



CITY DEAL

Preston, South Ribble & Lancashire

CITY DEAL EXECUTIVE AND STEWARDSHIP BOARD

Private and Confidential: No

Friday, 18 November 2016

Business and Delivery Plan - Year 3 Qtr. 2 Finance Report – 2016-17

Appendix 'A' refers

**Report Author: Sarah Parry, Tel: 01772 530615,
sarah.parry@lancashire.gov.uk**

Executive Summary

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.

Recommendation

The City Deal Executive and Stewardship Board are asked to note the report.

Background and Advice

Position of the model as at 30th September 2016

The monitoring report for quarter 2 2016-17 is appended to this report.

The model is currently showing a projected surplus over the city deal period of £2.152m compared to a position as reported in the Quarter 1 report to 30 June 2016 of surplus of £1.761m. This is a change of £0.390m.

All the changes relate in the main to forecasts in housing numbers within the model and assumptions of which houses will attract Community Infrastructure Levy (CIL), the contribution payable to parishes and known s106 payments made.



CITY DEAL

Preston, South Ribble & Lancashire

Key issues raised by 30 September 2016

As part of the Resources Review Keppie Massie are advising on the assumptions made at the outset of the Deal with specific regard to the “other developer contributions” stream which includes s106 payments. Furthermore the councils continue to work together to ensure there is a shared and common interpretation of the binding Heads of Terms which compel the partners to maximise the value of developer contributions. It is apparent through this work that there are some instances whereby the proposed “projects” for which s106 payments have been secured through the planning process do not form part of the City Deal infrastructure model expenditure proposals within the City Deal.

Further work is ongoing on these matters to resolve the potential for the model to be compromised where a S106 has been agreed for a specific item that doesn't link to an agreed expenditure line in the model. This piece of work is ongoing and the impact will be reported in the next quarters report.

This period's report shows the impact on the infrastructure model of the instalment policy adopted in each district for CIL payments. Previous models have shown the CIL payable on housing to be in line with the build out rates on the developments, as developments are approved at planning the CIL is now modelled as the payments will fall due, this has reduced the cash flow maximum in year 6 from 80.393m at Qtr. 1 to 64.047m in Qtr. 2. This will further improve as unnamed sites are identified and start dates identified.

Key risks to the model

Resources

Whilst most of the income to the model is fixed in commitment or capped amounts the main risk (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) 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 £102.877m after building in increased rates and the modelling of those sites / units which will attract CIL and other contributions. £18.531 of this is now 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 £102.877m there is also £50.863 which relates to “other developer contributions”, sometimes referred to as CIL Plus, and which includes monies payable through, for example, section 106/ 278 agreement. It should be noted that to date £32.830m 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



CITY DEAL

Preston, South Ribble & Lancashire

forecasts will not remain aligned. The issues relating to the agreed s106/s278 monies and the linking to delivery schemes is addressed above and is the subject of ongoing work. As part of the ongoing Resources Review Keppie Massie are testing all the assumptions relating to developer contributions within the model.

Expenditure

In this period Broughton Bypass has been identified as requiring more funding allocation and this was agreed to be taken from the CIL inflation provision line – this is now reflected in the model.

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.