



West Midlands
Combined Authority

WMCA Board

Date	8 November 2019
Report title	NEC Longabout
Portfolio Lead	Finance - Councillor Bob Sleight
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Report has been considered by	Technical Appraisal Panel - 1 July 2019 Investment Advisory Group - 2 September 2019 Strategic Leadership Team - 25 September 2019 Investment Board - 21 October 2019 Programme Board - 25 October 2019

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Note that this report is being submitted to WMCA Board as a requirement of the WMCA Assurance Framework which states Final Business Cases must be approved by WMCA Board.
- (2) Approve the funding request of £2.15m for design and construction for enhanced works to the proposed NEC Longabout scheme, which has passed through the Assurance Process and is recommended by Investment Board.

1. Purpose

1.1 The key purpose of the Full Business Case (FBC) is to:

- Provide a suitable evidence base and establish the requirement for additional works at the NEC Longabout and therefore funding support from the WMCA to deliver these works.
- Confirm that the recommended solution optimises VFM; and,
- Establish that the management arrangements for successful delivery are in place.

2. Background

Governance

2.1 In May 2019, a Change Request was submitted to the WMCA which included bringing the NEC Longabout within the scope of the OBC. This was approved by the WMCA Board in July 2019.

The NEC Longabout Programme

2.2 Solihull Metropolitan Borough Council has reviewed this junction and with the support of detailed transport modelling consider that it is desirable to separate out traffic heading north on the A452 from traffic emerging from Northway onto the NEC Longabout. In order to achieve this, Solihull MBC is proposing a cut-through for the A452 northbound traffic which would allow traffic from Northway to be able to take an alternative route as a resilience plan along Bickenhill Parkway and provide extra capacity to the NEC Longabout. If the capacity on the NEC Longabout is increased, then queuing and delays reduce at Northway. This will provide both immediate and longer-term benefits to the area. The enhancements to the NEC Longabout would:

- (a) Fully mitigate the problems encountered by HS2 traffic once the NEC Longabout becomes operational;
- (b) Provide the resilience the NEC currently has on the network for event days; and
- (c) Provide capacity required to enable UK Central (UKC) related development.

Oakervee Review

2.3 The Oakervee Review concerning the future of HS2 is due to complete in Autumn 2019, with the initial construction works for the Longabout commencing in March 2020. Therefore, we expect that the decision on HS2 will have been taken before any significant abortive costs would have been incurred on the Longabout. Whilst the exact date of when the Oakervee review decision is announced is unknown, updated estimated cost profiling at this stage provides for expenditure for design works in November and December at £65,000 a month. Therefore, the maximum abortive costs would be £130,000.

3. Assurance Process

3.1 The Final Business Case has been reviewed at various stages throughout the Assurance Process as follows:

- Technical Appraisal Panel (1 July 2019)
- Investment Advisory Group (2 September 2019)
- WMCA Strategic Leadership Team (25 September 2019)
- WMCA Investment Board (21 October 2019)
- WMCA Programme Board (25 October 2019)

3.2 The business case was endorsed at each stage with conditions for improvement, which culminated in a number of amendments being required to the FBC. These amendments have all been made to the satisfaction of those respective Boards.

4. Financial Implications

4.1 The financial approval sought by this proposal totals £2.15m. The project is within the scope of the Investment Programme and is within the affordable limit assigned to the Investment Programme as endorsed by Investment Board on 21 October 2019.

4.2 Whilst the approval value provides the flexibility and scope to agree a final cost for the works with HS2 Ltd, WMCA and Solihull MBC will look to confirm and formalise the actual works total as part of the milestone monitoring process. Solihull MBC will be reimbursed by WMCA following receipt of evidence of expenditure in line with the agreed WMCA grant claim process.

5. Legal Implications

5.1 The current proposed NEC Longabout will be delivered by HS2 Ltd under the powers given to them under the HS2 Act and within the HS2 Limits of Deviation (ie. the land over which HS2's powers exists). Therefore, subject to approval from Solihull MBC under Section 20, Schedule 17 of the HS2 Act (which covers all of HS2's construction activities) the works have the necessary consents. The amendments to the NEC Longabout do not require acquisition of any third-party land. The land will be purchased by HS2 Ltd under their compulsory purchase powers.

5.2 Trowers & Hamlins LLP has provided independent legal advice on the State Aid implications of the proposals. Their advice explaining how the project complies with State aid Regulations is provided in Appendix 7 of the report.

6. Equalities Implications

6.1 None as a result of this report

7. Inclusive Growth Implications

7.1 The UK Central Hub is one of the UK's most strategically important development areas and has the potential to be a major driver of regional and national economic growth. Once the area is fully developed, it is forecast that 13,700 gross and 8,600 net additional jobs will be created and £180 million per annum in net additional GVA could be produced.

7.2 Initial estimates show that, collectively, the individual Hub projects will deliver together:

- £6.2bn per annum in net additional GVA;
- 420,000 sq.m of commercial floor space;
- 900 new hotel bed spaces;
- Up to 5,000 new homes;
- 30 ha of open space.

8. Geographical Area of Report's Implications

8.1 The area in relation to this report is around the new HS2 Interchange Station with relevant critical highway junctions illustrated in Figure 1 on page 6 of the FBC.

9. Other Implications

9.1 HS2 and Solihull MBC / Urban Growth Company have been working together to design and provide an enhanced NEC Longabout as part of the current HS2 programme. The reasons for this are that undertaking the enhancements at a later date:

- (1) Would create unacceptable levels of traffic congestion during construction;
- (2) Would represent poor value for money due to remobilisation of construction resources;
- (3) It would be difficult to carry out the work later once HS2 is operational, as the Longabout will provide direct access into the NEC and is a key node on the highway network providing access to the station;
- (4) There would be journey time and road safety benefits that would be delivered earlier for the public benefit.

9.2 It is estimated that the increase in cost associated with returning to deliver the enhancements is likely to be in excess of £1.1m. The principal reason for the additional cost is the need to reinstall traffic management arrangements to enable construction and delivery of the enhancements.

10. Schedule of Background Papers

FBC for the NEC Longabout Appendices:

- I1: NEC Longabout Plans
- I2: Letters of support
- I3: PJA Reports x 5
- I4: Project Plan
- I5: Risk and Issues Log
- I6: Project Financial Summary
- I7: State Aid Letter
- I8: UGC Financial Summary
- I9: Stakeholder Map
- I10: UGC Priorities
- I11: NEC Longabout Project Delivery Structure