



CITY DEAL

Preston, South Ribble & Lancashire

CITY DEAL EXECUTIVE AND STEWARDSHIP BOARD – 17th July 2015

Preston, South Ribble and Lancashire City Deal: HCA Progress Report (Quarter 4, Year 1 and Quarter 1, Year 2)

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Executive Summary

This report provides an update on the progress made on the HCA land portfolio since the last Stewardship Board (SB) / Executive meeting held on 13th February 2015. The HCA Business & Disposal Plan (BDP) forms the key monitoring document for the HCA land assets included within the Deal. This report covers the progress made in both quarter 4 of year 1 (2014/15) and quarter 1 of year 2 (2015/16).

Overall, progress in the fourth quarter (year 1) was very good with a large majority of schemes being progressed / delivered in line with the targets and milestones as set out in the BDP. Progress in quarter 1 (year 2) has also been good, with the majority of milestones being achieved. There are a small number of milestones which have now been moved into the early part of quarter 2 (year 2). This is mainly due to technical matters that are being discussed with LCC and developers and these are due to be finalised shortly. The direction of travel within quarter 2 (year 2) onwards is positive and the outcomes of quarter 1 (year 2) will not impact on overall performance within year 2.

In terms of specific sites; there was very good progress on Cottam Hall, with circa £4m Section 106 monies being paid to Preston City Council (PCC) and Lancashire County Council (LCC) in March 2015. Further to this the Conditional Legal Agreement for Cottam Hall Phase 2 was completed, which was an important milestone and a significant achievement made before the end of year 1 (2014/15). Prior to this the developer submitted the reserved matters application for Phase 2. This was to be presented at the planning committee on 9th July 2015. Positive progress made at Whittingham Hospital with the start on site at Phase 1.

Sites where HCA are working in partnership with the private sector (Pickering's Farm and Altcar Lane) are now moving forward more positively, more detail on this is contained within the site updates section of this report.

The focus over the next 12 months is to progress sites in line with the milestones as set out in the BDP (2015-2018). Moving forward, the key objective is to get the HCA sites out to the market and subsequently secure developer partners as soon as possible to ensure their efficient delivery.



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Recommendation

The Stewardship Board and Executive are requested to:

- Note the content of this report and the progress made in the delivery of the HCA land assets in quarter 4 year 1 and quarter 1 year 2.

Sites Update

The HCA are responsible for the progress of the 11 HCA land assets. Since the last meeting on 13th February 2015 the HCA Lancashire & Cumbria (L&C) Team has made good progress, ensuring continued delivery of the land portfolio. The key milestones achieved in quarter 4 (year 1) and quarter 1 (year 2) are summarised below:

- **Cottam Hall** – Conditional Legal Agreement on Phase 2 (plots 11 to 13) has been finalised. This phase will accommodate 283 houses and the reserved matters planning application was to be presented at Planning Committee on 9th July. Site Marketing has commenced on Phase 3 (plots 8 to 10) and offers have been received from developers. This phase will accommodate 115 houses. In terms of the Section 106 Agreement, circa £4m was paid to PCC and LCC in March 2015. This is a key milestone and the accelerated payment will allow for early delivery of community infrastructure within the Deal. Barrett's are one year into construction on Phase 1 and the houses are selling well.
- **Whittingham Hospital** - Developers have commenced on phase 1 of the site. This is a key milestone as this site has faced a number of challenges.
- **Pickering's Farm** – Pre-Application work is underway, including the ecological surveys. Positive discussions are progressing with Taylor Wimpey in terms of a joint approach to delivering the site, a collaboration agreement is to be signed in quarter 2 (year 2).
- **Croston Road North** - Discussions related to finalising the S106 and technical detail of the spine road construction are taking place. A number of meetings have been held between HCA and the authorities and this is moving forward well.
- **Croston Road South** – The preferred developer has been chosen and internal HCA approval has been sought. The developer is progressing with the preparation of the reserved matters application, which is due to be submitted to SRBC in August 2015.
- **Altcar Lane** – The collaboration agreement with Redrow to work jointly on the masterplan for the site was agreed and signed in March 2015. The draft masterplan has been submitted to SRBC and a meeting was recently held with SRBC officers to discuss various matters. Consultation on the masterplan is planned for September 2015.
- **Brindle Road** - Continuing to build out at a good rate.



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An overall site by site summary is provided in the attached spread sheets within Appendices 'A' and 'B'.

Financial Update

5 sites have been marketed for disposal with the remaining 5 will come forward shortly. The responses from the market demonstrate that the receipts generated are either in line with, or have exceeded the HCA's receipt forecasts for year 1 (2014/15). These financial forecasts have recently been reviewed and updated within the BDP (2015-2018). The BDP now contains more information on financial forecasting, which will be sensitivity checked on an annual basis to ensure the forecasts align with the current local housing market conditions. More information is contained within the BDP 2015-2018.

First City Deal Payments

The first HCA City Deal payments were made on 25th February 2015. The payments related to deals with Barratt Manchester at Cottam Hall (Phase 1) and Miller Homes at Brindle Road.

The payments equate to the full loan amount due on both sites. Grant will only become payable once the land receipts actually received by HCA exceed the loan amount paid to LCC. The sums paid within 2014/15 were as follows: -

a. Cottam Hall (Ph1)	£1,995,197
b. Brindle Road	£2,764,000
c. Total	£4,759,197

Forecasts - Future Receipts and Payments

In terms of future receipts and payments the HCA's City Deal BDP has now been reviewed/updated and contains more information on HCA's future financial profile.

The table below shows the forecasted receipts and loan/grant payments that the HCA anticipate to be made/paid over the next 3 years. As these figures are forecasts, they are subject to change as deals are finalised with developers (subject to any housing market changes). The HCA are working closely with LCC to plan the programme of payments and the procedure in which this takes place.

	2015/16	2016/17	2017/18
¹ Cash Receipts	£5,198,593	£7,261,999	£9,274,637
² Loan payable	£8,233,354	£1,505,612	£4,768,135

¹ Profile of actual cash receipts received.



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³ Cash Grant payable	£0	£2,249,413	£6,130,544
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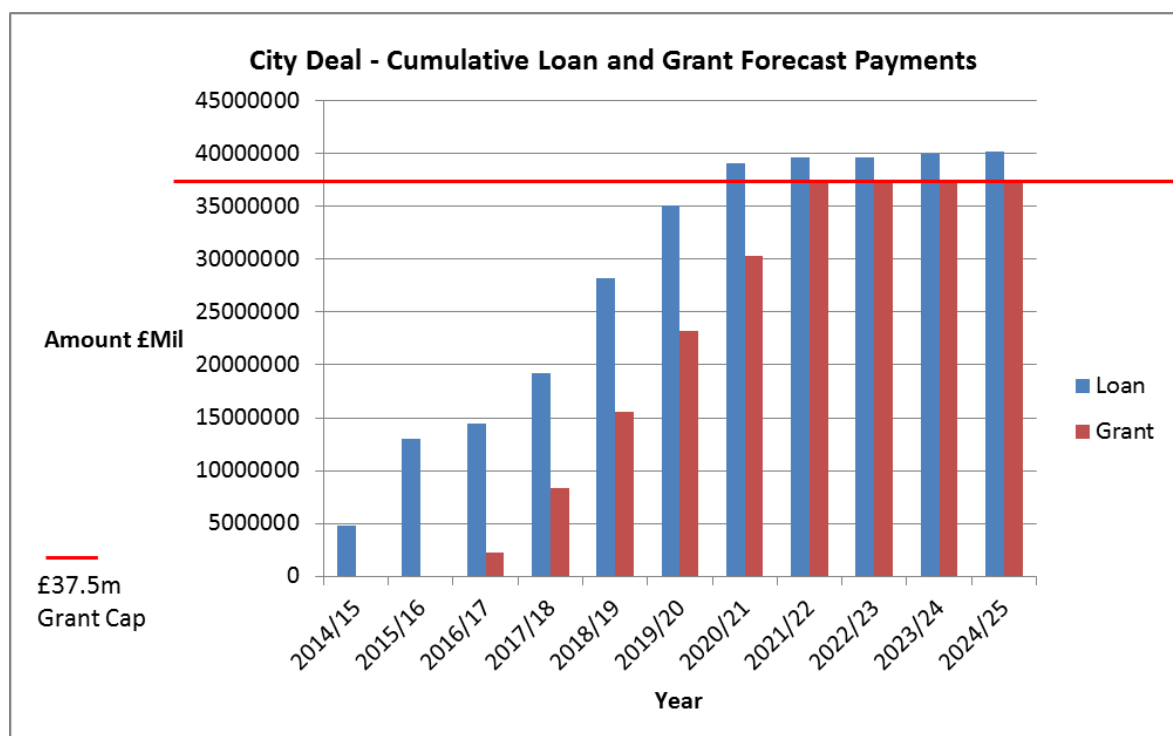
Table 1 – HCA’s three year forecast financial profile in relation to City Deal is set out within the table below (As of March 2015):

HCA City Deal BDP (2015-2018) – Financial Forecasting

The revised BDP is in a similar format to the Year 1(2014/15) BDP, with the key difference relating to the fact it covers a three year time period and contains more financial information.

The additional financial information has been included to assist both HCA / DCLG finance teams in terms of forecasting the likely amounts and timing of loan and grant payments to LCC. Table 3 in the new BDP - 2015/18 provides a forecast for the level of loan and grant anticipated to be achieved from each site / phase disposed of.

The BDP illustrates (on a cumulative basis), the amount of grant and loan payments for each year of the Deal. It provides an indication of when the £37.5m grant cap is likely to be reached, which currently stands at year 202 (see graph below).



Graph 1 - BDP Cumulative Loan and Grant Payments

As of March 2015

² Total loan is payable in one payment related to the sites book value. The sum is not paid in line with cash receipts, it is paid in full when the sites disposal goes unconditional i.e. the DEL receipt is recognised.

³ Timing of grant payment matches the cash receipt it relates to.



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* It should be noted that the figures contained in the above graph are predominantly forecasts and are subject to change.

Performance and Risks

Assessing a sites delivery is based on the milestones and targets set out within the BDP. These milestones cover the whole site delivery cycle from masterplanning and planning applications, through to marketing and into the actual site disposals. Appendices 'A' and 'B' benchmark against these milestones and use a RAG performance rating to provide the direction of travel. It should be noted that the vast majority of the projects are rated green and there are no red ratings.

The key risks may be summarised as follows:

- Assumed land receipts fall short of expectations;
- Rate of sites take up / market demand will be slower than forecast; and
- Sub-optimal alignment of housing with infrastructure delivery;

The HCA has a responsibility to achieve best consideration in the disposal of the sites, so ultimately control whether and when sites are sold. The HCA team mitigate these risks through agent advice, appropriately timed disposals and the phasing of sites to make them attractive to as many house builders as possible.

Appendix 'A' - HCA BDP Progress Report Spread sheet – Quarter 4, Year 1

Appendix 'B' - HCA BDP Progress Report Spread sheet – Quarter 1, Year 2