

REPORT TO	DATE OF MEETING
Cabinet	8th July 2013

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
City Deal : Progress Report	Leader and Strategic Planning and Housing	John Dalton	

SUMMARY AND LINK TO CORPORATE PRIORITIES

The report sets out progress that has been made with the City Deal bid since the Council agreed to support the submission of an Expression of Interest (EOI) to the Government jointly with the Lancashire Enterprise Partnership, the County Council and Preston City Council in January this year.

The EOI was to be entered into a competitive process with 19 other city areas, and it was expected that some 14 or so would be selected for further discussion. However, the Deputy Prime Minister announced in February that all 20 invited cities would progress to the next round and on this basis Preston City deal partners were asked to develop the proposal for submission in more detail and further consideration by Government. This work has been on-going for some time and a point has now been reached where the principles of the City Deal need to be agreed by partners.

The focus of the Preston City Deal proposals was to gain additional Government support and assistance for a series of infrastructure investments which would help deliver the development proposed in the South Ribble Site Allocations Local Development Framework (LDF). The infrastructure proposals themselves have already been set out in the approved County Council's Central Lancashire Transport and Highways Masterplan. As the proposals have been developed this focus has been maintained although the financial obligations on the partners including the Council have changed. The City Deal proposals including transport and local infrastructure, financial details and risks as well as governance arrangements are outlined in more detail in the main body of the report.

The report concludes that City Deal proposals represent an opportunity to provide significant impetus to economic growth and prosperity within South Ribble, Preston and across Lancashire. The potential rewards of the long term, co-ordinated planning and investment in infrastructure and housing will impact on the sustainability of the local economy. The City Deal provides unique opportunity for private and public sector to work together to bring about transformational change.

The City Deal proposal supports all the priorities identified in the Council's Corporate Plan, but in particular strengthens the priority of a Strong South Ribble in the heart of a prosperous Central Lancashire.

RECOMMENDATION

That the Cabinet:

1. confirms its support for the principles of the Preston & Lancashire City Deal submission as set out in this report;

Subject to the agreement of the above recommendation, then Cabinet:

2. authorises the Chief Executive, in consultation with the Leader of the Council and the Cabinet Member with responsibility for Strategic Planning and Housing, to negotiate and finalise with partners the terms of the City Deal; and
3. confirms that the City Deal terms as negotiated will be the subject of further reports to Cabinet and ultimately Council approval.

DETAILS AND REASONING

Background

Members will recall that the Council supported an Expression of Interest (EOI) for Preston City Deal proposals as presented in January this year. The EOI was to be entered into a competitive process with 19 other city areas, and it was expected that some 14 or so would be selected for further discussion. However, the Deputy Prime Minister announced in February that all 20 invited cities would progress to the next round and on this basis Preston City deal partners were asked to develop the proposal for submission in more detail and further consideration by Government. This work has been on-going for some time and a point has now been reached where the principles of the City Deal need to be agreed by partners. Whilst this is only an agreement in principle and is still subject to the final detail of the City Deal being satisfactorily agreed, it obviously becomes more difficult to withdraw from the process after progressing through this key stage.

The focus of the Preston City Deal proposals was to gain additional Government support and assistance for a series of infrastructure investments which would help deliver the development proposed in the South Ribble Site Allocations Local Development Framework (LDF). The infrastructure proposals themselves have already been set out in the approved County Council's Central Lancashire Transport and Highways Masterplan. Overall the intention is to improve access to and between Preston city centre, a series of key economic and housing development nodes and linking with the strategic Enterprise Zone sites of Samlesbury and Warton. Most of the proposed investment would be concentrated on a ring of infrastructure improvements to the North and West of Preston, south of the River Ribble and in the city centre.

It was estimated that investment in such infrastructure would facilitate economic and housing development and release around 23,000 additional jobs, 15,000 new homes and a GVA uplift of nearly £1 billion over a 10 year period. There would be a minimum of £500m in leveraged private investment.

The vehicle for delivery of investment would be through the establishment of a new Development and Infrastructure Investment Fund which would match existing partner contributions, including local authority capital programme and transport funds, Community Infrastructure Levy (CIL) and S106 contributions from developers, Homes & Community Agency (HCA) assets, pension fund investment and potential use of New Homes Bonus and Business Rates uplift against the "bending" of existing government funding. There was also the potential to lever in additional private sector investment and to draw down additional ERDF monies under the new programme from 2014 onwards.

Subsequently the proposals have been both developed and refined following further discussion particularly with Department for Communities and Local Government (DCLG), Treasury, Department for Transport (DfT) and Cabinet Office. The stage has now been reached where the Council needs to consider the proposals as currently drafted with a view to confirming the principles set out, albeit recognising further detailed discussions on the signing of formal agreements remains to be finalised. This will require further consideration and approval from the Cabinet and Council. Government officials have also been charged with finalising the proposals, with the Preston and Lancashire City Deal likely to be the first Wave 2 City Deal to be agreed. Indeed, subject to the Council's confirmation, as well as that of the County Council (anticipated 8th

July) and Preston City Council (anticipated 4th July), Government is aiming to agree the Preston and Lancashire City Deal before Parliament breaks for the summer recess on 18 July.

City Deal Proposals

1. Infrastructure Delivery Programme and Investment Fund

To ensure the proposed scale of economic growth and private sector-led development can be delivered, City Deal partners will work with Government to establish an Infrastructure Delivery Programme and Investment Fund.

Worth almost £450m, the City Deal Infrastructure Delivery Programme and Investment Fund will act as a catalyst for economic development and housing sites in the City Deal area, with the DfT, Homes and Communities Agency (HCA) and Lancashire Pension Fund investments key elements of the Fund. The City Deal Infrastructure Delivery Programme, at almost £350m, will accelerate the delivery of critical infrastructure by at least 7-years, ensuring the delivery of the Central Lancashire Transport Masterplan, which, in turn, enables the full development of significant housing and commercial development schemes as set out in the adopted Central Lancashire Core Strategy and the South Ribble Site Allocations LDF. This includes four major highway schemes, namely the Preston Western Distributor, South Ribble Western Distributor, Broughton Bypass and Penwortham Bypass, and the necessary local community infrastructure such as education and health facilities, open spaces and town and district centre improvements (such as Penwortham, Tardy Gate and Leyland) all of which will be required to support the scale of such ambitious development.

The respective financial commitments proposed for the three City Deal authorities, Government and private developers are set out in detail in the tables and charts at Appendix 1.

Given the importance of the funding generated by New Homes Bonus, as a function of the growth secured by the Infrastructure Delivery Programme, the City Deal agreement will require Government to replace this funding source with an alternative should this national financial instrument be abolished or its central purpose changed.

In addition, the City Deal Investment Fund, which consists of a £100m local allocation from the Lancashire Pension Fund, will be co-invested on a commercial basis in housing and development schemes in the City Deal area. The £100m allocation is a new venture by the Lancashire Pension Fund.

2. City Deal 'Asks' or requests from Government

The City Deal proposal focuses on three key asks from Government: the establishment of a City Deal Stewardship Board; an 8-year Local Major Transport Allocation; and a new junction on the M55.

3. City Deal Stewardship Board

The HCA has established stewardship arrangements in a number of its Operating Areas and cities. Given the cluster of the HCA's assets in Preston and South Ribble, there is a strong case for similar arrangements in the City Deal area.

The Stewardship Board would have responsibility for guiding the disposal of HCA assets in the City Deal area and would set priorities and ensure alignment with wider City Deal economic and housing growth objectives.

The Stewardship Board would be chaired by the HCA's Executive Director for the North West and would also include the three City Deal local authority Chief Executives and is a key requirement to ensuring the expenditure of HCA/DCLG receipts within the City Deal area.

City Deal partners would work with Government to ensure these arrangements are operational at the time of the next Comprehensive Spending Review, with effect from 2015/16.

4. 8-year Local Major Transport Allocation

DfT has already announced a four-year indicative allocation for its Local Major Transport resources for Lancashire. Building on this allocation of resources, the City Deal proposal requests that an 8-year allocation is agreed.

Transport for Lancashire (TfL), chaired by the Leader of the County Council and on which DfT has observer status, will oversee the allocation of these resources on deliverable schemes which generate maximum economic benefit to the sub-region.

At its first meeting on 30th May, TfL confirmed its support for an 8-year Local Major Transport Allocation, as part of the City Deal proposal, and for the four highway schemes included in the proposal.

City Deal partners also agree that any offer of an allocation should be subject to TfL fully discharging its responsibilities with regard to independent scheme analysis, and agreeing a priority schemes schedule within an over-arching assurance framework.

At the scheduled 1st July meeting of TfL, the Board considered and agreed the principles for the prioritisation of the infrastructure schemes, a key 'Ask' of Government.

5. New Junction on the M55 (near Bartle)

A critical City Deal infrastructure element is the provision of a Junction on the M55, near Bartle, which the Highways Agency (HA) has always anticipated may be required should economic growth proposals materialise.

City Deal partners have engaged the HA and agreement in principle has been reached, subject to the processes which govern delivery of major scheme enhancements to the trunk road network. It is agreed that now is the time to advance this proposal to unlock the development potential of the area.

The City Deal proposal therefore asks DfT to recognise the importance of the proposed new junction on the M55 in supporting growth and to support a collaborative approach to its delivery.

6. New Ribble Bridge

Beyond the City Deal period it is proposed that the new and enhanced road infrastructure will be completed by a new bridge across the River Ribble. The bridge will optimise the connection between employment and housing opportunities. It will significantly improve access by local residents and the wider communities in Lancashire to employment opportunities on the west and east of the river, as well as providing the necessary contingency to M6 motorway restrictions and closures particularly between junctions 29 and 32. The City Deal proposals include provision for the advance design and feasibility work to allow for such a bridge to be progressed immediately after the City Deal has finished.

7. Delivery and Implementation Plan

Following the *positive reaction received* from the Ad Hoc Ministerial Committee of Cabinet and Government's ambition to finalise the Preston and Lancashire City Deal before the Parliamentary recess in July, Cabinet Office has asked City Deal partners to produce a Delivery and Implementation Plan (DIP).

This next phase of the City Deal process recognises that negotiations may continue on some issues, albeit within the 'spirit' and in accordance within the principles of what has been agreed to date between City Deal partners and Government.

The DIP will be a key document for demonstrating early success and momentum, as well as key issues, and will be used as the basis for monthly updates to the Deputy Prime Minister, the Minister for Cities and Sir Bob Kerslake, as Head of the Civil Service.

The DIP is intended to be a relatively short-term document in lifespan, 6 to 9 months, and will provide the operational framework to ensure City Deal delivery commences in April 2014. On this basis, it is viewed by Government as a simple and clear contractual document and will include all actions which Government and City Deal partners have negotiated upon and committed to delivering, including the financial contributions of Government Departments and City Deal partners. Key actions and milestones from the DIP are set out in Table 2, which is attached at Appendix 2.

Governance Arrangements

The Lancashire Enterprise Partnership (LEP) was established in April 2011 and is operating successfully as the vehicle for private public sector leadership and leverage needed to deliver strategic economic change in Lancashire. It is within this context that partners have agreed the LEP framework should be responsible for the governance and delivery of the City Deal.

The County Council, Preston City Council and South Ribble Borough Council have expressed agreement the LEP should provide the governance structure for the City Deal. The settled and unanimous support of all councils involved in the delivery of the City Deal, as well as the support of all others across the sub-region, helps to demonstrate the initiative can deliver major benefits for the whole of Lancashire.

The proposed governance structure is set out at Appendix 3. Only the City Deal Executive and Stewardship Board elements of the proposed arrangements are yet to be fully established and these will be finalised over the summer, subject to concluding City Deal negotiations with the HCA. The roles and responsibilities of the existing Joint Advisory Committee, with regard to City Deal, will also be reviewed and defined over the summer period.

It is proposed that the City Deal Executive will take all key decisions, but will be accountable to the main LEP Board. It will be chaired by the Chair of the LEP, with support from the LEP's Vice-Chair and the private sector Board Champion for Strategic Development. The Leaders of the County Council, Preston City Council and South Ribble Borough Council will also be represented on the Executive. The Chief Executive of the County Council will be the secretary to the group.

The Stewardship Board will be accountable to the LEP, via the Executive. However, these Board arrangements can only be finalised once City Deal negotiations are completed with the HCA, which has its own governance and financial accountability requirements to satisfy. However, on-going discussions with senior HCA representatives regarding the City Deal model have been highly positive and helped to shape this key requirement of Government.

It is envisaged that the HCA's Executive Director for the North West will chair the Stewardship Board, with the rest of Board comprising the Chief Executives of the three City Deal local authorities alongside the LEP's Board Champion for Strategic Development.

The City Deal governance structure demonstrates robust arrangements are in place, with an agreed balance between private sector leadership and local authority accountability. These governance arrangements will enable key City Deal decisions on economic development, strategic transport, planning and investment to be taken by the right decision-makers.

In the Lancashire context, there is both a strategic and pragmatic sense in locating the governance arrangements of the City Deal within those of the LEP. By adopting this approach, the City Deal will have accountable and binding governance arrangements, which are strengthened by the full commitment of key partners in Lancashire, including the three upper tier/unitary authorities of the County Council, Blackpool and Blackburn with Darwen.

Way Forward

City Deal partners will continue to work with Government to conclude City Deal negotiations in advance of the summer Parliamentary recess and in developing the DIP, both of which will remain consistent with the original EOI submitted to Government in January.

It is recognised by both Government and City Deal partners that the City Deal offers a real opportunity for national and local partners, with a clear understanding of the relationship between economic growth and critical infrastructure, to work together within robust, binding and innovative new governance arrangements.

Importantly, it provides an opportunity to deliver local economic growth of national significance whilst also providing the private sector with the confidence that the public sector is fully and financially committed to a long-term investment strategy.

The leadership and commitment demonstrated by the three City Deal authorities and the LEP Board also positions Lancashire, nationally, as a place that can create the conditions for growth on the ground. The area's hard fought reputation as a leading location for advancing economic change will be highly valuable as the LEP starts to work with Government to agree a Growth Deal for Lancashire, as part of the new Single Local Growth Fund. The City Deal is clearly central to future joint planning with Government on key economic, transport and housing priorities.

Conclusions

The City Deal represents an opportunity to provide significant impetus to economic growth and prosperity within South Ribble, Preston and across Lancashire. The potential rewards of the long term, co-ordinated planning and investment in infrastructure and housing will impact on the sustainability of the local economy. The City Deal provides unique opportunity for private and public sector to work together to bring about transformational change.

As is noted earlier in the report both Preston City Council and the County Council are considering similar reports to confirm their respective roles and commitment in the City Deal proposals.

Further reports will be presented to Cabinet and Council on the progress and development of the Preston City Deal.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

The financial inputs from South Ribble are as follows:-

Existing Staffing

It is anticipated that staffing resource estimated at £1.53m over the ten year period will be required to support the City Deal. This resource will be in respect of work by a combination of officers from Regeneration, Planning, Finance, Legal and others. This work will largely be undertaken by existing officers and as such, at this stage, no new resource is required.

New Homes Bonus (NHB)

Under the City Deal proposal the Council will contribute New Homes Bonus (NHB) received in respect of new houses built in the Borough for the duration of the City Deal. The contribution will range from 50% - 100% of NHB taking into account the degree of influence the City Deal proposals have on accelerating the various housing development sites across the Borough. This commitment does not have any impact on the current budget forecast as the estimates for NHB are in respect of previously built properties which will remain outside the City Deal fund. Going forward the net impact of NHB contribution to the City Deal is offset in the round by the benefits of the deal. These include amongst others, rising Council Tax Receipts (net of direct additional costs for greater service demands such as Refuse Collection etc.)

Community Infrastructure Levy (CIL)

Subject to the Council confirming the arrangements governing the overall administration of CIL, the City Deal proposal assumes a proportion CIL receipts will support the major Infrastructure Delivery Programme. Provision has been made within the estimates to cover the statutory payments which are payable to the Parishes together with allowances for the provision of local community infrastructure such as education and health facilities, open spaces and town and district centre improvements. The Council is committed to working with the parish/town councils to use any CIL receipts to deliver the aims of the City Deal but the final decision rests with the individual parishes.

National Non-Domestic Rates (NNDR)

The financial commitment for the Council is that NNDR growth generated by the designated sites in the City Deal will support the Infrastructure Deliver Programme. This proposal on its own would have brought significant risk to an element of the Council's core funding, for which the basis of calculation is still settling down after changing markedly this year. In simple terms the risks are that existing enterprises may relocate to the new builds and consequently the Council would be faced with contributing NNDR to the City Deal despite no real increase in NNDR and that, within the national Formula Grant distribution system, the Government may then have redistributed the NNDR growth by reducing other elements of the Grant for South Ribble.

To remove this risk the partners have agreed in principle to a system of compensation which includes "floors and ceilings". This will effectively protect this Council from a reduction in NNDR due to City Deal contributions.

FINANCIAL

LEGAL	<p>Stewardship Arrangements</p> <p>It is intended that Stewardship arrangements will be established with the primary purpose of guiding the disposal of HCA assets.</p> <p>Governance Arrangements</p> <p>The full details of the Governance and legal arrangements are still be finalised with the relevant parties.</p>
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RISK	<p>Financial Risks</p> <p>In financial terms the City Deal is conceptually simple. A range of income streams generated for the various participating organisations through development are pooled in order to facilitate this development through the delivery of the transport infrastructure that makes the development possible.</p> <p>While conceptually simple such an arrangement creates a range of specific financial risks for the County Council, which will in effect be the "managing agent" for the delivery of the whole City Deal, given that it will be the contracting party for the delivery of the transport infrastructure.</p> <p>This "managing agent" status, and the fact that the County Council as the largest local participant needs to stand behind the cash flow profile of the deal means that the County Council is taking on significantly more financial risk exposure in ensuring the delivery of the City Deal than the other local participants. However, this risk exposure is not of a scale that is unmanageable given the overall strength of the County Council's balance sheet and its credit rating.</p> <p>The proposed financial commitments outlined above have been modelled over the 10 year life of the City Deal. The current assumptions will of course change over the life of the City Deal. However, given it is proposed that the Council will only pay over monies from the various funding streams as they are received, the only major risk issues that will directly result from City Deal are the speed and timing of new development on future Council Tax revenues and changes in the cost of the basic services to those properties. This will be modelled in further detail as the City Deal negotiations are concluded. All other major financial risks fall to the County Council.</p>
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THE IMPACT ON EQUALITY	None.
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OTHER (see below)

<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>

<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>
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BACKGROUND DOCUMENTS

EOI Cabinet Report January 2013
South Ribble Site Allocations LDF
Central Lancashire Transport and Highways Masterplan

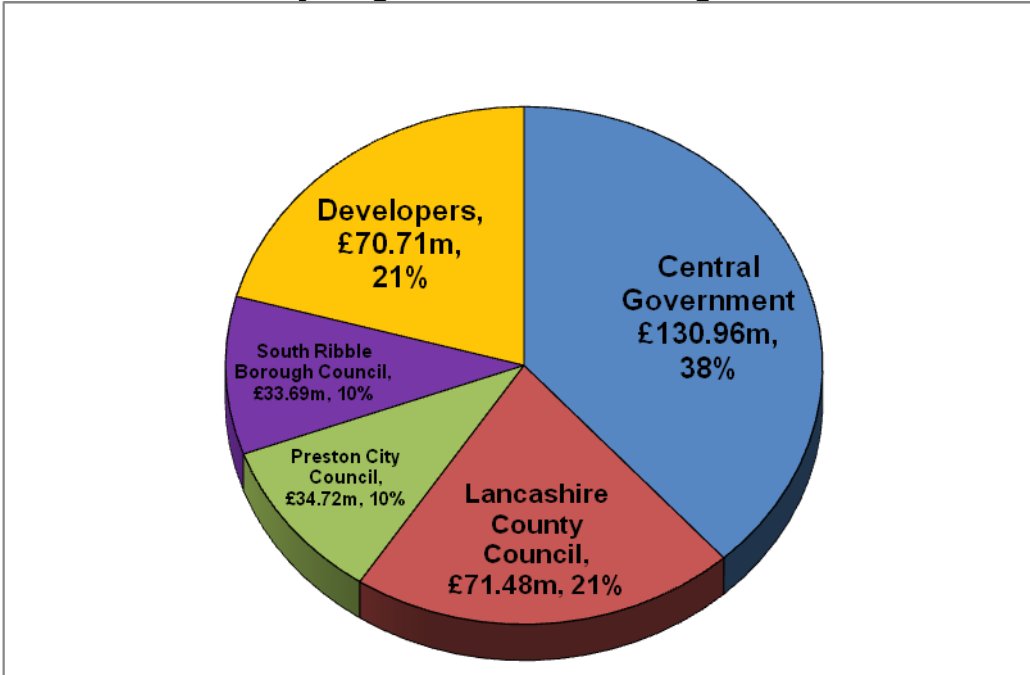
TABLE 1 – Infrastructure Delivery Programme – Funding Sources

City Deal Infrastructure Delivery Programme – Funding Sources

Source	Contribution
Central Government	£130.96m
Lancashire County Council	£71.48m
Preston City Council	£34.72m
South Ribble Borough Council	£33.69m
Developers	£70.71m
Total City Deal Funding	£341.56m

Source	Contribution
Central Government	
<i>Homes and Communities Agency – Land Receipts</i>	£50.76m
<i>Homes and Communities Agency - Revenue Contribution</i>	£1.00m
<i>Department for Transport – Local Major Allocation</i>	£72.00m
<i>Highways Agency - Pinchpoint Funding for Broughton/ M55/ M6 Delivery Programme</i>	£7.20m
<i>Total Central Government</i>	£130.96m
Lancashire County Council	
<i>Capital Investment Programme</i>	£14.40m
<i>Route Management and Gateway Improvement</i>	£25.00m
<i>Land Receipt</i>	£0.80m
<i>New Homes Bonus</i>	£12.95m
<i>LCC Revenue Contribution and Financing</i>	£16.93m
<i>European Regional Development Funding</i>	£1.40m
<i>Total Lancashire County Council</i>	£71.48m
Preston City Council	
<i>Business Rate Retention at Strategic City Deal Locations</i>	£5.14m
<i>New Homes Bonus</i>	£28.05m
<i>Revenue Contribution</i>	£1.53m
<i>Total Preston City Council</i>	£34.72m
South Ribble Borough Council	
<i>Business Rate Retention at Strategic City Deal Locations</i>	£4.35m
<i>New Homes Bonus</i>	£27.81m
<i>Revenue Contribution</i>	£1.53m
<i>Total South Ribble Borough Council</i>	£33.69m
Developers	
<i>Community Infrastructure Levy and Associated Funding Structures</i>	£41.1m
<i>Other Developer Contributions</i>	£29.60m
<i>Total Developers</i>	£70.71m
Total City Deal Funding	£341.56m

Infrastructure Delivery Programme – Total Funding Breakdown



Infrastructure Delivery Programme – LCC Funding Breakdown

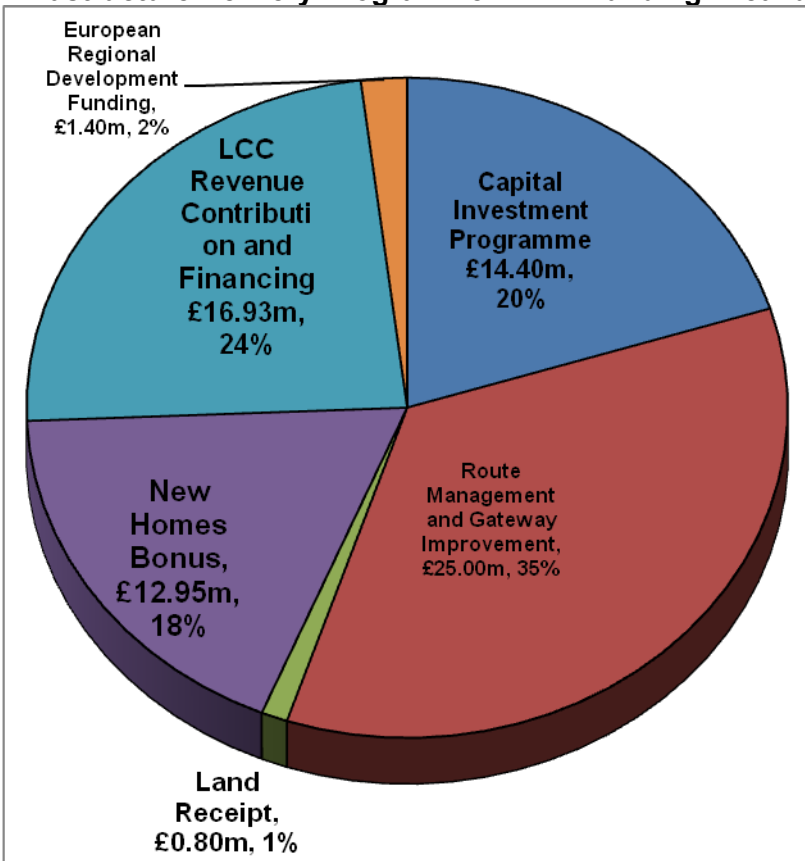


TABLE 2 – CITY DEAL ACTIONS AND MILESTONES

ACTION	OWNER	TIMELINE
LEP Board's roles and responsibilities in relation to Preston City Deal: Agreed	PCD local partners / LEP	November 2013
First meeting held, Terms of Reference: Agreed	PCD Executive	October 2013
2014-15 Preston City Deal Infrastructure Delivery Programme Plan: Approved	PCD Executive	March 2014
First Meeting of JAC re City Deal: Held	Joint Advisory Committee	December 2013
LCC / Developer Legal Agreement for Preston City Deal Value Capture Mechanism: Certified	LCC / LPAs	December 2013
3 Council Preston City Deal Legal Agreement to pool NHB / CIL / NNDR: Agreed and Signed	LCC / PCC / SRBC	December 2013
Section 151 Officer Preston City Deal Infrastructure Delivery Programme: Approved	LCC/SRBC/PCC	December 2013
Final Route Definition: Confirmed	LCC	February 2014
2014-15 Preston City Deal Infrastructure Delivery Programme Plan: Approved	PCD Executive / PCD Stewardship Board	March 2014
2014-15 Preston City Deal Business and Disposal Plan: Approved	PCD Executive / PCD Stewardship Board	March 2014
Modification of LEP Investment Panel to include member of Lancashire County Pension Fund Investment Team: Completed	LEP	October 2013
Preston City Deal Delivery Investment Fund: Launched	LEP / LCPF	June 2014
Stewardship Board Terms of Reference: Agreed	PCD Stewardship Board	September 2013
Preston City Deal Stewardship Board Agreement: Signed	PCD Stewardship Board	December 2013
2014-15 Preston City Deal Business and Disposal Plan: Agreed and Recommended for Approval by National HCA Board	PCD Stewardship Board	March 2014
2014-15 Preston City Deal Infrastructure Delivery Programme Plan: Endorsed	PCD Stewardship Board	March 2014
Transport for Lancashire Local Major Scheme priorities: Approved	TfL	July 2013

