

CHESHIRE EAST COUNCIL

REPORT TO: Environment & Regeneration Overview and Scrutiny Committee

Date of Meeting: 12 February 2018
Report of: Andy Kehoe
Subject/Title: Performance update – Engine of the North
Portfolio Holder: Cllr Ainsley Arnold

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 October 2016, and this report is in response to a request by the committee for a further update in approximately 1 year's time. The date has slipped until after approval at central Finance Group meeting in November 2017 to release £1.9m funds to EOTN for activity this financial year.

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 Programme Overview

6.1 The programme, on a wide range of development activities which will be bespoke to each site/scheme but expected to involve:

- Resolving title/ownership issues including obtaining vacant possession
- Managing professional teams
- Marketing sites/schemes for sale
- Collaborating with neighbouring land owners to accelerate delivery or maximise value,
- Preparing delivery strategies which overcome constraints such as highways, ecology or utilities provision.

- Working up business cases for further CEC capital funding and external agency funding
- Working with other Council departments such as Highways and Education to unlock wider scheme benefits.

6.2 The sites/schemes to be delivered are described in Annex 1 (at end of document), but breakdown as.

4 Strategic Sites:

- North Cheshire Growth Village
- South Macclesfield Development Area
- Leighton Green
- Wilmslow Business Park

6 Housing Development Sites:

- Dark Lane
- Browning Street
- Hole Farm & Redroofs
- Crewe Pool
- Lindley Lane, Alsager
- Hollins View

4 Commercial and Mixed Use Disposals:

- Earl Road, Handforth
- Redsands
- South Macclesfield Development Area Commercial
- St Anne's Lane

7.0 Financial Review

7.1 As reported previously, 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. In November 2017, Central Finance Group approved £1.9m to provide working capital for the company. The funding was approved at this late stage as EOTN had finalised a thorough and robust review of the costings for their development programme, and the anticipated value and programme of capital receipts.

7.2 The total funding requirement to deliver the Development Programme is £4.8m. The receipt forecast of £41.3million is forecast by the end of 2020/21.

7.3 The company now shares monthly budget re-forecasts and monitoring reports with the client at Cheshire East, providing much improved confidence in the financials. The re-forecast actual spend to year end in March was at £1.35m. It should be noted that spend is quite sensitive to variation as any delays in the programme (eg site complexities or planning matters) has a knock on impact to the staff resource allocations across the programme. The underspend is not therefore a saving, but costs will be moved to the next financial year.

8.0 Performance Review

- 8.1 A contract and service agreement, underpinned by the Company's 3 year business and delivery plan, was signed in May 2016.
- 8.2 Within the Council the Director of Growth and Regeneration is the Commissioning Manager, Andy Kehoe is the Senior Responsible Officer for the programme, with Vicki Godfrey supporting in the Contract Manager role. Whilst the Director post is currently vacant, Andy Kehoe who is delivering this report, is key client contact.
- 8.3 Projections, both outcomes and financial, are updated annually through business planning process. These are informed by Client Instructions.
- 8.4 The following monitoring process is in place:
- Monthly financial and programme review with Council's Contract Manager;
 - Monthly submission of a Highlight Report via Council's PMO (please note due to illness a couple of these have been late submitted this year)
 - Monthly contract and programme management meetings between SRO and the Managing Director of EOTN;
 - Call-In progress reports by Scheme to the weekly Portfolio Holder Briefing Meeting, as identified at the meetings above.
- 8.5 The 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)

- 8.6 Based on the forecast produced for the March 2017 EOTN Business Plan, performance against the KPIS are:

KPI1 – Forecast of £139m, against a target of £126m (up to 2020 & beyond)

KPI2 – Forecast of 2050 homes, against a target of 3133

KPI3 – Forecast of 2400 homes, against a target of 2100

KPI4 – Forecast of 20,000sqm commercial floor space, against a target of 32,000sqm;

KPI5 - Forecast of 4500 jobs, against a target of 3950

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

8.7 KPI6 does not include receipts from disposals beyond 2020/21 (later phases of Garden Village). It also does not include receipts from Phase 2 and Phase 3 of Earl Road disposal. The scheme is currently at Public Enquiry. Betterment for phases 1, 2 & 3 is also not included.

8.8 Recent successes include managing the disposal of Redsands in Nantwich for £3.5million and working together with the Council's Highways & Housing functions to attract HCA funding to invest in infrastructure at Leighton Green and South Macclesfield Development Area.

9.0 Company Matters

9.1 None to report.

10.0 Risks/Issues

10.1 Unfunded revenue budgets

There would be significant revenue funding consequences to bringing any of the individual workstreams to an end. Potentially, £3m capital funding would need to be converted to revenue if the entire Programme was closed. Approximately £2m of this is associated with the 'big three' – Garden Village, South Macclesfield & Leighton Green.

10.2 Local Plan

Local Plan Allocations at SMDA, Garden Village, Wilmslow Business Park and Leighton Green would not be delivered as per the housing supply forecasts. Together those sites are due to deliver more than 4000 homes over the Local Plan period.

Not taking forward any single scheme of this magnitude in line with current expectations (both in terms of housing numbers and timetable) could have major political consequences because it would undermine the Planning Authority's Housing Supply calculations and potentially create an opportunity for developers to pursue unplanned development in the Green Belt and Open Countryside.

10.3 Reputational damage with central government

Failure to deliver schemes which the HCA are providing partnership monies to such as SMDA & Garden Village would cause major reputational damage to Cheshire East Council. It would also be a major political risk to Cheshire East.

It would also jeopardise substantial HCA external grant funding for public infrastructure, such as the new Congleton Road – Moss Lane Link Road in South Macclesfield & major improvements on the A34 corridor in Wilmslow/Handforth.

11.0 Access to Information

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

Name: Andy Kehoe
Designation: Head of Assets and Regeneration
SRO for EOTN
Tel No: 01270 686119
Email: Andy.Kehoe@cheshireeast.gov.uk