

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 - M6 JUNCTION 10 IMPROVEMENT
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 M6 Junction 10 Improvement Programme by Walsall 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 agreements by the Accountable Body.

2. RECOMMENDATIONS

- 2.1 That the Joint Committee note the movement of the M6 J10 Improvement Programme from an Amber to a Green rating following the recommendation of the Head of Regeneration for Walsall 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 (or appropriate internal or external service level agreement or contracts with the appropriate bodies) to deliver the Local Growth Fund (LGF) elements of the M6 Junction 10 Improvement Programme, commencing 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 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 and accept the recommendations of the Advisory Board on the updated status of projects following further work by the applicants – for M6 J10, as presented to the Working Group by the sponsoring Head of Regeneration for Walsall 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 (or appropriate internal or external service level agreement or contracts with the appropriate bodies) to deliver the Local Growth Fund (LGF) funded elements of the M6 Junction 10 Improvement Programme – 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 to be held on file by the Accountable Body (Walsall Council).
- 3.5 As Walsall Council is both the Accountable Body and applicant for this project, appropriate arrangements will need to be set into place to ensure effective accountability is maintained through the right form of agreements. Based on current legal advice, it is considered inappropriate for this to be through a grant agreement. Therefore the most appropriate form of internal agreements will be set into place, e.g. Service Level Agreements.
- 3.6 When the project moves into the delivery phase, where this is through external organisations such as the Highways Agency or through contracting with suppliers, the appropriate arrangements, including Grant Agreements or service contracts will be set into place following the appropriate legal advice.

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.
- 5.2 It is considered, following legal advice, to be inappropriate for the Accountable Body to hold a grant agreement with itself therefore alternative arrangements e.g. Service Level Agreements will be set into place.
- 5.3 For external use of the funding, the appropriate grant agreements or contracts will be set into place, following the appropriate legal advice.

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 – M6 Junction 10, Project Headlines and Outline Business Case RAG Rating

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Appendix 1 – M6 Junction 10, Project Headlines and Outline Business Case RAG Rating**Project Description**

To deliver a major motorway junction congestion scheme that will: significantly reduce congestion; aid traffic movement, across and onto / off the M6 Motorway network; and support the active development of the Black Country Enterprise Zone in the Darlaston area.

- This will be complemented by improvements to the principal adjacent local road, the A454 (Black Country Route), and the congested adjacent junction of A454 (Wolverhampton Road-Bloxwich Lane). This project is jointly designed and funded with the Highways Agency, who are aligning significant resources to realise up to £221m of journey time benefits.

Start date: The design stage is currently ongoing, with the further development of the scheme design and impact assessments during 2015/16 and 2016/17, with construction during 2017/18 and 2018/19, with planned completion by the end of the 2018/19 financial year.

Headline Outputs Include: good value for money (or benefit-cost ratio (BCR)), significant match funding from the Highways Agency of up to £32m, reduced travel time benefits totaling up to £221m and indirectly the creation of approximately 2,000 net jobs in the Black Country Enterprise Zone at Darlaston. The project team working on M6J10 will also work on defining in more detail the outputs which can be attributed to the scheme (Construction Jobs created, Carbon Reduction, Travel Times).

Funding Profile: Total Project Investment £64m, LGF requested of £29.65m of which £650k in 2015/16 and the balance of £470k in 2016/17, followed by £14.26m during 2017/18 and £14.27m during 2018/19, an intervention rate around 45%.

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

Retained Green throughout the process, as the project continues to be jointly promoted by Walsall Council and HA, with HA involvement now escalated to Major Projects Team, with its business case prepared and submitted to DfT for inclusion in national Roads Investment Strategy. Walsall Council is progressing preliminary survey work (e.g. air quality).

ECONOMIC OUTPUTS ●

Retained Green throughout the process, and continues to be considered as a key strategic investment to support economic growth. No quantified economic outputs are required under the Growth Deal, but further analysis to be undertaken of role in unlocking investment and the impact to site developments such as the Enterprise Zone.

FUNDING ●

The Highways Agency has confirmed the availability of Government funding (between £25 - £50million) in addition to the LEP's LGF and Local Transport Board (pre-allocated LGF) funding, which will be subject to the appropriate DfT business Case process. Current evidence received to support this government funding includes a letter from HA, documentation on the DfT website and verbal confirmation at a meeting with the HA on 06/01/15. 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 (or appropriate internal or external service level agreement or contracts with the appropriate bodies) to deliver the Local Growth Fund (LGF) elements of the M6 Junction 10 Improvement Programme, commencing in the 2015/16 financial year.

OUTLINE BUSINESS CASE (Including October Revisions)**PROJECT TITLE:** M6 Junction 10**PROJECT SPONSOR:** Walsall Council**October 2014 update and Outstanding Scrutiny Issues****PROJECT MANAGEMENT** ●

- Project continues to be jointly promoted by Walsall Council and HA but HA involvement is now escalated to Major Projects Team
- HA business case has been prepared and submitted to DfT for inclusion in national Roads Investment Strategy
- Walsall Council is progressing preliminary survey work (e.g. air quality)

ECONOMIC OUTPUTS ●

- Continues to be considered as a key strategic investment to support economic growth.
- No quantified economic outputs required under Growth Deal.
- Further analysis to be undertaken of role in unlocking investment and site developments.

How will potential economic benefits be recorded and proven?**FUNDING** ●

- HA has yet to secure approval from DfT to the transfer of its £32m maintenance budget into the project to match fund LGF.
- No confirmed date for DfT approval but may arise in Autumn Statement as part of Roads Investment Strategy.
- Maintenance work must commence by the end of 2016 if this project is not confirmed.

By what date does the DfT approval for the project need to be secured to avoid reversion to the maintenance-only option?**July 2014 Assessment****PROJECT MANAGEMENT** ●**Senior Responsible Officer (SRO):** Simon Neilson, Executive Director, Walsall Council

A Project Board has been established that clearly sets out the respective roles and responsibilities of the Council and the highways Agency (HA). The partners are adopting an innovative approach to governance and project management to enable the motorway junction and surrounding highways improvements to be delivered as a single project, to reduce design, traffic management and construction costs.

This approach will be set out in a Memorandum of Understanding (MOU) between the partners that is scheduled for agreement in September 2014. This will lead to the establishment of the HA as the primary contracting authority with the partners operating to a single business case, with a fully integrated design team and a single contract with a Main Contractor for the proposed works.

Preliminary design works and outline costs estimated have been prepared and preparatory work on planning and land and property acquisitions is underway. The programme is driven by a critical intervention date at the end of 2018 at which point essential maintenance works to the motorway junction bridge must have commenced. An outline scheme has been designed and work is provisionally scheduled to commence in 2016/17 with practical completion in 2018/19.

The key risks of the project have been reviewed by the project partners reflecting the current status of the project. Delivery will require an exchange of land with the Canals & Rivers Trust but the rest of the land required for the scheme is owned by the project partners. The construction will be implemented in phases to help minimise disruption to the highways network.

ECONOMIC OUTPUTS ●

The LEP submission for the Growth Deal does not identify any outputs delivered by this project. The project has the potential to deliver significant improvements to the operating conditions for businesses in the Black Country and consideration should be given to how these benefits, which may be both quantitative and qualitative, might be captured.

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 if a consistent approach can be adopted. The outline business case includes an appraisal in accordance with WebTAG which produced a Benefit Cost Ratio (BCR) of 4.9:1.

FUNDING 

The total LGF funding (profiled below) is as originally requested, including the annual profile of funding. Spend in 2015/16 and 2016/17 is restricted to project development (planning and design etc) and a profile of monthly spend for 2015/16 has been requested.

LGF spend profile	2015/16				All 2015/16	Future years	Total LGF
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar			
	tbc	tbc	tbc	tbc	£650,000	£29,000,000	£29,650,000

The primary source of match funding for the project is the HA. Correspondence from the HA (dated 31st March 2014) provides an indicative funding assurance based on the application of future maintenance budgets to the project. However, confirmation of this funding is not expected to be secured before September/October 2014 and may be covered in further detail in the proposed MoU referred to above. A sum of £0.3m has already been allocated to the project under the Black Country Major Transport Scheme (2015 to 2019).

A further financial consideration relates to the use of optimism bias when 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 the HA as the primary funders.

KEY ISSUES & RISKS

Overall risk rating: 

This is a key strategic transport project for the Black Country and confirmation of the HA's funding commitment is critical. The commitment of the HA and Walsall Council to the project is clear and costs are now being incurred for preliminary design and other associated early stage activities. The proposed MoU between the Council and HA is equally critical in providing a robust governance framework for the delivery of the project. The funding agreement for LGF should include a mechanism for allocating any cost savings to the primary funders.