



Investment Board

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| Date | 26 March 2018 |
| Report title | Midland Metro Wednesbury to Brierley Hill Extension |
| Cabinet Member Portfolio Lead | Councillor Roger Lawrence – Transport |
| Accountable Chief Executive | Laura Shoaf, Managing Director TfWM Email: laura.shoaf@tfwm.org.uk Tel: 0121 214 7444 |
| Accountable Employee | Phil Hewitt, Metro Programme Director Email: phil.hewitt@tfwm.org.uk Tel: 0121 214 7254 |
| Report to be/has been considered by | <p><i>Previous Meetings</i> WBH Project Board 17/1 Leadership Team 20/02/18</p> <p><i>Future Meetings</i> WMCA Investment Board 26/3/18</p> |

Recommendation(s) for action or decision:

The Investment Board is recommended to:

1. Note that the Outline Business Case for the project, considered by the Panel on 12 April 2017, and subsequently finalised and updated via DfT scrutiny has secured the Government funding sought, therefore the next consideration of the project at Technical Appraisal Panel will be for the Final Business Case stage;
2. Note that, in a separate approvals process, authority will be sought for a further allocation of up to £40 million for acceleration works aimed at bringing forward the completion and opening for passenger services of the Wednesbury to Dudley Town Centre section ahead of the Commonwealth Games in summer 2022;
3. Approve in line with the Outline Business Case planned expenditure profile, the maximum allocation of £12m million from the DfT Transforming Cities Fund (Project total of £19.6m cumulative, of which £19.2m will now be allocated/ recovered from DfT funding) to cover ongoing design, development and contingency cost to the end of the current stage of development as set out in sections 3 – 6 of this report and authorise the Metro programme Director to place the necessary contracts / orders under the Programme Alliance Agreement.

1.0 Purpose

- 1.1 To approve base funding for the next stages of development of Wednesbury to Brierley Hill project to Midland Metro Alliance stage gate B.

2.0 Background

- 2.1 The Wednesbury to Brierley Hill extension project was the subject of a report to WMCA Board on 21 April 2017, following consideration by the Technical Appraisal Panel on 12 April, which approved the submission of a business case to Government with a Benefit to Cost Ratio (BCR) of 1.6:1.
- 2.2 Subsequent to that report, work continued to finalise and enhance the project business case and this work was completed in June 2017, with an enhanced BCR of 2.5:1. The Outline Business Case was formally presented to the Secretary of State for Transport on 19 June by the Mayor for the West Midlands. Further to the submission of the Outline Business Case, it was scrutinised by the Department of Transport. Queries concerned clarifications and requests for additional information on the commercial and management cases, and (at the end of August) on the transport modelling, and further questions on both on 23 October. Following scrutiny by the DfT the business case was revised giving a BCR of 2.3:1. The updated business case was submitted to TAP ahead of approval being sought from the WMCA Board to submit a Transport and Works Act Order application for the scheme
- 2.3 In November 2017 Government allocated firm funding of £250 million to WMCA through the Transforming Cities Fund, and on 8 December 2017 the WMCA Board allocated £207 million of this funding to the Wednesbury to Brierley Hill Extension and approved an application being made for an additional Transport and Works Act Order for the scheme. This enables WMCA and Midland Metro Alliance (MMA) to transition the project from the

development to the delivery stage, with the aim of securing the earliest possible delivery of the first phase of the Wednesbury to Brierley Hill project to serve Dudley town centre.

- 2.4 With that aim Midland Metro Alliance (MMA) is developing a strategy to bring forward work packages from within the overall project cost envelope of £343.6 million so as to enable earlier delivery by de-risking the delivery schedule in relation to programme-critical elements. This will also demonstrate a growing momentum towards delivery of the scheme on site, and continue to build public support for, and belief in, the reality of the project's renaissance. This strategy will be subject to a separate application for allocation of funding.
- 2.5 It is necessary to maintain good governance and a control on costs, continuing to demonstrate value for money whilst at the same time retaining flexibility to amend the delivery plan as further detail emerges from ongoing investigative work, particularly in relation to the railway corridor structures. MMA therefore recommends a staged approach to budget approvals, enabling the WMCA to take measured and timely decisions based on the best available information and the most up-to-date cost information at any decision point. However, in order to ensure that these essential works are not unduly delayed by lengthy Governance processes, a separate paper will be presented for the next key stages of programme advancement to enable the necessary timely progress to be made so as to ensure that every effort is made to deliver the Wednesbury – Dudley section as early as possible.
- 2.6 The first stage in the ongoing development and delivery of the scheme will be to continue to progress the design, development and Order management works in line with the base schedule for the Wednesbury Brierley Hill Outline Business Case. The key activities within the base schedule are set out in the following sections of the report but briefly comprise:

OBC Base Schedule Key Activities

- Continuation of current outline design work – section 3
- Management of the statutory processes – section 4
- Preparation of Target Cost 1 (TC1) – section 5
- Development of Final Business Case – section 6

3.0 Continuation of current outline design work

- 3.1 The MMA design team will continue to progress outline design in the following disciplines:-
- Alignment and track design
 - Traffic Assessment
 - Systems design
 - Environmental design
 - Highway design
 - Structures
 - Urban Realm design

4.0 Management of the Statutory Processes

4.1 Following completion of the statutory objection period to the TWA Order on 30 January the MMA will manage the ongoing statutory processes, with its own experienced team working in partnership with Parliamentary Agents, Counsel, WMCA legal team and expert witnesses as necessary. It is currently anticipated that a local public inquiry will be held commencing in October 2018. The work will include:

- Negotiation with objectors and achieving an agreed settlement via legal agreement or assurances prior to inquiry where possible,
- Preparation of Statement of Case
- Preparation of Proofs of Evidence
- Management of the public inquiry process
- Preparation of rebuttals
- Public Inquiry

5.0 Preparation of Target Cost 1 (TC1)

5.1 TC1 is the first formal cost estimate provided to the WMCA within the MMA Programme Alliance Agreement and is a contractually committed cost from the Non-Owner Participants (designer and contractor). This requires outline design of the main scheme elements to be completed, and is planned to be available from October 2018. This will provide greater certainty of outturn costs and inform subsequent decisions on early works package commitment and the Final Business Case. The TC1 will be prepared by the MMA commercial team working together with the design and early contractor involvement teams, and reviewed/benchmarked by the Independent Programme Assurance Advisor.

5.2 The TC1 will be prepared with options for WMCA to accelerate the project further, with the aim of opening the extension to Dudley town centre prior to the 2022 Commonwealth Games. This cannot be guaranteed at this time, given the project complexity and the key risks to delivery, but if the acceleration measures set out in this report are not adopted, such an acceleration will not be feasible.

6.0 Development of Final Business Case

6.1 Firm allocation of funding from Government and the commitment in the second Devolution Deal on local assurance are likely to allow the project's Final Business Case to be developed earlier than previously planned, and approval sought through the WMCA Assurance process, in parallel to the TWAO process. This will provide further flexibility in the drawdown of local funding and minimise the risks of expenditure on advance works.

6.2 MMA will work with Mott MacDonald's PRISM modelling team (if new modelling is required) and Systra to develop the Final Business Case in parallel with the TC1 preparation. The PRISM priorities will need to be approved by the PRISM Management Group and/or Strategic Transport Officers Group as necessary to enable this to go ahead. This work is anticipated to cost some £200,000. The Final Business Case will be brought back to the WMCA's Technical Appraisal Panel in accordance with the WMCA Assurance process.

- 6.3 The anticipated costs for the items set out in sections 3 to 6 of this report, representing a continuation of the current planned project work to the end of Stage Gate B plus a three month buffer for governance/approvals, including Owner team costs is c£11 million plus a contingency of £1m to allow for management of any risks / exploitation of opportunities. This is in line with the business case spend profile of £12 million in 2018/19.
- 6.4 TfWM, Dudley and Sandwell Council's have agreed to work together to undertake a study that will identify opportunities to maximise the regenerative benefits of the scheme and the monetary value that this can bring to the project. This will serve to both further enhance the final business case and also to identify opportunities to attract third party / private sector contributions towards the funding of the scheme.
- 6.5 The Investment Board is recommended to approve project cumulative of £19.6m (£19.2m from the DfT Transforming Cities Fund) that will support the existing costs incurred on the project of £7.6 million and the forecast costs to the next Stage of £12 million. This funding is to the end of 2018/19 to cover the costs of the works set out in in sections 3 - 6 of this report, in line with the Outline Business Case planned expenditure profile.

7.0 Risk

- 7.1 The most significant risk on the project relates to Network Rail, where both a lack of engagement and too onerous a level of engagement could delay opening to Dudley and increase costs, especially in relation to agreement in relation to the level of passive provision required for future freight use. Mitigation actions to date have included the Mayor for the West Midlands writing to and meeting with Network Rail's Chief Executive Mark Carne, a technical workshop to achieve engagement and buy-in of technical specialists within Network Rail, and progression of the Heads of Terms relating to the purchase of the corridor by WMCA.
- 7.2 Another significant risk relates to the TWAO statutory process and the extent and nature of objections to the proposed land acquisition. This is mitigated through WMCA's experienced TWA team (Team of the Year 2017 at the UK Light Rail Awards), working within MMA together with experienced Parliamentary Agents and Counsel to overcome objectors' concerns prior to Inquiry.
- 7.3 It should be noted that costs incurred in the development of the final business case of this nature would be abortive if the final business case is not approved. At this stage the costs can be recovered from the government grant allocated by DfT of £207m as detailed in section 8 below, without overall risk to the investment programme.

8.0 Financial Implications

- 8.1 Funding of £250 million from the new Transforming Cities Fund was allocated to WMCA by Government on 20 November, including the Government funding requested in the Outline Business Case. The WMCA Board approved the allocation of £207 million of this funding to the WBHE project on 8 December 2017.

- 8.2 The DfT have now confirmed the funding allocation of the £250m over the four years to 2021/22 as detailed in the letter in Appendix 1, of which £207m has been allocated to this project and the proposed drawdown is summarised in table 1 below.

| | 2016/17 & Prior | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total |
|------------------------------|-----------------|------------|-------------|-------------|-------------|--------------|--------------|-------------|--------------|
| Estimated Capital Cost (QCE) | 2.0 | 5.6 | 12.0 | 12.2 | 39.0 | 126.1 | 117.1 | 29.6 | 343.6 |
| Funded By: | | | | | | | | | |
| BCLGF | 0.4 | | | | | | | | 0.4 |
| DfT Transforming Cities Fund | | | 18.0 | 13.4 | 39.0 | 126.1 | 10.5 | | 207.0 |
| WMCA Contribution | 1.6 | 5.6 | -6.0 | -1.2 | | 0.0 | 103.0 | | 103.0 |
| Other Contribution | | | | | | | 3.6 | 29.6 | 33.2 |
| Total | 2.0 | 5.6 | 12.0 | 12.2 | 39.0 | 126.1 | 117.1 | 29.6 | 343.6 |

Table 1 December 2017 Funding Profile amended for DfT Grant confirmation.

- 8.3 The funding has been re-profiled to make allowance for the early drawdown of the DfT Transforming Cities Fund, recovering the initial sunk costs which were funded from WMCA contribution.
- 8.4 The project currently has approved funding of £7.2m, which consists of BCLGF £0.4m and £1.6m WMCA contribution approved by Metro programme board in 2016/17. A further £5.6m has been approved in 2017/18 from the WMCA contribution through borrowing. (Project total of £19.6m cumulative, of which £19.2m will now be allocated/ recovered from DfT funding)
- 8.5 Funding contributions to cover the £33.2m costs will be sought from third parties or other sources and will be confirmed prior to a Final Business Case submission.
- 8.6 The main costs headings are summarised in table 2 below, which have been approved by the TAP as part of the OBC business case review.

Table 2 Proposed 2018/19 Funding Requirement

| Activity | £m |
|---|---------------|
| Outline Design, Programme Management, Owner Costs | 10,415 |
| TWAO Processes | 425 |
| Business Case | 200 |
| Contingency | 960 |
| Sub Total for ongoing development | 12,000 |

9.0 Impact on the Delivery of the Strategic Transport Plan

- 9.1 The Wednesbury to Brierley Hill Extension is an important element in the expansion of Midland Metro, and in the development of the Strategic Transport Plan's Metropolitan Rail and Rapid Transit Network.

10.0 Wider WMCA Implications

- 10.1 The WBHE is a key part of the Midland Metro extensions programme. This expansion of Midland Metro, as part of an integrated Rail and Rapid Transit Network, will enable better connectivity of key centres and corridors in the Black Country with the wider Combined Authority area through effective interchange with suburban and regional rail services.

11.0 Legal implications

11.1 Any legal issues are covered within the main body of this report.

12.0 Equalities implications

12.1 The Midland Metro extensions will facilitate fully accessible journeys and access to employment, leisure and education, and link to other transport modes (buses and rail services).

13.0 Other implications

13.1 None.

14.0 Schedule of background papers

14.1 WMCA report 30 September 2016 Midland Metro Update.

14.2 WMCA report 21 April 2017 Midland Metro Wednesbury to Brierley Hill Extension

14.3 WMCA Board report 8 December 2017 Midland Metro Wednesbury to Brierley Hill Extension
- Submission of Transport and Works Act Order

15.0 Appendices

15.1 DfT letter March 2018 confirming the DfT transforming Cities Fund.