

REPORT OF THE CITY DEAL AND GROWTH DEAL ADVISORY BOARD**TO****BLACK COUNTRY EXECUTIVE JOINT COMMITTEE****ON****18 FEBRUARY 2015****BLACK COUNTRY LOCAL GROWTH DEAL – WOLVERHAMPTON INTERCHANGE –
PROJECT APPROVAL**

Key Decision:	Yes
Forward Plan:	Yes

1. PURPOSE OF REPORT

- 1.1 To present the recommendations of the Advisory Board of the Joint Committee in relation to the Wolverhampton Interchange Growth Deal application by Wolverhampton City Council. To ask the Joint Committee to note as recommended by the Advisory Board a new Green rating for this project, and approve movement to full approval and contracting and subsequent grant agreement by the Accountable Body.

2. RECOMMENDATIONS

- 2.1 That the Joint Committee note the movement of the Wolverhampton Interchange project from its current Amber to a Green rating following the recommendation of the Head of Regeneration for Wolverhampton City Council to the Advisory Board.
- 2.1 That the Joint Committee grants approval for the Accountable Body for the Growth Deal (Walsall Council) to proceed to a Grant Agreement with Wolverhampton City Council to deliver the Local Growth Fund (LGF) elements of the Wolverhampton Interchange – with delivery to commence in the 2015/16 financial year.

3. REPORT DETAIL

- 3.1 The Joint Committee received a report on the 17th September setting out the background and work so far in the development of the Black Country Growth Deal Round 1, approving a way forward for the 15 projects involved, utilising the individual Red Amber Green (RAG) ratings system for each project proposal.
- 3.2 To ensure that these RAG ratings were as accurate as possible, each project business case was further scrutinised by specialists and officers (October 2014), culminating at

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the Advisory Board Star Chamber on the 10th November 2014, where representatives from 13 of the 15 projects were further questioned by members of the Advisory Board and the Working Group of the Joint Committee. The remaining two projects were scrutinised at the Advisory Board on 19th November. At the last meeting on 3rd December, the Joint Committee gave approval to proceed to contracting for 8 of those 15 projects, with the remaining 7 given 'in principle' approval subject to further work being undertaken.

- 3.3 The Joint Committee is now requested to consider the recommendations of the Advisory Board on the updated status of projects following further work by the applicants – for Wolverhampton Interchange as presented to the Working Group by the sponsoring Head of Regeneration for Wolverhampton City Council. The Joint Committee is requested to grant approval for the Accountable Body for the Growth Deal (Walsall Council) to proceed to a Grant Agreement with Wolverhampton City Council to deliver the Local Growth Fund (LGF) funded elements of the Wolverhampton Interchange Project – with delivery to commence in the 2015/16 financial year.
- 3.4 The revisions arising from this additional information are included in the amended Business Case for the project, set out within the attached Appendix 1, with the evidence substantiating this change held on file by the Accountable Body (Walsall Council).

4. FINANCIAL IMPLICATIONS

- 4.1 The costs associated with this development work and the delivery of projects that form part of the LGF round 1 will be covered by allocations from government associated with this programme. This includes the use of any interest accrued by the Accountable Body to cover costs associated with the delivery of Accountable Body functions, as approved by its (Walsall Council) Cabinet and the Joint Committee.

5. LEGAL IMPLICATIONS

- 5.1 The appropriate Grant Agreements are being prepared by the Accountable Body (Walsall Council) and will include all conditions passed onto the LEP by Government, together with all terms, conditions, performance measures and sanctions as required by the approvals/conditions received from Government or approved by the LEP Board or the Joint Committee.

6. RISK MANAGEMENT

- 6.1 Risk is being managed through the on-going assessment of individual projects and their ability to deliver the required spending profiles and outcomes for the programme as required or agreed with Government and set into place by the LEP Board or the Joint Committee.

7. EQUALITY IMPLICATIONS

- 7.1 None at the time of drafting

Back Ground papers

The Black Country Strategic Economic Plan (SEP)

Business Cases for each Individual Project

Attachments

Appendix 1 – Wolverhampton Interchange, Project Headlines and Outline Business Case
RAG Rating

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Appendix 1 – Wolverhampton Interchange, Project Headlines and Outline Business Case RAG Rating**Project Description**

- The project will provide a fully integrated multi-modal transport hub, deliver 36,684 sqm of new commercial floor space, creating 2,254 new jobs, improving the strategic gateway to Wolverhampton, the wider Black Country, Birmingham and HS2.
- A new rail station building will be constructed and the multi-story car park refurbished and extended.

Start date: Within the 2015/16 financial year, completing all spend by the close of the 2016/17 financial year, with outcomes generated within the Growth Deal period, up to the end of March 2021.

Headline Outputs Include: 2,254 jobs created and 36,684 of new commercial floor space, others require clarification.

Funding Profile: Total project cost estimated at £113.4m, with LGF requested totalling £4.5m, of which, £3m to be spent during 2015/16, with £1.5m during 2016/17, an intervention rate around 4%.

January 2015 Update and Revised RAG Rating**PROJECT MANAGEMENT** ●

Remained at Green throughout the process, with Project Management arrangements continuing to be refined and appear robust across all aspects of the project. Construction of Block 10 has commenced, supported by a head lease to WCC and pre-lets to ground floor leisure uses, project partners have continued to progress design work across the scheme.

ECONOMIC OUTPUTS ●

Wolverhampton City Council has now provided the details of the economic outputs expected within the Growth Deal timeframe through to 2020/21, with agents for Neptune indicating interest from potential office occupiers for Blocks 9 & 10. Following further definition by BIS, there have been a reduction in Business Assist outputs for the programme (see separate report).

FUNDING ●

Indicative funding has been allocated by the LEP board of £9m (£5.4m in 2015/16), which is subject (along with the LEP-approved LTB funding) to final confirmation by the Government as part of our Growth Deal settlement. This will be subject to further approval in accordance with DfT's Business Case approval processes. The status of this element of the project will remain at Amber until the conclusion of the DfT Business Case process, though this does not impact on the overall rating of the project.

OVERALL RATING PROPOSED**GREEN** ●

Recommendation – That the Joint Committee grants approval for the Accountable Body for the Growth Deal (Walsall Council) to proceed to a Grant Agreement with Wolverhampton City Council to deliver the Local Growth Fund (LGF) elements of the Wolverhampton Interchange – with delivery to commence in the 2015/16 financial year.

OUTLINE BUSINESS CASE (Including October Revisions)**PROJECT TITLE:** Wolverhampton Interchange – Commercial Gateway Phase 2**PROJECT SPONSOR:** Wolverhampton City Council**October 2014 Re-Assessment Update and Outstanding Scrutiny Issues****PROJECT MANAGEMENT** 

- PM arrangements have continued to be refined and appear robust across all aspects of the project.
- Construction of Block 10 has commenced, supported by a head lease to WCC and pre-lets to ground floor leisure uses.
- Project partners have continued to progress design work across the scheme.

ECONOMIC OUTPUTS 

- Agents for Neptune have indicated interest from potential office occupiers for Blocks 9 & 10.
- It is not clear what delivery milestones are specified in the Master Development Agreement, including any commitments to development delivery beyond Block 10.

FUNDING 

- Status of £9m approved by the former Strategic Transport Board remains unclear – **Advisory Board/Transport Director to clarify**

July 2014 Assessment**PROJECT MANAGEMENT** **Senior Responsible Officer (SRO):** Marie Bintley, Head of Physical Regeneration.

An Interchange Steering Group has been established since 2009 to ensure the delivery of the project. This comprises senior level representatives from the overarching Interchange Partnership and includes senior-level representatives from the City Council, Centro, Neptune Developments, Network Rail, Virgin Trains and the Canals & River Trust.

Centro retains overall responsibility for the delivery of the Metro/Rail Station element of the project. Neptune are the City Council's development partner under a Master Developer Agreement which gives them the rights to develop all City Council land within the Interchange area and manage the delivery of the new bus and railway station and multi-storey car park alongside the delivery of new commercial floorspace.

A first phase involving the delivery of a new bus station, new highways access and commercial floorspace was completed in 2009/10. A detailed development programme for the transport elements of the project has been provided. Construction of the car park will commence in April 2015 and railway construction will follow on from this over the period January 2016 to March 2017. Commercial floorspace will be delivered over the period to 2018/19 and further programme information on this element of the project has been requested.

A series of risk registers have been provided for each element of the project and focus on the key risks associated with the development process.

ECONOMIC OUTPUTS 

The key economic outputs (set out below) delivered by the project are based on end user occupation of commercial floorspace (offices, retail, leisure and hotel end uses) and are derived from the HCA Employment Densities Guidance (2010). Further detail has been requested on the timing of outputs over the period to 2020/21.

Headline outputs	Total
Jobs created	2,254
Floorspace (sqm)	36,684

This project is forecast to deliver nearly 40% of the job outputs and over 30% of new commercial floorspace for the entire Growth Deal programme by 2020/21 and therefore any reduction in outputs of a significant scale is a key strategic risk to the programme.

The economic downturn has stalled progress in the delivery of commercial floorspace and the City Council has helped to facilitate delivery of Block 10 by taking a head lease but it is understood that marketing agents are reporting a strong enquiry list from potential occupiers with evidence of latent demand for Grade A office accommodation.

In addition to the further work to clarify and confirm the output profile, the project will require close monitoring of the commercial development process to ensure job outputs are being delivered in accordance with projections.

FUNDING

The total LGF funding (profiled below) is as originally requested, however the profile of LGF funding has now changed with reduced funding in 2015/16. A revised expenditure profile together with a profile of monthly LGF spend for 2015/16 to account for this change has been requested.

The new railway and metro stations and multi-story car park will be substantially funded via prudential borrowing by Centro together with £9m of funding previously allocated by the LEP though the Strategic Transport Board. Further clarification has been requested as to the status of this allocation and whether its release is subject to the completion of a full business case, which has been substantially completed by Centro.

LGF spend profile	2015/16				All 2015/16	Future years	Total LGF
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar			
	tbc	tbc	tbc	tbc	£3,000,000	£1,500,000	£4,500,000

Private sector match funding is dependent on the delivery of commercial floorspace and therefore the status of this funding is not confirmed at this stage and will need to be the subject of ongoing financial viability appraisals.

A further financial consideration relates to the level of optimism bias applied to the forecasting of capital costs. Value engineering through the design process may be expected to reduce overall costs and a mechanism needs to be agreed which allocates any cost savings to the LEP and Centro as the primary funders.

KEY ISSUES & RISKS

Overall risk rating:

This is an important strategic project in the Growth Deal not least given the scale of projected job outputs. Achieving these outputs will be dependent on the take up of commercial development, and existing market analysis indicates that successful early phases could help to establish the Interchange as a key business location and drive further commercial demand. However, further detailed information on output forecasts is required and this project will require close monitoring in terms of the timing of the delivery of outputs.

Delivery management arrangements appear well established and the appointment of a lead developer to advance a comprehensive masterplan has ensured that delivery risks have generally been fully assessed and understood. Advanced expenditure by the project partners has demonstrated delivery commitment and provides reassurance that the full package of funding can be secured alongside LGF funding. The funding agreement for LGF should include a mechanism for allocating any cost savings between the primary funders.