

# CHESHIRE EAST COUNCIL

## COUNCIL

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<b>Date of Meeting:</b>	17 October 2013
<b>Report of:</b>	Director of Economic Growth & Prosperity
<b>Subject/Title:</b>	Engine of the North – Enabling Value for Money
<b>Portfolio Holders:</b>	Councillor Don Stockton, Portfolio Holder for Housing, Planning, Economic Development & Regeneration; Councillor Peter Raynes, Portfolio Holder for Finance

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### 1.0 Report Summary

- 1.1 This report updates on the development programme for housing and economic growth, to be delivered by East Cheshire Engine of the North Limited. As noted in the Budget Report approved in February 2013, *“projects will continue to come forward during 2013/14 as part of the longer term capital vision”*. A development programme has been prepared, in respect of an initial portfolio of sites, to deliver the desired outcomes for the community (including over 4,000 new homes and 3,000 jobs) and generate significant economic growth and prosperity for local residents. It is also anticipated to generate major capital receipts for the authority – some **£40m** in the next 3 years (potentially in excess of **£80m** over a 10-year period), **net of development costs**.
- 1.2 The full programme will be considered in February 2014, for inclusion in the Capital Programme, as part of the Budget Setting process for 2014/15-2016/17. The purpose of this report is to seek approval for potential development spending in the current year, to March 2014.
- 1.3 Following approval of capital finance, the programme will be taken through the project gateway process, with the Technical Enabler Group (TEG) and Executive Monitoring Board (EMB) providing the appropriate challenge and assurance, to inform a decision of the Shareholder Committee on the delivery of the Programme by East Cheshire Engine of the North Limited.

### 2.0 Recommendations

- 2.1 That the potential to generate significant economic growth and capital receipts (i.e. £40m in the next 3 years; £80m+ over a 10-year period, net of development costs) is noted and incorporated in future strategic Capital and Revenue budget planning, at Council in February 2014
- 2.2 In order to enable Engine of the North to fully deliver £40m of capital receipts over the next 3 years, we may need enabling funds before budget setting in February 2014. As such we recommend that a supplementary capital estimate of £5.5m be approved, funded initially by virement from within the current Capital Programme, pending financing through the capital receipts generated from disposals of the sites during 2014

- 2.3 That acknowledgement be made that the Engine of the North is enhancing the assets of Cheshire East as directed by Council from £13m to a potential £80m of net value
- 2.4 To note the Shareholder's Committee and its role, as set out in paragraph 9.3 in the body of this report

### **3.0 Reasons for Recommendations**

- 3.1 The Council has a plan to deliver additional economic growth and local prosperity by creating at least 20,000 jobs and 27,000 new homes by 2030, plus major new highways infrastructure; the target for the next five years is to deliver at least 7,000 new homes.
- 3.2 Following Council approval of the capital finance, the development programme will be taken through the project gateway process, to inform a decision of the Shareholder Committee on the delivery of the programme by East Cheshire Engine of the North Limited, prior to release of funds.
- 3.3 All actions of Engine of the North are to enable development and maximisation of receipts for the Council and are not for speculative investments.

### **4.0 Wards Affected**

- 4.1 All

### **5.0 Local Ward Members**

- 5.1 All

### **6.0 Policy Implications**

- 6.1 The recommendations support the Council's priority of promoting and investing in local economic growth and the outcomes set out in the Three Year Plan, particularly in relation to ensuring Cheshire East has the infrastructure necessary for a strong, diverse and resilient local economy, and that the area is a good place to live and work.

### **7.0 Financial Implications**

- 7.1 The report seeks approval for a supplementary capital estimate of £5.5m, to be funded initially by virement from within the current Capital Programme, pending financing by the capital receipts generated from disposals of the sites. This will enable a start on the development of sites in the current financial year.
- 7.2 The development programme as prepared, in respect of an initial portfolio of sites worth an estimated £13m, shows the prospects for generation of significant capital receipts for the authority – some £40m in the next 3 years, potentially in excess of £80m over a 10-year period, *net of development costs*. Regarding the costs of developing the sites, it is recommended that they be funded by the capital receipts generated, taking "first call" on income from site

disposals. The full programme and its financing on this basis will be considered in February, for inclusion in the Capital Programme, as part of the Budget Setting process for 2014/15-2016/17.

- 7.3 Looking at the prospects over a 10-year period, there is the potential to generate in excess of £80m net capital cash gain to the Council. This would be the subject of further reporting in due course; however it is worth noting that this presents a number of opportunities in relation to future Capital investment planning; e.g. options would include:
- investing in other service capital projects (replacing the need for borrowing in respect of those)
  - repaying existing borrowing (reducing the debt financing pressure on the Revenue Account)
  - re-investing in other new land/ regeneration schemes (i.e. extending the Development Programme – with other Council-owned sites and/ or new acquisitions – to further the housing and economic growth plan and create greater capital gains)
- 7.4 It is recommended that these options are considered as part of the current Business Planning round, enabling a longer-term view in the further development of the Council's Capital Investment Strategy and related Revenue Budget planning, in particular, the prospects for making a significant contribution to debt repayment in the next 3 years.

## **8.0 Legal Implications**

- 8.1 There are no particular legal implications with regard to this report and its recommendations in respect of approval of Capital project budgets. Legal advice has been provided in relation to the setting-up of East Cheshire Engine of the North Limited, its governance arrangements and also the roles of the Council, Cabinet and the Shareholder Committee (as representative) in the control of the authority's alternative service delivery vehicles.

## **9.0 Risk Management**

- 9.1 There are a number of risks associated with land development, including those relating to variations between estimated and actual site valuations, contracting and managing construction works, etc. The formation of East Cheshire Engine of the North Limited has provided a focus of specialist and experienced resources, along with dedicated governance arrangements; the Company's 3-year Business Plan will demonstrate its awareness of and ability to manage those risks and benefit from the opportunities presented by the Programme, for the Council.
- 9.2 As noted in the report, the development programme will be taken through the project gateway process, with the Technical Enabler Group (TEG) and Executive Monitoring Board (EMB) providing the appropriate challenge and assurance, to inform a decision of the Shareholder Committee on the delivery of the programme by the Company.
- 9.3 The Shareholder Committee will oversee all activities to ensure that the Company focuses on enabling sustainable economic growth through its membership of the Chief Executive, Leader and Deputy Leader and Portfolio Holder for Finance and the

Executive Director for Commissioning. Alongside Members of the Committee the Director for Economic Growth and Prosperity will advise on all activities relating to East Cheshire Engine of the North Limited.

## **10.0 Background and Options**

- 10.1 On 15 May 2013 Council considered a report which set out the benefits, implications and proposed approach to the creation of a new delivery vehicle to develop the Council's land assets, so as to promote housing and economic growth. Council resolved to set up a Development Company – East Cheshire Engine of the North - to drive forward this ambition.
- 10.2 The Council has a Growth Plan to create at least 20,000 jobs and 27,000 new homes by 2030, plus major new highways infrastructure; the target for the next five years is to deliver at least 7,000 new homes.
- 10.3 As applicable to each site, development spending can include: *site investigations; land assembly/ site acquisitions; masterplanning; planning applications; design and construction of infrastructure; and the professional services of Engine of the North*. Clearly, the Council's role is one of "enabling", in developing and offering sites to the market - it will also be for the private sector to come forward, acquire the sites and build the new homes, business, retail and community premises.

## **11.0 Access to Information**

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

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