

CHESHIRE EAST COUNCIL

REPORT TO: Jobs, Regeneration & Assets Overview and Scrutiny Committee

Date of Meeting: 24 October 2016
Report of: Andrew Round
Subject/Title: Performance update – Engine of the North
Portfolio Holder: Cllr Don Stockton

1.0 Report Summary

1.1 Engine of the North (EOTN) was formed in 2013 as an Alternative Service Delivery Vehicle (ASDV). This Committee received an update report on EOTN in November 2015. In May 2016 the contract and service agreement was signed, underpinned by the Company's 3 year business plan. This report is in response to a request by the committee for a further update on the progress of EOTN.

2.0 Recommendation

2.1 The Committee is recommended to note the contents of this report.

3.0 Reasons for Recommendation

3.1 To ensure that the performance of EOTN is appropriately scrutinised.

4.0 Wards Affected

4.1 All wards

5.0 Local Ward Members

5.1 All Members

6.0 Financial Review

6.1 EOTN is different to other ASDVs in that it does not have a revenue budget; rather virtually all its activity is capitalised as its primary purpose is linked with generating capital receipts. However a programme budget of £3.2m was agreed to provide working capital for the company. The company expects £1.8million to fall within 2016/17; Quarter 1 spend was £260k. Current commitments forecast the year end position to be £1.2m. There is therefore a 600k underspend against that profile currently being reported owing to project timescales being re-profiled.

6.2 It should be noted that £36.45k revenue costs incurred by EOTN were picked up by the Assets Service last financial year as these could not be capitalised.

7.0 Performance Review

- 7.1 A contract and service agreement, underpinned by the Company's 3 year business and delivery plan, was signed in May 2016.
- 7.2 Within the Council Andrew Round is the Commissioning Manager, Andy Kehoe is the Senior Responsible Officer for the programme, with Vicki Godfrey supporting in the Contract Manager role.
- 7.3 The draft Key Performance Indicators (KPIs), baselined from EOTN's Business Plan, are:

Ref	Priority	Performance measure	3 Year Target
KPI1	Deliver capital receipts for CEC to value and timescales agreed at point of client instruction	Disposal values received by way of Capital Receipt (CR)	£126m (stated up to & beyond 2020)
KPI2	Accelerate housing using CEC land & property assets	Homes on CE land consented	3133
KPI3	Accelerate housing through acquisition and/or development of third party land	Homes on non-CE land consented	2100
KPI4	Maximise jobs growth through development of land and sites	Commercial floor space consented	32,000
KPI5		Jobs created	3950 (from 23.5ha land)
KPI6	Bring commercial expertise to minimise risks and maximise development value to schemes supported	Costs associated with realising CR, as % of CR received	3.9%

- 7.4 It should be noted these KPIs are still draft; it is stated in the contract that the KPIs will be reviewed in the first year and this is the target point by which they will be formally signed-off.
- 7.5 The following quarterly monitoring process is in place which entails:
- Submission of a Performance Report to the Council's Contract Manager;
 - Meeting between the Contract Manager and the Managing Director of EOTN to review the report;
 - Amendments made to report, as necessary;
 - Meeting between the Commissioning Manager, Portfolio Holder and Managing Director of EOTN and Chair of EOTN to review (amended) report;
 - Further amendments made to report, as necessary; and
 - Sign-off of final report by the Commissioning Manager, and report logged with the Contract documentation (in case of future auditing) along with minutes of the review meeting to capture any agreed corrective actions.
- 7.6 At Quarter 1, EOTN is projecting a mixed success against its KPIs. It should be noted, the delivery programme has slipped 1 year:

KPI1 – Forecast of £91.75m, against a target of £126m (up to 2020 & beyond)

KPI2 – Forecast of 2121 homes, against a target of 3133

KPI3 – Forecast of 1500 homes, against a target of 2100

KPI4 – Forecast of 25,432sqm commercial floor space, against a target of 32,000sqm;

KPI5 - Forecast of 850 jobs, against a target of 3950

KPI6 - Current average spend as % of disposal cost is 5.14%; against a target of 3.9%

7.7 Further capital receipts in excess of £40,600,000 are anticipated between 2021 – 2030 from the North Cheshire Garden Village scheme, along with 5000 plus new homes; thereby achieving against KPI1.

7.8 The forecast of 2121 consented homes against target of 3133 in KPI2 is due to recalculation of site capacities and client instructions, in particular factoring only 70% of housing numbers on NCGV to reflect CEC ownership and that a substantial part of CEC land is now allocated as green space in the emerging local plan policy.

7.9 The forecast of 1500 homes on non CEC land against 2100 in KPI3 is due to recalculation of site capacities consistent with revised emerging allocations in the draft Local Plan.

7.10 For KPI4, 5,000sqm of retail space was lost with the decision to decommission the Snow Hill, Nantwich scheme from EOTN's programme of works; however estimates to date do not include figures for The Mills, Congleton and Wilmslow Business Park.

7.11 Regarding KPI5, further jobs are anticipated, but EOTN are awaiting further development of schemes before forecasting revised outputs.

7.12 The programme slippage has impacted on average project costs, as KPI6 demonstrates.

7.13 The capital receipt profile across the 3 years has changed for delivery of key schemes including Handforth Earl Road, South Macclesfield Development Area, and Leighton Green, due to revised Client Instructions and delays to the allocation of sites through the Local Plan process.

7.14 Based on performance to date, Council and EOTN are reviewing the profile of capital receipts to ensure that the future projection is realistic. This will also lead to a review of the projected costs for EOTN for the future.

7.15 Given the implications on all KPIs of the capital receipt delivery schedule, this is reviewed at the Portfolio Holder for Regeneration and Assets' weekly meeting, in addition to the formal contract management process. This ensures all issues and risks associated with the delivery can be resolved efficiently.

7.16 Key achievements since the last report to this Committee are as follows:

- Supported CEC Spatial Planning in the delivery of the Local Plan Strategy in particular for North Cheshire Garden Village (NCGV) and South Macclesfield Development Area (SMDA);

- Achieved planning permission for new homes and employment land on South Macclesfield Development Area (SMDA). Entered into collaboration with adjoining land owners at SMDA to deliver wider master plan for 950 homes, 4,000 sq. m retail, new primary school and enhance possible sports & community;
- Achieved disposal of Phase 1 Earl Road to realise a capital receipt for the Council of £7.5m;
- Progressing the disposal of the St Anne's Lane Nantwich former gas works for a mixed use redevelopment which will generate homes, jobs and a capital receipt. Overcame a number of development constraints including Housing and Communities Agency grant clawback, title issues and ground conditions, marketed the site, and selected preferred development partner;
- Obtained grant funding from Housing and Communities Agency for predevelopment activity to submit planning for Starter Homes at sites in Crewe Town Centre;
- Completed Draft Visioning for North Cheshire Garden Village with combined public engagement prior to drafting of Design Code;
- Undertaken predevelopment and marketing activity for the Redsands, Nantwich site in order to maximise a capital receipt and accelerate delivery;
- Developed strategy for the delivery of rural exception sites to assist in addressing housing need;
- Assisted and supported the Council in multi-departmental Local Growth Fund bids for a variety of initiatives;
- Working with external parties to produce Evergreen & Growing Places funding;
- Continue to work alongside Council's Highways service to deliver 'The North West Crewe Strategic Highway' network improvements, necessary for growth.

8 Company Matters

- 8.1 EOTN has successfully migrated its accounting on to the Oracle system, enabling more real-time reporting of scheme costs and better management against KPI6.

9.0 Risks/Issues

- 9.1 The sites within EOTN's development programme are often complex and therefore have an inherently high risk from a planning perspective. Realising the values and growth objectives is obviously dependent on securing improved planning status.
- 9.2 The possibility of the Council being left with abortive costs, if schemes are not pursued and so therefore do not produce capital receipts, is still a key risk as there is not an identified revenue budget for such costs. All schemes that have incurred anything more than minor costs are still anticipated to deliver a capital receipt.

9.3 Given the departure of the Managing Director mitigation measures have been put in place through interim management within EOTN and additional support from the Director of Growth and Regeneration and the Head of Assets to maintain progress on projects.

10.0 Access to Information

10.1 The background papers relating to this report can be inspected by contacting the report writer:

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