



CITY DEAL

Preston, South Ribble & Lancashire

City Deal Executive and Stewardship Board – 17th July 2015

Preston, South Ribble and Lancashire City Deal: HCA Business Disposal Plan (BDP) Years 2, 3 and 4 - 2015-2018

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Executive Summary

The key purpose of this report is to seek approval for the Homes and Communities Agency (HCA) City Deal Business Disposal Plan 2015-18. The BDP will ensure that the HCA and our partners have a clear vision for delivery of the 11 HCA City Deal sites over the next 3 years. The BDP is now prepared on a three year rolling basis to align with the Infrastructure Delivery Plan (IDP). This report also provides a summary of the key HCA outputs for year 1 of the Deal.

The reviewed and updated BDP has been prepared in accordance with the original BDP approval in 2014. The Stewardship Board Terms of Reference state that the Board will *instruct, receive and endorse an annual City Deal Business and Disposal Plan*.

The revised BDP includes key delivery milestones for the period 2015-2018 and a more detailed financial section focusing on the forecasted receipts and loan / grant payments that are to be made to LCC over the life time of the Deal.

Recommendation

The Stewardship Board is requested to –

1. Note the content of this report and the progress made in year 1, and
2. Approve the HCA Business Disposal Plan (BDP) 2015-2018 as attached.

Background

The HCA prepared the initial BDP at the start of year 1(2014/15), which committed to a number of milestones being delivered for the 11 HCA City Deal sites. Progress against those milestones has been excellent and in certain cases milestones from future years have been expedited into 2014/15.

Section 6, Table 5 of the attached BDP details the milestone delivery achieved within Year 1 of the Deal. Given the widespread support and focus on this Deal (both internally within the HCA and externally with partners and the government) it is critical that this good performance is maintained on all the sites, in accordance with



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the revised programme of milestones (Section 6, Tables 6, 7 and 8) contained within the BDP (2015-2018).

Year 1 – HCA Sites Delivery

In terms of the key HCA delivery outputs so far, these can be summarised as follows:

1. 5 HCA sites have planning permission, with consent for 1871 homes*
2. 3 HCA sites for which preferred developers were selected in year 1 have a capacity for 758 homes*
3. 44 housing completions to date on HCA sites*
4. Total receipts received to date = £1,065,980*
5. First loan payments made to LCC, totalling £4,759,179*
(*As of March 2015)

It is clear from the information above and the year 1 milestone delivery table within the revised BDP 2015-18, that there has been considerable success to date with regards to the delivery of the HCA sites.

This successful delivery to date has been underpinned by very positive partnership work between the key organisations, including DCLG and the Cabinet Office, the local authorities and the HCA local and national teams.

Housing Market, Risk and Sensitivity Checks

There are a number of tables and graphs set out within the finance section of the updated BDP. The tables include the contracted/forecasted receipts and forecasted loan and grant payments that are anticipated to be paid to LCC over the life span of the Deal.

The financial model used within the Deal requires the HCA to dispose/sell the 11 HCA City Deal sites (some sites are to be sold in phases). Once the receipt is received from these sales, the loan and grant payments are calculated on the basis of the agreed Financial Memorandum of Understanding (MOU) and the monies are then paid to LCC.

The forecast loan and grant figures contained within table 3 of the BDP are also presented within two graphs. The graphs show both the anticipated grant and loan payments on an annual basis, as well as the cumulative loan and grant payments over the Deal's lifespan. The graph gives an indication to when the grant cap (£37.5m) will be met, which is currently 2021.

In the initial BDP (2014-2015), the anticipated receipts were set out using both 'worst' and 'best' case forecast scenarios. However due to the detailed work involved in preparing the forecast figures and the contracted receipt amounts that have been achieved within year 1, it is now considered appropriate to include only one table.



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The table details the forecasted amounts and where applicable the specific contracted figures.

It is important to note that the housing market within the Deal area is currently very strong, with multiple developer partners expressing a lot of interest in the HCA sites. In some cases partners are already contractually on board to deliver HCA sites.

The 10 year timescale of the Deal is such that there is a likelihood there will be an economic downturn at some point. In anticipation of the economic cycle the HCA team are working with agents to understand the movement and changes within the local market. Next year's BDP will include information gained from sensitivity testing that will be carried out on the financial forecasts to help understand potential implications to the HCA site disposals. The Business Disposal Plan will be reviewed in the context of the outcomes of this work. We will also take into consideration other non HCA sites included within the Deal, so we can understand their performance and delivery as part of the wider Deal area.

An updated financial position will be presented within each of the (future) BDP documents as we move forward with the Deals implementation and delivery.

Financial Update

In terms of receipts, it is anticipated that £92.8m will be received from the disposal of the 11 HCA sites over the life time of the Deal.

Within the original HCA City Deal Business Disposal Plan for year 1 (2014/15) it was forecasted that £903,000 would be received in receipts within Year 1 (2014/15) this reflected a more cautious approach to year 1 delivery. However buoyancy within the housing market has encouraged a more rapid disposal of other sites such as Cottam Hall. In turn this has resulted in actual receipts (as of March 2015) totalling £1,065,980 within Year 1.

HCA agreed the initial payments due under City Deal with LCC in February 2015. These payments resulted from land deals which became unconditional prior to the Funding Agreement being executed. 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 are as follows: -

- | | |
|------------------------|------------|
| a. Cottam Hall (Ph1) - | £1,995,197 |
| b. Brindle Road - | £2,764,000 |

Next Steps

An annual monitoring report detailing progress against the City Deal indicators as set out in the HCA City Deal Business Disposal Plan and Infrastructure Delivery Plan will



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be prepared and presented to the Stewardship Board and Executive at the meeting on 17th July 2015 prior to being submitted to Cabinet Office and DCLG.

Appendix 'A' – City Deal HCA Business Disposal Plan 2015-2018