



**Cheshire & Warrington Local Enterprise Partnership
Performance and Investment Committee**

Title: Northgate Drainage Tunnel

Agenda item: 3

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Date of Meeting: 27th January 2021

1. Executive Summary

The Chester Northgate drainage tunnel is a key requirement of developing the city Centre. The Council has invested heavily in the development of Northgate scheme and the design and development of the drainage tunnel, and has committed £2.9m to the scheme which it is funding through borrowing.

The scheme is being delivered in conjunction with Welsh Water and the Environment Agency. While both bodies are committing in kind resources to the project they are unable to meet the funding gap of £5m.

The business case makes a strong justification for funding for the project, which is supported by the independent appraisal.

2. Recommendations / Actions / Decisions Required:

Performance and Investment Committee is asked to:

- i. **Note** the contents of the business case and appraisal
- ii. **Approve the allocation of £5.095m of Getting Building Funding**
- iii. **Authorise the executive to issue an offer letter with the following conditions:**
 - **Confirmation that the project is state-aid compliant**
 - That a project Delivery plan is provided which included details of the monitoring and evaluation of the project
 - The funding must be spent by end of March 2021

3. Background

The Chester Northgate Drainage Tunnel is one of three projects that has been awarded, in principle, Getting Building Funding (GBF).

Chester City Centre has seen declining visitor numbers for over a sustained period. The Northgate scheme has been in development by the Chester West and Chester Council for over twenty years. The LEP contributed £13.5m of LGF1 to move the bus station, freeing up the central site for redevelopment. The bus station completed in 2017, but the plans for the City centre have had to change and evolve due to changes in consumer habits, originally it was envisaged that a new shopping centre would be built and CWAC had secured a large anchor tenant. That fell by the wayside and the council looked to change the scheme to more of a leisure and retail scheme



instead of such a retail dominant scheme. The amount of housing included in the revised scheme has also increased which help support a night-time economy.

4. Project description

Chester Drainage Tunnel is a major infrastructure project which involves the installation of a new rain/surface water drainage tunnel for the city centre. The rainwater tunnel will have a diameter of 1.2m along its almost 1km length, providing a more efficient and sustainable rainwater drainage system. The tunnel is being delivered by the Council in partnership with Welsh Water and the Environment Agency. Plans are attached at Appendix A.

The tunnel is a key element of the enabling works for the Chester Northgate development, unlocking this strategic investment priority. It will also reduce instances of flooding and drain bursts in the city centre, diverting rainwater away from the sewer network and maximising the capacity of the existing sewer network.

5. Key Risks and issues

A risk register has been provided and Gleeds cost report shows a risk contingency of 20% for the works.

6. Outputs

The outputs are detailed below. However, it should be noted that the £72m of public sector match is already counted against the Chester Bus Interchange which was phase 1 of the Northgate project.

Output	
New commercial space (sqm)	9334
Construction jobs	752
Public match (£)	72
New jobs created	338
Public Realm (ha)	0.55
GVA (over five years)	81m

7. Value for Money

The BCR for the project is low at £1.6:£1 but is adjusted to £2.6:£1 when the cultural value impacts are attributed to the scheme.

While on its own the project is not going to lead to many direct benefits, it is integral to the success of the Northgate scheme and I would recommend that an exception is made on this occasion and support this important project to enable the Northgate scheme to be fully realised.

8. Independent Appraisal

Strategic Case	1	The project's strategic case has been set out clearly and robustly. The project will deliver key enabling sustainable infrastructure to underpin the redevelopment of the Northgate area and contribute to the Mersey Dee Enterprise Zone. Further details on the M&E programme are to be provided.
Economic Case	1	Overall the business case has set out a Green Book compliant appraisal undertaking a cost-benefit analysis in line with MCHLG guidance. The options appraisal has focused on the assessment of Phase 1 of the Northgate Development in line with the Council's strategic options review. The adjusted BCR of 2.6:1: is underpinned by the cultural value impacts attributed with unadjusted BCR of 1.6. This, however, does not account for the importance of the scheme to enabling Phase 2 of the development.
Financial Case	1	All main elements of the financial case are covered. The development appraisal identifies the funding gap at £20m (including drainage works). Responsibility for O&M costs will reside with Welsh Water.
Commercial Case	1	The procurement process for the main contractor has been completed. All main elements of the commercial case are covered.
Management Case	2	The management case has covered all the required details to demonstrate the project can be delivered effectively.