the Board would be asked to consider a range of funding commitments, in order to progress a number of schemes that are currently being held in abeyance. For some of those schemes, the timescales for delivery/funding commitments are dictated by external factors outside of the control of the City Deal. At the time of writing it is expected that funding commitments for some of those schemes will need to be considered over the Autumn. In order to do this, the full partnership agreement, revised funding model and prioritised delivery programme need to be signed off by the City Deal Executive, otherwise further delays will occur, placing external funding opportunities and key priority schemes at risk.



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Financial Implications

As detailed in the report, work is ongoing to deliver a new balanced City Deal model which will deliver the key priorities within the funding envelope available following recent data receipts and forecasting. As with any forward funding model, risks will need to be managed closely through continual updating of income forecasts and close monitoring of expenditure throughout the life of the Deal.

Legal Implications

The Clarified HoTs is currently being prepared and will be considered by the Legal Officers Working Group. Legal officers will advise their respective councils accordingly and seek further instructions.

List of Background Papers

Paper	Date	Contact/Tel
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NA

Reason for inclusion in Part II, if appropriate

N/A