



CITY DEAL

Preston, South Ribble & Lancashire

City Deal Executive and Stewardship Board

Private and Confidential: No

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<p>Preston, South Ribble and Lancashire City Deal: HCA Business and Disposal Plan (2016 – 2019) Progress Update</p>

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1.0 Report Overview

- 1.1 This report provides an update on the progress made by the HCA on the delivery of the City Deal housing sites over the first two quarters of the financial year (April 2016 – September 2016).
- 1.2 It focuses on the key delivery milestones, finances invested into the Deal and draws out any risks and emerging issues.

2.0 Recommendation

- 2.1 The Stewardship Board and Executive are recommended to:
 - 2.1.1 Note the content of the report and the progress made in quarter 1 and quarter 2

3.0 HCA Site Highlights 2016/17 (April 16 to September 16)

- 3.1 The HCA have secured additional resource to help focus on land projects which has resulted in positive progress on being made on a number of sites over the first two quarters of 2016/17.
- 3.2 There have been a significant number of milestones achieved this year most notably:



CITY DEAL

Preston, South Ribble & Lancashire

3.3 Preston

- **April:** Cottam Hall Phase 2 (Story Homes) formally commenced on site with the first of their 283 unit scheme.
- **May:** HCA were unable to successfully complete negotiations with Morris Homes on at Whittingham Hospital phase 2. HCA are now in the process of agreeing a new delivery strategy for this phase. Taylor Wimpey completed c12 new homes at Phase 1.
- **June:** Cottam Hall Phase 2, Story Homes completed first dwelling ahead of schedule and confirm that they already have a prospective purchaser lined up.
- **July:** Cottam Hall Site K, Barrett Homes completed 55 new homes on site, with just over half of the 104 new homes now delivered. 47 sales were completed by the end of July.
- **August:** Eastway, HCA and Story Homes complete a deal for 300 new homes resulting in a grant payment of £1.33m being made to LCC.

On Cottam Hall Phase 2, Story Homes have completed 8 dwellings and are ahead of schedule and encouraged by the sales interest.

- **September:** Story Homes formally commenced on site at Eastway and Morris Homes are due to submit the reserved matters application for Cottam Hall Phase 3 for 119 new homes by the end of the month.

3.4 South Ribble

- **April:** Miller Homes commenced on site at Croston Road South and the Brindle Road site was completed with 46 new homes being delivered. This is the first HCA site to be completed since the City Deal commenced and is a great achievement.
- **June:** The first HCA grant payment of £504k was made to LCC due to the site completion at Brindle Road.
- **July:** A number of challenging technical issues were resolved through positive meetings held between HCA, SRBC and LCC regarding the delivery of the spine road at Croston Road North.



CITY DEAL

Preston, South Ribble & Lancashire

- **August:** Internal HCA approval obtained to enter into the collaboration agreement with Taylor Wimpey at Pickering's Farm.
- **September:** Altcar Lane. The outline planning permission was approved at Planning Committee for 200 new homes, including 80 Starter Homes and a condition that the developer includes a range and training opportunities throughout the construction of the site. Altcar Lane will be one the first HCA sites to be delivered via Direct Commissioning.
- Pickering's Farm: A positive meeting was held with Network Rail regarding the bridge matters and road alignment. Technical Studies to support the site Master planning work are to commence shortly.

4.0 HCA Investment into the City Deal

4.1 In June 2016, a key milestone was achieved with the HCA making the first grant payment of £504,000 from the Brindle Road site to City Deal.

4.2 Due to the volume of activity on multiple HCA sites, the second grant payment of £1,330,623 followed shortly after in August from the Eastway site. This was accompanied by two loan payments totalling £1,754,587 loan for the year to date. This brings total HCA investment¹ in the first two quarters of 2016/17 to £3,589,210.

4.3 This recent investment takes the HCA's total loan payment to date to just over £14m with grant payments now totalling £1.8m (See table 1 below).

Total	Receipt	Loan (£)	Grant (£)	Total (£)
2016/17 (to 30.9.16)	£4,474,560	£1,754,587	£1,834,623	£3,589,210
2016/17 Forecast	£11,284,299	£5,135,390	£5,931,029	£11,066,419
Total to 30.9.16	£10,940,355	£14,161,928	£1,834,623	£15,996,551

Table 1: HCA investment into City Deal

4.4 The HCA has now secured deals with developers with contracted receipts totalling £44.9m. These completed deals will result in the investment of £22.5m grant and £18.7m of loan into the City Deal.

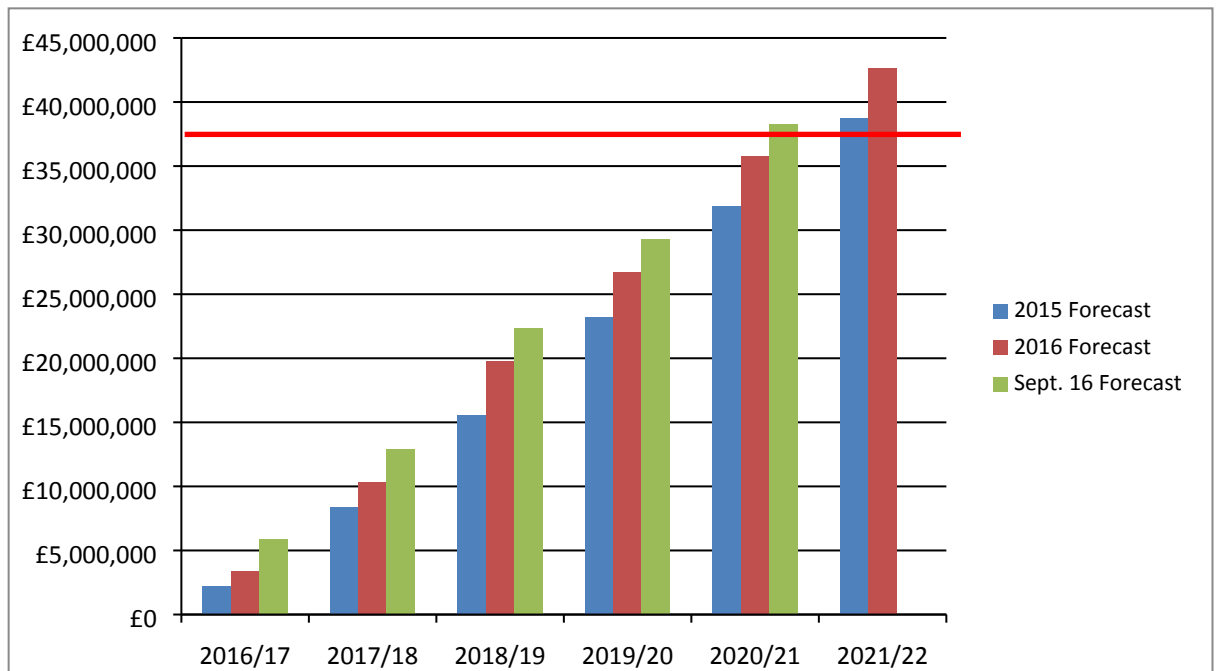
¹ HCA Investment in the City Deal is triggered by the disposal of HCA land and is paid from the receipts of HCA sites. Each disposal triggers a short term recoverable loan (12 months) which amounts up to baseline book values (as of March 2013). Amounts received above baseline book values will be invested as non-recoverable grant (capped at a total £37.5m).



CITY DEAL

Preston, South Ribble & Lancashire

- 4.5 Strong market activity, particularly in Preston East, has led to an increase in the forecast receipt on one site. As a result of this, it is expected that there will be a significant grant payment which should see the £37.5m 'grant cap' being achieved in 2020/ 21, more than a year earlier than originally forecast (see graph below).



Graph 1: HCA cumulative grant investment into City Deal

- 4.6 As we have disposed of sites, we have been working closely with our internal finance and legal colleagues to ensure the payment process in the Funding Agreement (FA) is followed correctly. As part of this detailed work, it has become evident that on some of the more complex sites there are a number of minor errors contained within Schedule 3 of the FA which now need rectifying.
- 4.7 We have sought internal legal advice which has confirmed this is a rectification of inaccurate information. The changes relate to boundary errors, map legends and base values. The impact of these corrections will result in a small reduction in loan payable of £221,349 on one site (Preston East Sector D), but as a result, increase the grant payment attributed to this site by over £1m. This will result in the £37.5m cap being achieved at an earlier date. This issue has been raised at IDSG and will be worked through by officers to resolve. HCA have approved these rectifications and confirm that DCLG approval is not required due to the nature of the minor corrections being made.



CITY DEAL

Preston, South Ribble & Lancashire

5.0 Risks and Emerging Issues

- 5.1 New homes and the subsequent investment from the HCA's 11 sites are fundamental to the successful delivery of this 10 year Deal. We are currently working with a consultant partner on a commission to undertake sensitivity testing to identify the potential implications of broader economic trends on our financial forecasting. This will be used to inform on delivery strategies to maximise receipts and deliver across the City Deal area.
- 5.2 The HCA are continuing to explore new delivery approaches and have identified Altcar Lane for Direct Commissioning and are considering this approach on other City Deal sites. Starter Homes schemes are being worked up with LA partners which could bring new sites into the Deal and help maximise delivery on HCA sites.
- 5.3 Finally the HCA are encouraged by the continued demand and interest in our Central Lancashire land holdings. The local area continues to be a very active housing market and recent soft market testing on HCA sites has resulted in positive feedback. On recent tenders, bidders both on and off our developer panel have registered strong interest in our sites.
- 5.4 **Broader HCA City Deal Activity**
- 5.5 As well as working in partnership on the 11 HCA City Deal, the HCA are engaged in a number of projects across the City Deal area. HCA is actively promoting Starter Home opportunities through the City Deal expression of interest process and actively seeking to acquire privately owned sites to affectively deliver Starter Homes throughout the area. The Malting's (South Ribble) planning application is to be presented at the Planning Committee in October and will be the first Starter Homes site in the North West.
- 5.6 The HCA are working with partners to support the delivery of the Cuerden Strategic Site and Walton Park Link Road. Both these projects will deliver important infrastructure and open up key development sites within the City Deal area.
- 5.7 Finally the HCA are working with partners to maximise and expand potential residential delivery within the Housing Zone which will further improve governance arrangements and resources to facilitate this work.