

REPORT OF THE CITY DEAL AND GROWTH DEAL ADVISORY BOARD

TO

BLACK COUNTRY EXECUTIVE JOINT COMMITTEE - 3 December 2014

BC LOCAL GROWTH DEAL - PROJECT APPROVAL RECOMMENDATION - WOLVERHAMPTON INTERCHANGE

Key Decision: Yes Forward Plan: Yes

1. PURPOSE OF REPORT

1.1 To present the recommendations of the Advisory Board in relation to Wolverhampton Interchange Project by Wolverhampton City Council, seeking permission to grant in principle approval and setting out the next steps required to secure full approval.

2. RECOMMENDATIONS

2.1 That the Joint Committee grants in principle approval for the Wolverhampton Interchange project, asking the Advisory Board to present its recommendations to a future meeting once confirmation of the £9million of transportation funding from government has been received.

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, which will utilise the individual Red Amber Green (RAG) ratings for each project proposal.
- 3.2 To ensure that these RAG ratings are as accurate as possible, each projects business case has been 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.
- 3.3 The recommendation of the Advisory Board is based on the RAG ratings agreed through this process, attached as Appendix 1, which for this project is Amber, and the process presented to the Joint Committee on the 17th September in section 3.6.



3.4 The recommendation to grant in principle approval is based on the assessments completed so far. Project sponsors are required to provide satisfactory evidence of the approval status for the £9million of transportation funding by government to the Advisory Board. Their recommendations can be presented and considered at a future Joint Committee meeting.

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 will 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%.

October 2014 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



Remains at Amber, with agents for Neptune indicating 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

OVERALL RATING PROPOSED





Recommendation: In principle only, with contracting subject to Government approval of the £9million of transport funding, which has been approved for this use by the LEP Board.





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.



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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.

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



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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.