



# CITY DEAL

Preston, South Ribble & Lancashire

## City Deal Executive and Stewardship Board – 17 July 2015

<b>Title: Monitoring Report Update</b>
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**Report Author:** Report of the City Deal Monitoring Group

### 1. Background

- 1.0 This report provides an update on the progress with the City Deal Monitoring Framework and the work being carried out by Local Partners in completing the 10 year output targets and the 2014/15 Annual Monitoring Report to be included in the City Deal Monitoring Return to Government. This work is in addition to the quarterly progress reporting carried out as part of the implementation of the Infrastructure Delivery Plan.
- 1.1 The Stewardship Board is reminded that the City Deal and subsequent Stewardship Board Agreement state the purpose and commitment towards monitoring progress in delivering the City Deal, supporting the joint objectives of the Board, Local Partners, HCA and Government.
- 1.2 The Monitoring Framework, appended to the Stewardship Board Agreement, sets out a range of information relating to delivery, receipts, expenditure and completions.
- 1.3 The Stewardship Board Terms of Reference set out the responsibility of the Stewardship Board to provide periodic monitoring reports to central government. The Stewardship Board previously agreed that two sets of monitoring outputs be prepared annually;
  - Firstly, a Core Output data set, to include housing units (consented and completed), commercial floorspace (consented and completed), private sector investment and jobs accommodated. It was agreed that this data set should form the substantive part of the Annual Monitoring Return to government, and;
  - Secondly, a Supporting Output data set to include metrics to track planning consents, development activity on specific sites (including HCA sites), retail vacancy outputs, and outputs to monitor progress with transport and community outputs. It was agreed that this data set should be presented annually to the Stewardship Board and Executive for consideration by the local partners.



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- 1.4 As a core part of the implementation arrangements, the City Deal Project Board established a City Deal Monitoring Group, made up of representatives of the three Councils and the HCA, who meet to provide effective monitoring to meet the above purposes.
- 1.5 The monitoring role will become increasingly important in supporting the delivery of the City Deal Programme as well as demonstrating the benefits of the programme to the Lancashire economy to a wide range of audiences. Moving forward the sub group will report to the City Deal Project Team and Board and will be chaired by South Ribble Borough Council's Enterprise Manager.

## **2. Reporting Arrangements**

- 2.1 At a 'stock take' meeting with Cabinet Office and DCLG in January 2015, attended by the LEP, the three Councils and the HCA, a review of the reporting frequency was discussed and it was agreed to consider approaches and frequency of reporting that will allow an alignment of monitoring arrangements with HMG as part of a general review of LEP reporting mechanisms. It was also agreed to submit 10 year targets to HMG for both Core and Supporting metrics.
- 2.2 HMG have subsequently confirmed that City Deals will now be required to report quarterly on the Core metrics. This will be via a standard Information Management System (IMS) which HMG will use to capture information on all LEP initiatives. LCC, as accountable body for the LEP, is currently part of a pilot programme to test the IMS. This will supplement the monthly qualitative progress reporting.
- 2.3 Local Planning Authorities are considering additional resources that may be required to meet the quarterly monitoring obligations for housing units and commercial floorspace Core metrics (the remaining Core metrics for private sector investment and jobs accommodated can be provided through existing LCC resources).

## **3. Proposed Arrangement for Submission of Monitoring Return**

- 3.1 The City Deal Monitoring Group have developed a consistent approach to the preparation of the Monitoring Return which will measure output performance against the agreed baseline targets, providing the following levels of monitoring;



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- Cabinet Office/DCLG – a high level report providing information on key housing, commercial and jobs output data based on a template used by other City Deals;
- Stewardship Board – using the longer list of outputs a more detailed overview of the City Deal area will be provided, allowing assessment on a site by site basis which will enable finer grain analysis of progress on the delivery of outputs, and how site development activity relate to the completion of transport infrastructure. It is proposed that this report be submitted by the City Deal Executive to the main LEP Board.

3.2 The Core Output data will be extracted and will form the basis of the Monitoring Return to Government.

3.3 It should be noted that discussions with HMG regarding the quarterly reporting obligations are ongoing. The Chair of the Stewardship Board will provide a verbal update to the Stewardship Board.

## 4. Proposed 2014/15 Annual Monitoring Return

### *Purpose*

4.1 This section of the report provides the basis of the Annual Monitoring Return that will be submitted to Government for the purpose of providing accountability in respect of public sector investment and real time feedback on performance to inform and improve the City Deal programme delivery. To note, the information provided is up to March 2014/15 and takes no account of development progress and activity that has happened over the last month. It also includes the 10 year Monitoring targets.

### *Core Outputs*

4.2 The table below shows progress against Year 1 Core output targets, which are the key Government performance measures.



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**Table 1**

Core outputs - 2014/15	Target	Actual	Variance	Comments
Total number of Housing units consented for planning *	6,590	6,501	-89	Only 1 major site requires planning permission.
Total number of Housing units completed	338	980	+642	Includes 98 empty homes brought back into use and 215 office units converted to residential
Commercial floorspace consented (sq m)	44,000	19,442	-24,558	Awaiting next phase development of Preston East sites.
Commercial floorspace completed (sq m)	21,928	3,338	-18,590	This mainly relates to one site where development options have been drawn up. Early stage negotiations are underway.
Jobs accommodated				
- Via commercial floorspace completions**	86	77	-9	
- Construction jobs connected to Capital Investment***	n/a	226	n/a	These jobs are associated with the infrastructure build programme
Public Sector Investment (to support Infrastructure programme)	£18.59m	£18.067m	£-0.523m	
Private Sector Investment (to support infrastructure programme)	£6.18m	£5.543m	£-0.637m	

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

\*\* Gross jobs based on an average of 43 sq m per job, as per CLG guidance. An additional CLG methodology is used whereby a calculation is made based on additionality with job creation spread over a 3 year period which would generate 13 jobs

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

## *Housing outputs*

- 4.3 There has been a strong performance of total **housing unit** completions against Year 1 targets within both Districts with the addition of growth in Preston City Centre sites which has also benefitted from the conversion of office units into residential accommodation and from almost a hundred empty properties being brought back into use.
- 4.4 Compared with previous years in the City Deal area, housing completions represent a significant escalation of activity.



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- 4.5 From a **planning perspective** all but one target sites have received planning consent thereby removing any potential delay in progressing development.
- 4.6 Key **HCA sites** are maintaining progress with sites on target with regards planning permissions and on site activity. Critically, housing completions have met Year 1 targets.

## *Commercial Floorspace outputs*

- 4.7 The market for **commercial floorspace** has been more subdued with only one significant completion which took place within Preston at the former James Hall site along Ribbleton Lane.
- 4.8 Year 1 targets were based on a small number of development sites, one of which has been subject to a development option review, with early stage negotiations currently taking place. The outputs associated with this development have therefore been re-profiled.
- 4.9 The commercial market is occupier-led and although there are signs of speculative development, in particular for smaller industrial units, significant opportunities are yet to crystallise. In the absence of speculative development there is evidence of a programme of refurbishment of secondary industrial property at business parks taking place until values recover.
- 4.10 Nonetheless there are encouraging market signs; occupancy rates at strategic locations and business parks (where significant levels of future outputs are expected) are in many cases high; there is a real shortage of available new and modern manufacturing and logistics buildings across virtually all size ranges in the key locations of the North West, whilst demand also continues to recover; there are pipeline developments at North East Preston employment sites which are being progressed through planning; there have been notable business expansions for example James Fisher Nuclear who are expanding within South Ribble and new office tenancies at Preston East.
- 4.11 In the short-term there is a pipeline of new development in place, some of which are associated with housing sites, whilst Roundhouse Properties have planning permission for 43 units for an expansion at the South Rings Business Park in South Ribble and the Queens Retail Park in Preston received planning permission with work on site anticipated over the summer.
- 4.12 In addition 2014/15 has seen significant progress in bringing forward the two largest City Deal employment sites, Cuerden and the Enterprise Zone at Samlesbury (both in South Ribble). A Masterplan has been adopted for the former and construction on the Training facility at the latter has a commencement date of June 2015.



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- 4.13 Other development activity continues within commercial centres and will be supported by transport and public realm improvements, for example there has been progress with development activity in the City Centre and lettings that have been encouraged by the new public realm along Fishergate.

## *Jobs*

- 4.14 Related to commercial floorspace outputs, **jobs** outputs have just fallen short of anticipated targets by 9%. However, in addition to this, construction-related jobs are estimated at 226 which is based on a cost-per job assessment.

## *Private sector investment*

- 4.15 A combined total £19.71m of public and private sector investment has been invested in transport infrastructure, which has resulted in the achievement of the infrastructure milestones below and the construction jobs referred to above.

## *Supporting Outputs*

- 4.16 The detailed list of supporting outputs targets enable a fuller picture to be provided on achievement and forecasts, measuring activities from pre-planning to post-implementation of projects, and the table below provides a summary of Year 1 achievements.



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**Table 2**

Supporting output – 2014/15	Target	Actual	Variance	Comments
Total number of Housing units submitted for planning	6,844*	6,844*	-	No outstanding sites awaiting submission for planning
Number of City Deal Strategic Housing sites at which construction is actively taking place	34	20	-14	Relates to main Preston sites, although construction is actively taking place in 104 sites in Preston alone.
Quantity of Commercial floorspace from identified and agreed Employment sites submitted for planning	44,000	78,483	46,677	Significant amount of floorspace submitted for planning at Preston East.
Retail vacancy rates in city and town centres - Preston - Leyland	24% 2012 8.3% 2013	12% 2014** Tbc		Leyland GOAD data sets to be updated in Oct 15.
Number of HCA sites submitted for planning permission	2	2	-	
Number of HCA sites granted planning permission	4	4	-	Croston Road/Land at Eastway/Whittingham Hospital/Cottam Hall
Number of HCA sites where construction is actively taking place	2	2	-	Brindle Road/Cottam Hall
Total number of housing completions on HCA sites	38	44	+6	Brindle Road/Cottam Hall
Total number of new floorspace completed on HCA sites	0	0	-	

\*Relates to both Year 0 and Year 1 targets and actual to represent the full planning pipeline

\*\* Source: Preston BID (18% regional average)

4.17 From the **planning perspective**, and inclusive of Year 0 (2013/14) and Year 1 (2014/15), a total of 6,844 **housing units** have been submitted for planning which presents the full extent of target permissions. There is also a significant pipeline of **commercial properties** for which planning permission has been submitted.

4.18 Focussing upon key **HCA sites**, acting as a barometer for the market for large development sites, progress is being well maintained through the planning process enabling housing completion targets to be met in Year 1.



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4.19 Full data is yet to become available to provide an update on retail figures across the City Deal area, however in relation to Preston City Centre vacancy rates how shown strong recent improvement. Where the public realm activity has been completed or is in progress, vacancies are particularly low – for example, along Fishergate - and both retail shopping centres have recently been acquired with the new owners buoyant about future prospects and are considering investment proposals. Development plans are also being produced for adjacent leisure/residential schemes, whilst other large scale City Centre development activities are being progressed. Similarly, in Leyland there is retailer confidence that the centre is prospering, where there are sustainable levels of vacancies. The centre will benefit from proposed public transport corridor to provide greater access and public realm improvements.

4.20 Progress towards infrastructure, Sustainable Transport Infrastructure and Community Infrastructure outputs are reported upon fully in the Infrastructure Delivery Plan, however the Stewardship Board Agreement includes specific infrastructure targets as Supporting Outputs for which a summary update on 2014/15 milestones is provided in the table below. It should be noted that a comprehensive Community Infrastructure Plan is being developed where a full set of metrics and a reporting framework will be developed.

**Table 3**

<b>Infrastructure programme</b>	<b>2014/15 Target</b>	<b>2014/15 Actual</b>
Broughton Bypass progress	Major Scheme Business Case prepared  Construction contract drawn up	Major scheme Business Case submitted  CPO/SRO made  Construction contract drawn up and tendered.
Penwortham Bypass progress	Scheme Identified  Major Scheme Business Case prepared	Detailed design preparation ongoing. Commencement of land and property negotiations
Preston Western Distributor progress	Concept design and consultation  Major Scheme Business Case prepared  Construction contract drawn up	Concept design and consultation  Major scheme Business Case prepared
A582 South Ribble Western Distributor Dualling	N/A	Concept design and consultation





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<b>Sustainable Transport Infrastructure – Public Transport Priority Corridors</b>	<b>2014/15 Target</b>	<b>2014/15 Actual</b>
Broughton- Fulwood- (Preston) (North)	Improvement plans in place	Concept design and consultation
Bamber Bridge - City Centre	N/A	Concept design and consultation
Fishergate Central Gateway	N/A	Phase 1 works completed  Phase 2 Concept design and consultation
PWD to Samlesbury	N/A	Concept design and consultation
<b>Community Infrastructure</b>	<b>2014/15 Target</b>	<b>2014/15 Actual</b>
Preston Bus Station	N/A	Structural condition survey  ROM cost plan  ROM validation

*\*Please note the above schemes are for 2014/15*

- 4.21 It is evident, through the monitoring and reporting process that the current agreed data set does not present a full picture of activity within the City Deal. More specifically, there are three areas where further data collection and reporting would be beneficial. Firstly, the Board will recall that investment by the Lancashire Pension Fund in commercial schemes is a key theme of the City Deal, yet this is not being reported upon (the 2014/15 Pension Fund invested will be provided at the Project Team meeting). It is recommended that this data is collected and reporting as part of the supporting output data set.
- 4.22 Secondly, the current methodology for calculating new jobs uses a standard formulae based on new commercial floorspace created. This methodology does not allow for those jobs associated with business growth, relocation or refurbished floorspace to be calculated. It is recommended that the sub group work to produce an agreed methodology to capture additional new jobs and that these be reported as part of the supporting output data set.



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## Development Context

### 10 year targets

4.23 The full breakdown of 10 year targets are scheduled in Appendices 1 and 2 which provide a complete picture of anticipated development. A summary of outputs targets is shown in the table below;

**Table 4**

	Housing units	Commercial floorspace (sq m)	Jobs*	Capital investment (£m) (Public/Private sector investment)
Year 1 - 2014/15	980	3,338	77	31.310**
Year 2 – 2015/16	956	4,745	110	20.059
Year 3 – 2016/17	1138	40,197	484	39.814
Year 4 – 2017/18	1598	54,762	854	44.631
Year 5 – 2018/19	1703	177,295	3,704	65.799
Year 6 – 2019/20	2246	108,863	2,113	51.226
Year 7 – 2020/21	2014	144,676	2,945	34.773
Year 8 – 2021/22	1892	102,235	1,958	30.125
Year 9 – 2022/23	1790	161,577	3,339	28.816
Year 10 – 2023/24	1767	224,759	4,808	22.972
<b>Total</b>	<b>16,084</b>	<b>1,022,448</b>	<b>20,392</b>	<b>369.526</b>

\*Based on an average of 43 sq m floorspace per gross job as per CLG guidance

\*\* Includes Year 0 capital investment

4.24 As noted above, these targets have been updated to reflect commercial marketplace, Local Planning Authority Local Housing Trajectories, the HCA's Business Development Plan and the draft City Deal Infrastructure Development Plan, and will be subject to annual review and update.

4.25 It should also be noted that the LEP and LCC, as the LEP's accountable body, have been working with HMG on reporting and monitoring arrangements for the Lancashire Growth Deal. This reporting will be through an Information Management System and HMG have indicated that they will, in due course, seek to bring City Deal reporting in line with this system. The Board will continue to be informed of progress in this regard. The LEP have also established a Monitoring and Evaluation Framework for the Growth Deal and there may be elements of this framework which could be applied to the City Deal.

4.26 In addition, the LEP have recently agreed to establish a Performance Committee and systematic reporting on the City Deal to the LEP Board as a key LEP initiative will become increasingly important. The use of one Information Management System will streamline processes and reduce the



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amount of time required to report monitoring information, albeit with some degree of local partner effort still required to collect and stress test the data.

## *Local context*

- 4.27 It has reported that nationwide, tougher mortgage rules and a shortage of labour and materials had hit housebuilding over the past year, which represent some of the local challenges the City Deal area will be facing. Some of these will be beyond the ability of local partners to influence (but will be important to report against), whilst there will be certain areas where local intervention can make a positive, albeit in cases limited, impact.
- 4.28 As a snapshot of average house prices, there was an increase in house prices of 0.83% over the year in the Preston area (inclusive of postcodes PR1 to PR5 encompassing Penwortham and Bamber) which generally compares favourably against most locations in Lancashire and the North West where house prices fell (Source: Zoopla). Within Lancashire these comparator locations include Blackburn, Burnley and Chorley and within the North West include Bolton and Manchester.

## *Risks*

- 4.29 Whilst the City Deal Infrastructure Delivery Programme will deliver the critical infrastructure required to enable the full development of significant housing and commercial development schemes, the success of the programme (in so far as achieving its agreed core outputs) is subject to a series of cost, resource and timing risks associated with the infrastructure elements with other planning, commercial, policy and political risks associated with the whole programme but with particular relevance to the achievement of core outputs.
- 4.30 Any risks associated with the delivery of the key infrastructure is reported upon separately, and the completion dates for strategic highways are noted elsewhere.
- 4.31 The risks that are more specific to housing and commercial development activity are reported below;

## *Planning risks*

- 4.32 As part of an examination of their Local Plan (Preston) and the SHLAA (South Ribble) the 10 year housing profile has been updated and 16,084 housing unit outputs are profiled within this timeframe, with 18,188 units anticipated to be achieved over the 15 year period.
- 4.33 Consents are already in place for over a third of the housing planning permissions, and 10 year targets have been reviewed and updated which will



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enable and an efficient and manageable processing of future planning submissions avoiding any unnecessary delays. The City Deal area is also supported by a Central Lancashire Core Strategy (2010-2026) that provides an over-arching development and planning framework, whilst the Community Infrastructure Levy is now in place.

- 4.34 Housing Zone status has also been recently established for sites in Preston City Centre that cover c750 units, and will enable progress.
- 4.35 North West Preston development sites are covered by a Masterplan that was approved in February 2014, and which provides a comprehensive framework to guide the development process.
- 4.36 With regards Commercial sites, the two largest employment sites have made meaningful progress. Samesbury Enterprise Zone is subject to a Local Development Order, whilst Cuerden's masterplan has recently been approved.
- 4.37 A City Centre Action Plan covering a range of commercial sites has been prepared and submitted for examination.

## *Commercial risks*

- 4.38 The City Deal Programme area is a clearly defined city-area and as such is a tightly drawn geography subject to usual market forces and competition, with the result that development activity can and does vary from year to year.
- 4.39 It should be noted that there have been recent significant developments at Matrix Park, Buckshaw Village, South Ribble and Preston East which has boosted local commercial accommodation supply, therefore it is not surprising that there is a period of 'stock taking', especially in this economic climate, whilst demand and commercial values recover.
- 4.40 Partner working groups, partnerships and alliances have been formed to share market intelligence and support the phasing of development activity to help co-ordinate sustainable development.
- 4.41 For example, a North West Preston Infrastructure Group has been established with the major house builders and land-owners to co-ordinate development and resolve land equalisation matters. An outline development study has been produced with commercial land owners at Preston North East with the purpose of understanding constraints, aligning developer interests and identifying potential land uses to support incremental development.
- 4.42 House sales will be affected by a range of local socio-demographic indicators, and these datasets will be continually monitored to help inform an understanding of the pace of housebuilding, and any local interventions that may be able to be support sales.



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- 4.43 A **Marketing & Communications Strategy** is being implemented to raise the profile of the City Deal area, and its impact on the Lancashire economy, on a local, regional and national level. The activities are being led by the three councils, the Lancashire Enterprise Partnership and the Homes and Communities Agency. City Deal partners will also contribute to and benefit from Lancashire-wide strategic place marketing activity recently commissioned by Lancashire Enterprise Partnership.

## *Policy & Political risks*

- 4.44 It was noticeable that there was a slowdown in development activity prior to the election which was not unexpected but, given the anticipated continuation of planning policies and ongoing confidence in the market, 'business as usual' is likely to resume.
- 4.45 The housing market, particularly with relation to certain sectors of the market, will be more sensitive to developments and changes with Government policy which may have a bearing upon, for example, affordable housing, specific housing types and locations or the ability of different groups to enter the housing market.
- 4.46 For example the Right to Buy policy may have local or site specific effects, whilst the expansion of the Help to Buy Equity Loan Scheme could present opportunities to help stimulate the market.
- 4.47 The Monitoring Group will begin to examine some of these possible effects and how it may impact upon the housing build programme and sales.
- 4.48 In order to ensure that local people and businesses are best able and positioned to benefit from the opportunities presented by the City Deal Programme a **Skills and Employment Strategy** has been commissioned. This will assess the projected skills demands over the lifetime of the City Deal and ensure that there is a comprehensive approach towards addressing any skills gaps and supporting access to jobs, supporting economic activity and business growth.

## **5. Future Monitoring Activity**

- 5.1 In order to effectively monitor the City Deal programme and provide meaningful information to the Stewardship Board in order for it to be able to, firstly, review the performance of the programme; secondly, inform the ongoing delivery of strategic infrastructure as per the Infrastructure Delivery Plan and, thirdly, report back to the LEP and Cabinet on broad achievements and investment benefits, the Monitoring Group will undertake a programme of activities in 2015/16 set within the context of the revised reporting requirement to HMG;



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- A review of the metric outputs will be undertaken with particular focus on the collection of jobs information to fully capture an understanding of local benefits. Whilst new commercial floorspace is the identified Core metric used to generate jobs figures additional measure will be considered such as construction jobs, jobs associated with refurbished premises, inward investment into existing premises and company expansions.
- Other City Deal benefits will also be considered, for example the Pension Fund investment contribution.
- Linking with the work of the Skills and Employment Strategy there will be an examination of employment opportunities resulting from City Deal developments, as well as potential procurement activities for local SME's within the construction supply chain. The Skills & Employment Strategy will seek to provide innovative and effective approaches to ensuring opportunities are maximised.
- Undertake additional monitoring of development activity and inward investment to support the Marketing & Communications Strategy;
- Undertake ongoing analysis of the 10 year target outputs and associated risks, supporting the co-ordination and integration with other programme elements including the Marketing & Communications Strategy.

## Recommendations

Stewardship Board Members are requested to:

1. Note the requirement to submit a City Deal Monitoring Report to Government on a quarterly basis;
2. Consider the impact of the quarterly monitoring obligation on the previously agreed monitoring and reporting arrangements;
3. Provide input into the review of the Stewardship Board Terms of Reference to reflect HMG's monitoring reporting requirements;
4. Recommend that the Monitoring Group prepare costed options to support the preparation of additional (quarterly) monitoring requirements;
5. Recommend that the Monitoring Group are tasked with developing additional output metrics that provide a wider perspective of the local investment and job contribution provided by the City Deal infrastructure programme;
6. Recommend that the output metrics include a report on the Pension Fund investment contribution;
7. Agree that the full Monitoring Reports based upon the data and commentary included within this report be submitted to the Lancashire Enterprise Partnership Board.



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