

## ELLESMERE PORT ONE PUBLIC ESTATE

### Summary

1. At its meeting on 21 November, the P&I Committee had a short report on progress with the Ellesmere Port One Public Estate (OPE) programme and concluded that it should be referred to the LEP Board for review.
2. Following that meeting, the Chief Executive of the LEP has had further discussions with CWaC. These discussions and the attached note from CWaC's Director of Place Commercial Management & Delivery (Graham Pink) suggest that the project remains on course to allow the LEP to meet its obligations to have spent its LGF allocation by the end of March 2021, and will deliver a scheme that offers good value for money. The delivery schedule is tight, and CWaC are proposing that the P&I Committee use the schedule in the attached as the basis for monthly monitoring of the scheme's progress.
3. The LEP Executive therefore recommends that the P&I Committee keeps the project under review between now and the submission of the full business case at the end of June 2019, with a reference to the full board if there is slippage against the timetable or a significant deterioration in the business case.

### Background

4. The original OPE proposal for Ellesmere Port envisaged the construction of a public services hub to bring together a large number of local and national government public sector agencies. Each of the agencies had different lines of accountability over which CWaC and the LEP have very little influence and, as a result, the programme became bedevilled with delays as the other agencies delayed decisions, changed their requirements and then, in most cases, withdrew from the project. The Chair of the P&I Committee and the Chair of the LEP therefore met CWaC Officers and asked them to produce a revised proposal that would give the LEP confidence that the project could be delivered by March 2021, the deadline set by the Government for the funding of LGF projects.
5. An outline business case for a revised scheme was put to the LEP at the P&I meeting on 3<sup>rd</sup> October. It proposed a hub to be used by CWaC, DWP, the ForViva Group and potentially other third sector providers such as Citizens Advice. It will also deliver 600 new homes, somewhat less than the 2500 promised in the original proposal (albeit many of those homes were expected to be indirectly delivered by the increased confidence in the Ellesmere Port housing market that the original proposal argued would be generated by the development of the hub and a number have already been delivered in the intervening period). CWaC's revised proposal also accepted that a proportion of the grant they were requesting could be clawed back by the LEP if the project ultimately delivers significantly fewer than 600 new homes.

## Key issues for the LEP

6. The P&I Committee gave conditional approval to the outline business case at its meeting on 3 October, and on current plans would make a final decision on the project once CWaC have submitted the final business case at the end of June. There are three key questions the LEP needs to address in deciding whether or not to support the project:
  - is the LEP's contribution the minimum necessary to ensure the project proceeds?
  - does the LEP's contribution offer good value for money?
  - will the project be delivered by March 2021?

## *Assessing the Minimum Contribution*

7. To comply with the Treasury's Green Book, the amount that CWaC should be putting into the scheme should be calculated by assessing the market rent that their new Hub would generate if it were let on the open market. With rents at £12 per sq ft (the Ellesmere Port average), a yield of 6% would justify an investment of £9 million, which closely matches the £9.129 million that CWaC are proposing to put into it. This leaves the LEP to contribute £8.3 million – equal to the amount that has been have offered by the LEP. CWaC will be refining their figures as part of the development of the full business case, offering a further opportunity to review their figures.
8. As well as relocating staff from Civic Way office in Ellesmere Port into the new hub, we think that CWaC intend to transfer some staff from HQ in Chester. They will, obviously, be paying a lot less in Ellesmere Port than they are paying for space in Chester. Under the Green Book rules, it is legitimate for CWaC to capture this benefit for themselves on the grounds that they could make these savings by moving their staff to other places within the CWaC area, not just to the new building in Ellesmere Port.

## *Assessing Value for Money*

9. The appraisal undertaken of the scheme on behalf of the LEP by Regeneris calculated the Benefit to Cost ratio (BCR) of the programme as a whole at 4.69. DfT describe a BCR at this level as being "very high". Furthermore, the BCR seems to have been calculated only from the new jobs that the hub will generate in Ellesmere Port. The key benefit of the scheme for the LEP, however, is the new homes it creates. Evidence from recent Government housing programmes is that Whitehall is willing to pay £30k - £40k per new home, meaning that the value to the LEP of the extra 600 homes generated by this scheme is up to £24 million (compared to an £8.3million investment from the LEP).
10. The new housing is additional to the benefits quantified in Regeneris's BCR and CWaC have accepted the ability of the LEP to claw back a proportion of the grant if 600 new units are not delivered. CWaC's project envisages the clearance of business premises in Coronation Road to make way for those new homes, but as it is the provision of new houses that is important to the LEP, we do not need to make the demolition of a specific building a condition of our grant.
11. As a comparison, the P&I Committee proposed that the Warrington Centre Park Link should be given full final approval at its meeting on 20 December. The LEP's grant contribution to that scheme is £5.3 million, and it will deliver 500 new homes.

### *Assessing Deliverability*

12. The attached paper from Graham Pink describes the progress that has been made since the meeting on 3<sup>rd</sup> October and sets out a series of monthly milestones through to July, leading to a start on site in December this year and handover in May 2021. The immediate milestones have slipped by one month since the presentation that Graham gave on 3<sup>rd</sup> October but the handover date has come forward by two months since the October meeting.
13. The timetable meets the LEP's need to spend all of its LGF grant by the end of March 2021, but it is undoubtedly tight, and for this reason, CWaC have agreed that the milestones can be used by the P&I Committee as a means of monitoring progress of the project on a monthly basis. If these milestones have not been met when the LEP considers the Full Business Case at the end of June, the LEP would be justified in questioning whether the project is deliverable and therefore whether it should be funded.

### Conclusions and Recommendations

14. The Ellesmere Port One Public Estate programme seems to offer good value for money for the LEP both in its own terms and when compared with other schemes that the LEP is supporting. It also delivers against the LEP's request to produce a programme with stronger delivery prospects than the original scheme.
15. The delivery timetable is tight, but CWaC have made good progress since 3<sup>rd</sup> October, and are happy to commit to monthly monitoring by the P&I Committee against the milestones set out in the attached paper. The P&I Committee will need to assess the project again at the end of June, so the LEP Executive recommends that the P&I Committee continues to monitor progress, with a reference to the LEP Board if and when there is slippage against the timetable or significant deterioration in the scheme business case.

PHILIP COX

LEP Chief Executive

## **ELLESMERE PORT PUBLIC SECTOR HUB**

### **UPDATE REPORT – JANUARY 2019**

#### **CURRENT POSITION**

Since presentation of the revised Outline Business Case for the proposed Ellesmere Port Public Sector Hub to the LEP P&I Committee on 3<sup>rd</sup> October 2018, work has continued at pace on the project and this has been done at full financial risk to the Council pending receipt and approval of the formal grant offer letter from the LEP, demonstrating the council's continued commitment to the project.

Key deliverables during this time include:

1. Completion of wide stakeholder engagement and consultation on a new Ellesmere Port Town Centre Masterplan incorporating the proposed Hub scheme and relocation of the bus station;
2. Establishment of formal internal Council governance mechanisms for the scheme as it progresses including an Ellesmere Port Hub Board and Joint Member Working Group;
3. Re-appointment of consultants Perfect Circle (a consortium of Gleeds, Pick Everard and AECOM) to progress the scheme through stages RIBA 2-4 (for the Hub development) and RIBA 0-4 (for the relocation of the bus station);
4. Continued engagement of key stakeholders including partners, elected Members, staff, bus operators and residents;
5. Design workshops and targeted meetings for both the Hub development and relocated bus facility, including detailed accommodation layouts;
6. Traffic count data collection, collation and analysis to inform revised VISSIM (traffic flow simulation) model and final scheme layout and operation;
7. Clarification of planning approach for both the Hub development and relocated bus facility; and
8. Formal introduction of health partners to Pelican Developments / Cerberus (Port Arcades) to progress proposals for adjacent health hub.

#### **IMMEDIATE NEXT STEPS**

As noted above, in order to maintain momentum on the scheme and ensure expenditure of the anticipated Local Growth Fund grant via the LEP within the required timescales, Perfect Circle have been re-appointed to progress the wider scheme incorporating both the development of the new-build Hub on the site of the current bus station and required re-location of this facility elsewhere through to mobilisation / construction. A detailed programme plan integrating both elements of the scheme has been developed which outlines the following key milestones and target dates. These are proposed as the basis for monitoring purposes:

<b>MILESTONE</b>	<b>TARGET DATE</b>
Commencement of Specialist Site Surveys	January 2019
Commencement of Planning Consultations	February 2019
Completion of Planning Consultations	March 2019
Planning Submission *	April 2019
Contractor Appointment	May 2019
Full Business Case **	June 2019
Planning Approval	July 2019
Construction	December 2019
Handover	May 2021

\* The emerging design options for the bus station re-location and nature of the proposed shelters enable this element of the scheme to be delivered under permitted development rights without the need for formal planning approval. This will therefore ensure the availability of the current bus station site for the construction of the new-build Hub as programmed in December 2019. However, the re-location of the existing bus facility will still be subject to broad and rigorous stakeholder consultation prior to submission of the planning application for the hub.

\*\* The preparation of the Full Business Case will commence in March 2019 as previously reported and will be submitted to the LEP for approval by the end of June. This will enable the involvement of the appointed contractor in providing cost certainty for the scheme to inform the revised Economic and Financial Cases and will allow sufficient lead-in times for the independent appraisal of the FBC and preparation of the covering report by the LEP Programme Office for consideration by the P&I Committee.

Graham Pink  
 Director of Commercial Management and Delivery  
 9 January 2019