

**EXECUTIVE OF THE COUNCIL – 28 NOVEMBER 2006**

**Minute Item No 4**

**4 Craigmillar Joint Venture Company (PARC) Progress Report**  
(Agenda item number 7)

In March 2003 the Council had approved the establishment of a Joint Venture Company between the Council and the EDI Group to take forward the regeneration of Craigmillar. The Joint Venture Company was established and renamed PARC (Promoting and Regenerating Craigmillar). A summary was given of the progress and activities of PARC at the end of its second year.

**Decision**

To approve the progress report, subject to the following conditions being accepted and implemented by PARC:

- (a) As part of the on-going Business Plan Review process, PARC brings forward a review/analysis of the Plans overall cost base/and income assumptions, and the match with the Plan Vision, projected outputs and deliverables. With particular reference to the key outputs required by stakeholders and the community.
- (b) PARC accept and work vigorously to achieving the key milestones, project outputs, and timescales identified in the report by the Director of City Development, with agreed six monthly project reportage to the Council and the Scottish Executive.
- (c) PARC review the effectiveness and improve accordingly its communication/consultation procedures with the local community in respect of bringing forward projects for implementation.
- (d) The Council reviews the current management contract with EDI Group with a view to identifying and implementing further necessary improvements in partnership working practices.
- (e) PARC seek to address, in a pro-active manner, project delay and submit for the consideration of the Council as shareholder, within the six monthly progress reports, the actions it has taken, and is taking, to improve performance and the delivery timescale.
- (f) The progress report is remitted to the Council's Scrutiny Panels for their consideration.

(Reference – report no E/356/06-07/CD by the Director of City Development, submitted.)

## **Craigmillar Joint Venture Company (PARC) Progress Report**

---

### **Executive of the Council**

28<sup>th</sup> November 2006

#### **1 Purpose of report**

- 1.1 To report the progress of the Company and its activities to the Council, and to seek ratification of the actions taken and approval of the recommendations arising from an analysis of progress so far.

#### **2 Summary**

- 2.1 This report summarises to the end of Year Two, the progress made by the Craigmillar Joint Venture Company (PARC). It indicates that:
- i) Progress on the regeneration of Craigmillar based on the Company Business Plan is approximately 9 –12 months behind schedule.
  - ii) However, there has been progress which can be charted by the achievement of identified key project development milestones.
  - iii) There is a requirement to review and further improve key partnership working arrangements and enhance effective community consultation.
  - iv) Expected enhanced progress on the project over the next two year time horizon ( 06/07 and 07/08 ) will be monitored against identified concrete milestones which will measure actual progress "on the ground ".
- 2.2 Subject to the recommendations on improving Partnership Working and clear future performance targets, it is recommended that the Council notes and approves the progress made on the regeneration of Craigmillar through PARC in Year Two.

#### **3 Main report**

- 3.1 The Council approved in March 2003 the establishment of a Joint Venture Company between the Council and the EDI Group to take forward the regeneration of Craigmillar. The key elements of the Company's activities and the regeneration programme were first articulated within a "Business Case". This was then formalised within a Company Business Plan and a

formal Joint Venture Legal Agreement. These documents identified the investment each partner would make and the anticipated returns to each based on a successful implementation of the Plan. In the case of the Council, the investment would be its land holdings in the area, in return for the delivery of new community assets, principally new education infrastructure, improved environment and town centre, and new social housing.

- 3.2 The Joint Venture Company is now established and renamed PARC (Promoting and Regenerating Craigmillar), and has completed two full years and is now in year three of the anticipated fifteenth year development programme 04/05 to 18/19. This report provides a review of the progress so far, and makes recommendations based on the review after the first full two years of the project.
- 3.3 In order to establish a monitoring and evaluation base for PARC, which is easily accessible and understood, a One Page Business Plan evaluation sheet has been produced. This document:
- i) Identifies the key aims, objectives and subsequent activity of PARC.
  - ii) Will enable ongoing comparison between the projected/planned deliverables and actual progress on the ground.
  - iii) Enables changes in the key elements/ratios of the project to be tracked through time.
- 3.4 Given that this report reviews to the end of "year two" within the project; comparison between the projected "outputs and actuals" will necessarily be limited at this stage. The Year Two Evaluation Sheet is attached as Appendix One.

#### **Evaluation of Progress to Date**

- 3.5 It is estimated that in general terms the project is running approximately nine months behind the identified programme timetable. This is due to;
- i) The requirement for further consideration/community consultation on the key development planning framework for the area, the Urban Design Framework, and related Masterplans.
  - ii) A slower than anticipated development process, due to the pace/effectiveness of partnership working/decision-making.
- 3.6 The first delay element resulted from a reworking of the proposed Urban Design Framework, and further detailed consultation on the resultant development area Masterplans, to seek to address both Planning Committee and community concerns. The Urban Design Framework has now been approved by the Council (September 05) as the key planning guidance framework for the project.
- 3.7 The second point is addressed later on in this report under the heading "Partnership Working".
- 3.8 However, PARC is now beginning to achieve some significant progress in laying the development groundwork and in taking the key elements of the regeneration programme of Craigmillar forward. This progress can be detailed by the following development milestones achieved;

## **Milestones Achieved**

- i) Establishment of a Company Business Plan, Joint Venture Legal Agreement and Option Agreements between partners.
- ii) Development, and now approval of an Urban Design Framework as the planning guide for future development in the area.
- iii) Production of an operational protocol with the Craigmillar Social Inclusion Partnership (SIP) seeking to marry physical improvements to social and community regeneration.
- iv) Acquisition of significant landholdings to enable the development of the Medi-park, Meadows area, Environmental corridor, and River Restoration Scheme.
- v) Preparation and approval of detailed housing development (Wauchope Square 1) and preparation of Neighbourhood Masterplans in both Greendykes and Niddrie.
- vi) Continued targeted acquisitions and infrastructure development to assist the future town centre redevelopment.
- vii) Joint Venture/public/private initiative in place to deliver the Niddrie Burn Restoration/Environmental Improvement Project.
- viii) Completed design and planning approval for the new conjoined primary schools, and initial design work for the new Community Secondary School.
- ix) Designation by the Scottish Executive of the project as one of the first Urban Regeneration Companies (URC) in Scotland.
- x) Scottish Executive approval of a grant of £18 million towards the project.
- xi) Submission of a bid for European funding assistance for environmental improvements/infra-structure.

3.9 A range of developments are now moving from the drawing board stage to implementation on the ground. This first wave of implementation will include, the first new housing developments using the "home zone" concept, new conjoined primary schools, the Niddrie Burn Restoration project and related infrastructure projects. Development progress is also expected from adjacent developers in the near future at both Greendykes extension and the Thistle Foundation housing developments.

3.10 As a result of representations from both the Craigmillar Partnership and the Craigmillar Community Regeneration Forum, PARC, in close partnership with the Council has sought to restructure and bring forward the provision of the social housing component within its plans for residents exercising a right to return to Craigmillar. This will be reflected in subsequent Business Plan revisions. Also, it is now recognised that further consideration needs to be given to the overall provision of "affordable" housing for sale in the area, both by PARC and other developers. There is also recognition that, within the implementation phase there should be a greater degree of community consultation and discussion before detailed proposals are finalised.

## **Business Plan Review**

3.11 At the end of Year Two, of a fifteen year programme it is too early to provide clear trends. However, the following aspects now require careful consideration by the Company;

- i) The Business Plan provides projections of both costs and income. Further research/work is required, in respect of the matching these projected costs with updated real costs, particularly in respect of infrastructure provision, to ensure the Plan is not "underfunded". Also, that key elements, like the Community Schools and Social Housing provision can be afforded and delivered by PARC.
- ii) As a "deficit" Plan, in which, there is more expenditure proposed than anticipated income to accommodate it, there is a concern that further activities/costs are not taken on/incurred in the short and medium term by the Company without a compensating income stream/or cost reduction. There is a need to maintain the trading integrity of the Company, and the sustainability of the Plan, and the deliverability of its key community assets over time.
- iii) The principle financial risk relates to the income received from private housing sales and the sale of housing land. Failure to reach the forecast private housing market values will leave the plan severely underfunded.
- iv) Overheads and operational costs should remain in strict proportion to implementation costs to maintain best value and project effectiveness.
- v) In delivering the project, to the Business Plan, full recognition of accountability and transparency of public funding within the Plan should be maintained to ensure public confidence and proper governance.
- vi) There is clearly a requirement to ensure that activities which generate the anticipated income streams to the Plan are either on, or ahead of target, to avoid cashflow problems, and maintain and maximise Company stability.

3.12 As with any development company, there is a recognition that the Business Plan needs to be dynamic and will change. However, as an Urban Regeneration Company with significant public investment, accountability is required with the close involvement of all key stakeholders, including the Scottish Executive. Particular further attention now needs to be given to progressing actions and initiatives within the Plan which will address the key Performance Indicators agreed with the Scottish Executive.

## **Partnership Working**

3.13 In many respects there is recognition that the Joint Venture Company forms a unique initiative in Council/Company collaboration. The resultant development process has not been without difficulty. The Council component requires to deliver key agreements/transactions as a priority, to speed the development process/interface. There is a requirement on the EDI Group side to recognise the accountability and complexity which goes with community regeneration as opposed to purely commercial transactions. Issues relating to this interface required considerable discussion and has effected the pace of progress to date.

- 3.14 In part, these issues are being addressed by the establishment of a working PARC Executive comprising officers from both sides. However, it is considered that further actions are still required if the Management Contract between the Council and EDI is to work in a more responsive and effective manner, particularly in issues of procurement, accountability, monitoring, and governance.
- 3.15 Similarly, there is a requirement, now the implementation stage is commencing for PARC to improve its communication/consultation processes with the local community. Both these areas are subject to recommendations at the end of this report.

### **Monitoring and Evaluation**

- 3.16 To assist both Council liaison with PARC and enable on-going monitoring and evaluation, the Council has established an Inter-departmental Working Group with standing Business Planning and Communication Sub-Groups. These groups report directly both to the relevant Departments and to the Council Representatives on the PARC Board.
- 3.17 There is also a quarterly Business Plan Review by the Company, a Business Executive and six weekly Board meetings. Within the last year PARC has adopted a formal Procurement Policy in line with the Council requirements.
- 3.18 From the detailed One Page Business Plan – Monitoring and Evaluation sheet the following aspects are highlighted at the end of year two;
- Significant project delay/slippage and a firm requirement to make rapid progress from planning to on the ground implementation with key projects. (Actual spend of £2m compared with projected turnover of £11m)
  - Requirement to deliver the projected stakeholder investment to PARC to resource key projects, and produce a balanced stakeholder investment profile.
  - Anticipated and imminent requirement for private sector borrowing to address cash-flow issues, to peak in years 3 – 7.
  - The plan will seek wherever possible to bring forward new social housing delivery to address right to return needs as soon as possible.
  - Need to maintain control on operational costs as a ratio of turnover.
  - Increased focus on programmes which will deliver the required outputs and indicators for the Scottish Executive as a key stakeholder.
  - Review project costs, particularly key community asset delivery such as schools and social housing to ensure deliverability through the Plan against a background of building/construction cost inflation.

### **Risk Assessment**

- 3.19 Whilst the necessary clear commitment has been given to PARC by the Council to proceed with the regeneration project, it is anticipated that this key investment will progress on a phased basis to manage risk. The Council investment, its land, will go into the Company only when it is needed and clearly justified by PARC Business Plan through a Phase Appraisal process. This allows continued evaluation and monitoring of progress by the Council and the ability to manage the risks involved.

Key risks within the project are seen as;

- Project delay and co-ordination
- Rising building/construction cost base
- Projected income levels not being achieved from house sales
- Cashflow issues
- Failure to achieve change in area perception
- Non delivery of key community assets

3.20 The PARC Board propose to review and identify key risks and put into place a risk management/mitigation strategy.

#### **4 Conclusions**

4.1 The project has experienced significant delay. However, now that the Urban Design Framework is approved, it is anticipated that if the issue of partnership working is rigorously addressed, the project should be able to move forward with improved performance and delivery.

4.2 There are a range of development milestones which have been achieved and which should now allow the project to go forward "on the ground" quickly.

4.3 Whilst the Business Plan forms the basis for development it should be recognised that it is necessarily dynamic in nature, currently is a "deficit" plan, and may be underfunded particularly against future infra-structure costs. Hence there is a need for close monitoring and annual review, to ensure that the revenue earning aspects are implemented, and costs are properly identified and controlled.

4.4 Whilst there has been significant project delay, PARC has continued to push forward with background development work to allow projects to be implemented quickly once the relevant permissions are achieved. It is anticipated that this should allow at least some of the lost ground to be made up over the next two years. Given that the project is now in Year Three of operation it is crucially important to the credibility of the project that major projects start appearing "on the ground" and quickly.

4.5 To this effect, this report now identifies clear performance targets and concrete milestones for PARC for the next two years which would see substantial elements of the regeneration vision on site and delivering concrete outcomes. These are ;

- The two " conjoined" primary schools on site with construction underway and a completion date of June 08.
- Five housing developments on site and underway, comprising some 325 housing units, of which at least 20% would be social housing for rent.

- The completion of the neighbourhood housing masterplanning process for, Niddre ,Greendykes, and Greendykes South. With detailed applications submitted.
  - Masterplan for the new Town Centre at a finalised draft stage, with key acquisitions either completed or fully identified.
  - The Niddre Burn Restoration project, on site, with a clearly identified completion timescale, including agreed measures for playing field reprovisioning, and Council handover/maintenance.
  - Completed detailed brief and procurement process for the Community Secondary School with an identified handover date in 2011.
  - Establishment of an operating Training and Employment Charter, led by PARC, and involving all the other major development agencies within the wider area, to maximise local community benefit from development.
  - Planning approval for the Cairntows Park office development in conjunction with replacement facilities.
  - Masterplanning approval for the New Greendykes Housing Development area, in collaboration with other development partners.
  - Strategic Open Space Development Strategy agreed with the Council and other relevant agencies.
  - A projected committed expenditure for the Company for the two year period ( years 3 and 4 ) in the order of £20m and £30m respectively to reflect the scale of on-site activity now required.
- 4.6 In line with this expected progress, a regular six monthly progress report will now be submitted to the Executive of the Council which will monitor progress against these and the other Business Plan milestones. This report will also include an updated "Risk Register" which will identify and plan for major project challenges and changes. This material will also be made available to the Scottish Executive as a key project partner.

## **5 Financial Implications**

- 5.1 It was intended that once the initial Council investment had been agreed (the Council land) and other key investment had been identified that the project will be self-sustaining. There are therefore no further direct financial implications of this report at this time. However recent Plan revision and increasing costs and project aspirations is placing the Business Plan under significant strain. It is the view of this report that to deliver the regeneration "visions" promoted by the Plan will probably require further resources. To maintain the viability of the Plan will require either a further injection of resources either by stakeholder investment/projected trading income, or a reduction in costs and/or deliverables within the Plan.

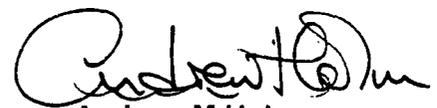
5.2 As a key Regeneration project for the Council, there is a requirement for on-going monitoring of the effectiveness/sustainability of this project over time, and importantly its inter-face with other Council priorities/responsibilities in the Craigmillar area. Also as a flagship Urban Regeneration Company, the Council and PARC need to maintain liaison with the Scottish Executive regarding Plan progress, and the necessary updating of the Business Plan assumptions and financial projections.

5.3 There is also recognition that the Company's activities will generate a range of longer term financial implications for the Council, particularly in relation to asset handover, and maintenance legacies. These implications are now under active consideration by the Council through the Inter-departmental Group and will be brought forward by the relevant Departments as appropriate.

## **6 Recommendations**

6.1 It is recommended that the Executive approves this Progress Report, subject to the following conditions being accepted and implemented by the PARC.

- As part of the on-going Business Plan Review process, PARC brings forward a review/analysis of the Plans overall cost base/and income assumptions, and the match with the Plan Vision, projected outputs and deliverables. With particular reference to the key outputs required by stakeholders and the community.
- PARC accept and work vigorously to achieving the key milestones, project outputs, and timescales identified in this report, with agreed six monthly project reportage to the Council and the Scottish Executive.
- PARC review the effectiveness and improve accordingly its communication/consultation procedures with the local community in respect of bringing forward projects for implementation.
- The Council reviews the current Management contract with EDI Group with a view to identifying and implementing further necessary improvements in partnership working practices.
- PARC seek to address in a pro-active manner, project delay and submit for the consideration of the Council as shareholder, within the six monthly progress reports, the actions it has taken and is taking, to improve performance, and the delivery timescale.
- This progress report is remitted to the Council's Scrutiny Panels for their consideration.



**Andrew M Holmes**  
Director of City Development

14.11.02.

---

<b>Appendices</b>	1. Business Plan Evaluation Sheet (No. 2 – Year Two)
<b>Contact/tel</b>	Gerry Baker, Team Leader. 0131 529 3730
<b>Wards affected</b>	Craigmillar
<b>Background Papers</b>	<ol style="list-style-type: none"><li>1. Establishment of Joint Venture Company for the Development of Craigmillar. Executive Report, 29 January 2002.</li><li>2. Craigmillar Joint Venture Company; Approval of Stage Two: Implementation. Council Report, 20 March 2003.</li><li>3. Craigmillar Joint Venture Company – Progress Report. Executive Report, 2 December 05</li><li>4. Craigmillar Urban Design Framework – Approval Planning Committee, 26 September 2005.</li></ol>

**Agenda item:****Report title: Craigmillar Joint Venture Company (PARC)  
Progress Report**

In accordance with the Council's Standing Orders, the contents of this report have been noted by the appropriate Executive Member.

Without prejudice to the integrity of the report, and the recommendations contained within it, the Executive Member expresses his/her own views as follows:

**Signed:****Date: 20 November 2006****For Information – Standing Order 57(1) states:**

"Heads of Department will prepare reports, with professional advice and recommendations, on matters requiring decisions by the Executive:

- a report seeking decisions on matters of corporate strategy, corporate policy and corporate projects will be submitted direct to the Executive
- a report seeking decisions on matters relating to the special responsibilities allocated to an individual member of the Executive will be submitted, in the first instance, to that member. The member will add his or her own recommendation to it before submission to the Executive. Where the Executive member disagrees with the advice and the recommendation of the officers, the Executive member will also state his or her reasons."

# PARC

Based on Nov 04  
Business Plan

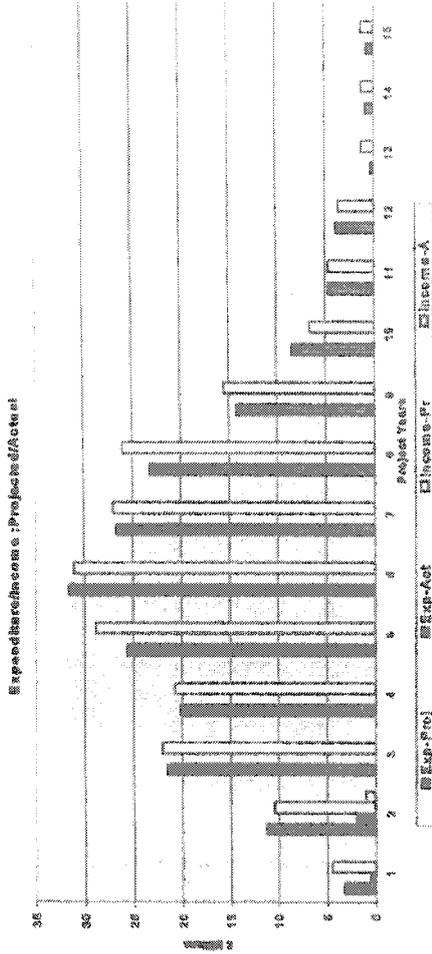
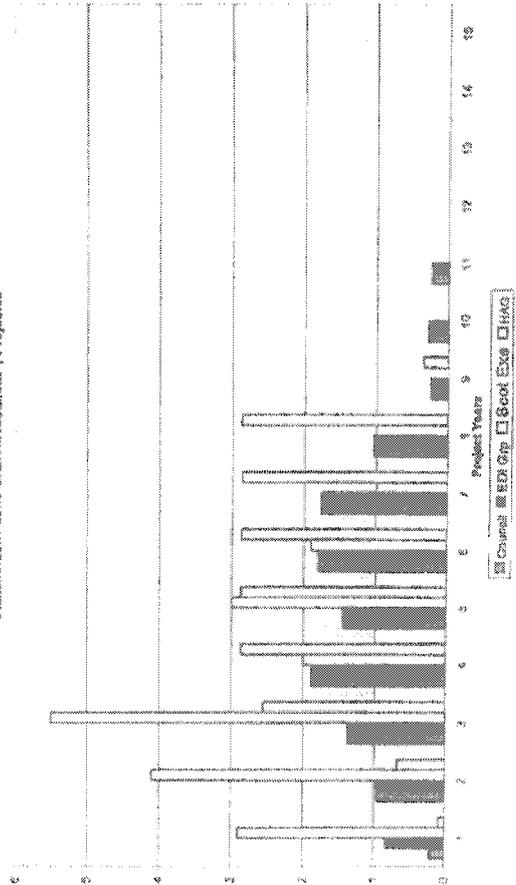
## Promoting and Regenerating Craigmillar Business Plan Summary, Monitoring and Evaluation Sheet Number 2 July 2006

### Issues/Risk

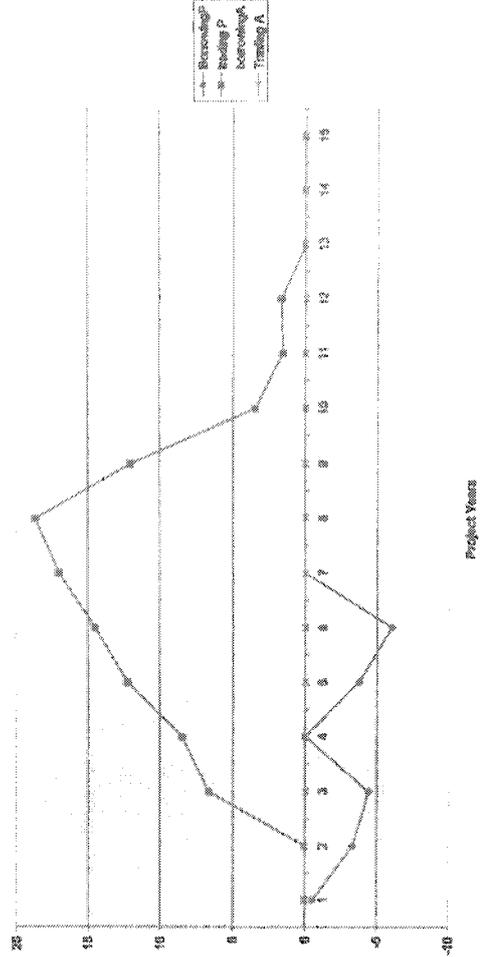
- Expenditure, under estimated?
- Deficit Business Plan - £7 million gap
- Need to address Scottish Executive outcomes
- Pro-active identification of further resources
- Engagement with other key stakeholders
- Partnership working/Community Engagement
- Project Delay

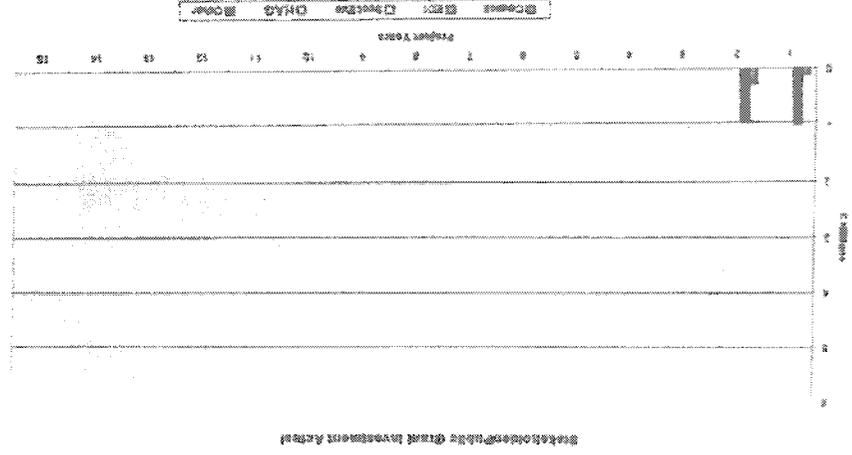
Themes	Key Outputs	Sustained Delivery		
		Phase 1 04/05	Phase 2 05/06	Phase 3 06/07
A new "beat"	<ul style="list-style-type: none"> <li>New Town Centre</li> <li>Retail</li> <li>Office functions</li> <li>Landscaping</li> <li>Suburban Park</li> </ul>	o	o	o
Education and Life Long Learning	<ul style="list-style-type: none"> <li>Education "Outpost" / LLL Centre</li> <li>New Community Secondary School</li> <li>Three new primary/secondary schools</li> <li>New library</li> </ul>	o	o	o
Economic Development	<ul style="list-style-type: none"> <li>New office/business development</li> <li>LLL and ICT initiative</li> <li>clear for local access to programmes</li> </ul>	o	o	o
Young People	<ul style="list-style-type: none"> <li>Three new facilities on youth development</li> <li>72 apprenticeships</li> <li>ICT and LLL facilities</li> <li>Social inclusion provision</li> </ul>	o	o	o
Access and Movement	<ul style="list-style-type: none"> <li>Traffic calming Nelson Main Road</li> <li>Buses zones</li> <li>Three and bus routes</li> <li>New cycle/pedestrian routes</li> <li>Practical bicycle</li> </ul>	o	o	o
Living in Craigmillar	<ul style="list-style-type: none"> <li>2500 new houses</li> <li>516 newly created homes</li> <li>Home Zone developments</li> <li>Common housing management</li> <li>New paths and open space</li> </ul>	o	o	o

Stakeholder/Public Grant Investment / Projected

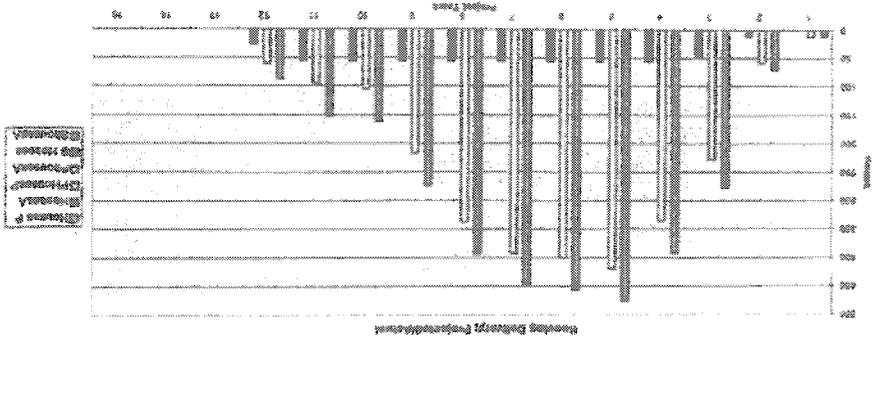


Borrowing/Trading: Projected/Actual

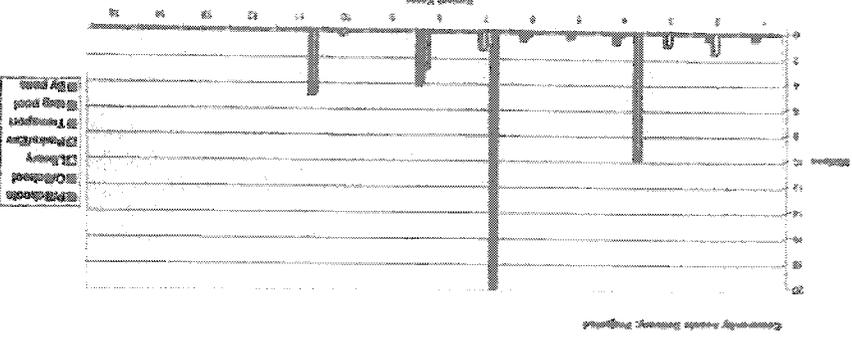




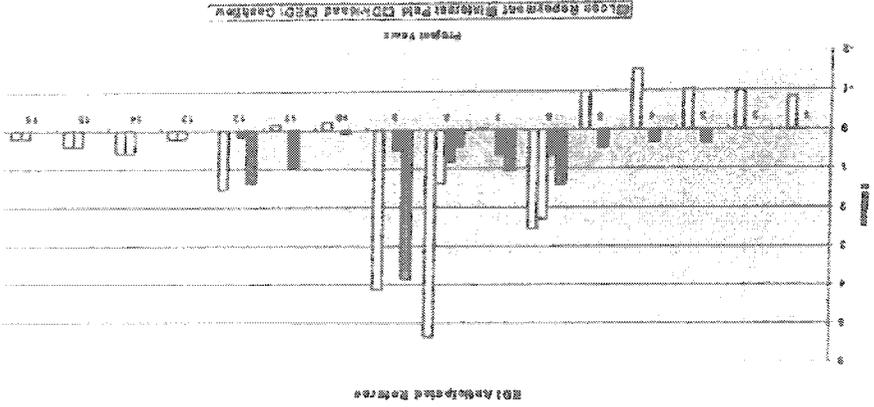
Stakeholder/Community Grant Investment Actual



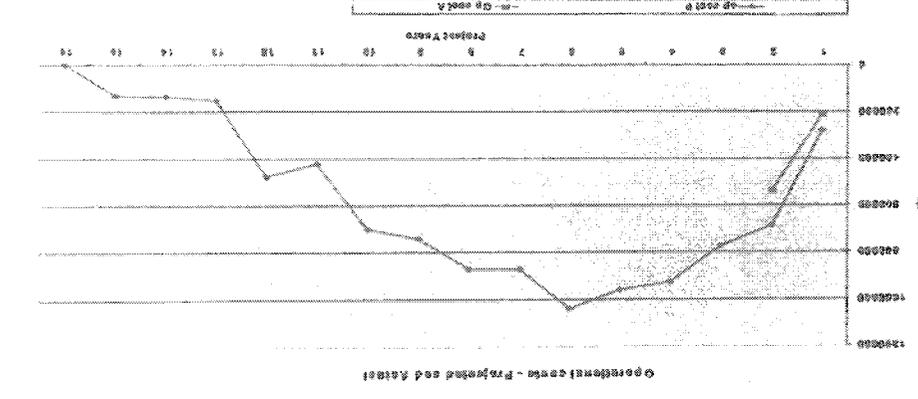
Working Enterprise Employment/Actual



Community Assets Growth/Program



RFI Anticipated Return



Operating Costs - Program and Assets

Along Reported Mileage Mile Forward FREDI Growth

SCOTTISH RECURRING REGENERATION OUTCOMES

Q Outcome	Lead Indicator	Indicator	PA	PB	PC	PD	PE	PF
1	Increased local business confidence	Number new business start-ups	20%					50%
2	Community participation in local activity	% residents on temporary boards	22%					3.9%
3	Business improvement	Improves average business turnover	£14,000/yr					£15,100/yr
4	Reduced unemployment	Reduce % unemployed people	7.5%					2.7%
5	Improved physical environment	Quantity of streets that improved	0					200 miles
6	Rise in property values	Increase in property values	45% EA AV					80% EA AV
7	Improved quality of life	% of residents indicating high QoL	25%					75%