

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO CABINET**

Cabinet
12 January 2022

Report Title: Chatterley Valley

Submitted by: Executive Director of Commercial Development & Economic Growth

Portfolios: Finance, Town Centres & Growth

Ward(s) affected: Bradwell

Purpose of the Report

To update Cabinet on progress with the Chatterley Valley project and to seek approval for borrowing against future business rates to invest in the site's development.

Recommendation

That Cabinet:

- 1. Note the progress made to date on the development of the Chatterley Valley Industrial Park proposals with the landowner, Harworth, Staffordshire County Council and the Borough Council to get the project from an unviable situation to one where the scheme is ready to start on site.**
- 2. Authorises the Executive Director – Commercial Development and Economic Growth, in consultation with the Portfolio Holder, Finance, Town Centres and Growth to take such actions and enter such agreements with Harworth and Staffordshire County Council and associated end users of the development to invest into the project, via retained business rate investment.**

Reasons

To ensure the successful development of the Chatterley Valley site, which has received Town Deal funding through the Kidsgrove Town Deal to assist in the viability issues of the scheme. Staffordshire County Council have invested in the scheme to close the viability gap, and this separate investment will secure the development of an Advanced Ceramic Campus on the development, helping to secure and create up to 1700 jobs.

1. Background

1.1 Chatterley Valley describes an area astride the boundary of Stoke-on-Trent and Newcastle which has been identified in an earlier local plan period as an area of economic growth and which the two authorities have been working together to promote for development for a number of years. It comprises three distinct sites:-

- Land off Lowlands Road, Ravensdale, a 50 acre (21 ha) site which houses the award winning 'Blue Planet' development, now occupied by JCB, which also has an option on expanding onto a second plot of land still in the ownership of the Borough Council,

- Goldendale, a 14 acre (5.5 ha) site inside Stoke-on-Trent, and in City Council ownership, which houses the 'Genesis' small business centre and a number of other small industrial unit developments, and
- Chatterley Valley West, the subject of this report, which is a 100 acre (42 ha) site in private ownership located to the west of the Stoke-Manchester railway line and which remains undeveloped.

All three sites are, or have been, derelict or subject to adverse ground conditions due to past mining or industrial use and, in the case of the first two sites, their reclamation and redevelopment have been the subject of significant investment by the former Regional Development Agency, AWM, in partnership with the two authorities.

1.2 Chatterley Valley West, on the other hand, has, until now, been unviable and its owners, Harworth Estates, have struggled to bring it forward. There have been three reasons for this:

- the site is topographically challenging, with site levels dropping significantly from the A500 to the railway line and also from north to south,
- it is undermined by shallow former mine workings (particularly in the north of the site) and
- the site is underlain by strategically significant marl reserves which, in the past, have presented a major planning hurdle. The mineral planning authority has now accepted that these do not now need to be removed and stored in advance of development.

1.3 In brief, Harworth's costs, comprising site preparation works (the cut and fill required to create the four development plateaux), on-site infrastructure works (estate roads, drainage, water, electricity, street works etc.), the creation of new site access further up Peacock Hay Road and grouting old pit shafts and ground stabilisation are significantly greater than the income which could be derived from the development of the site, though a combination of land sales and rental income from built development. Hence the lack of progress.

2. **Issues**

2.1 Partly in order to replace some former sources of funding for regeneration investment (principally the European Regional Funds and from AWM, the regional development agency) which are no longer available, the Government launched a new fund, the Towns Fund in November 2019. The Borough has been successful in bidding into this Fund for both Kidsgrove and Newcastle with funding awards of £16.9 million and £23.6 million respectively. The Kidsgrove Town Deal programme includes a sum of £3.6 million to cover the costs constructing a new site access into Chatterley Valley, a short distance to the west of the current farm track, together with the diversion of a Severn Trent Water main. This is a significant contribution towards addressing the funding gap in Harworth's scheme.

2.2 Viability issues continued to be a problem for Harworth to make the necessary return of investment (usually 15% in the industrial development sector) to allow the project to go forward. Staffordshire County Council has agreed a proposal to meet the remaining £3.7 million viability gap at its cabinet meeting on 15th December (Cabinet Report attached for reference). This would entail taking out a Prudential Loan and repaying this over a 15 year period from the retained business rates arising from the development on the site. (The site as a whole is expected to accommodate around 1.1 million sq. ft. of industrial and office

development which, when completed, property owners could be liable to up to £2 million per year in business rates). As the site forms part of an enterprise zone, these rates are 'retained locally', up until the year 2041, as long as the borrowing agency (for instance NBC or the County Council) borrows the money to fund investment in the site (see further para 4.1 below). The principle of this arrangement was agreed at the meeting of the Enterprise Zone Board on 13th October 2021.

2.3 As the viability gap has been met as discussed above, Harworth now have the funding in place to proceed with the scheme.

3. **Proposal**

That the investment strategy set out in this report be approved as a basis for the use of the business rates generated by the development of the Chatterley Valley site.

The development

3.1 Harworth propose to create four development plateaux, comprising:

- Plot A, a site of 23.2 acres, which could accommodate a unit of around 591,000 sq. ft. (half again as big as Blue Planet) and which they propose to offer to the market for sale (i.e. they will not build this unit themselves)
- Plot B, a site of 12.2 acres, which could accommodate a unit of around 258,000 sq. ft. which Harworth are considering building out speculatively and then renting out
- Plot C, a site of 3.9 acres, which has been the subject of discussions between Harworth and the Borough Council with a view to building up to 80,000 sq. ft. of small business units for the Council to own and rent out, and
- Plot D, at site of 14.1 acres, in which the Borough Council has introduced Lucideon, a local minerals research company, which is known to be looking to expand. Discussions have now progressed to include Harworth with a view to building a 65,000 HQ building, a 35,000 sq. ft. Construction building and a 30,000 sq. ft. Amricc Research building (on behalf of the Midlands Industrial Ceramics Group – a federation of universities and private manufacturing companies). The Research building is not 'commercially investible' and it may be necessary to seek Government funding to pay for this (see further para 3.3.6). Harworth also propose a build a 70,000 sq. ft. speculative industrial unit on this plot.

The 'Ceramic Valley Enterprise Zone'

3.2 The Ceramic Valley Enterprise Zone was a number of EZs designated by the Government in 2016. The name is not intended to imply that its development would be restricted to ceramics based companies, it is primarily a branding device. The Zone comprises six sites in Stoke-on-Trent and Newcastle, including Chatterley Valley. The principal implications of this designation, which will run for a period of 25 years (to 2041), are:

- to incentivize local authorities to invest in the infrastructure necessary to bring forward the development of land within the enterprise zone by allowing it to retain all the business rates arising from the development on the proviso that the retained rates would be used to pay back loans taken out to fund the necessary infrastructure works, and

- to incentivize companies to locate within the enterprise zone by the offer that the Government would meet the first £55,000 of their due business rates for a period of five years (i.e. up to £275,000 in total per company).

3.3 A proposed investment strategy for the retained business rates

- 3.3.1 It is likely that the overall business rates generated by the developments listed in para 3.1 above would be around £2 million per annum, once all the planned developments are completed. Under the terms of the enterprise zone, locally retained business rates can ONLY be used for re-investing back into the site.
- 3.3.2 Assuming that local authorities will want to repay any loan within a period of 15 years (and will therefore seek to pay off one fifteenth of the loan capital each year), and that a Prudential Loan would incur an interest charge of 2.02%, it would be possible to borrow around 11.5 times the income generated from the business rates due from each development ($100 / (2.02 + 6.67)$).
- 3.3.3 It is recommended that the first call on borrowing against the business rates generated by the Chatterley Valley developments should be to meet the viability gap in the Harworth scheme (since without this, there can be no subsequent development on the site). The County Council discussed this proposal at its Cabinet meeting on 15th December (see further para 2.2).
- 3.3.4 Further to this, it is recommended that subsequent borrowing for enable investment in the site is made to meet
- one third of the cost of building Lucideon's proposed new Headquarters building, on the basis of equal shares between Lucideon, the County Council and Newcastle Borough Council, and
 - the cost of building up to 80,000 sq. ft. of small industrial units for the Borough Council to let.

Both of these two investments would return rental income for the Borough Council as well as generate business rates.

- 3.3.5 In order to establish more accurately the costs of these two investments, cost consultants Gleeds have been appointed by Lucideon and the Borough Council and Gleeds recommendations will form the basis of the Borough Council's negotiations with Harworth over the cost of both the Lucideon HQ building and the Borough Council's proposed small industrial units.
- 3.3.6 It remains uncertain how Lucideon's proposed Amricc Research building will be funded (see above para 3.1). Discussions are to be held between the Borough Council and Stoke-on-Trent City Council's Chief Executives to discuss this with a view to making a joint approach to The Government, since this is a 'public' research facility designed to support the sector as a whole rather than a private commercial venture.

4. Harworth's timetable for site delivery

- 4.1 Harworth have provided the steering group overseeing the scheme (which includes Lucideon, NBC and the County Council) with a high level development programme, the key stages of which are:

- Planning approval - Sept 2021
- Complete earthworks design - Sept 2021
- Construct new site access - May 2022 to Nov 2022
- Grouting and pit shaft treatment - May 2022 to Dec 2022
- Earthworks - May 2022 to Jan 2024
- Drainage - Oct 2022 to Dec 2022
- Estate Roads - Nov 2022 to Nov 2023
- Completion of plots (allowing for settlement) -

Plot D. Dec 2022,
Plot C. Dec 2024,
Plot B. Aug 2024 and
Plot A. Dec 2024

5. **Reasons for Proposed Solution**

5.1 To ensure the successful development of the Chatterley Valley site.

5.2 Harworth's Chatterley Valley project should realise around 1700 jobs, the biggest employment generating project in the Borough since the reclamation and servicing of the old Holditch Colliery site to create what is now Lymedale Park. But the project would not go ahead without the Borough and County Council's willingness to plug the viability gap in Harworth's core scheme (see para 2.2 above) from its retained business rates due from the subsequent development of the site. This investment ensures that the project goes ahead and that those jobs can be realised.

5.3 The rationale for investing in the Advanced Industrial Ceramics Park, comprising the Lucideon development and that of its associated partner companies forming part of the Midland Industrial Ceramics Group (MICG) is that this will bring forward high quality jobs with real growth prospects. This is the kind of investment which could go anywhere in the country but the initiative taken by the Borough Council could help 'land' the investment here in North Staffordshire.

6. **Options Considered**

6.1 As the report has highlighted above the scheme has been through a long development process and options have really only been work to secure the future of the site with public sector investment or contributions (as detailed above) or not to invest and leave the site undeveloped. Given the number of employment opportunities for the Borough and the site it was not considered an acceptable solution so investment solutions were sought – as detailed in this report.

7. **Legal and Statutory Implications**

7.1 There are a number of legal and statutory implications that will require careful consideration before, and as this proposal progresses. These include certainty around the borrowing and funding arrangements framework in respect of which advice is awaited. Another key consideration will be "subsidy control" (formerly state aid) requirements and being clear that there is a robust case in respect of the same. There will be the need for a number of discreet legal agreements and specialist legal advice as the proposals proceed.

8. **Equality Impact Assessment**

8.1 North Staffordshire remains a relatively low wage economy compared with the UK as a whole. The Chatterley Valley project in general and the proposed Advanced Industrial Ceramics Park in particular are both initiatives designed to drive up economic growth, attract new businesses to the area and drive up wage levels.

9. Financial and Resource Implications

9.1 There will be significant financial and resource implications, both in terms of costs and future income generation, arising from the Borough Council's possible investment in this project. Capital investment costs are expected to be in the region of £15m and are currently expected to be incurred around 2024. These costs will be reported in a later detailed report to Cabinet following receipt of Gleeds financial advice and subsequent negotiations with Harworth.

10. Major Risks

10.1 Risks include cost control, the strength of the market for renting small industrial units which are planned to be built and the strength of Lucideon's covenant. These will be discussed in a later detailed report when the financial information is better known.

11. UN Sustainable Development Goals (UNSDG)

11.1 Chatterley Valley is a pre-existing industrial site. Its reclamation and re-use will take pressure off the need to develop agricultural and other not previously developed land.

11.2 The site is also well placed in respect of nearby communities in Kidsgrove, Bradwell / Porthill and Tunstall / Burslem allowing most commuting distances to be kept short.



12. Key Decision Information

12.1 None at this stage, but if Cabinet agrees to *the principle* of investing in the Chatterley Valley site as recommended in the Proposed Investment Strategy set out in paras Section 3 of this report, then a later report will seek a financial commitment to that investment in the form of Prudential Loans against projected future business rate income.

13. Earlier Cabinet/Committee Resolutions

13.1 'Designation of the Ceramics Valley Enterprise Zone', 23rd March 2016, resolved:-

1. That the portfolio holder for Town Centres, Business and Assets be invited to represent the Borough Council on the Enterprise Zone Board,
2. That officers continue to work with those of the City and County Councils to promote the Zone for investment and with landowners and developers to help bring forward its development.

14. **List of Appendices**

14.1 Staffordshire County Council Cabinet Report, 15th December 2021



CV West Cabinet
Final - Public Repc

15. **Background Papers**

15.1 Not Applicable