**Ceramic Valley Strategic Implementation Plan 2020/21**

**Foreword**

The vision for the CVEZ remains an ambitious one, and one we are confident we can deliver. Ceramic Valley is about employment growth across 6 sites in Stoke-on-Trent and Newcastle-under-Lyme, along the A500 corridor which together will bring forward 140 Ha of employment land that will generate capacity for 7,000+ jobs. The strategy is to unlock the delivery of these sites by stimulating demand through the incentives that Enterprise Zone status offers and providing pump-priming where needed to remove viability constraints.

The ambition is to generate modern jobs focussed on the core sector strengths of the area. The growth of business on the CVEZ will play a role in transforming traditional industries into cutting–edge globally competitive sectors anchored in North Staffordshire. This ambition is part of a wider strategy of delivering fast, high value, high quality “good growth” across the area to support the journey to economic independence.

2019 saw some particularly significant milestones achieved: planning permission was secured for the Etruria Valley Link Road, government funding was secured for a full fibre network on to the zone, further developments were completed and occupied on Tunstall Arrow and Highgate/Ravensdale and outline planning permission was secured on Chatterley Valley West. Tunstall Arrow was awarded ‘the best regeneration project in the West Midlands’ in 2019 reflecting the transformation the scheme has had on the community.

Now the CVEZ has delivered over 1,000 jobs. Sites which were once dormant are now being brought forward by the private sector. The CVEZ is beginning to move the property market in North Staffordshire with stronger rents being achieved and investment generated.

Successful delivery of the CVEZ is a key ingredient in the ambition of the conurbation to operate as a major, sustainable growth hub for the UK. We are confident that through the continued delivery of this Plan we are on our way to achieve that vision.

(Signed) ……................................................................................

**Councillor Abi Brown**

**Chair of Ceramic Valley Enterprise Zone Project Board**

Date: 31 March 2020

**Contents**

[**1. Introduction 1**](#_Toc31616475)

[**2. Ceramic Valley background 2**](#_Toc31616476)

[**3. Governance 7**](#_Toc31616477)

[**4. Delivery activities 14**](#_Toc31616478)

[**5. Marketing and communications 19**](#_Toc31616479)

[**6. Milestones 20**](#_Toc31616480)

[**7. Outputs (delivered and forecasted) 27**](#_Toc31616481)

[**8. CVEZ finance 32**](#_Toc31616482)

[**9. Risks 41**](#_Toc31616483)

[**10. Additional assistance required from Central Government 43**](#_Toc31616484)

# **Introduction**

**Purpose of this document**

* 1. This document is the updated CVEZ Strategic Implementation Plan (SIP) for 2020/21, referred to throughout this document as the CVEZ SIP. The CVEZ SIP outlines at a strategic level the vision, expected benefits, delivery activities that will take place, the governance structures for managing and reviewing the CVEZ, progress to date, the approach to funding and key risks. The CVEZ SIP is a ‘live document’ and is updated annually, and in advance of the forthcoming accounting year, to take into account existing activity and emerging opportunities and challenges. The plan will be reviewed and refreshed again in March 2021.
	2. The CVEZ SIP is supported by a detailed suite of programme management and project documents that allows the CVEZ Programme Manager and the officers delivering the projects to successfully coordinate delivery at an operational level.
	3. The CVEZ SIP is informed by, and complementary to, existing policy and strategy documents, including the current Stoke-on-Trent and Staffordshire Local Enterprise Partnership’s (SSLEP) Strategic Economic Plan, Midlands Engine Vision for Growth, City Growth Deals and the Economic Development Strategies of both Newcastle Borough Council and Stoke-on-Trent City Councils. The CVEZ SIP will help the area to deliver against the emerging Local Industrial Strategy which is nearing completion.

**Further information**

* 1. For further information on the CVEZ please visit the SSLEP website <http://www.stokestaffslep.org.uk> , or contact directly:

Caroline Mairs, Investment Services Manager

Tel. 01782 231163

E-mail: caroline.mairs@stoke.gov.uk

# **Ceramic Valley background**

**Introduction**

* 1. CVEZ has an ambition to provide growth opportunities for modern industries that will provide high quality jobs for residents and bring new business and skills to the area. The CVEZ is expected to facilitate the growth from traditional industries to cutting-edge globally competitive sectors. Industries expected to deliver that growth are: technical ceramics, traditional ceramics, engineering, sustainable-energy, technical and high-end manufacturing. Although it is noted that through private sector delivery the sites delivery will be driven by market demand and not ring-fenced for these target sectors.
	2. The delivery strategy for the CVEZ is a bold statement of the Stoke and Staffordshire Local Enterprise Partnership’s (SSLEP) determination to transform the conurbation and reap the wider rewards of sustainable economic growth.
	3. By 2025 it is estimated the CVEZ will deliver:
* A net land value uplift equivalent to £39.3 million;
* 140 Ha of brownfield land reclaimed
* 350,000+ sqm of additional employment floorspace.
* Approximately 7,000 jobs on-site

**Geographical coverage**

* 1. CVEZ is a three-mile long corridor within which are six largely cleared individual sites with over 140 hectares of net developable land. The CVEZ programme of activity involves public and private sector investment to open up these sites. The sites within the CVEZ comprise (from North to South):

• **Tunstall Arrow:** An 8.8 Ha brownfield entirely clear and investment-ready with substantial development already completed. The final phase of development is due to commence in Spring 2020.

• **Chatterley Valley East:** An 18.2 Ha entirely clear brownfield site except for the Genesis Enterprise Centre. The first phase of development has now taken place

• **Chatterley Valley West:** A 38 Ha site owned by Harworth Estates, situated in Newcastle-under-Lyme Borough.

• **Highgate/Ravensdale:** A 38.3 Ha brownfield site largely clear but requiring some additional remediation and access works;

• **Etruria Valley:** A 31.3 Ha brownfield site largely owned by Stoke-on-Trent Regeneration Ltd. (a joint venture between St Modwen and Stoke-on-Trent City Council). The site is clear and has early phases are completed. This is the SSLEP’s no.1 priority employment site, and is currently benefiting from investment in significant road infrastructure.

• **Cliffe Vale:** A 6.2 Ha brownfield site in mixed ownership which will require some major remediation work before coming forward.

* 1. These are illustrated on the map below.

**Figure 1 – Overview of the Ceramic Valley sites**



* 1. In addition, between the six development sites are smaller areas of employment land, comprising small pockets of derelict land or dilapidated industrial buildings containing SMEs working in obsolete and poor-quality premises limiting their potential for growth. As a “second phase” of the CVEZ, the SSLEP will work with landowners and occupiers alike to enhance, redevelop and modernise these premises.

**Sector focus**

* 1. Ceramic Valley is private sector driven and expected to react to the needs of the market. The growth of jobs is therefore purposefully not restricted to certain sectors. However, in establishing the CVEZ vision it was foreseen that the CVEZ would be of particular benefit to the following industries:
* **Ceramics (Technical):** This sector is one of the fastest growing globally, as ceramics are used to substitute for materials which are becoming much rarer. Technical ceramics includes the uses of the material in the medical, automotive, aerospace and energy industries. The applications for the material range from ceramic nanofibers (which offer reinforcing capabilities cheaper, lighter and more durable than steel); to geopolymerised ceramics, a technique offering an alternative to lead as a means of embedding nuclear waste.
* **Ceramics (Traditional):** The city’s tradition of tableware is well established, and names such as Wedgwood, Steelite, Churchill, Dudson, Portmeirion/Spode and Emma Bridgwater are known internationally as is high quality tile manufacturer Johnson Tiles. There is a growing trend for on-shoring production back to the UK, as the price differential with the Far East shrinks and demand for the “Made in Stoke” brand grows. The CVEZ should allow for further embedding existing firms in the area and accommodating expansion plans where necessary.
* **Advanced Manufacturing –** North Staffordshire has a strong engineering, automotive and advanced manufacturing business base across a spectrum of industries, from Jaguar Land Rover, JCB, Michelin, General Electric. There are supply chain companies drawn to the area due to these existing blue-chip manufacturers but also by the presence of others nearby (Bentley, Toyota, GM Vauxhall). The CVEZ will provide attractive solutions to these types of firms and offers great potential for growth of high-quality jobs locally and adding to the growth of UK exports.
* **Energy/Power Generation:** Innovative methods of energy generation are a growing area of enterprise. Through the installation of Geothermal Heat Source on the CVEZ, we will seek to accommodate supply chains in this sector. Keele University is putting significant investment into research in this field’ which could aid growth in this area.
* **Logistics (Distribution & Warehousing):** Given the location of the CVEZ sites along the A500(T), which itself links with the M6 motorway and the A50 across to the M1, Ceramic Valley inevitably has an appeal for the logistics sector; indeed, this reflects the appeal of North Staffordshire to the logistics sector as a whole.
* **Business & Professional Services:** The City Centre Business District and Newcastle Town Centre remain the LEP’s priority locations for office development in North Staffordshire, in line with planning policy. However, the connectivity of the CVEZ sites, the CVEZ benefits and the nature of the large conurbation we expect to create demand for modern business and professional service accommodation on the CVEZ that could be met if occupiers have specific demands that the CVEZ can meet.
	1. The CVEZ will seek to facilitate indigenous growth to ensure the local economy retains its brightest and fastest growing companies. The delivery of space that would suit SME’s is of particular interest to the CVEZ partners. CVEZ resources could be utilised to deliver SME space if there is evidence of market failure that prevents the private sector achieving this or there is simply a lack of appetite from developers who are more easily able to fill their sites with large B2 / B8 space users, effectively squeezing out local SME growth.
	2. The CVEZ will target inward investment from elsewhere in the UK and foreign direct investment. Partners are working closely with the Department for International Trade (DIT) to market North Staffordshire’s key sectoral strengths and the CVEZ investment opportunities.

**Development strategy**

* 1. All 6 sites are fully or partially in private sector ownership. All the privately-owned elements of the sites have developers engaged and aspiring to bring forward employment space. The delivery on the private sector owned sites will be private sector led with the public-sector partners providing the overall strategic framework for delivery. On the public sector owned sites, Stoke-on-Trent City Council is acting as developer on Innovation Way, which forms part of the Chatterley Valley East site.
	2. The CVEZ will provide a steady stream of shovel ready sites for occupiers. This will involve, where needed, public-sector partners investing alongside private developers to remove any viability issues.
	3. Early development on sites which are already developable will create an income stream in terms of retained business rates (and have started to do this) that will allow the Accountable Bodies in conjunction with the SSLEP to borrow capital to facilitate the development of those sites slightly further from being marketable (Cliffe Vale, Highgate and Ravensdale and Chatterley Valley East).
	4. In the case of Chatterley Valley West, retained business rates will, in the first instance be invested back into the site, including towards the provision of new SME space, but if this cannot be achieved discussions will need to be held with the LEP over the use of retained business rates to invest in appropriate employment-generating activity in one of the LEP’s other priority investment areas in the Borough.
	5. Incentives offered on the sites will be a mix of both enhanced capital allowances and business rate reductions, enabling marketing to be targeted at both large multi-national manufacturers and smaller SMEs with an appetite for growth.
	6. Public-sector partners will coordinate other activity that will enhance the sites, including:
* A dedicated CVEZ enhanced planning service
* Coordinated marketing, that will be sector specific and targeted
* A dedicated inward investment service
* An employment brokerage service
* Investment and coordination of skills provision
* Super-fast broadband availability
* Sustainable energy provision through a District Heating Network
* Investment in the development of the Advanced Ceramics cluster

# **Governance**

**Introduction**

* 1. Significant changes were made to the governance arrangements for the SSLEP in 2019/20. This section takes into account these changes.

**The SSLEP and the Accountable Bodies**

* 1. The delivery of the CVEZ is a key project for the SSLEP. Whilst maintaining the decision-making functions around the adoption of the SIP and the approval of project business cases, the SSLEP Company Executive Board has delegated to a CVEZ Project Board the detailed tracking and scrutiny of the CVEZ’s delivery plans, marketing plans and budgets.
	2. SoTCC will be the overall Accountable Body for the CVEZ. SoTCC will be responsible for ensuring the CVEZ SIP is produced and renewed, the overall programme is coordinated and monitoring information is provided to both the Accountable Bodies and the SSLEP in accordance with the arrangements set out in the CVEZ SIP.
	3. The Accountable Bodies for delivering individual projects within the CVEZ will be Stoke on Trent City Council (SoTCC) and the two-tier Councils of Newcastle-under-Lyme Borough Council (NuLBC) and Staffordshire County Council (Staffs CC).
	4. The SSLEP assurance procedures will apply to each project delivered.

**Overarching governance structure**

* 1. Responsibility for overseeing the delivery of the CVEZ has been delegated by the SSLEP Executive Board to a CVEZ Project Board.
	2. The CVEZ Project Board is not a decision-making body and will therefore provide recommendations to the SSLEP Company Executive Board. The CVEZ Project Board will make recommendations to the Company Executive Board on:
* Endorsing the updated annual CVEZ SIP
* Endorsing the programme of activity and CVEZ budgets (including the use of retained business rates uplift)
* Recommending projects to use CVEZ finance to the Executive Board.
	1. It will be the SSLEP Company Executive Board who will approve and formally adopt the renewed CVEZ SIP ahead of each year (taking into consideration the recommendations of the Project Board).
	2. In addition, the SSLEP SPMG will receive quarterly monitoring reports to ensure it covers the CVEZ in its assurance role for the SSLEP. The default position is reporting quarterly, with reporting by exception should a need arise.
	3. At an operational level a Programme Manager has been appointed by SoTCC. It will be the Programme Manager who will have day-to-day responsibility for coordinating and monitoring delivery against the CVEZ SIP. The Programme Manager will work under the direction of SoTCC’s Director of Place, Growth & Prosperity who will have overall responsibility for the CVEZ Programme.
	4. The Programme Manager will collect input from the Accountable Bodies into quarterly monitoring reports that will be forwarded to the CVEZ Project Board and SSLEP SPMG.
	5. Within the Accountable Bodies will be Project Teams. Each Accountable Body will approve project expenditure in line with the CVEZ SIP and their own constitutions.

**Setting the CVEZ SIP**

* 1. In advance of the CVEZ SIP renewal a working session will be held with a Project Group (Officers from SoTCC, NuLBC, Staffs CC and BEIS) to discuss emerging priorities and concerns that can be reflected in the CVEZ SIP. The ongoing CVEZ Project Board meetings offers a quarterly opportunity for Board Members to suggest items for inclusion in the forthcoming CVEZ SIP.
	2. The Programme Manager will provide an end of year monitoring report and DRAFT updated CVEZ SIP for agreement (or suggested modification) by the Accountable Bodies and the SSLEP. This will be presented to the Project Board who will make recommendations to the SSLEP Company Executive Board with regards approval.
	3. The CVEZ SIP will include detailed five-year plans for: operating costs, expected capital projects, revenue funded projects, the programme budget (including financing costs and cumulative surpluses and deficits) and expected outputs. The SoTCC Council (the overall Accountable Body for the CVEZ programme) will approve the programme revenue budget for the year as outlined in the CVEZ SIP. A SoTCC CVEZ Capital Investment Plan, as outlined in the CVEZ SIP, would be approved by SoTCC Council. A Staffs CC/ NuLBC CVEZ Capital Investment Plan, as outlined in the CVEZ SIP, would be approved by their respective Council’s.

Figure 2 – Setting the CVEZ SIP



**Approving project expenditure**

* 1. Each project to be delivered using CVEZ funding will need to be approved by the SSLEP Company Executive Board via the adoption of the CVEZ SIP annually. The project business cases will be put forward by the Project Board with a value for money assessment to the SSLEP Executive Board at the same time as the SIP renewal. The Executive Board take into consideration the recommendations of the Project Board when assessing wither to approve the project to proceed.
	2. A business case will be produced by a dedicated project officer within one of the accountable bodies. Even if a project is private sector-led the project must be channelled through one of the accountable bodies whose responsibility it will be to produce the business case, and undertake appropriate due diligence on the business case, prior to presenting it to the CVEZ Project Board in the first instance.
	3. In order that the use of finite CVEZ resources and its overall financial risks can be assessed in the round, all business cases should be produced and considered at the same time as the renewal of the SIP. Business Cases should therefore be submitted where possible to the CVEZ Project Board by the end of January each year.
	4. By exception a business case may be considered out of the usual SIP renewal cycle, with the agreement of the CVEZ Project Board Chair.
	5. Running in parallel to the SSLEP CVEZ Project Business Case process will be the process of approving expenditure within the accountable bodies. This process will adhere to the bodies’ own constitution. For a project to form part of the CVEZ Budget and Programme it will need the approval of both the SSLEP Company Executive Board and the appropriate accountable body. This means that no accountable body is obliged to deliver and fund CVEZ projects without its agreement. It also means that no project will form part of the CVEZ programme without the SSLEP Company Executive Board‘s approval.
	6. The Project Business Case will need to cover the following areas:
* Summary of the project
* Need for intervention (evidence identifying market failure, gap funding required)
* Outputs (what is to be delivered)
* Timescales for delivery
* Economic impact (floor space and jobs to be delivered, net additionality analysis, with jobs broken down by sector where possible)
* Costs
* Impact on CVEZ budget (added deficit, plus business rates return)
* Value for money assessment (net economic impact versus net costs)
* Delivery approach (who will lead, procurement approach)
* Evaluation approach
* Managing risks
* Sign-off (Accountable body confirming Business Case is a fair representation of the project)
	1. A Project Business Case template can be supplied by the CVEZ Programme Manager.
	2. Once approved the project will form part of the CVEZ budget and the appropriate accountable body will be given the mandate to oversee delivery. Project updates will be provided by the accountable body quarterly to feed into the CVEZ Quarterly Monitoring reports.

**Figure 3 – Approving CVEZ project expenditure, SSLEP**



**Figure 4 – Approving CVEZ expenditure, accountable bodies**



**Monitoring**

* 1. The Programme Manager will coordinate and collate updates from all Accountable Bodies, project managers and developers and create a quarterly report. This report will outline:
* Key milestones achieved in the quarter
* Key milestones targeted for the forthcoming quarter
* An update on delivery against CVEZ outputs, including
	+ Uplift in land value
	+ Brownfield land brought back into use
	+ Sqm floorspace delivered
	+ Number of businesses on site
	+ Jobs created on-site (broken down in two ways: firstly by sector; secondly by the source of jobs and whether they are additional to the local economy)
* Intermediate outputs:
* The number of pre-application discussions
* Planning applications submitted
* Planning applications granted
* Floorspace under development
* An update on the CVEZ budget against the projections set out in the CVEZ SIP
* Risks and issues emerging including programmes and projects
	1. The quarterly monitoring report will be submitted to the CVEZ Project Board, SSLEP Assurance Board and SSLEP SPMB for review and fed up to the SSLEP Company Executive Board.
	2. At the end of each year, a review of the year will be completed and appended to a proposed renewed CVEZ SIP. This report will be submitted to the CVEZ Project Board. This will also feed into the SSLEP Annual Performance Review.
	3. At Year 5 an external evaluation report will be completed on the delivery of the CVEZ and a comprehensive review of a future programme of activity would take place, this will take place in Summer / Autumn 2020 to feed into the 2021/22 CVEZ SIP.

**Figure 5 - CVEZ monitoring processes**



* 1. The outputs will be provided to the CVEZ Project Board through the Quarterly Report and also to DCLG/BEIS via the agreed system.

***Tracking uplift in land value***

* 1. The uplift in land value will be tracked by taking the original estimate of £ uplift in land value per Ha and multiplying it by the amount of land developed. This will give a proxy for uplift in land value.
	2. A more comprehensive and accurate assessment of the uplift in land value will be completed at the 5-year review.

***Tracking brownfield land and floorspace***

* 1. Brownfield land reclaimed will be assumed as achieved only once floorspace has been developed. The Programme Manager will be responsible for reporting delivery of floorspace. The planning application will outline the floorspace to be delivered and the Programme Manager will report when delivery is completed.

***Tracking job creation***

* 1. The Programme Manager will be responsible for tracking the jobs created on site. During the pre-development phases projected job numbers in the CVEZ monitoring tools will be updated with those stated during the Planning Application process.
	2. Once developments are completed and occupied further job data will be gathered. As part of the application process for business rate discounts, companies are now asked to provide a breakdown of jobs and the types of jobs created. This will allow the CVEZ PB to monitor the proportion of jobs that are ‘high value added’. The proportion of high-value added jobs will also be monitored.
	3. At the 5-year programme review, in 2021, an external professional survey will be commissioned to look at the profile of jobs created.

**Tracking business rates uplift**

The Business Rates Officer in each Accountable body will provide a monthly assessment of business rates within the CVEZ to the CVEZ Programme Manager. The Programme Manager will collate these returns into the quarterly monitoring report and the CVEZ Programme Budget.

**Operational delivery**

* 1. The Senior Responsible Officer in SoTCC for overseeing the delivery of the CVEZ is Director of Place, Growth and Prosperity. Responsibility for the day to day management of the CVEZ is a dedicated Programme Manager. The roles of the Programme Manager are:
* Oversee the production of all strategic documents
* Ensure monitoring and evaluation of delivery against the SIP is completed
* Ensure all Programme level plans and monitoring is updated
* Coordinate programme level activity
* Manage the annual meeting of officers to inform the next iteration of the CVEZ SIP
* Manage the SoTCC Project Team meetings
* Ensure dialogue takes place at appropriate times with external stakeholders, including the management of the developers
* The CVEZ Programme Manager will be the common thread at all CVEZ related meetings.
* Ensure updates from project managers (for projects within the CVEZ programme of activity) are provided to inform the quarterly reports.

**Financial**

* 1. The CVEZ programme budget will be set through the adoption of the CVEZ SIP, renewed each year, and requiring the approval of the SSLEP and the Accountable Bodies.
	2. SoTCC as the CVEZ Programme Accountable Body will ensure a financial return from each Accountable Body is received and collated into a CVEZ Programme financial return. The SoTCC Section 151 officer will submit an annual CVEZ financial return to central government (DCLG and BEIS).
	3. SoTCC finance officers will attend and advise when appropriate the CVEZ Project Board.
	4. As part of the quarterly report the CVEZ Budget will be monitored
	5. Principles surrounding how expenditure is incurred, income is collected and Accountable Bodies recover their costs is outlined in Section 8.

# **Delivery activities**

**Introduction**

* 1. A large proportion of the delivery activity will be undertaken by private sector developers, investors and businesses. The role of the public-sector stakeholders is to facilitate that process. This section outlines the key activities to be undertaken by public sector partners that will facilitate delivery and provide the right conditions for business growth in CVEZ. Section 6 details key milestones in delivering against these activities over the past year and forthcoming year.

**Programme activities**

***The use of CVEZ incentives***

* 1. The incentive package on CVEZ will comprise:
* Enhanced Capital Allowances: Etruria Valley
* Business Rate Discount (up to permissible state aid limits): Chatterley Valley East; Chatterley Valley West; Tunstall Arrow; Highgate/Ravensdale; the Cliffe Vale site
	1. The Business Rates discount will apply on a non-selective basis to all new occupants of the sites. This is to give certainty to potential occupiers that they will derive this benefit.

**Planning**

* 1. The approach to planning in the CVEZ is to make the planning process as easy as possible for the private sector developers and occupiers who will be instigating development.
	2. Following consultation with landowners the decision was taken not to use Local Development Orders (LDO’s) across the CVEZ area as it was considered they would not add value to the CVEZ offer.
	3. On the SoTCC sites developers and occupiers will benefit from an enhanced planning service. Dedicated resource has been brought into the SoTCC planning team for the specific purpose of handling the CVEZ applications. This SoTCC resource in ensures that on the SoTCC sites:
* There is a dedicated resource to see applicants all the way through from pre-application discussions to planning approval
* Applicants receive free pre-application advice and consultations
* CVEZ applications are prioritised
	1. The funding of this additional planning resource forms part of the CVEZ delivery budget. The cost will be met initially by SoTCC and recovered through the uplift in business rates.
	2. The Chatterley Valley West site, which sits under NuLBC planning control, does not have the critical mass required for the appointment of a dedicated officer like the SoTCC sites. However, NuLBC and Staffs CC are working proactively with the developer and when planning applications are submitted dedicated resource will be assigned and the applications prioritised.

**Broadband**

* 1. A key component of the attractiveness of the sites is the proposal to supply super-fast broadband across the CVEZ. SoTCC have been awarded government grant funding to roll-out its city-wide full-fibre network, starting with a pilot in Etruria Valley. This will make the CVEZ digitally enabled and increase its attractiveness to end-occupiers.

**Green energy**

* 1. A priority project is the delivery of a Geothermal Heat Network on the CVEZ. This project is in the advanced stages of preparation and a Planning Application has been approved for the drilling site and energy centre. The project will see £20m invested from central government through the Powerhouse Central City Deal and £30m from commercial enterprise/joint ventures. The project will deliver 11 kilometres of pipes connecting businesses to the energy centre on a closed loop. The intention is to pipe the heat supply into the CVEZ which will provide renewable energy from an environmentally sustainable resource.

**Road infrastructure**

* 1. A major programme of road improvements supported by SSLEP investment from Local Growth and Growing Places funding is due to take place on and surrounding the Etruria Valley site. The site will benefit from a link road which will go across the site and junction improvements to relieve congestion on the A500. In addition to reducing congestion and increasing capacity on the network, the road improvements are expected to release additional land for housing growth north of Etruria Valley which will be complementary to the CVEZ ambitions.
	2. The total costs of the Etruria Valley link road (excluding Highways England improvements to the A500) is estimated at circa £40m with external grant coming from public sector grant funding and £8.6m from SoTCC own resources (which is included in the CVEZ budget and recovered via retained business rates). All funding is allocated by the various funding bodies subject to final sign off of the Transport Business Case.

**Marketing & Inward Investment**

* 1. The CVEZ has dedicated resources to coordinate the marketing and handling of inward investment enquiries. The Make It team are part funded from the CVEZ budget. The approach to marketing and inward investment is expanded upon in Section 5.

**Skills**

* 1. A skills audit was prepared for the CVEZ based on forecast development in 2017. This has subsequently been inputted into continuing work on a Skills Strategy for Stoke on Trent. Skills interventions may derive from this city-wide skills strategy that assists the CVEZ. Business Cases could be produced that seek to secure CVEZ resources for these skills projects that have a clear benefit regarding delivering the CVEZ vision. No projects are currently identified.
	2. Activity that will improve skills of the potential workforce for CVEZ is already underway and includes:
* The Ceramic Skills Academy. This body was established in 2013 by the SSLEP and delivered on its behalf by Staffordshire Chambers in partnership with a range of private and FE training providers. One outcome has seen a sharp increase in the number of apprenticeships employed in companies such as Wedgwood;
* The Advanced Manufacturing Training Hub, spread across 5 local colleges has seen the automotive skills offer in the SSLEP strengthened as a result of investment by Government (via the City Deal and Local Growth Fund);
* Keele and Staffordshire universities, who have recognised centres of excellence in non-conventional energy, which again provides strong provision in terms of higher-level skills.

**Employment services**

* 1. The SSLEP’s Growth Hub offers a single source of support for business, including: a recruitment and skills brokerage; access to finance and supply chains; a streamlined link through to UKTI Trade and the Manufacturing Growth Programme and aftercare/customer management for investors into the area (particularly foreign-owned investors). This service is already available to all businesses moving on to the CVEZ.

**Support for Ceramitec sector and innovation**

* 1. Through the Ceramic Sector deal process a consortium of North Staffordshire ceramic industry stakeholders came together to look at what could improve the prospects of that industry. Out of that work emerged a vision for a Ceramics Park that would:
* Create one campus for ceramics business activity, marketing and R&D
* Establish the Applied Materials, Research & Innovation Commercialisation Centre (AMRICC) and National Advanced Sintering Centre (NASC) in North Staffordshire alongside Lucideon (formerly the British Ceramic Research Institute)
* Provide business premises for SME ceramics companies
	1. The site for Ceramics Park has yet to be determined but it could be outside of the original CVEZ sites. The Ceramics Park, and components of this, are as a key enabler to deliver against the original CVEZ vision.
	2. Feasibility work to turn the ceramic park vision into reality has been commissioned. Delivery plans are expected in 2020/21.

**Site delivery**

**Site preparation**

* 1. A core offer to businesses is to have sites immediately ready to develop for new premises. It is recognised that most of the CVEZ sites require work to ensure the infrastructure is in place and land is remediated to provide development plots. The end use values combined with the costs of completing this site preparatory work make some of the sites (or parts of the sites) commercially unviable at present. The Accountable Bodies may intervene where necessary to remove this negative viability through direct investment in infrastructure or gap funding. Each of the investments will be subject to full due diligence and must offer value for money and comply with State Aid regulations. Such investment may form part of the CVEZ programme and be repaid via business rates uplift.

**Cliffe Vale**

* 1. The site ownership is split between private and public sector. The intention outlined in the CVEZ bid was to deliver c.25,000 sqm of commercial space (B1/B2) generating C.1,161 jobs. This was based on feasibility studies carried out as part of the bid process to assess the site’s capacity.
	2. There are several technical challenges to delivery on Cliffe Vale including: environmental remediation costs associated with former uses, the need to reduce flood risk and limitations resulting from the adjoining highway’s capacity to cope with heavy vehicle usage. The delivery timescales are being impacted by the need to remove these development barriers. CVEZ PB will be kept informed of developments by the Programme Manager. Ownership has recently changed and officers will be liaising with the new owners to shape delivery plans and provide assistance where appropriate to do so. To alleviate the flood risk issues , a bid for ERDF funding has been submitted and if successful will be implemented in 2020.

**Chatterley Valley East**

* 1. The Chatterley Valley East site is 18.2 Ha. When fully developed, the site is expected to yield 36,000 sqm of commercial space (B1/B2) and deliver 1,304 jobs.
	2. The developable land is in private sector and public sector ownership and can be split into three sites: Land owned by Churchill China, land owned by RJC Regeneration and land owned by SoTCC
	3. Churchill China has announced investment in an extension to the existing factory.
	4. On Innovation Way SoTCC are underway in funding and delivering and owning business units targeted at SME’s. Gap funding to remove the development viability gap is incorporated in the CVEZ budget programme with the business case considered in 2019.

**Chatterley Valley West**

* 1. Chatterley Valley West is in one single private sector ownership (owned by Harworth Group) and is located in the administrative area of NuLBC within Staffordshire County Council.
	2. An outline planning application for the site has been submitted and determined. Start-on site (site preparatory works) are expected in 2020.
	3. The developers, Harworth, estimate that, when fully developed, the site will deliver 1842 jobs.
	4. The outline planning permission has removed several of the major risks facing the site (biological, minerals, highways etc). Harworths are in active discussions with several potential end-occupiers and are optimistic about the prospects to delivery.

**Etruria Valley**

* 1. Etruria Valley is the largest of the CVEZ sites covering 30 Ha of brownfield land and the potential to yield over 90,000 sqm of new floorspace generating 2,723 jobs.
	2. Planning consent has previously been awarded for most of the site based on low density operations but has attracted limited interest. Higher density development will be possible with the construction of the Link Road. A significant proportion of the site is therefore not forecast to complete and be occupied until 2021 and beyond.
	3. Developments on the more accessible parts of the site have already commenced, with some completed including:
* A logistics depot, completed April 2016 and fully occupied
* A Restaurant/Public House completed and occupied
* An ambulance service superhub office and depot
* A bespoke leisure and fitness facility for a major employer
* The District Heating Drill site and energy centre, initial phase due to be occupied in Spring 2019

**Tunstall Arrow**

* 1. Tunstall Arrow, owned by Network Space, is an 8.8ha brownfield site entirely clear and investment-ready.
	2. The Southern part of the site is complete with all units pre-let. This received the prestigious award for Regeneration Project of the Year for the West Midlands (via Business Insider magazine awards).
	3. The Northern part of the site is expected to move forward in 2020/21, with the planning application submitted in January 2020.

**Highgate and Ravensdale**

* 1. The Highgate Ravensdale sites are split between two principle ownerships (Clowes and Land Recovery). The sites are expected to yield over 100,000 sqm of floorspace and accommodate 1,904 jobs.
	2. Significant developments on the sites include:
* Two Tile Mountain warehouse and showrooms are completed
* A trade park development of 5,950 sqm of smaller trade units is completed
	1. A Planning Application has been submitted and determined for warehouse, distribution, storage and office development with associated highways infrastructure on the former Sports field site. This application includes bridge signalisation and access.
	2. New infrastructure may still be required to unlock the full potential of this site. Funding for this sits in the CVEZ budget as an indicative sum, but a full business case would need assessment and approval before this investment moves forward.

# **Marketing and communications**

**Communications**

* 1. SoTCC lead communications for the CVEZ and ensure the co-ordination of press and media coverage with Staffordshire County Council, Newcastle Borough Council, SSLEP and Central Government. A Workstream Lead for communications has been appointed and attends the officer Project Group meetings. An SoTCC communications officer is responsible for ensuring the implementation of the Communications and Marketing aspects of the SIP and monitoring progress against it.

**Approach to marketing**

* 1. The marketing strategy for the CVEZ sees the Make It Stoke-on-Trent & Staffordshire inward investment team acting as the hub for the marketing activity. This team will ensure that a common marketing approach is adopted whilst the marketing of the individual sites will be undertaken by the individual land owners.
	2. Funding from the Department for International Trade (DIT) was committed for a 3-year programme of trade missions for the Stoke-on-Trent ceramics industry and the marketing of the opportunities of the CVEZ was a critical component of these trade missions. This programme of activity has now come to an end. The need for future trade missions, and the use of CVEZ resources for this, should be assessed as part of the 5 year evaluation in 2021.

**Marketing materials**

* 1. There is a central on-line presence hosted by Make It that provides a Ceramic Valley web presence. The Make It team are also working on innovative uses of social media that will publicise the CVEZ. See the link for the web presence: <https://www.makeitstokestaffs.co.uk/why-stoke-on-trent-and-staffordshire/major-projects/ceramic-valley-enterprise-zone-cvez>

**Key milestones for communications and marketing activity**

* 1. Key milestones or marketing activity in 2020/21 is as follows:
* The CVEZ will form part of the core Midlands offer at MIPIM 2020
* Monitoring of the website in terms of interest and effectiveness will take place in Summer 2020.
* A full appraisal of the marketing and communications function will form part of the 5 Year evaluation of the CVEZ with new marketing.
* Make It team will prepare a plan for CVEZ branding to be placed on the entrances to sites.

**Working with BEIS and DLCG on communications**

* 1. The SOTCC communications team will work closely with the communication teams from central government. Input from DCLG/BEIS will be sought at key milestones for all press releases and marketing efforts. All communications activity will be led by a single point of contact at SoTCC.

# **Milestones**

* 1. A Programme has been completed for the CVEZ and will be kept up to date and monitored by the CVEZ programme manager. This programme outlines all key milestones and the interdependencies between them. This Section summarises the delivery against the key milestones as outlined in the 2018/19 SIP and new milestones for the year 2019/20.

**Milestones in 2019/20**The Table below summarises the key milestones set in the 2019/20 SIP and progress against these. 2019/20 was a productive year with many key-milestones achieved, including development and occupation on the early sites and significant movement towards delivery on the later sites e.g. Chatterley Valley East and parts of Etruria Valley and Highgate and Ravensdale.

**Figure 6 - Review of key Milestones forecasted for 2018/19**

| Milestone | Lead | Status |
| --- | --- | --- |
| Programme management |
| CVEZ SIP 2018/19 adopted | SoTCC | Completed |
| Project Officer Group meeting to inform CVEZ SIP 2019/2020 | SoTCC | Completed |
| CVSIP 2019/20 DRAFT | SoTCC | Completed |
| Skills |
| SSLEP to inform CVEZ Project Board of skills activities and alignment of CVEZ with Sector Skills work. | SSLEP | Action not completed due to formation and change associated with SSLEP Skills Advisory Group. Skills activities will form part of that group, and dialogue between CVEZ and Skills Advisory Group needs to be had and reported to CVEZ PB in Summer 2020. |
| Ceramics and innovation |
| Feasibility work completed on Ceramic Park sites | SoTCC / SSLEP | Feasibility work completed for Staffs Uni and Quarry sites. Further work to look specifically at the site options for the Advanced Ceramics components on Etruria Valley and Chatterley Valley West are underway and due to report back in March 2020. |
| Seeking funding for ICC and NASC / AMRICC | Ceramic Sector Deal partners | A Strength in Places application was submitted in October 2019, awaiting outcome. If successful this would unlock this project. Further dialogue required with government. The project will hopefully align well with forthcoming funding (yet to be determined such as Shared Prosperity fund). |
| Market research for NASC | Lucideon | Completed by SQW on behalf of Lucideon in October 2019 |
| Transport and Infrastructure |
| EVLR planning permission determined | SoTCC | Completed |
| EVLR all land acquired | SoTCC | Ongoing, at heads of terms stage |
| EVLR Final Business Case submitted to DfT | SoTCC | Completed, submitted November 2019 |
| SoS sign-off for EVLR FBC | SoTCC | Expected February 2020 |
| EVLR start on site | SoTCC | Expected March 2020 |
| Marketing and communication |
| The CVEZ will form part of the core Midlands offer at MIPIM 2019 | Make It | Completed |
| A property event is being held on Highgate in June 2019. This event is being organised by Make It Staffordshire and will promote opportunities for investors, developers and occupiers on the CVEZ.  | Make It | June 2019, completed |
| Monitoring of existing website in terms of interest and effectiveness will take place. A CVEZ PB review of marketing activity will take place to identify additional activities or a change in focus | Make It | Completed. A further review of marketing and comms to take place in Summer 2020 with PB input, which will feed into the 5 year evaluation of the CVEZ |
| Chatterley Valley West |  |  |
| Staffs CC to consider need for business case for capital investment on site | Staffs CC | Delayed, Spring 2020 |
| Land works start on site | Private developer | Delayed, Summer 2020. Many major risks have now been progressed, outline planning permission has been determined and the developer anticipates earthworks commencing in 2020. |
| Chatterley Valley East |
| RJC Regeneration Ltd due to submit planning application Spring 2019. 15 adaptable modular units. | Private developer | Completed |
| Business Case for SoTCC investment in speculative units | SoTCC | Completed and approved, innovation way expected to start on site in Spring 2020, completed in 2021 |
| Highgate and Ravensdale |
| Updated business case for CVEZ investment into infrastructure works | SoTCC | Delayed, expected in 2020 |
| Etruria Valley |
| Start on site for remaining Phase 3 developments | Private developer | Completed |
| SoTCC business case for CVEZ investment into speculative units | SoTCC | Completed and approved |
| Tunstall Arrow |
| Planning application for Northern site | Private developer | Completed, Submitted December 2020 |

**Milestones in 2020/21**

* 1. Key milestones for 2020/21 are set out below. At the end of 2021 it is anticipated there will be developments either completed or underway across 5 of the 6 CVEZ sites, with plans for Cliffe Vale emerging in 2020. 2020/21 will see the ‘5 Year Evaluation’ of the CVEZ completed, which will be an opportunity to assess the delivery against the original vision and think about further interventions that may be required, and plan for CVEZ Phase 2 if appropriate. It will also be an opportunity to reflect and publicise the good work that has already taken place.

**Figure 7 – CVEZ Milestones anticipated for 2019/20**

| Milestone | Lead | Date |
| --- | --- | --- |
| Programme management |
| CVEZ 5 Year Evaluation | SoTCC | Summer 2020, brief agreedOctober 2020, evaluation completed to feed into SIP renewal 2020/21 |
| CVEZ SIP renewal officer workshop | SoTCC | November 2020 |
| CVEZ Draft SIP completed for PB review | SoTCC | December 2021 |
| CVEZ Executive Board review and approval of SIP | SoTCC, SSLEP | Feb/March 2021 |
| Ceramics and innovation |
| Feasibility work completed on Ceramic Park sites | SoTCC / SSLEP | Spring 2019 |
| Seeking funding for ICC and NASC / AMRICC | Ceramic Sector Deal partners | Dec 2019, urgent progress and government support required |
| Transport and Infrastructure |
| ELVR Start on site | SOTCC | Subject to Full Business Case sign-off, start-on site anticipated in Spring 2020 |
| Skills |
| Report for PB to consider on skills requirements of CVEZ | SOTCC liaising with SSLEP Skills Advisory Board | Summer 2020 |
| Advanced Ceramics support |
| Review of preferred site and indicative business case for the Ceramics Park /AMRICC / Lucideon development | Lucideon liaising with SSLEP | March 2020 |
| Chatterley Valley West |  |  |
| Start-on site with land works | Staffs CC / NuLBC and Harworth (developer) | Spring 2020 |
| Chatterley Valley East |
| Development agreement and start on site of Innovation Way | SOTCC | Spring 2020 |
| RJC Resubmit planning application (lapsed) | SoTCC liaising with developer | Summer 2020 |
| RJC Start on site | SoTCC liaising with developer | Autumn 2020 |
| Highgate and Ravensdale |
| Phase 3 completion | SoTCC liaising with Developer | Completion – Spring 2020 |
| Phase 4 – Daniel Platt site start-on-site | SoTCC liaising with Developer | Will move forward based on market demand (date not determined) |
| Etruria Valley |
| Further development phases | SoTCC liaising with Developer | Will move forward based on market demand (date not determined) |
| Tunstall Arrow |
| Tunstall Arrow ‘North’ Start-on-site | SoTCC liaising with developer | Start-on-site expected in Autumn 2020, driven by market demand |
| Cliffe Vale |
| Plans for Cliffe Vale are at an early stage given recent change of ownership. Delivery plans are expected to emerge in 2020 | SoTCC  | Milestone dates yet to be determined |

# **Outputs (delivered and forecasted)**

**Targeted outputs and outcomes summary**

* 1. The target outcomes and outputs expected from the Ceramic Valley programme are as follows:
* Uplift in land value of £39.3m
* 140 Ha of brownfield land brought back into use
* 354,000 sqm of new floorspace delivered (this has increased owing to an increased density on Chatterley Valley West, in line with its planning permission)
* 92 new businesses located on the CVEZ sites
* 7,000 jobs (gross) located on the CVEZ sites (original CVEZ estimate 9,000)
	1. It should be noted that the above estimates are based on greater knowledge of the site’s capacities and developer appetite that emerged over first 4 years of the CVEZ being operational. It is anticipated that bringing forward smaller sites adjacent to the CVEZ and the ambitions for Ceramic Park would augment the total jobs delivered within the formal CVEZ and see the wider total approach the original 9,000 jobs target.
	2. The outputs are expected between 2019 and 2026, with some early wins already achieved ahead of this. In the rest of this section we provide a break-down of where and when these outputs will be delivered.
	3. It should be noted that the targets are ambitious and dependent on many factors outside the control of the CVEZ stakeholders. Take up of space is expected to include significant occupiers taking up to 50,000 sqm of warehousing / industrial space each. The needs of 1 or 2 occupiers could therefore significantly speed up the pace of delivery or alternatively significantly reduce the pace. The pace of delivery will be dictated by market demand. Early indications (activity and planning applications) suggest the pace of delivery expected is ambitious but realistic.

**Uplift in land value**

* 1. The estimated gross uplift as a result of this proposal will be circa £39.3 million.
	2. In developing its bid, the SSLEP commissioned Mounsey Surveyors, a leading local commercial property agent, to calculate on its behalf the estimated value of the uplift. The key findings were:
* Firstly, that the benefit of CVEZ designation on sites which already have planning permission, have good access and have been remediated are modest. In the case of this proposal, that only applies to the southern half of Etruria Valley, and the Genesis Centre at Chatterley Valley. The uplift in that scenario is relatively low (5%), due to the ability of owners to market the sites even more effectively;
* Secondly that the current value of un-remediated commercial land within North Staffordshire is circa £247,000 per hectare (or less where remediation and infrastructure requirements are complex), and agricultural land £14,820;
* Thirdly that the completed, value of commercial land that is development ready within North Staffordshire is generally valued at circa £457,000 per hectare but with premium grade commercial land (i.e. the Etruria Valley site) potentially as high as £570,000.
	1. Since the CVEZ bid was made some technical work has been completed on the Cliffe Vale site. This demonstrates that there are significant barriers to development and liabilities on the site that will require heavy investment before development can be made viable. As a result, we have used the assumption that pre-CVEZ land value for Cliffe Vale is zero.
	2. These results are seen in the table below.

Figure 8 – Estimated uplift in land value



* 1. Assuming the uplift in land value is derived upon completion of developments the table below estimates the profile of when this will be achieved based on the build out rate of the sites.

Figure 9 – Delivery of uplift in land value



**Brownfield land reclaimed**

* 1. Figure below illustrates the targeted timing of the brown field reclaimed. It shows a total of 140 Ha across the sites. There have been some ‘quick wins’ with development activity already completed or under way on some sites with others in advanced planning stages.

Figure 10 – Target profile of brownfield land to be reclaimed (Ha)



**Floor space delivered**

* 1. Floor space to be delivered is estimated in the Figure below.

Figure 11 – Target profile of floorspace to be delivered (sqm 000’s)



**New businesses within the CVEZ**

* 1. There are expected to be at least 92 new businesses on the CVEZ. It is expected there will be very significant industrial and warehouse occupiers occupying up to c.50,000 sqm each, but it will be important to ensure that provision is made for smaller and start-up companies. There are currently 16 new businesses on site (as of October 2019), as detailed in the table below.

Figure 12 – businesses on site in completed and occupied space



**Jobs on site**

* 1. An estimated 7,000+ gross jobs are expected to be delivered across the sites. This is calculated using industry standard employment density assumptions and applying this to the expected floorspace to be delivered. The likely variation in use classes and the job density variations within use classes, means that the jobs delivered are not easy to predict. The volume of jobs being created will be monitored as the CVEZ progresses. The figure below demonstrates the target job growth across the 6 sites. Figure 13 - Jobs delivered and forecasted



**Jobs delivered by industry**

* 1. The monitoring process includes the jobs delivered broken down by the original target sectors of the CVEZ. The breakdown of jobs forecasted to be delivered by March 2020 is provided in the Figure below.
	2. This shows a predominance of jobs being delivered in the logistics and ‘other’ sectors. Some target sectors such as technical ceramics and traditional ceramics have yet to receive investment and jobs created on site. In 2019/20 150 of the 170 jobs forecast to be created are in the logistics sector. The delivery plans for the CVEZ have always made clear that end-occupiers would be determined by market demand owing to the majority private sector ownership of the CVEZ sites.
	3. The forthcoming 5 Year Evaluation is an opportunity to review the original ambitions and assess if they still hold, and if so, what further interventions could be considered to increase interest in the target sectors not currently benefitting from the CVEZ (e.g. engineering, ceramics and manufacturing).

Figure 14 - Jobs by industry



**High-value jobs**

* 1. Jobs categorised as high-value are also now being tracked through the quarterly reports. Currently 14% of the jobs that are known and forecast to be delivered by March 2020 are categorised as high-value. At the 5-year evaluation this profile should be compared against the local and national trends so that we can assess if the CVEZ is moving North Staffordshire towards a place of ‘higher quality’ employment.

# **CVEZ finance**

**Introduction**

* 1. This Section provides a summary of expected revenue and capital costs incurred by the Accountable Bodies in delivering the CVEZ, and the principles for funding these activities. The CVEZ budget will be renewed every year along with the CVEZ SIP. The budget set out for the 25-year CVEZ programme is based on some sensitive assumptions with contingencies built in.

**Principles around funding**

* 1. Owing to the difficulty in isolating the CVEZ debt term and interest rate for Accountable Bodies (from wider corporate borrowing) the financial principles on accounting for CVEZ expenditure, income and interest costs on borrowing has been simplified.
	2. Delivery of the CVEZ will require expenditure by Accountable Bodies in the following forms:
* Funding staff to undertake management and reporting tasks associated with the CVEZ
* Providing revenue funding for projects such as marketing, business support activities, skills improvement programmes, employment brokerage services and other projects yet to be identified which work towards delivering the CVEZ vision.
* Providing capital funding to deliver infrastructure that is needed to unlock the delivery of the sites.
* Providing capital funding as gap funding to aid the viability of sites
* Potentially undertaking some direct land assembly or development of employment space
	1. The revenue and capital costs will be met by a mixture of external grant funding and expenditure by the Accountable Bodies (SoTCC, Newcastle BC and Staffs CC).
	2. The revenue and capital expenditure incurred in previous years and projected for future years will be set out in the CVEZ SIP. The CVEZ SIP will set out the source of funding.
	3. Expenditure incurred by the Accountable Bodies will be recovered through the Business Rates revenue generated by the CVEZ.
	4. SoTCC will keep a cashflow of its own expenditure and income associated with the CVEZ. When SoTCC is running a deficit, it will charge a 3% per annum interest cost on the cumulative deficit.
	5. The first call on rates collected by SoTCC will be to lower its cumulative deficit. Once there is a cumulative surplus on SoTCC’s CVEZ account the uplift will be committed to new projects.
	6. At SoTCC’s discretion, and only if SSLEP agree, SoTCC may decide to invest in CVEZ projects that increases its cumulative deficit.
	7. Staffs CC and Newcastle BC will keep a cashflow of its own combined expenditure and income associated with the CVEZ. When this is running at a deficit it will charge a 3% per annum interest cost on the cumulative deficit.
	8. The first call on rates collected by NuLBC will be to lower the Staffs CC / NuLBC cumulative deficit. When there is a cumulative surplus on the Staffs CC / NuLBC CVEZ account the uplift will be committed to new projects.
	9. At the discretion of Staffs CC and NuLBC (if both agree), and only if SSLEP agree, Staffs CC / NuLBC may decide to invest in projects that increases its cumulative deficit.
	10. The finance cost of an Accountable Body cash-flowing a deficit will be 3% per annum. This will remain as the interest rate during the life of the CVEZ, unless the quoted PWLB 30 Year Annuity rate rises above this level, in which case a new higher cost of borrowing would be used. The PWLB rate is now getting close to exceeding this and may be uplifted at the time of the next CVEZ SIP renewal.

**Revenue costs - staffing**

* 1. The annual staff costs, incurred by SoTCC as the accountable body in charge of managing the CVEZ programme, is provided in the Figure below. From 2016-2019 the figures are actuals incurred. For 2020 onwards the figures are forecasts based on the staffing profile as outlined.
	2. It is assumed that after 2025 these costs would be half the current amount for the remainder of the CVEZ. Although closer to the time a more detailed analysis would be undertaken of the resources required.
	3. Note from 19/20 the programme manager function is covered by Invest In Staffs, which is already paid for via the marketing revenue (it has therefore been removed to avoid double counting)

**Figure 15 – SoTCC staff costs years until 2025**



**Revenue costs – professional services and project expenditure**

* 1. The figure below provides a summary of SoTCC revenue costs incurred to date and up until 2021. The Inward Investment marketing line is a SoTCC contribution to the Make It operation that is recovered by business rates. This reflects the need for the inward investment service for the CVEZ to succeed, and that Make It are doing work in promoting the site and managing CVEZ inward investment enquiries. The Miscellaneous professional services will cover external assessments of Accelerated Development Fund bids and assistance in updating the CVEZ SIP annually.

**Figure 16 – SoTCC Revenue costs**



* 1. Staffs CC and NuLBC CVEZ project revenue costs include the feasibility and technical studies it has contributed to on Chatterley Valley West and anticipated further studies moving forward. This is outlined in the Figure below. The staff costs at Staffs CC and NuLBC are also now included, which will be recovered by the rates collected on the Chatterley Valley West site (this mirrors the approach taken by SoTCC on the other parts of the CVEZ).

**Figure 17 – Staffs CC and NuLBC project revenue costs**



**Accountable Bodies Capital expenditure**

* 1. The SoTCC capital expenditure to date and estimates going forward are outlined in the Figure below. Staffs CC and NuLBC may invest capital into the Chatterley Valley West sites, but this is yet to be determined. The capital expenditure outlined below is therefore focuses exclusively on SoTCC funded expenditure.

Figure 18 – SoTCC CVEZ capital expenditure (£m)



* 1. Regarding the SoTCC capital expenditure:
* Etruria Valley Link Road expenditure is now based on tendered sums and delivery timetables. The external grant includes LGF and GPF via the SSLEP. Total costs are £40.38m with SoTCC recovering its investment of £8.60m through the CVEZ.
* SoTCC has committed Accelerated Development Funding for the CVEZ sites. In 2017/18 £3,000 was spent on a feasibility study for a bridge on Highgate and Ravensdale and £2.41m development gap funding was provided for development on Tunstall arrow. £0.47m will spent on bridge repairs on Highgate and Ravensdale. £0.57m will be spent on facilitating high-speed fibre optic provision on Etruria Valley. SoTCC has earmarked £0.88m for gap funding on investments on Innovation Way. £0.65m is allocated for further gap funding investment but is yet to be allocated to a specific project.
* Highgate and Ravensdale is expected to require a large contribution to site infrastructure works to release the full development potential of the site. A business case has yet to be established.
* The CVEZ once in financial surplus has the capacity to provide significant further capital investment. Business Cases for investments would be considered in the future.

**Other capital expenditure**

* 1. Match and aligned funding by third parties, but not included in the CVEZ budget, includes:
* Lucideon and partner’s investment in the Lucideon / AMRICC centre (£20m - £40m)
* The District Heating Network project based on a deep Geothermal heat source accessed from Etruria Valley (totalling £53m)
* Private developer investment in land preparation and new buildings.
* Investment in Ceramics Park, details to be evolved

**Uplift in business rates**

* 1. A key benefit of Enterprise Zone status is that the Accountable Bodies collect the uplift in Business Rates on the zone and keep 100% of the uplift for 25 years. This uplift is ring-fenced and not affected by the resetting of the baseline, floor and ceiling mechanisms, put in place for the general retention of rates by Local Authorities. This gives the Accountable Bodies certainty that they will keep the uplift. This certainty allows the Accountable Body to borrow against this uplift and pump-prime investment that could generate growth.
	2. The agreement with Central Government is that the uplift in business rates would first be used to fund investment in the CVEZ, and secondly any other wider LEP priorities.
	3. The forecasts for business rates now include actual rates collected for 2016-19. SoTCC has modelled the potential uplift in business rates for future years based on the projected quantity of space, type of space and expected programme of delivery. In the calculations 5% of forecast rates have been removed to allow for non-collection and a 20% contingency has also been included to allow for variation in the pace of delivery and variations in the rateable value of new properties. Inflation has not been included in the projections which provides a further degree of contingency.
	4. The new forecast for growth in business rates collected is demonstrated in the Figure below and is broadly in line with the original projections and the 2019-20 CVEZ SIP. It demonstrates a potential business rates income stream of £111m over 25 years, with a steady growth per annum until £5.6m per annum is reached in 2025. This is marginally below the level previously forecast in 2020 and represents 2% reduction. This does not alter the pay-back timeframes of the original borrowing. A full break down of Business Rates forecast by site is available from the CVEZ Project Office.

Figure 19 – Project business rates collect in CVEZ



**Cumulative financial position**

* 1. Figures below provide a summary of all costs and expenditure incurred (including interest costs on deficits), along with the projected cumulative financial surpluses for SoTCC and NuLBC & Staffs CC. It demonstrates that:
* The CVEZ budget shows a cash surplus by 2026 onwards. In reality this is unlikely to be the case once Staffs / NuLBC and further SoTCC investments are identified and made.
* Subject to no further borrowing SoTCC is expected to create a surplus in 2029
* NuLBC and Staffs CC could potentially generate a surplus should development on Chatterley Valley West come forward. It is likely that to move forward development of Chatterley Valley West will require upfront public sector investment which would be recovered through the Business Rates. Plans for any such investment are likely to evolve over the forthcoming financial year and will be built into the CVEZ SIP update in March 2021.

Figure 21 – CVEZ cumulative surpluses



Figure 22 – SoTCC - CVEZ projected account



Figure 23 – Staffs CC / NuLBC - CVEZ projected account



**Investment decisions**

* 1. Each project investment by the Accountable Bodies will be considered individually in the context of the wider CVEZ programme. Each project financed from the CVEZ budget (through upfront investment recovered through future business rates uplift) will require a robust business case that demonstrates:
* the project delivers against the CVEZ SIP
* that there is a genuine gap funding requirement and public investment is necessary (and that the payment of the works would not contravene state-aid legislation)
* a detailed and accurate analysis of the costs is established
* delivery arrangements are in place
* a cash flow projection demonstrates the investment can be repaid
	1. The business case will be appraised by consultants reporting into the Project Board in-line with the SSLEP Assurance Framework.
	2. The expenditure on CVEZ projects will need to be in the CVEZ SIP, as agreed by the SSLEP Company Executive Board and the Accountable body. The process for agreeing the inclusion of a project within the CVEZ budget is outlined in Section 3.
	3. Prior to the alterations in SSLEP governance arrangements in 2019/20 a number of business cases were created, approved and the projects incorporated into the CVEZ SIP and budget. These include:
* SoTCC funding into EVLR recovered via CVEZ
* SoTCC funding into Etruria Valley fibre-optic recovered via CVEZ
* SoTCC funding into Highgate and Ravensdale Bridge repair recovered via CVEZ
* SoTCC funding into Highgate and Ravensdale infrastructure enabling works recovered via CVEZ
* SoTCC gap funding for Tunstall Arrow recovered via CVEZ
* SoTCC gap funding into Innovation Way business units recovered via CVEZ

# **Risks**

* 1. A CVEZ Programme Risk register has been completed and is available from the CVEZ Programme Manager. This will be maintained as a live document, reviewed and updated by the Project Group, with any major issues escalated via the CVEZ monitoring processes. Below is a summary of some key risks to the CVEZ programme and their management.
	2. **Pace of delivery** – the pace of delivery could be over-estimated and will be dictated by the wider market. The pace of delivery will be monitored and enquiries and the planning application pipe-line will provide up to date intelligence on whether the pace is likely to be slower than expected. If the pace is slower than expected investigations will be undertaken to understand the causes of this. The marketing strategy, pace of preparation of sites and incentives offered to business may be adjusted if market intelligence suggest it would improve demand from occupiers. Each investment, requiring public sector borrowing, will be considered against the pace of delivery already realised. The financial exposure of the Accountable Bodies to a delay in take-up will therefore be managed. Currently the pace of delivery is in line with original expectations, with some exceptions where delays are down to technical barriers (i.e. the delay in the delivery of EVLR, planning delays on Chatterley Valley West and the scale of constraints on Cliffe Vale)
	3. **Target industries crowded out** -the public sector does not control the majority of land within the CVEZ and can therefore not be prescriptive, nor would they wish to be, about who the end users on the sites will be. Market forces could result in the delivery of logistics, retail and light industry with little development in the target industries (technical ceramics, traditional ceramics, engineering) as outlined in the CVEZ vision. Indeed, all early jobs growth on the CVEZ has been outside these target sectors. The CVEZ partners response has been to identify opportunities for sector development outside the CVEZ core sites. The concept of Ceramics Park has emerged and will be evolved to target efforts towards the ceramics sectors. The 5-year evaluation will be an opportunity to assess if any further intervention, and what type, may be required to address this.
	4. **SME’s crowded out** – as above the land controlled by private developers may fail to deliver to meet the needs of SME’s. CVEZ PB and partners have monitored this situation and have undertaken proactive development / investment where needed (i.e. Innovation Way as an example). This situation will continue to be monitored.
	5. **Road infrastructure does not accommodate predicted CVEZ growth** – Transport studies will continue to be completed as individual sites come forward. Infrastructure required will be highlighted and potentially form part of the CVEZ suite of investments. The forthcoming delivery of the EVLR and the Highgate bridge repairs are two examples where these types of barriers are being removed.
	6. **Shortage of skills** – there is a danger that the local population do not possess the skills required from the target profile of employers for the CVEZ. This could prevent local people accessing the jobs created or deter businesses from locating on the CVEZ. A skills baseline was completed in Spring 2017. A City-wide Skills Strategy is being developed. The CVEZ Programme may fund additional skills projects to address any gap and business cases for such projects will be considered as part of the CVEZ SIP renewal process.
	7. **Site ownership and cooperation of land owners** - Most of the land within the proposed CVEZ is privately owned. However, extensive and very fruitful negotiations have been undertaken with the landowners (who are largely commercial developers) and their commercial agents to engage them in the process of developing the CVEZ. A virtual Stakeholder Forum exists as part of the Governance of the CVEZ to ensure a regular and open dialogue with developers, and ensure that their current enthusiasm for the proposals is maintained. The land owners did not see the need for regular meetings in a formal setting but are keen to be kept abreast of developments.
	8. **Leakage of jobs** – A danger of targeting inward investment and the relocation of major companies is that the local population do not enjoy the benefits of the jobs located on the CVEZ, as the new occupiers bring existing staff and import other staff from outside the area. Measures to reduce this leakage will be put in place. This includes the employment brokerage service that will ease the ability of occupiers to recruit from the local market, investment in the skills of local people, targeted marketing at sectors (Ceramitec, automotive, energy) for which there is a suitable pool of labour available. Leakage will be actively monitored and additional initiatives may be adopted if this proves to be a problem, this will be reviewed in detail as part of the 5 Year Evaluation.
	9. **Commercial viability of sites** – some sites may not be commercially viable. Such situations will be monitored and discussed with the land owners. SoTCC has already established an Accelerated Development fund which has been allocated to projects which have an identified gap.
	10. **Flood plain** - Most of the Cliffe Vale site lies within Flood Zone 3. Flood mitigation projects may be funded by, and form part of, the CVEZ. Future feasibility studies will investigate the solutions for this.
	11. **Environmental remediation costs and timescales on Cliffe Vale** – there are several known barriers to development on Cliffe Vale including costs of site remediation and removal of historic liabilities, flood risks, land ownership. All of these are posing a risk in terms of the viability of the site and the ability to move development forward. SoTCC is liaising with the relevant agencies to address these barriers and will complete further investigations to understand and potentially remove these development barriers.

# **Additional assistance required from Central Government**

* 1. The following forms of additional support from Central Government would be welcome. Note that there is no new funding being sought, but instead a re-aligning of services to support the rapid growth of CVEZ:
	2. **CVEZ incentives** – the CVEZ incentives associated with business rates discounts are due to be exhausted after 5 years of the CVEZ, i.e. at the end of 2020. Some sites owing to both market demand and development constraints have been slower to move forward. These sites will be marketed to occupiers after the CVEZ incentives have expired. CVEZ partners would welcome dialogue with HMG around how incentives could be extended or new incentives introduced.
	3. **CVEZ extension**- the original 6 sites were chosen based on those that were strategically important geographically and inter-connected. 5 years into the CVEZ programme other opportunities have arisen on sites within close proximity of the CVEZ. These sites, such as those that are possible locations of Ceramics Park, would benefit from EZ status to drive them forward and help deliver the original CVEZ vision. Dialogue with Government on the possibilities of extending the boundaries of the CVEZ would be welcome by partners.
	4. **Government support for the Ceramics Park and Advanced Ceramics project:** CVEZ partners have come together to evolve the concept of a Ceramics Park to drive the growth of technical and traditional ceramics sectors in North Staffordshire. Government assistance to make this happen has been detailed in several funding asks: Ceramic sector deal, Strength In Places Round 1 and Round 2, Arts Council bid for the Ceramic Institute. As of yet no project has been successful in securing government funding (all be it a Strength in Places bid is still pending). We would welcome discussions with HMG on how we can best place the project to achieve the funding required, and for HMG to consider the alignment of this local priority with its own allocations of funding.
	5. **Ensuring the CVEZ is prioritised by other government agencies.** The delivery of several components of the CVEZ are dependent on the actions of other government agencies. For example, the Environment Agency with regards flood mitigation, remediation liabilities on Cliffe Vale, Highways England regarding road improvements, and DfT regarding the Etruria Valley Link Road. The ability of BEIS/DCLG to help broker solutions where necessary and assist the CVEZ programme team to ensure the CVEZ is prioritised by other agencies may help avoid delays.
	6. **Innovate UK**. Some of the companies both developing locally and interested in investing in the area are involved in some cutting-edge technologies. The support of Innovate UK in helping to bring some of these technologies to market would be extremely useful.
	7. **DIT.** Promotion of the site from DIT will be fundamental to continuing to attract foreign direct investment. UKTI’s support was very important in promoting Stoke-on-Trent as the “World Capital of Ceramics” at the Ceramics Expo trade fair in Cleveland in April 2015, and we welcome ongoing support.
	8. **Work Programme.** To enable the right training and skills to be available we welcome an opportunity to work alongside employment providers, and particularly providers of DWP’s Work Programme.