



CITY DEAL

Preston, South Ribble & Lancashire

CITY DEAL EXECUTIVE & STEWARDSHIP BOARD– 22nd June 2016

END OF YEAR FINANCE REPORT – 2015-16 (Appendix 'A' Refers)

Report Author: Jo Ainsworth, Specialist Advisor – Finance, Lancashire County Council

Executive Summary

To present the Year End Finance Report for 2015-16.

Recommendation

The City Deal Executive and Stewardship Board are requested to note the Year End Finance Report for 2015 -2016.

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 a commitment of the partners to keep the model balanced.

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

Position of the model as at 31st March 2016

The monitoring report for quarter 4 & 2015-16 to date is appended to this.

The model is currently showing a projected surplus over the city deal period of £1.408m compared to a position as reported in the 2015-18 IDP of a deficit of £6.357m.

The key changes are detailed below

Additional Resources	£	£
<ul style="list-style-type: none"> • Addition to the model of the LCC reserves committed to meet Preston bus station funding gap (July 15 cabinet report) 	£ 7.00m	
<ul style="list-style-type: none"> • Increase in CIL contributions being forecasted from the additional 2000 houses (previous models assumed no cil contributions as could be on small sites) 	£ 8.039m	
<ul style="list-style-type: none"> • Other miscellaneous changes in funding - (changes over year in cil and s106 agreed, changes in HCA interest due to timing of grants expected) 	£ 0.088m	
Reduction in resources		
<ul style="list-style-type: none"> • Change in commitment from Highways England towards M55 Junction 2 	-£ 2.500m	
Net changes to resources (net additional)		£ 12.627
Additional Expenditure		
<ul style="list-style-type: none"> • Revenue costs built into the delivery model (demographic modelling & master planning) 	£ 0.264m	
<ul style="list-style-type: none"> • Updated estimates of A582 works 	£ 0.128m	
<ul style="list-style-type: none"> • Addition to the model of future years anticipated HCA loan payments 	£ 0.354m	
<ul style="list-style-type: none"> • Miscellaneous changes to expenditure – including updates on the admin and parish deductions from cil contributions. 	£ 0.307m	
Net additional expenditure		- £ 1.053m
Changes to the model with no net effect or to reflect additional funded schemes		
<ul style="list-style-type: none"> • Increased CIL charges to reflect the inflation added to the charge per year – this is anticipated to cover additional inflationary pressures on scheme costs at 2012 prices within the model (£16.188) 	£ 16.188m -£16.188m	
<ul style="list-style-type: none"> • Communications budget of £0.065m set up to promote schemes and city deal, funded by contributions from partners (£0.065m) 	-£ 0.065m £ 0.065m	
<ul style="list-style-type: none"> • Effect of reprofiling income and expenditure leads to increased charges for financing – this is met by additional resource to the deal by LCC (£2.583m) 	-£ 2.583m £2.583m	
Overall changes to the model		0
Corrections to the model		
<ul style="list-style-type: none"> • Model had HCA grant receipts of £39.181m where cap is at the agreed amount of 37.50 to include the interest to be paid. This has been corrected in the model through this year leading to a net reduction in the resources 		-1.681

<ul style="list-style-type: none"> Original model had Fishergate phase 1 budget in, later models had phase 2 and 3. Actuals were recorded for all phases against these incorrect budgets and all income was recorded. Over the year the model has been corrected to reflect the correct budgets due for the full scheme which has increased expenditure budgets in the model. The project is funded through Growth Deal, ERDF and LCC capital programme. 		-2.128
Overall changes to the model in the year 2015-16		7.765m

2015-16 review of annual performance

The annual position for 2015-16 as shown in the appended monitoring report shows actual net resources in the year of £4.825 compared to forecast net resources in the year of £4.290, a positive change of £ 0.535m for the year. This is a net position and reflects changes in profiling of items such as income from growth deal and LCC capital programme monies, resources due in from developer contributions on housing sites, advancement of expenditure on schemes such as the A582 roundabouts/ dualling works and other minor schemes profile changes as is to be expected in a programme of this magnitude. Whilst these changes show as variances in year, none of these affect the overall forecast over the city deal period as they represent profiling changes only.

Key risks to the model

Resources

Whilst most of the income to the model is fixed in commitment or capped amounts (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) the main risk 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. The total of these in the current model is £102.965m after building in increased rates and the modelling of those sites / units which will attract CIL and other contributions. £24.862m of this is 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 over the 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 £102.965m there is also £49.408 which relates to “other developer contributions”, sometimes referred to as CIL Plus, and which includes monies payable through, for example, section 106/ 278 agreements. While there is a commitment in the Heads of Terms for these amounts to be secured from developers there are a number of technical issues in relation to ensuring these amounts can be collected and transferred to the model.

It should be noted that to date £32.746m of these have already been secured leaving an amount of £16.662m 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. As part of the ongoing Resources Review Keppie Massie are testing all the assumptions relating to all developer contributions within the model.

Expenditure

To date, no final scheme funding gaps have been confirmed. The scheme estimates set out in the model will 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 approved a process to ensure that final costs are approved and schemes are fully funded prior to implementation.