

# Executive Overview Land and Property Programme



**HATCH**



# Executive Overview

- i. The purpose of this Business Case is to demonstrate the optimal choice of projects for the delivery of the Land and Property Programme, which is part of the North Wales Growth Deal. The business case follows the structure of the Five Case Model and HM Treasury Green Book principles. It is structured into five cases – strategic, economic, commercial, financial and management.
- ii. The Growth Deal is seeking to deliver a total investment of up to up to £1.1bn in the North Wales economy (£240m from the Growth Deal), to create 3,400 – 4,200 net additional jobs and generate £2.0- £2.4 billion in net additional GVA.
- iii. The aim of the programme is to enable strategic interventions into the North Wales Property Market to be delivered so as to create an environment where the construction and development industry is willing to invest to build a more vibrant, sustainable and resilient economy.
- iv. This Business Case is intended to inform the Final Deal Agreement, which follows the Heads of Terms agreement with the Welsh and UK Governments in 2019.

## The Strategic Case

- v. The Logic Model for the Land and Property Programme is shown in Figure 1 below. Logic Models are used to convey how a programme of activities lead to a set of desired results.

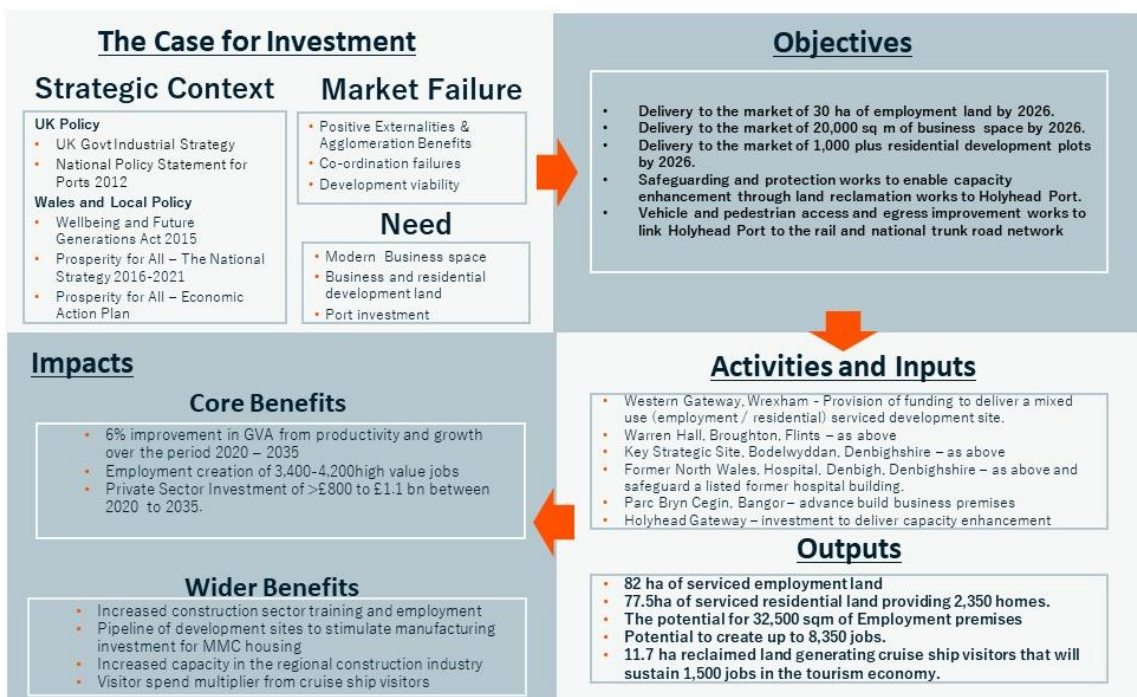


Figure 1 Source: Hatch



## Strategic Context

- vi. The North Wales Economic Ambition Board was established in 2012 and covers the six Local Authority administrative areas of the region of North Wales and University of Bangor, Glyndwr University, Coleg Cambria. The private sector has also shaped the deal through the North Wales Mersey Dee Business Council and the Business Delivery Group.
- vii. The aim of the Growth Deal is to build a more vibrant, sustainable and resilient economy in North Wales. Building on our strengths to boost productivity and tackling long term challenges and economic barriers to deliver inclusive growth. Our approach is to promote growth in a scalable, inclusive and sustainable way in line with the Future Generations Act.
- viii. The Growth Deal builds on the Growth Vision for North Wales, adopted in 2016:

*“a confident, cohesive region with sustainable economic growth, capitalising on the success of high value economic sectors and our connection to the economies of the Northern Powerhouse & Ireland.”*

- ix. The Growth Deal aligns closely with the priorities of the UK and Welsh Governments in relation to economic development. There is particularly strong alignment with the UK Government’s **Industrial Strategy**, the Welsh Government’s **Economic Action Plan, the Well-being of Future Generations Act, and its cross-cutting themes**. Sustainability is at the core of the Growth Deal, and the investments will contribute towards Wales carbon emissions reduction targets.

## The Case for Change

### Spending Objectives

- x. The Land and Property Programme is one of the two enablers supporting the delivery of the High Growth Sectors to maximise the economic benefit of the Growth deal.

<b>Spending Objective 1</b> Job Creation	To create between 1,870 and 2,280 new jobs in North Wales through the programme by 2036
<b>Spending Objective 2</b> GVA	To create net additional GVA of £1.06bn and £1.29bn through the programme by 2036
<b>Spending Objective 3</b> Investment	To deliver a total investment of between £320m and £390m through the programme by 2036
<b>Spending Objective 4</b> Employment Sites and Premises	To deliver 30 ha land and 20,000 sq. m of employment I premises between 2021 and 2026
<b>Spending Objective 5</b> Residential Sites	To deliver 1,000 plus residential development plots between 2021 and 2026.

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**Spending Objective 6**  
Holyhead Gateway

Land reclamation, safeguarding and life extension works to the breakwater, access improvements and port capacity enhancements

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## Existing Arrangements

- xi. Since the mid 2000's, the public sector adopted a more relaxed approach to intervening in the property market. The combination of this policy stance and the consequences of the property Crash of 2008/9 has resulted in limited development of employment sites or the delivery of new premises in most parts of North Wales in the last decade. This has created constraints in the property market being able to meet the needs of businesses to grow and expand. The residential market has also shown a consistent trend to under-supply new build homes for the last 10 years with the result that housing need is has increased over the same period.
- xii. The Holyhead Gateway is a series of works proposed in the Port of Holyhead to improve access, undertake capacity enhancements and safeguarding works to the harbour. The current port operator/owner is unable to fund the capital required to create the investment required to address the needs of the Port.

## Business Needs

- xiii. The need of the commercial property market is the capability to deliver stalled development sites and new business premises cost effectively. Overcoming the barriers that prevent these stalled sites from moving to the development phase is the broad strategic thrust of the sites and premises workstream.
- xiv. The private and public residential house building sector requires certainty on risk on development sites in order that they can deliver new housing. By addressing the barriers that are preventing these sites from being developed and providing a pipeline of serviced development sites; it is intended to create the environment to allow the construction industry to invest in building capacity and creating employment.
- xv. Freight traffic through the port of Holyhead has grown by 43% between 2013 and 2018 with passenger ferry levels broadly stable. The port's operational need is to enhance capacity for both freight and passenger traffic, and, given the increase in cruise ship visiting the harbour and the potential for larger vessels, increased berthing facilities. The safeguarding and access improvement works are additional areas that need investment to complement and protect the proposed capacity enhancements.

## Potential Scope

- xvi. As one of the enabling programmes within the Growth Deal, the strategic aim of the Programme is to overcome barriers to investment by undertaking interventions across North Wales to de-risk development and create certainty in the market to encourage investment.



## Benefits

- xvii. The Programme will deliver a number of direct and indirect benefits for the North Wales economy. These strategic benefits include the following:
- Delivering serviced employment land and advance premises at strategic locations across the region facilitating business expansion and growth increasing prosperity, improving productivity, stimulating inward investment and creating new jobs.
  - Delivering increased numbers of residential development land to improve housing delivery and grow capacity in the construction sector, creating and strengthening regional supply chains and high value employment.
  - A more skilled workforce within the region – through supporting skills and training initiatives linked to major projects.
  - Improvements in standards of living across the region by inclusive growth that provides opportunities and reduces poverty, inequality and deprivation.

## Main Risks

- xviii. There are a number of key risks to the successful delivery of the Growth Deal Portfolio including having sufficient resources; delivery capacity; cost certainty; Covid 19 driven change; Brexit; private and public sector investment and political change. There are also specific risks for the programme such as uncertainty on the impact of the pandemic on property demand and future use, infrastructure constraints, consenting requirements and supply chain capacity. The approach to managing these risks is considered in the Management Case.

## Constraints and Dependencies

- xix. Notable constraints on the delivery of the Programme include the total funding package of £240m, the 15-year term of the Growth Deal, the requirement for capital funding only, state aid and procurement compliance, consenting requirements and capacity within industry. The Growth Deal is dependent on securing the final deal, and on the successful engagement and collaboration with the private and public sectors. The Sites and Premises Projects are geographically dispersed and can be delivered independently of each other.

# The Economic Case

## Critical Success Factors and Options Assessment

The six projects included within the Land and Property programme are summarised in Table 2 below.

Project	Summary Description	Outputs & Benefits	Cost/ Ask
<b>Western Gateway, Wrexham</b>  <b>Lead: Wrexham CBC and NWEAB</b>	Provision of primary services and highway improvements to a development site adjacent to Wrexham Tech Park to enable the private sector to invest	5 ha of development land capable of sustaining circa 8,000 sq. m of commercial/business accommodation.  Serviced land for 48 new homes  545 FTE new jobs  £32.4m direct and indirect private sector investment.	Growth Deal Ask £9.1m Total investment £32.4m
<b>Warren Hall, Broughton, Flintshire</b>  <b>Lead: Welsh Government and NWEAB</b>	Provision of primary services to a 65-ha mixed development site close to the A55 Junction 36. This will provide a large serviced development site removing risk and providing cost certainty in the market	22.7 ha of employment/business land capable of accommodating up to 10,000 sq. m of employment space.  8.1 ha of residential development land to deliver 300 new low carbon homes  1.3 Ha local centre  675 FTE new jobs  £55m direct private sector investment	Growth Deal ask £15m Total Investment £70m



<b>Key Strategic Site, Bodelwyddan</b>	137 ha mixed use greenfield development site close to Junction close to Junctions 25 and 26 of the A55. The proposed development scheme would provide 26 ha of employment land and land for 1,715 residential plots. A local centre, a primary school, medical centre, leisure and recreational facilities will also be provided.	26 ha of serviced employment land capable of sustaining 9,500 sq m of business accommodation.  Circa 60 ha of residential development land capable of sustaining 1,715 homes.  376 FTE new jobs  £72m of direct private sector investment in Phase 1. £185m over the full scope of the development.	Growth Deal Ask £10m Total investment £82m
<b>Lead: NWEAB and a private sector developer</b>			
<b>Former North Wales Hospital, Denbigh, Denbighshire</b>	A former Victorian hospital site comprising a number of Grade 2* Listed buildings. The proposed development has a development partner selected by the Council	Refurbished Grade 2* Listed Building converted into 32 apartments  300 new homes on circa 10 ha on brownfield land.  1,100 sq. m of commercial and business accommodation  74 FTE new jobs  £70m of direct private sector investment.	Growth Deal Ask £4m. Total Investment £4m
<b>Lead: Jones Bros Ltd and Denbighshire County Council.</b>			
<b>Parc Bryn Cegin, Bangor, Gwynedd Lead: Welsh Government and NWEAB</b>	The provision of advance employment/business accommodation on a partially serviced business park with 17 ha net development land on the outskirts of Bangor close to Junction 11 of the A55.	3,000 sq. m of advance new business accommodation  71 FTE new jobs  Private sector investment to be confirmed.	Growth Deal Ask £6m. Total Investment £6m

<b>Holyhead Gateway</b>  <b>Lead: Stena Line and Welsh Government</b>	Safeguarding and life extension works to the Listed breakwater to protect the Harbour	11.7 ha land reclaimed from the seabed for new hardstanding and wharfage and the capacity for freight trans-shipment.	Growth Deal Ask £35m Total Investment £45m
	Land reclamation on two parts of the seabed of the inner harbour extending to 11.7 ha.	Capacity to accommodate large freight and cruise ships	
	Creation of a multi – purpose berth to accommodate cruise and freight ships of up to 370m.	£45m of direct private sector investment.	
	Highway improvements to link the port to the A55.	50 plus cruise ship visits with 39,000 visitors (and 18,000 crew visits).  1,250 direct new FTE jobs.	
	Pedestrian improvements linking the railway station to the ferry passenger terminal.	Indirect spend from cruise ship visits into the local visitor economy.	

- xx. To demonstrate the strategic rationale for the Preferred Option, it was assessed against three alternative options: do nothing, a scaled down programme’ and, a scaled-up programme. Each option was scored based on how well it delivered against the programme spending objectives and five ‘Critical Success Factors’ (Strategic Fit, Value for Money, Commercial Sustainability, Deliverability and Partnership Support and Commitment). The Preferred Option is the only option which is effective across all Objectives and Critical Success Factors.
- xxi. Each of the constituent projects within the Land and Property programme will develop a project-level options assessment within its business case.

## Economic Appraisal

- xxii. The Land and Property Programme is expected to deliver between 1,870 and 2,280 net additional FTE jobs for North Wales, with a NPSV of £570m. Based on all public sector funding for the Growth Deal, it will deliver a **benefit-cost ratio (BCR) of 7.9:1, that is £7.9** will be created in terms of the core economic benefits for every £1 of public funding provided HM Treasury Guidance states that this represents ‘Very Good Value for Money.
- xxiii. In interpreting these figures, it is important to note that there are a range of benefits that cannot be quantified or monetised in a robust fashion but are still a significant consideration in the value for money case for the programmes. These include:



- Real time property solutions for business investment
  - Supply chain and investment multiplier through a pipeline of projects
  - Reducing Housing Needs.
  - Community cohesion and retention of young people.
  - Boost to regional visitor economy through increased visits
- xxiv. There are a number of risks in generating the scale of economic benefits estimated, and the value for money assessment has been subjected to sensitivity testing at the programme level. The BCRs remain robust in the face of these tests.
- xxv. A summary of the key findings from the economic appraisal of the Programme is provided in Table 3 below.

<b>Table 3 - Land and Property Programme Appraisal Summary Table</b>	
<b>Net Present Social Value (£m) (including Optimism Bias)</b>	£641 – £783 (£643 – £786)
<b>Public sector cost (£m, undiscounted, excluding optimism bias)</b>	£81 (£79)
<b>Appropriate Benefits Cost Ratio</b>	7.8 – 9.6 (8.0 – 9.8)
<b>Significant unmonetizable costs/benefits and unquantifiable factors</b>	Land value uplift Reduced CO2 Transport benefits Social/wellbeing benefits
<b>Risk costs by type and residual optimism bias</b>	TBC
<b>Switching values (for the preferred option only)</b>	TBC
<b>Time horizon and reason</b>	15 Year appraisal period used

## The Commercial Case

### Commercial Strategy

- xxvi. The NWEAB is committed to maximising the economic impact and value for money of the North Wales Growth Deal. The Board also recognises the potential to generate a commercial return on investment that could be reinvested in the region. Each project business case will be expected to explore commercial investment opportunities.

### Procurement Strategy

- xxvii. Our procurement strategy responds to Welsh policy and procedures. All Growth Deal procurement activity will be underpinned by a guiding set of principles, which are summarised below in Table 4.

<b>Table 4 Procurement policy and principles</b>	
Policy drivers	<ul style="list-style-type: none"> <li>• North Wales Growth Vision</li> </ul>

	<ul style="list-style-type: none"> <li>• Wellbeing of Future Generations Act</li> <li>• Public Contract Regulations 2015</li> <li>• Welsh Public Procurement Policy Statement</li> <li>• Welsh Government Code of Practice Ethical Employment in supply chains Government Commercial Operating Standards</li> </ul>
Procurement Principles	<ul style="list-style-type: none"> <li>• Regional leadership</li> <li>• Developing the regional economy by including local and regional economic considerations in contract opportunities, and improving access to SMEs</li> <li>• Promoting the use of local suppliers and local supply chains where possible</li> <li>• Maximising skills and employability opportunities through contract opportunities</li> <li>• Supporting community development through community wealth building and inclusion of cultural and Welsh language considerations in contracts</li> <li>• Supporting environmental sustainability by including environmental considerations in contract opportunities and minimising carbon footprint of projects where possible</li> <li>• Ensuring effective spending and value for money via regional collaboration; effective performance, risk, contract and fraud management arrangements</li> </ul>

xxviii. Procurement activity will be the responsibility of the Lead Partner for each project. For regional projects, this responsibility will sit with the PMO

## The Financial Case

### Capital & Revenue Requirements

xxix. The Land and Property Programme is based on the delivery of six projects with a total capital expenditure of £355.4m, of which £79.1m million is derived from the Growth Deal with the remainder provided by public and private sector partners.

xxx. The capital expenditure requirements are provided in the financial case, based on the latest available project business cases and aggregated up to provide the programme estimates. The estimated capital requirements for the Land and Property Programme are set out in Table 5 below:

Table 5 Land and Property Programme Capital Requirements						
Project		Lead Partner	Growth Deal (£m)	Other Public (£)	Private (£)	Total (£m)
<b>Land and Property Programme</b>						
Holyhead Gateway		Stena Line	35.0	0	45.0	<b>80.0</b>
Land and Property	Western Gateway, Wrexham	NWEAB/WCBC	9.1	1.9	32.4	<b>43.4</b>
	Warren Hall, Broughton	WG / NWEAB	15.0	0	55.0	<b>70.0</b>
	KSS, Bodelwyddan	NWEAB	10.0	0	72.0	<b>82.0</b>
	FNWH, Denbigh	NWEAB/Jones Bros/DCC	4.0	0	70	<b>74.0</b>
	Parc Bryn Cegin, Bangor	WG/NWEAB	6.0	0	0	<b>6.0</b>
<b>PROGRAMME TOTAL</b>			<b>79.1</b>	<b>1.9</b>	<b>274.43</b>	<b>355.4</b>

## Project Maturity

xxxi. The five projects within the programme are currently at different levels of maturity as shown by the table below:

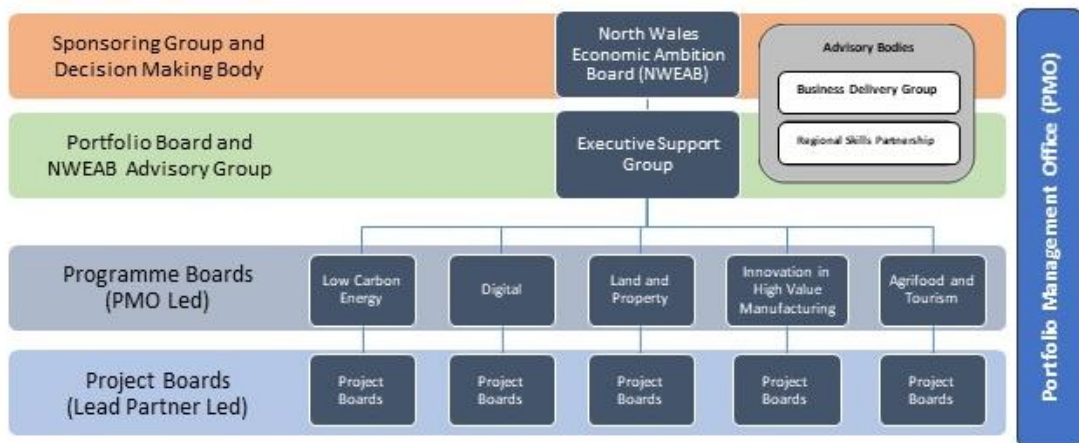
Project	Business Case Stage	Summary
Western Gateway, Wrexham	<b>SOC</b>	The Project is ready to progress to the OBC stage.
Warren Hall, Broughton	<b>SOC</b>	The Project is subject to the agreement of the Collaboration Agreement and a site-specific joint venture agreement with Welsh Government, at present the Project is waiting the Flintshire LDP in 2021.
KSS, Bodelwyddan	<b>SOC</b>	The project is subject to a deadline to maintain the existing outline planning consent. Subject to completing a formal agreement with the other parties then the Project is ready to progress to the development of an OBC.
FNWH, Denbigh	<b>SOC</b>	Project will move to towards the development of an OBC subject to the grant of planning consent, state aid clarification and agreement on funding between the parties.
Parc Bryn Cegin, Bangor	<b>SOC</b>	The Project is subject to the agreement of the Collaboration Agreement and a site-specific joint venture agreement with Welsh Government. Subject to the agreement of the Collaboration Agreement the project will then move towards the development of the JV Agreement and OBC
Holyhead Gateway	<b>Project Review</b>	The project scope is to be reviewed to assess the economic and societal impact of the Port of Holyhead on the regional. Welsh, UK and RoI in light of the proposed investment into the port given the indicative increase in costs.

\* Project business cases are developed in three stages – Strategic Outline Case (SOC), Outline Business Case (OBC), Full Business Case (FBC).

# Management Case

## North Wales Growth Deal Delivery Structure

xxxii. Figure 2 below sets out the delivery structure for the Growth Deal building on the existing structures put in place by the EAB's Governance Agreement. Details on these roles are set out in the management case.



Source: NWEAB Figure 2

xxxiii. **Programme Boards** - Each programme will have a formal Board and an appointed Senior Responsible Owner (SRO). These Boards will be focused on the development (initially) and delivery of the agreed Programme Business Case, with a specific focus on the benefits and outcomes to be achieved. Programme Boards escalate to the Portfolio Board via the Programme Director.

xxxiv. **Portfolio Management Office (PMO)** – The PMO supports and co-ordinates activity across the programmes acting as an information hub and ensuring a consistent approach to reporting, control of risk and issues. It also acts as a valuable assurance function, providing advice and challenge to programmes and projects. Each programme is assigned a Programme Manager from within the PMO. The Land and Programme Manager is David Mathews.

## Project Business Cases

xxxv. The North Wales Growth Deal is to be signed on the basis of a portfolio business case and five programme business cases. Once the final deal has been agreed, the five Case Model project business cases can be brought forward for the NWEAB to consider.

## Risk Management

xxxvi. The Board has an adopted Risk Framework for the delivery of the North Wales Growth Deal. The approach to risk management is outlined in the Growth Deal Risk and Issues Management

Strategy and User Guide. The key principles and concepts outlined in this strategy are drawn from OGC Management of Risk literature.

## **Timeline and Milestones**

xxxvii. The NWEAB is seeking approval of the North Wales Growth Deal in December 2020 with the signing of the Final Deal. Following Final Deal, project business cases will be brought forward for the NWEAB to consider from early 2021 onwards.

## **Monitoring, Evaluation and Feedback**

xxxviii. Programme and project performance will be monitored on a monthly basis through the relevant programme and project boards with formal quarterly reports submitted to the Portfolio Board and the North Wales Economic Ambition Board. A Monitoring and Evaluation Plan has been developed for the North Wales Growth Deal and will be agreed with UK and Welsh Government as part of the Final Deal.

## **Assurance**

xxxix. The PMO worked with the Welsh Government Assurance Hub to develop an Integrated Assurance and Approval Plan (IAAP) that sets out the assurance activities that will be undertaken at portfolio, programme and project level for the North Wales Growth Deal.

xl. As part of the IAAP, assurance activities will take place across all levels of the Growth Deal – portfolio, programme and project. The North Wales Growth Deal will utilise the pre-defined Gateway 0-5 and flexible Project Assessment Reviews (PAR) as appropriate and proportionate. The IAAP will be agreed with UK and Welsh Government as part of the Final Deal.