

**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**  
**– ACCESSING GROWTH PROGRAMME**

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<b>Key Decision:</b>	<b>Yes</b>
<b>Forward Plan:</b>	<b>Yes</b>

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**1. PURPOSE OF REPORT**

- 1.1 To present the recommendations of the Advisory Board in relation to the Accessing Growth Programme by the Black Country Local Authorities, with Wolverhampton acting as grant recipient, 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 Accessing Growth Programme, asking the Advisory Board to present its recommendations once the proof of the acceptance of alternate outputs or clarification of the proposed job outputs linked to identified sites has been received.

**3. REPORT DETAIL**

- 3.1 The Joint Committee received a report on the 17<sup>th</sup> 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 10<sup>th</sup> 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 19<sup>th</sup> 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 17<sup>th</sup> 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 satisfactory evidence of the acceptance of alternate outputs or clarification of the proposed job outputs linked to identify sites. 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 29<sup>th</sup> 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)



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

**ITEM 20**

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:** Creating 800 new jobs and 19,974 sqm of new floorspace facilitated/created and the provision of new housing.

**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%.

### October 2014 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 Red to Amber, the basis for the job output projections still needs to be clarified given that the impacts will be indirect, and the need to avoid double counting must be made. 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.

#### 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

#### AMBER

**Recommendation – In principle only, with Grant Agreement, subject to revised outputs being accepted or sites being identified that generate the outcomes.**

## 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			
					£3,000,000	£9,000,000	£12,000,000

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.