

**City Deal and Growth Deal Programme Board**

**Business Case Approval Form**

**1. Project title and proposing organisation(s)**

*Former ROF Featherstone Strategic Employment Site – Access Improvements*

*Promoted by Staffordshire County Council.*

**2. Decision date**

*31<sup>st</sup> October 2016.*

**3. Decision summary: Recommendation etc.**

*On the assumption that the ROF Featherstone project receives funding through Growth Deal 3, that the City Deal and Growth Deal Programme Board recommends:*

- Spending of circa £700,000 for project development in Financial Year 2016/17 to mitigate against slippage of spending from the Growth Deal 1 and Growth Deal 2 programmes*
- Funding will be switched from the 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 ROF Featherstone Site is a strategically important employment site, at a key gateway location to the West Midlands conurbation and with excellent links to the local and national highway network.*

*Access constraints and expensive abnormal 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. “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.*

*As part of a viability and delivery options study commissioned by South Staffordshire Council in connection with the ROF Featherstone employment 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 – Two options which provide a link between Brookhouse Lane to Cannock Road with two possible alignments:  
A) Access from Brookhouse Lane to Cannock Road, south of Featherstone; or  
B) Access from Brookhouse Lane to M54 J1 eastbound off slip, south of Featherstone.*
- Option 2 – Access from New Road to Brookhouse Lane;*
- Option 3 – Upgrade of existing rail underpass on Brinsford Road/Cat and Kittens Lane;*
- Option 4 – New connection from Cat and Kittens Lane to Stafford Road; and*
- Option 5 – New connection from Brookhouse Lane to Stafford Road.*

*A further scheme option has more recently been explored, involving the improvement of Cat and Kittens Lane to a point south of the M54 with the construction of a new carriageway to the roundabout junction of the A460, Bognop Road and Moseley Road.*

*A detailed transport modelling and options appraisal exercise is now being undertaken, and the results of this will inform the development of the preferred option.*

## **5.1. Strategic case**

*The ROF Featherstone site is the single largest undeveloped employment land site in the South Staffordshire Local Plan.*

*A viability and delivery options study commissioned as part of the Local Plan review in 2014 identified that the site was unlikely to come forward commercially without a modest extension to the existing employment allocation (this extension has been proposed through a site allocations document), and would not be economic unless “gap funding” to offset abnormal off site infrastructure costs was secured.*

*The project will directly contribute to the following SSLEP priorities:*

*1) Connected County – delivery of the ROF Featherstone Strategic Employment site would help address market demand for high quality employment sites around the M54 in South Staffordshire, contributing to a portfolio of high quality investment ready sites in the area alongside i54 and Bericote Four Ashes. 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 close to junction 1 and 2 of the M54 and the proposed M54/M6/M6 Link road 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 / M54 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. In particular, the area is becoming increasingly attractive*

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 **2800 jobs** which are likely to be equally split between B2 (general industrial) and B8 (distribution and warehousing) uses.

This has been calculated as follows:

B2 uses = 1935 jobs (69,677 sq m of floor space at employment density of 36 sq m per FTE job)

B8 uses = 870 jobs (69,677 sq m of floor space at employment density of 80 sq m per FTE job)

These employment densities are calculated as per the Homes and Communities Agency Employment Density guidance which is available from the following link: <https://www.gov.uk/government/publications/employment-densities-guide>

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 - £104,095,695

B2 uses:

1935 jobs x 38861 (GVA per employee in manufacturing) = £75,196,035

B8 uses:

870 jobs x 33218 (GVA per employee in logistics) = £28,899,660

## **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		
<b>Total cost</b> of the project?	<i>Up to £12.5 million</i>	<p><i>Costs have been developed based on a preliminary scheme survey which have informed preliminary designs based on the options identified at 5 “Options Appraisal” above.</i></p> <p><i>These costs have been assessed by a quantity surveyor and factored for inflation based on a 2018 works start date.</i></p> <p><i>An optimism bias factor of 25% has been applied alongside a project contingency allowance of 10%.</i></p> <p><i>Relevant professional fees and preliminaries have been accounted for within these cost assumptions.</i></p>
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>
<b>Match funding</b> to be provided	<i>£3.75m (private sector)</i>	<i>This contribution will be secured from the private sector development partner through the Site Implementation Agreement.</i>
	<i>£6.75m (other public sector)</i>	<i>The proposal for other public sector contributions will be sourced from a loan secured against the future business rates received from the scheme.</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, the potential for unexpected additional costs is assessed to be low, 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:*

*£104.1 million (total GVA benefit) / £12.5 million (project cost) = **BCR of 8.3***

*In addition, the project is expected to generate £52 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 ROF Featherstone site has been identified as one of the priority projects within the submission.*

*The project team has a well developed relationship with the private sector owners and developers of the site – St. Francis Group, and initial Heads of Terms for the Site Implementation Agreement between parties, including expectations of funding have been agreed. The Site Implementation Agreement identifies a private sector contribution of £3.75m.*

*The remaining project costs are funded through a public sector contribution of £6.75m which will be borrowed against the anticipated receipts through business rates associated with the development.*

### *Cost assumptions*

*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.*

*At this point of the project an optimism bias factor of 25% has been added to the initial project costs alongside a project contingency rate of 10%.*

*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 and will be dedicated at zero cost or is within the public highway*

### 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 36 hectares of net 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 2800 jobs which are likely to be equally split between B2 (general industrial) and B8 (distribution and warehousing) uses.*

*This has been calculated as follows:*

*B2 uses = 1935 jobs (69,677 sq m of floor space at employment density of 36 sq m per FTE job)*

*B8 uses = 870 jobs (69,677 sq m of floor space at employment density of 80 sq m per FTE job)*

## **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 18<sup>th</sup> May 2016.*

*The preferred option for the final scheme will be informed by a detailed consultation exercise which is scheduled to commence during November 2016.*

*The principle of development at the ROF Featherstone employment site has been extensively tested through the South Staffordshire Local Plan review which is expected to be adopted in early 2018.*

*Following selection of the preferred option a further consultation exercise will be undertaken as part of the planning application for the project.*

## **7. Location of proposal**

## 8. Risk analysis

- Risk that South Staffordshire Council's Site Allocations Document is not adopted – this risk is determined to be of high impact, but lower probability due to the general conformity with policy of the Core Strategy which allows for “modest extensions” to the existing freestanding sites. **Mitigation** – continual engagement with South Staffordshire Council and membership of project team to ensure consistency of approach
- Proximity of potential options for proposed road to the Moseley Old Hall National Trust property – this risk is determined to be of high impact and medium probability. The proximity of the scheme to the Moseley Old Hall heritage asset will require careful stakeholder engagement and will be sensitively designed to the local topography to ensure that its setting is not harmed. **Mitigation** – careful stakeholder engagement with National Trust and other key stakeholders through concerted communications campaign to mitigate risk.
- Road will need to gain planning permission – this risk is determined to be of high impact and medium probability. The preferred approach will be for the planning application to be determined by Staffordshire County Council through a “regulation 3” planning application, and in this respect there is a low level of risk that the scheme will not be approved. There may be some risks associated with public opposition to the project, and in relation to possible cross boundary impacts with Wolverhampton City Council. - **Mitigation** – SCC led regulation 3 planning application will minimise risks associated with gaining planning permission for road infrastructure
- Risk that ROF owners conclude that the project, even with an extension to the site, 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 St. Francis Group which is keenly pursuing the development of the site. – **Mitigation** – St. Francis Group 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 new road exceeds 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. The private sector contributions identified have been agreed in principle with the developer. – **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 St. Francis Group 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 initial preferred option is either within the ownership of, or under option to the developer – St. Francis Group.*

## 10. Delivery

*The site is not within the defined Green Belt and is highlighted as one of four Freestanding Employment Sites in the adopted Core Strategy. South Staffordshire District Council have recently held a Site Allocations Preferred Options consultation which proposes an extension of up to 50% to the area of the existing 24ha site.*

*The existing 24ha site (which includes 10ha of planting) has previously gained permission for B1/B2 use. However, the applicant did not implement the permission as it was felt that the lack of B8 use, alongside the poor local road network directly surrounding the site, meant that the planning permission was not considered financially viable to implement. The viability of the site has informed the current proposals to extend the area of the site by 50% as set out above.*

*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)*

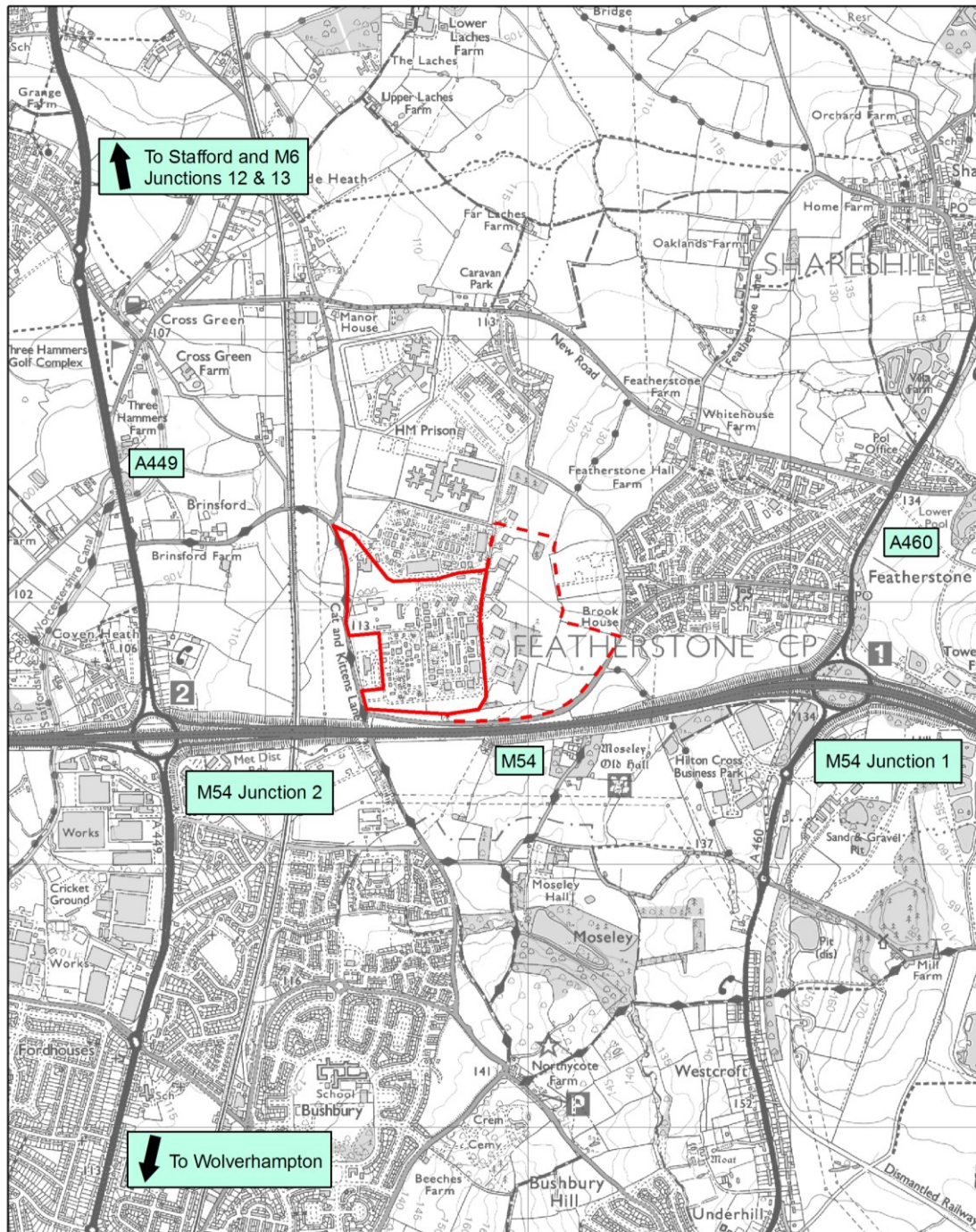
## **12. Author**

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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 – FORMER ROF FEATHERSTONE SITE LOCATION PLAN



<p><b>Location Plan</b></p> <ul style="list-style-type: none"> <li><span style="border: 1px solid red; display: inline-block; width: 10px; height: 10px;"></span> Existing ROF Featherstone Site</li> <li><span style="border: 1px dashed red; display: inline-block; width: 10px; height: 10px;"></span> Proposed Local Plan Extension</li> </ul>	<p><b>N</b></p> <p>Date - 06/02/14</p> <p>Scale - 1:20,000</p>	<p>This product includes mapping data licensed from Ordnance Survey with the permission of the Controller of Her Majesty's Stationery Office</p> <p>© Crown copyright and / or database right 2008 All rights reserved</p> <p>Licence Number 100019422.</p>
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