

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
– MANAGING SHORT TRIPS PROGRAMME

Key Decision: Yes

Forward Plan: Yes

1. PURPOSE OF REPORT

- 1.1 To present the recommendations of the Advisory Board in relation to the Managing Short Trips Programme by Centro, 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 Managing Short Trips Programme, asking the Advisory Board to present its recommendations once the proof of alternative outputs being agreed, and revisions to contributory funding streams 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, together with subsequent information received, 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. The project applicants are required to provide for scrutiny evidence of the approval by Government for alternative outputs and the revising of the scheme to take account of the potential loss of future European Funding for the scheme. If accepted by 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 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 – Managing Short Trips, Project Headlines and Outline Business Case RAG Rating



Black Country Executive Joint Committee
Dudley, Sandwell, Walsall and Wolverhampton

ITEM 19

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Appendix 1 – Managing Short Trips, Project Headlines and Outline Business Case RAG Rating

Project Description: The Managing Short Trips programme encompasses a range of improvements which includes innovative 'interconnect' way finding, and signage supported by physical walking and cycling routes across the Black Country, to form an attractive Active Travel Network.

Start date: Programme to start during 2015/16, completing within the 2017/18 financial year.

Headline Outputs Include: To be agreed with BIS and added later

Funding Profile: Project estimated at £8.8m, LGF requested £4.2m of which £500k in 2015/16, £2.95m in 2016/17 and the balance of £750k in 2017/18, an intervention rate around 48%.

October 2014 Update and Revised RAG Rating

PROJECT MANAGEMENT

Retained at Green throughout the process, with the Project Board established to support Centro as project lead, with schemes prioritised based on economic contributions. Implementation has been agreed to be led by individual local authorities and all scheme specifications now based on DfT design guidelines.

Question the Panel May Wish to Ask

Are the individual schemes 'delivery ready' and capable of spend from 2015/16?

ECONOMIC OUTPUTS – subject to BIS acceptance of revised outputs

Moves from Red to Amber as a result of the October review, as Centro acknowledge that the scheme does not generate new job outputs (other than via construction). Therefore no job outputs are to be claimed and other output metrics to be reviewed and confirmed with BIS to justify the scheme.

FUNDING – subject to LGF funding-only scenario being accepted

Remains at Amber throughout the process as the on-going uncertainty continues relating to the availability of European Union funding for the scheme. Even though it's included in the EU Investment Strategy, it will need to complete against other applicants for this funding as all ERDF projects must be procured through an open market call. A reduced programme of fewer schemes, focussed on cycle ways has been identified as an alternative based on LGF funding only and can therefore proceed. Section 106 funding contributions have been confirmed, but are time limited to 2015/16 delivery only, and there is potential for bringing forward LGF spend into the 2015/16 period.

OVERALL RATING PROPOSED

AMBER

Recommendation – In principle only, with grant agreement subject to the acceptance of the proof of alternate outputs and revisions to contributory funding streams

OUTLINE BUSINESS CASE (Including October Revisions)

PROJECT TITLE: Managing Short Trips

PROJECT SPONSOR: Centro

October 2014 Re-Assessment Update and Outstanding Scrutiny Issues

PROJECT MANAGEMENT

- Project Board now established to support Centro as project lead.
- Schemes have been prioritised, based on economic contribution.
- Implementation agreed to be led by individual local authorities.
- Scheme specifications based on DfT design guidelines.

Are the individual schemes 'delivery ready' and capable of spend from 2015/16?

ECONOMIC OUTPUTS – subject to BIS acceptance of revised outputs

- Centro acknowledges that the scheme does not generate new job outputs (other than via construction).
- No job outputs to be claimed and other output metrics to be reviewed and confirmed with BIS to justify the scheme.

Will BIS accept alternative outputs to justify LGF investment?

Do the prioritised projects align with and add value to wider SEP economic objectives / other investments?

FUNDING – subject to LGF funding-only scenario being accepted

- Ongoing uncertainty regarding availability of ESIF funding. Reduced programme of fewer schemes, focussed on cycleways has been identified based on LGF funding only and can proceed.
- LGF investment re-profiled to increase 2015/16 Growth Deal allocation from £0.5m to £1.5m. Schemes re-prioritised and brought forward for earlier delivery.
- Section 106 funding contributions have been confirmed but are time limited to 2015/16 delivery.

Is the strategic case for the project compromised if scaled back due to uncertainty over EUSIF funding?

July 2014 Assessment

PROJECT MANAGEMENT

Senior Responsible Officer (SRO): Conrad Jones, Head of Sustainability.

Governance arrangements for this project are still evolving and Centro is preparing a paper for the Black Country Transport Officers Group. It is understood that, within this framework, project management roles will be divided in accordance with the two principal elements of the project, one for the cycling infrastructure and the other for BC Interconnect.

Key project risks have been outlined and do not indicate any high risk areas in relation to the management of the project. There is a pipeline of designed and costed schemes for both elements

of the project Indicative milestones have been provided but require revision based on the revised LGF funding profile (see below)

ECONOMIC OUTPUTS

The key economic output for this project is jobs created. The figure below represents nearly 20% of the jobs outputs for the entire Growth Deal programme in the period to 2020/21. An annual profile of outputs over this period is set out below on a pro rata basis to total project spend.

| Headline outputs | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | Total |
|------------------|---------|---------|---------|---------|---------|---------|-------|
| Jobs created | 136 | 804 | 206 | 0 | 0 | 0 | 1146 |

Centro has confirmed that the job outputs are based on assumptions regarding the impact of cycleway improvements on improved connectivity to employment opportunities, rather than any direct impact on jobs capacity. This approach is based on analysis undertaken for Centro by Mott MacDonald in 2012 in a business case to DfT for their Smart Network, Smarter Choices initiative.

This approach creates difficulties in impact measurement and arguably over-state the job impacts in relation to the direct output measures defined by Government as part of the Growth Deal. On this basis, further consideration should be given to the treatment and measurement of job outputs from this project.

FUNDING

The total LGF funding (profiled below) is as originally requested however the profile of LGF funding has now changed with a much lower proportion of funding available in 2015/16 with the majority being available in 2016/17

| LGF spend profile | 2015/16 | | | | All 2015/16 | Future years | Total LGF |
|-------------------|---------|---------|----------|----------|-------------|--------------|------------|
| | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | | | |
| | 0 | 0 | £250,000 | £250,000 | £500,000 | £3,700,000 | £4,200,000 |

The primary source of match funding is £4.4m from the European Structural & Investment Fund (ESIF). An application for this funding has been submitted and it is understood that a decision is pending. Without this funding Centro has confirmed that they will concentrate LGF funding on the cycling infrastructure element but indicate that this would create 571 jobs (based on the approach to calculating outputs set out above), a drop of around 50%. With ESIF funding the original activity profile can potentially be maintained by front loading the ESIF funding in 2015/16.

A further £0.2m of private sector match funding has been identified in the outline business case and it is understood this is a nominal provision based on S178 contributions from development schemes in the Black Country. Although not indicated in the outline business case, the project will benefit from revenue contributions from the recently announced Local Sustainable Transport Fund (LSTF) for the Black Country.

KEY ISSUES & RISKS

Overall risk rating:

The critical risk for this project relates to the level of job outputs claimed and the ability to effectively evidence and monitor their delivery. Further consideration should be given to the treatment and measurement of projected job outputs for this project.

There is a lack of clarity regarding the approval of ESIF funding and Centro has indicated that without this funding the project would be scaled down significantly resulting in substantial reductions in job outputs. The availability of ESIF funding should be clarified at the earliest opportunity and job impact projections revised accordingly.