

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 – ACCESSING GROWTH PROGRAMME -
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 Accessing Growth Programme, 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 Accessing Growth Programme from an Amber to a Green rating following the recommendation of the Head of Regeneration for Wolverhampton City Council to the Advisory Board.
- 2.2 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) funded elements of the Accessing Growth Programme – 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 Accessing Growth, 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 Accessing Growth Programme – with delivery to commence in the 2015/16 financial year.
- 3.4 The revisions arising from the additional information submitted by the project applicants are included in the amended Business Case for the project, set out within the attached Appendix 1, with the evidence substantiating this change to be 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 on the 29th October 2014.

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 – Accessing Growth Project, Project Headlines and Outline Business Case RAG Rating

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Appendix 1 – Accessing Growth Project, Project Headlines and Outline Business Case RAG Rating**Project Description**

A fund designed to help deliver smaller schemes (above £500,000 but less than £5,000,000) which improve access to employment sites and strategic centres. Schemes include highway efficiency improvements, sustainable transport and interchange improvements.

Start date: Programme has been profiled, with a start date during the 2015/16 financial year, with completion during the 2018/19 financial year.

Headline Outputs Include: As agreed with the Advisory Board and BIS, there will be no jobs or houses associated with the Accessing Growth Schemes, but there are a range of benefits as outlined throughout this report.

Funding Profile: £3m profiled for each of the 2015/16, 2016/17, 2017/18 and 2018/19 financial years with LGF requested to fund the full scheme costs of £12m, an intervention rate of 100%.

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

Remained at Green throughout the process as the 3 prioritised projects remain fully deliverable and given linkage with other LGF projects (e.g Bilston Centre & Bentley Lane) remediation are priority investment. However the arrangements for future scheme prioritisation need to be agreed, together with pipeline enabling flexibility against spending and alignment to economic opportunities as they arise.

ECONOMIC OUTPUTS 

Moved from Amber to Green - the basis for the job output projections has now been clarified and given that the impacts will be indirect, job outputs removed from the programme or to be agreed with each individual site and counted, to ensure that there is no double counting of outcomes. Further analysis is being undertaken of the 'sites of impact' in relation to each scheme based on Government guidance. The specific sites of impact for each scheme will be confirmed (avoiding double counting with other LGF interventions) to identify the nature, scale and timing of development that the 'Accessing Growth' projects will unlock and allow identification of indirect outcomes.

FUNDING 

Remains at Green, as schemes will be 100% LGF funded and the local authorities have provided capital cost estimates based on their experience of similar schemes. Final costs will be determined through detailed design and value engineering.

OVERALL RATING PROPOSED**GREEN** 

Recommendation – 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 Accessing Growth Programme.

OUTLINE BUSINESS CASE (Including October Revisions)**PROJECT TITLE:** Accessing Growth**PROJECT SPONSOR:** Black Country Local Authorities**October 2014 RE-Assessment Update and Outstanding Scrutiny Issues****PROJECT MANAGEMENT**

- The 3 prioritised projects remain fully deliverable and given linkage with other LGF projects (e.g Bilston Centre & Bentley Lane) remediation are priority investment.
- Arrangements for future scheme prioritisation need to be agreed.
- The projects will progress in a pipeline enabling flexibility in spending and alignment to economic opportunities as they arise.

How will future scheme prioritisation decisions be made?**ECONOMIC OUTPUTS** ●

- The basis for the job output projections needs to be clarified given that the impacts will be indirect. Further analysis is being undertaken of the 'sites of impact' in relation to each scheme based on Government guidance.
- The specific sites of impact for each scheme need to be confirmed (avoiding double counting with other LGF interventions) to identify the nature, scale and timing of development that the 'Accessing Growth' projects will unlock.

What is the basis for the job outputs claimed and the sites of impact under each prioritised scheme?**FUNDING** ●

- Schemes will be 100% LGF funded and the local authorities have provided capital cost estimates based on their experience of similar schemes. Final costs will be determined through detailed design and value engineering.

Are there any financial thresholds for individual transport schemes beyond which additional DfT appraisal requirements need to be applied?**July 2014 Assessment****PROJECT MANAGEMENT** ●**Senior Responsible Officer (SRO):** Laura Shoaf, Black Country Transport Director

This project is a package of individual schemes that have been developed by Black Country Local Authorities. Outline business cases were initially prepared for nine schemes and three were brought forward for early delivery at Bilston Centre, Bentley Lane and North Smethwick Canalside.

The intention is that the respective Local Authorities will deliver each scheme in accordance with governance and project management arrangements that were in place for Integrated Transport Block (ITB) funding, the immediate predecessor to LGF for schemes of this nature.

The initial shortlisting process was led by the Black Country Transport Officers Group (BC TOG). Initial discussions are underway to establish an ongoing mechanism through which partners can adopt a strategic Black Country-wide approach to defining transport investment priorities and co-ordinate the delivery of Accessing Growth schemes to maximise their economic benefits.

A series of risk registers have been provided for individual schemes and do not indicate any high risk areas in relation to delivery management.

Indicative development programmes have been prepared but these will require changes based on the revised and reduced LGF funding profile (see below)

A critical early task is to determine if/how the 3 provisionally prioritised schemes are taken forward within the context of this reduction in funding. Only 2 of the schemes are aligned to other LGF development sites (Bilston and Bentley Lane). North Smethwick is not included in the Growth Deal and may therefore be considered of lower priority for LGF investment at this stage.

ECONOMIC OUTPUTS 

The key economic outputs (set out below) delivered by the project are broadly based on the assumption that each of the individual schemes unlocks the development of commercial floorspace (offices, retail, leisure and hotel end uses) at adjacent locations and from which job creation outputs are derived using standard employment densities.

Headline outputs	Total
Jobs created	800
Floorspace (sqm)	19,974

This approach creates difficulties in impact measurement given that impacts are indirect and may over-state the job impacts in relation to the direct output measures defined by Government as part of the Growth Deal. The project is forecast to deliver over 13% of the job outputs for the entire Growth Deal programme by 2020/21.

On this basis, further consideration should be given to the treatment and measurement of job outputs from this project to determine whether they can be considered to be sufficiently robust/credible or whether alternative measures for demonstrating the economic impact of these schemes can be established.

This might include reference to other transport schemes being funded by the Black Country LEP and by other LEPs across the Country in order to determine a consistent approach.

FUNDING 


The total LGF funding (profiled below) is two-thirds of the amount originally requested with an allocation of £3m per annum for the period 2015/16 to 2018/19. A profile of monthly spend has been requested but this will be dependent upon how investment in the three prioritised schemes is applied and it is understood that no decisions have been taken in this respect, pending the establishment of an appropriate governance mechanism.

LGF spend profile	2015/16				All 2015/16	Future years	Total LGF
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar			
	tbc	tbc	tbc	tbc			

The individual schemes are 100% funded by LGF grant. Given the existence of a pipeline of projects, it is not anticipated that there will be any issues in terms of achieving forecast spend.

A further financial consideration relates to the use of optimism bias in capital cost estimates. Value engineering through the design process may be expected to reduce costs on individual schemes and a mechanism needs to be agreed which allocates any cost savings back to the LGF programme.

KEY ISSUES & RISKS

Overall risk rating: 

Governance arrangements for this project will need further development to ensure that investment decisions are taken on a strategic basis seeking to maximising economic impacts in the Black Country.

As a package of projects, a key issue will be the process for making decisions on investment priorities, particularly with a reduced level of funding. Of the 3 prioritised projects, only 2 are aligned to other LGF development sites (Bilston and Bentley Lane) – North Smethwick is not included in the Growth Deal and may therefore be considered of lower priority under this project.

The job output projections should be kept under review but critically project prioritisation might more appropriately be based on strategic alignment to the delivery of other LGF projects rather than seeking to claim job outputs against individual highway schemes given that these impacts are inevitably indirect.