

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
Cabinet	02/04/14

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<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
<b>Preston, South Ribble and Lancashire City Deal – 2014/15 Implementation (Appendices A,B,C D attached)</b>	Leader	Denise Johnson	8

## SUMMARY AND LINK TO CORPORATE PRIORITIES

The Preston, South Ribble and Lancashire City Deal (City Deal) was signed by the Lancashire Enterprise Partnership (LEP), South Ribble Borough Council, Preston City Council, Lancashire County Council and Central Government in September 2013.

The City Deal agreed with Government, accelerates the agreed Central Lancashire Site Allocation Local Development Framework to a ten year period in South Ribble and Preston. For South Ribble it brings forward major highway improvements and town and district centre improvements for Penwortham, Leyland, Bamber Bridge and Tardy Gate as well as support for green spaces and leisure. It builds on the strong economic performance of the area over the last ten years and will help to ensure that the City Deal area continues to grow by addressing strategic transport infrastructure and development challenges and delivering new jobs and housing across the City Deal area.

The signed City Deal document sets out a number of commitments for each of the City Deal partners, including the LEP, the three local authorities and Central Government departments and agencies, including the Homes and Communities Agency (HCA). It incorporates these in a Delivery and Implementation Plan, which sets out the actions that partners need to undertake to ensure that the City Deal is implemented successfully from 2014/15. Since September 2013 a significant amount of work has been undertaken to complete those actions in readiness for the City Deal to begin in 2014/15.

The City Deal Executive and City Deal Stewardship Board have both been established and appropriate technical and operational delivery mechanisms have been put in place.

Lancashire County Council is the accountable body for the City Deal and is now in a position to establish the City Deal Infrastructure Delivery Fund (IDF). The financial principles relating to the flow of funds into the IDF are appended to this report for approval.

An Infrastructure Delivery Plan for 2014/15 has been drafted by the partners and will be presented for approval to the City Deal Executive in April 2014.

A Stewardship Board Agreement and a Business and Disposal Plan for 2014/15 have been drafted by the HCA and will be presented to the City Deal Stewardship Board in May 2014 for approval.

The Preston, South Ribble and Lancashire City Deal supports the Corporate Priority Strong South Ribble in the heart of a prosperous Central Lancashire.

## **RECOMMENDATIONS**

That Cabinet:

- a) Note the progress made to ensure the City Deal can be implemented from 2014/15;
- b) Approves the draft City Deal Infrastructure Delivery Plan.
- c) Approves the principles of the Stewardship Board Agreement which will be considered by the City Deal Stewardship Board in May 2014;
- d) Approves the operating principles for the establishment of the City Deal Infrastructure Fund and Heads of Terms regarding fund flow between the three Councils.
- e) Approve the Chief Executive, in consultation with the Leader and the Cabinet Member for Strategic Planning and Housing, be given delegated powers to agree any subsequent changes of wording to the Heads of Terms prior to signing by the three councils
- f) Approve the Chief Executive, in consultation with the Leader and the Cabinet Member for Strategic Planning and Housing, be given delegated powers to agree the formal legal agreement based on the Heads of Terms and to subsequently enter into this agreement
- g) Ask Council to approve the above at the meeting in May 2014.

## **DETAILS AND REASONING**

### **1. Introduction**

1.1 In July 2013 the Cabinet considered and approved a report supporting the then Preston and Lancashire City Deal submission. In September 2013 the Preston, South Ribble and Lancashire City Deal was signed by the Lancashire Enterprise Partnership, South Ribble Borough Council, Preston City Council, Lancashire County Council and Central Government, the first of the Wave 2 City Deals to be signed.

1.2 The City Deal agreed with Government builds on the strong economic performance of the area over the last ten years and will help to ensure that the City Deal area continues to grow by addressing strategic transport infrastructure and development challenges to deliver new jobs and housing across the City Deal area.

1.3 Over a ten-year period the City Deal will generate:

- More than 20,000 net new private sector jobs, including 5,000 in the Lancashire Enterprise Zone;
- Nearly £1 billion growth in Gross Value Added (GVA);
- 17,420 new homes; and
- £2.3 billion in leveraged commercial investment.

1.4 The City Deal will align public and private sector resources to enable the significant investment in strategic highway and community infrastructure which is required to support the significant housing and employment growth in the area.

1.5 At the July Cabinet meeting it was approved that the Chief Executive be authorised, in conjunction 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 deal. It was also approved that the City Deal terms be subject to Cabinet and ultimately Council approval.

## **2. City Deal Delivery and Implementation Plan**

2.1 The final City Deal document incorporated a detailed Delivery and Implementation Plan (DIP) that set out 75 individual actions, the majority of them requiring completion by the partners prior to the City Deal being implemented, in April 2014.

2.2 The DIP actions range from establishing appropriate governance structures, putting in place suitable working arrangements, agreeing the financial mechanisms between the partners to enable the establishment of the City Deal Infrastructure Fund and confirming funding commitments from central government.

2.3 The three local authorities and the HCA have worked closely together since the City Deal was signed and have made significant progress in completing many of the required actions, particularly in relation to strategic and operational governance.

## **3. Governance**

3.1 There are 4 strategic governance limbs for the City Deal, the Lancashire Enterprise Partnership, the City Deal Executive, the City Deal Stewardship Board and the Joint Advisory Committee.

3.2 The Lancashire Enterprise Partnership (LEP) provides the overarching governance for the City Deal and, at its meeting in November 2013, it approved the Terms of Reference for the City Deal Executive.

3.3 The City Deal Executive, chaired by the LEP Chair and comprising the three local authority Leaders and the Deputy Chair of the LEP and LEP Champion for Strategic Development held its first meeting in November 2013. The City Deal Executive will be responsible for taking all key City Deal decisions and for approving an annual City Deal Infrastructure Delivery Plan (IDP). The 2014/15 City Deal IDP will be considered by the City Deal Executive at its meeting in April 2014.

3.4 The City Deal Stewardship Board, chaired by the Regional Director for the HCA and comprising the three local authority Chief Executives and the LEP Champion for Strategic Development held a shadow meeting in November and will hold its first formal meeting in April 2014. The primary purpose of the City Deal Stewardship Board is to guide the disposal of the HCA assets in line with the broader housing and employment objectives of the City Deal. In addition the Stewardship Board will guide the development of a number of local partner assets set out in the City Deal. The Stewardship Board is required to approve an annual Business and Disposal Plan (BADP) for the Stewardship Board assets, and the 2014/15 BADP will be considered by the Stewardship Board at its meeting in May 2014. The Stewardship Board will also consider a Stewardship Board Agreement considered in section 5 of this report.

3.5 The Central Lancashire Joint Advisory Committee (JAC) was established in 2008 to oversee the joint preparation of a Core Strategy for Central Lancashire. The Terms of Reference for the JAC have been updated to ensure that all City Deal planning related issues are kept under review, and the three Councils have now endorsed them.

3.6 Another core element of the City Deal is the Lancashire County Pension Fund's Local Investment Allocation. The Lancashire County Pension Fund Committee has made an allocation of £150m for investment in the County of Lancashire.

3.7 In addition to the strategic governance now in place for the City Deal the local partners have agreed a number of operational and delivery mechanisms to maintain momentum, guide delivery and oversee progress. The Lancashire County Council's Chief Executive's Management Team is acting as the Project Board for the City Deal, attended by the other two Council's Chief Executives.

## 4. City Deal Infrastructure Delivery Plan (IDP)

4.1 An annual IDP is a requirement set out in the City Deal Delivery and Implementation Plan. The key purpose of the IDP is to set out the delivery programme for all the strategic highway and physical community infrastructure delivered via the City Deal. The IDP will be considered annually by the City Deal Executive and will be passed to the City Deal Stewardship Board who will use the IDP to inform the preparation of the Business and Disposal Plan.

4.2 The objectives of the draft 2014/15 IDP (at Appendix 'A') are to:

- Set out the private and public sector funding streams that contribute to the Infrastructure Delivery Fund;
- outline the highway and physical community infrastructure to be delivered in the 10-yr City Deal period and sets out in more detail those elements that will be delivered in 2014/15;
- identify the 10-year City Deal critical milestones and highlights those which will need to be met in 2014/15;
- highlight the principal risks to successful implementation of the City Deal and sets out remedies to mitigate these risks;
- summarise the communications and marketing strategy for the City Deal and set out a 2014/15 communications and marketing action plan; and
- explain the monitoring arrangements for the City Deal.

4.3 It is recognised that the 2014/2015 City Deal Infrastructure Delivery Plan will be kept under review and progress monitored. The 2014/15 IDP will be considered by the City Deal Executive at its meeting in April 2014 and Cabinet are recommended to approve the draft IDP.

## 5. City Deal Stewardship Board Agreement - Principles

5.1 The City Deal Stewardship Board Agreement is a requirement set out in the City Deal Delivery and Implementation Plan. A draft Stewardship Board Agreement has been prepared by the HCA, in consultation with the local partners. The Agreement is not legally binding and is a framework document to set out the governance, financial and monitoring arrangements for the City Deal Stewardship Board. The Agreement, which will be formally considered by the City Deal Stewardship Board in May 2014, comprises three elements:

- i) *Terms of Reference* for Stewardship Board Meetings. These set out the roles and responsibilities of the Stewardship Board and were agreed at the Shadow Stewardship Board meeting in November 2013 and are attached at Appendix 'B'.
- ii) *Memorandum of Understanding* for the treatment of HCA asset receipts. This has been drafted by the Department for Communities and Local Government (DCLG) and will be a tripartite agreement between HCA, DCLG and the County Council and sets out the mechanisms for transfer of funds between the three organisations.
- iii) *Monitoring Framework*. Submission of annual "top-line" set of monitoring indicators is a requirement of the City Deal and the partners have agreed a range of indicators which will be reported to the Stewardship Board annually for onward submission to DCLG and Cabinet Office. Further detail is set out in 5.2 – 5.3 below.

5.2 A critical component of the City Deal will be effective monitoring, required for both the City Deal partners and the range of sponsor government departments (including DCLG, Cabinet Office and Department for Transport). This key monitoring function will be performed by the City Deal Stewardship Board (SB) and a monitoring working group has been established, with the Heads of Planning from the three Councils and relevant officers from the HCA.

5.3 The Stewardship Board will receive a short (Core) and long (Supporting) list of indicators on an annual basis. The Core Output list will be reported annually to Cabinet Office and DCLG.

## **Core Outputs**

- Total number of Housing units consented for planning
- Total number of Housing units completed
- Commercial floor space consented
- Commercial floor space completed
- Jobs accommodated
- Private Sector Investment (PSI).

## **Supporting Outputs**

- Total number of Housing units submitted for planning
- Number of City Deal Housing Sites at which construction is actively taking place.
- Quantity of Commercial Floor space from identified and agreed Employment Sites submitted for planning
- Retail Vacancy Rate in city and town centres
- Number of HCA sites submitted for planning permission from those identified through City Deal
- Number of HCA sites, from those identified through City Deal, granted planning consent
- Total number of housing completions and new floor space completed on HCA sites.
- Broughton Bypass progress
- Penwortham Bypass progress
- Preston Western Distributor progress
- South Ribble Western Distributor progress
- Sustainable Transport Infrastructure completions
- Community infrastructure completions

5.4 The Stewardship Board will also be responsible for guiding the development and or disposal of a number of local partner assets, the development of which, could contribute to the economic and housing growth objectives of the City Deal. All Stewardship Board assets (presented at Appendix 'C') remain in the ownership of the existing authority and final decisions regarding development or disposal rest with the owning authority.

5.5 The HCA National Board approved the draft Stewardship Board Agreement in March 2013 and the Stewardship Board will now be asked to also approve it at its meeting in May. Cabinet are recommended to endorse the principles of the Stewardship Board Agreement.

## **6 City Deal Infrastructure Fund**

6.1 The County Council is the accountable body for the LEP, and as such is also accountable body for the City Deal. The County Council has made the appropriate arrangements to establish an Infrastructure Delivery Fund (IDF) which will ensure effective governance and financial control of the complex funding arrangements for the City Deal.

6.2 The local authorities have worked together to draft the operating principles for the IDF and the Heads of Terms (presented for approval at Appendix 'D'), which reflect these operating principles, set out the key terms upon which the three Councils will work together to achieve the objectives of the City Deal, pending the preparation of a detailed legal agreement. The terms include the financial arrangements to secure funds flow into the City Deal Fund and the monitoring information that the District Councils will provide to the County Council to ensure effective reporting. The Community Infrastructure Levy, uplift in Business Rates and New Homes Bonus arising from the relevant residential and commercial development sites will go into the City Deal Infrastructure Fund. In this respect the future South Ribble residential sites are listed at Schedule 2 to the draft Heads of Terms (Appendix D). The draft Heads of Terms also seek to encourage

parish/town councils in the City Deal area to contribute to the IDF the community infrastructure levy that may become available to them. This would enable the parish/town councils to access the cashflow and project delivery benefits from pooling resources with other partners.

6.3 Cabinet are recommended to approve the operating principles for the establishment of the City Deal IDF and endorse Heads of Terms regarding fund flow between the three Councils.

6.4 The City Deal is a dynamic and evolving programme of activity. Whilst the County Council is the accountable body for the Infrastructure Delivery Fund, it is not the sole delivery agent or funder and projects and resources will continue to be added to, or in some cases removed from the programme during the life-time of the initiative.

## 7. Conclusion

The City Deal presents a unique opportunity to deliver economic and housing growth in South Ribble. The successful negotiation of the City Deal has helped ensure that South Ribble Borough Council's corporate priority of a Strong South Ribble in the heart of a prosperous Central Lancashire is realised. The City Deal is due to commence in April 2014.

## 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.

<b>FINANCIAL</b>	<p>These are presented in the Infrastructure Delivery Plan, at Appendix 'A'.</p> <p>It is anticipated that the housing and employment growth which will be generated from City Deal will result in a significant increase in Council funding from Business Rates, New Homes Bonus and Developers' contributions (Community Infrastructure Levy).</p> <p>The City Deal commits the Council to pay the following projected additional funding into the Infrastructure Delivery Fund over the ten year period:</p> <table style="margin-left: 20px;"> <tr> <td>Business Rates uplift</td> <td style="text-align: right;">£4.350m</td> </tr> <tr> <td>New Homes Bonus</td> <td style="text-align: right;">£25.409m</td> </tr> <tr> <td>Community Infrastructure Levy</td> <td style="text-align: right;">£17.471m</td> </tr> </table> <p>This funding is only payable by the Council as and when it has been received and the amounts for Business Rates and New Homes Bonus represent aggregate cash ceilings for the identified development sites. Similarly the Community Infrastructure Levy payable is dependent on specified sites coming forward and is net of those amounts payable to parish/town councils.</p> <p>The financial arrangements and Heads of Terms set out the criteria and controls in relation to the release of these funds into the City Deal Fund.</p> <p>Under the terms of the City Deal, the Council will receive from the City Deal Fund £4.922m for community provision and to mitigate any potential financial risks. This will be paid to the Council in equal payments over the ten year period (£492,200 per annum).</p> <p>As the accountable body, Lancashire County Council will be underwriting the cashflow for the Infrastructure Delivery Fund and, subject to key review points identified within the Heads of Terms, therefore a "run-on" period beyond the initial term of the City Deal is being proposed to ensure the aggregate funding due to</p>	Business Rates uplift	£4.350m	New Homes Bonus	£25.409m	Community Infrastructure Levy	£17.471m
Business Rates uplift	£4.350m						
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	<p>the IDF continues to be received from the various development sites up to the cash ceilings referred to above.</p> <p>There are other potential financial implications as a result of City Deal, for example increases in service costs such as grounds maintenance and waste collection. Any financial implications as a result of City Deal will be identified, monitored and incorporated into the Council's budget in future years. It is anticipated that any increases in costs will be offset by an increase in Council Tax income as a result of housing growth in the Borough.</p>
<b>LEGAL</b>	<p>These are presented in the Infrastructure Delivery Plan, at Appendix 'A'.</p> <p>The Heads of Terms will be signed up to by the three Councils. The intention is this will form the basis of a subsequent legal agreement to be drawn up – in the interim the Heads of Terms will be a binding agreement.</p>
<b>RISK</b>	<p>The City Deal partners have undertaken a number of Risk Workshops and a risk analysis and mitigation measures are set out in the Infrastructure Delivery Plan. Each individual project or programme set out in the annual Infrastructure Delivery Plan will be the subject of a detailed risk analysis to be approved prior to project commencement.</p>
<b>OTHER</b>	None