

City Deal and Growth Deal Programme Board

Business Case Approval Form

1. Project title and proposing organisation(s)

Chatterley Valley West Employment Site – Access Improvements

Promoted by Staffordshire County Council.

2. Decision date

31st October 2016.

3. Decision summary: Recommendation etc.

On the assumption that the Chatterley Valley project receives funding through Growth Deal 3, that the City Deal and Growth Deal Programme Board recommends:

- Spending of circa £60,000 for project development in Financial Year 2016/17 to mitigate against slippage of spending from the Growth Deal 1 and Growth Deal 2 programme.*
- Funding will be switched from Stafford Western Access Growth Deal 1 allocation.*
- Further project funding up to the total of £2 million requested through the Growth Deal 3 bid*

4. Is the decision exempt from being publically reported by the LEP (if so please specify the reasons why)

No

5. Options appraisal

The Chatterley Valley West site is a prime employment site, at a key gateway location to the North Staffordshire conurbation and the Ceramic Valley Enterprise Zone. It benefits from an excellent location with the opportunity to link directly to the local, regional and national highway networks.

Access constraints and expensive abnormal on and off site infrastructure costs have acted as a barrier to investment to date, however these are now being overcome through the appetite of local partners to promote economic growth at this location, not least with the site being identified as a key investment location for the Ceramic Valley Enterprise Zone. There is also the potential for access improvements to assist in the opening up of other key local sites including the Enterprise Zone sites at Highgate and Ravensdale and Chatterley Gateway South.

Notwithstanding the Enterprise Zone status of the site “Gap funding” is required to make the development a viable proposition when considering the market value of the development site balanced against the costs of remediation, access and infrastructure and professional fees.

Staffordshire Council in connection with the site’s developer, Haworth Estates have been undertaking preliminary options appraisal work to identify the potential accesses into the site. A number of potential access options and site development options, taking account of local access constraints have been assessed, including:

- Do nothing*
- Option 1 – priority junction access to southern entrance from A527*
- Option 2 – traffic light controlled junction access from southern entrance and A527*
- Option 3 – roundabout junction to southern entrance and A527*
- Option 4 – roundabout junction to southern entrance and A527 with localised widening to the A527 junction with Reginald Mitchell Way*
- Option 5 – access to southern entrance via a new arm to the A527/A500 junction and underpass link into site.*

Although detailed transport modelling and options appraisal work will be required to test these options in further detail, the initial conclusions of preliminary modelling work are that Option 5 above would represent the most effective solution for accessing the site. This option could also be designed to help bring forward the Chatterley Gateway South site and the Highgate and Ravensdale Enterprise Zone sites.

More detailed transport modelling will now be undertaken, and the results of this work will inform the development of the preferred option.

5.1. Strategic case

The Chatterley Valley Master plan was developed by a partnership of the three local authorities (Newcastle Borough Council, Stoke on Trent City Council and Staffordshire County Council) working together and with the former RDA (AWM). This has already successfully delivered around 1200 jobs on the first phase of the project including the Blue Planet development (now home to JCB) and the Genesis Centre. The western part of the Chatterley Valley project will be private sector-led, involving the two land owners (The Powell Trust and Harworth Estates) and the developer Harworth Estates delivering the scheme on-site.

The project for which Growth Deal funding is sought will provide the essential off-site infrastructure works for Chatterley Valley West to provide appropriate accesses to the site.

This site requires significant investment in site levelling, access works and site servicing, in order to make it development-ready. The developer is to undertake all ‘on-site’ works; it is proposed that LGF will only take on investment in the adjoining public highway.

Chatterley Valley West comprises the two adjoining sites of Peacock Hay and Chatterley Sidings which together have a site area of 40 hectares gross (26

hectares net) and would provide land for Class B development – leading to approximately 1700 new jobs for the North Staffordshire area.

Chatterley Sidings would provide a single plateau of development land capable of accommodating 565,000 sq. ft. of Class B development in two large units; Peacock Hay would provide for around 170,000 sq. ft. of SME development.

Gap funding through the Local Growth Deal is sought to enable the developer, Harworth Estates, to bring forward the site without the high costs of off-site infrastructure, it is this which has up to now held back the site from development.

The project will directly contribute to the following SSLEP priorities:

1) *Connected County* – delivery of the Chatterley Valley West site would help address market demand for high quality employment sites around the A500 and M6 corridors, contributing to the portfolio of high quality investment ready sites in the area and offering one of the most significant development opportunities in the Enterprise Zone . The SEP priority for competitive connectivity prioritises the bringing forward of strategic employment sites underpinned by strong supporting transport and supporting infrastructure to drive business growth. The strategic location of the site, directly adjacent to the A500 and within close proximity to the M6 at junction 16, as well as a nearby well skilled workforce provides an ideal opportunity for a sustainable transport solution.

2) *Sector Growth* – Unlocking the site will create the conditions for, and promote enterprise led expansion in large and small businesses across our priority sectors. The M6 corridor has built a recent reputation as an area of high growth and strong market interest in high value manufacturing and engineering and its connected supply chains. As a key location within the Ceramic Valley Enterprise Zone, the site could attract companies specialising in advanced materials technologies, as well as being able to capitalise on the attractiveness of the area to the automotive, aerospace and high technology sectors. The corridor is also superbly located to attract logistics and distribution developments.

5.2. Economic case

The fully developed site is estimated to create up to **1700 jobs** which are likely to be split between B2 (general industrial) and B8 (distribution and warehousing) uses.

The estimated GVA benefits from the site will be quantified following greater certainty around the end users on site, however given the anticipated split of development outlined above the total GVA generated by employment on site once fully developed out could be in the order of - £61,267,150

B2 uses:

850 jobs x 38861 (GVA per employee in manufacturing) = £33,831,850

B8 uses:

850 jobs x 33218 (GVA per employee in logistics) = £28,235,300

5.3. Commercial case

The County Council has a full professional team to deliver major capital projects, including significant strength and depth in town planning, surveying, civil engineering and all the building professional disciplines. The Council also has strategic partnerships with Amey to deliver civil engineering projects and with Kier to deliver building projects. This ensures early contractor involvement in all projects and significantly reduces procurement and contract delays. This team is supported by an experienced team of project managers, lawyers, finance and procurement specialists.

The County Council has significant skills and experience in managing the finances of large capital projects. The Council has a clear understanding of the costs and timescales involved in bringing forward capital projects and in selling employment land. Within the County Council's team, we have experienced civil engineering quantity surveyors and development surveyors. Our legal and financial teams also have considerable experience in supporting our capital programme.

The preferred option for procurement of a works contractor will be through the partnership with Amey through the Infrastructure + framework contract, with a reserve option to use the Midlands Highways Alliance framework contract.

5.4. Financial case

Total Project Cost		
Total cost of the project?	<i>Original bid estimate £72.0 million</i>	<i>These costs have been estimated from a high level budget cost estimate and will be refined further with the development of the preferred option. Please note that in this case, the scheme costs include a £65million allowance for on site reclamation, servicing and build out costs. .</i>
Funding Requirements and Leverage / Match Funding		
total funding requirement being requested	<i>£2.0 million</i>	<i>The funding request is as set out in the initial Growth Deal 3 funding bid expression of interest.</i>
Match funding to be provided	<i>£5.00m (public sector)</i>	<i>The proposal is for public sector contributions to be sourced from a loan secured against the future business rates received from the scheme which benefits from being within the Ceramic Valley Enterprise Zone.</i>
	<i>£65 m (private sector)</i>	<i>Private sector contributions are based on the estimated costs involved in servicing the site, as well as the build out costs of industrial units on the site.</i>

5.5. Management case

The Senior Responsible Owner is Steve Burrows, Commissioner for Business and Enterprise at Staffordshire County Council.

The project will be managed in accordance with PRINCE 2 principles and reported on a regular basis through Staffordshire County Council's Economic Growth Programme and Senior Leadership Team mechanisms.

The risk management strategy to be employed for the project will be aligned to the PRINCE2 TM project management methodology and Staffordshire County Council's Corporate Risk Management Policy.

The project forms part of Staffordshire County Council's Economic Growth Programme which considers and allocates relevant resources to drive economic growth in the county.

As part of the infrastructure + partnership arrangement with Amey, Staffordshire County Council has unrivalled access to engineering project management and delivery resources.

Risks will be constantly reviewed throughout the life of the project and revised as necessary. The Project Manager will maintain the high level Risk Register and be responsible for ensuring that programme and project risks are identified, assessed and controlled throughout the lifetime of the project.

At present, due to the high level nature of the options appraisal work undertaken to date, there is the potential for unexpected additional costs. However, as with any proposal of this nature, market risks associated with the attractiveness and viability of the site, and economic risks such as inflation and the wider performance of the economy at a macro level will be mitigated against on a proportionate and appropriate basis.

Where appropriate, risks will be costed in order that a comprehensive record of potential project costs is maintained and managed. Risks will be reviewed at contract award stage through a risk workshop and a shared risk register produced to allocate ownership and determine the value of the residual risks to be included within the Target Cost.

5.6. Resource and VFM analysis

Cost/Benefit Analysis

Taking the overall estimated costs of the project and anticipated Gross Value Added benefits into account, the project Benefit to Cost Ratio is:

*£61.3 million (total GVA benefit) / £7.0 million (LGF and public sector project cost)
= **BCR of 8.76***

In addition, the project is expected to generate £30.6 of Gross Value Added Benefits for every £1 of Growth Deal funding.

Scheme Funding

A funding request of £2million was included in the Growth Deal 3 bid submission. The Chatterley Valley West site has been identified as the number 4 priority projects within the submission.

The project team has a well developed relationship with the private sector owners and developers of the site – Harworth Estates, and initial Heads of Terms for the

Site Implementation Agreement between parties, including expectations of the investment for each party have been agreed in principle.

The project costs for the off site infrastructure works are proposed to be funded through a LGF contribution of £2million and further public sector contribution of approximately £5 million which will be borrowed against the anticipated receipts through business rates associated with the development. As the site falls within the Ceramic Valley Enterprise Zone, all business rates received will be retained locally and will be used to repay public sector borrowing as set out in the principles agreed through the Enterprise Zone.

Cost assumptions

Current scheme total costs have been estimated following a high level budget estimate and are therefore subject to change following the development of the preferred option.

Following development of the preferred option and the preparation of relevant cost estimates, cost over runs are not expected to be significant as a fully costed programme will be prepared by a Quantity Surveyor in the determination of a final target cost for the project.

Appropriate optimism bias factors will be applied to the project, based on the level of certainty of the various project elements. A standard project contingency rate of 10% will be applied.

Financial risks will also be managed through the use of an NEC Option C contract which incentivises the robust identification of costs and a “Pain and Gain” mechanism to deal with potential variations to the target cost.

All land required for the project is either within the ownership or an option of ownership of the developer. The developer has the option to purchase land at Chatterley Gateway South for the purposes of accessing the wider Chatterley Valley West site. In the event of Option 5 above being pursued this option will need to be exercised.

Infrastructure

The project will deliver the following outputs:

- Newly constructed and upgraded highway and associated junctions to provide access to development site (the total length of road will be subject to the confirmation of the preferred option route)*
- Diversion of existing utilities and services (the provision of new utilities to the site will be at the expense of the site developer)*

As a direct result of the infrastructure project:

- The remediation of approximately 38 hectares of developable land by the site developer*

Employment outputs

As set out in section 5.2 above, the fully developed site is estimated to create up to 1700 jobs which are likely to be split between B2 (general industrial) and B8 (distribution and warehousing) uses.

6. Consultation process

Staffordshire County Council's Cabinet gave its approval to undertake the design and project management of the infrastructure for the scheme at its meeting on the 18th May 2016.

Following the selection of the preferred option for the final scheme to access the site, a planning application will be prepared which will be accompanied by the relevant statutory consultation processes.

Further scheme consultation and public information exercises will be undertaken as appropriate with the development of the project and as it approaches delivery.

At the same time as the planning application for the off site highways infrastructure, Harworth Estates, as the on site developers will be bringing forward their own planning applications for the proposed uses on site and these planning applications will also be accompanied by relevant consultation exercises.

7. Location of proposal

Please see plan enclosed at appendix 1

8. Risk analysis

- Risk that planning permission is not approved – this risk is determined to be of high impact, but lower probability due to the fact that the scheme will be submitted as a “Regulation 3” planning application to Staffordshire County Council **Mitigation** – planning application via SCC regulation 3 route, and continual liaison with case officers.
- Ecological constraints of protected species, in particular Great Crested Newts.– this risk is determined to be of high impact and high probability. The site will need to be cleared of Great Crested Newts before any construction work can commence. **Mitigation** – Surveying of land required for access route and appropriate mitigation strategy put into place.
- Risk that developers conclude that the project, does not financially stack up – this risk is determined to be of high impact and medium probability, this risk is being mitigated through working in close partnership with the developer Harworth Estates which is keenly pursuing the development of the site. – **Mitigation** –Harworth Estates team is actively involved in project team, and investment will be subject to the terms and conditions of Site Implementation Agreement. Initial market testing suggests that the site is attractive to market, and will be successfully brought forward.
- The cost of the access improvements exceed the commercial viability and development value available to cross subsidise the road – The costs of the project will be assessed by a Quantity Surveyor and include allowances for Optimism Bias and contingency. – **Mitigation** – strict cost controls attached to project management through a quantified costed risk assessment of the project, and the overall economic case for the project as set out above

9. Legal analysis

The relevant legal arrangements will be confirmed in a Site Implementation Agreement between the developer Harworth Estates and Staffordshire County Council as the delivery body.

The outcome of the options appraisal exercise and selection of a preferred option will inform the land take required for the project. At present all land required for the access options is either within the ownership of, or under option to the developer – Harworth Estates.

10. Delivery

The site is allocated within the adopted Local Plan, and has the benefit of outline planning permission for employment uses

To date, the site has not come forward due to the significant off site infrastructure costs that would be involved in accessing the site from the A527. The basis of this investment, and flexibilities provided by Enterprise Zone status will allow the site to come forward by overcoming these issues.

The County Council has a full professional team to deliver major capital projects, including significant strength and depth in town planning, surveying, civil engineering and all the building professional disciplines. The Council also has strategic partnerships with Amey to deliver civil engineering projects and with Kier to deliver building projects. This ensures early contractor involvement in all projects and significantly reduces procurement and contract delays. This team is supported by an experienced team of project managers, lawyers, finance and procurement specialists.

The County Council has significant skills and experience in managing the finances of large capital projects. The Council has a clear understanding of the costs and timescales involved in bringing forward capital projects and in selling employment land.

Within the County Council's team, we have experienced civil engineering quantity surveyors and development surveyors. Our legal and financial teams also have considerable experience in supporting our capital programme.

The preferred option for procurement of a works contractor will be through the partnership with Amey through the Infrastructure + framework contract, with a reserve option to use the Midlands Highways Alliance framework contract.

11. Timetable

The detailed programme and timetable will be confirmed following the conclusion of the options appraisal and consultation exercises.

At present the indicative timetable is as follows:

- *Completion of initial scheme design – April 2017*

- *Ecological survey works – early 2017*
- *Planning application submission –summer 2017*
- *Planning application determination – Autumn 2017*
- *Refinement of target costs and finalise business case – Autumn/Winter 2017*
- *Award Contract – Winter 2017/18*
- *Commence construction – February 2018*
- *Complete construction – March 2019*

Benefits realisation (in the form of employment on site are expected to commence on site from March 2019 – it is the developers intention to undertake site assembly works concurrently with the delivery of the infrastructure scheme)

12. Author

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13. Decision details

For official use only – details of date considered by City Deal and Growth Deal Programme Board and any additional information for decision record

APPENDIX 1 – CHATTERLEY VALLEY WEST SITE LOCATION PLAN

