



Investment Board

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| Date | 30 October 2017 |
| Report title | Midland Metro Wednesbury to Brierley Hill Extension – Change to capital expenditure profile |
| Cabinet Member Portfolio Lead | Councillor Roger Lawrence – Transport |
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| Report to be/has been considered by | <p><i>Previous Approvals</i> WBHE Project Board 27/9 Metro Board 10/10</p> <p><i>This report</i> Investment Board 30/10</p> |

Recommendation(s) for action or decision:

The Investment Board is recommended to:

1. Note progress on business case and funding on the Wednesbury to Brierley Hill Metro Extension project since the report to WMCA Board on 21 April 2017, and
2. Approve the bringing forward £1.6 million of capital expenditure into 2017/18, to maintain and accelerate progress on development and implementation of this important project, funded as set out in this report.

1.0 Purpose

- 1.1 To approve the allocation of further development funding as set out in this report.

2.0 Background

2.1 The Wednesbury to Brierley Hill extension will connect with Midland Metro Line 1 at Wednesbury and run via Dudley town centre and Waterfront / Merry Hill to Brierley Hill. 6.7km of the route utilises the now abandoned South Staffordshire Railway corridor. A plan of the route is shown in Figure 1 (overleaf).

2.2 The Wednesbury to Brierley Hill extension comprises:

- 10.7 km of new twin track (of which 6.7 km runs along the former South Staffordshire Railway corridor and 4.0 km runs on-street through Dudley, the Waterfront / Merry Hill and Brierley Hill).
- 17 Metro stops (of which 4 are provisional).
- 3 new Park and Ride sites
- 11 road traffic junctions crossed at-grade.
- 23 existing structures to be refurbished or rebuilt (road, railway and canal bridges, including the Parkhead Viaduct).
- 4 new structures to be built (2 which connect with Metro Line 1 and 2 over Dudley Canal at Brierley Hill).
- Connections with Metro Line 1, Dudley Port Railway Station, Dudley Bus Station, Waterfront and Merry Hill Shopping Centre.

2.3 In accordance with WMCA policies, the design of the scheme takes into account that Network Rail and the freight operating companies may require to run diesel hauled freight trains over the railway corridor in future, although this is not expected to occur before 2040 at the earliest. The scheme was originally based on a twin track alignment for Metro and a segregated single track alignment provision for Heavy Rail. At pinch points such as Parkhead Viaduct and Dudley Port the alignment reduced to a separate single track for each of the modes. The current design work is based on the optimisation of the scheme along the sections of the abandoned rail corridor on the basis of twin track Metro only, with passive provision for future conversion to tram and train (freight) shared running. The details of such track sharing arrangement and the exact nature of the passive provisions to be incorporated into the design are being discussed and developed with Network Rail and the Office of Rail and Road.

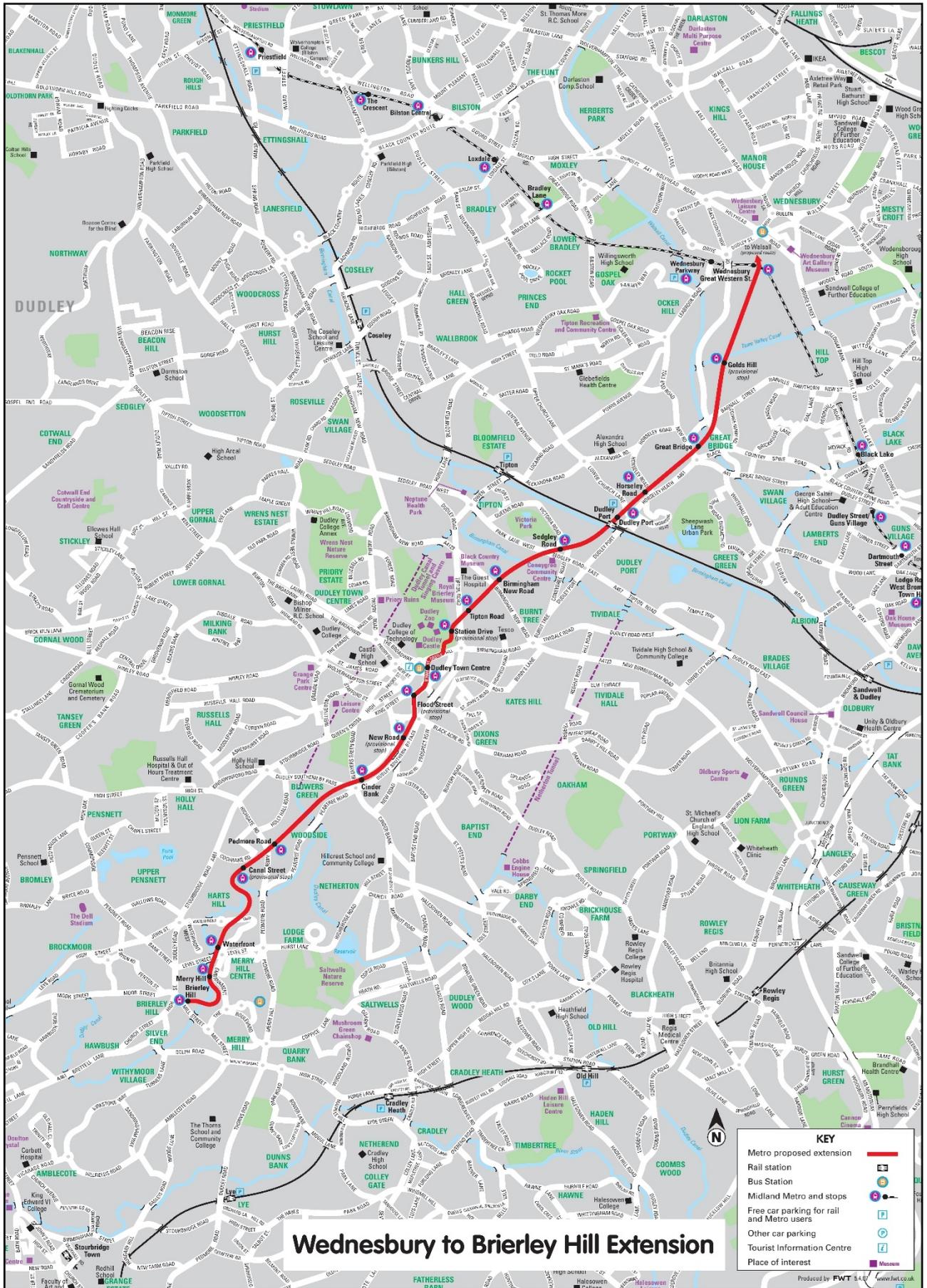


Figure 1: Wednesbury to Brierley Hill Route Plan

- 2.4 The following image is a photo montage of the Metro passing in front of Dudley Zoo and Castle.



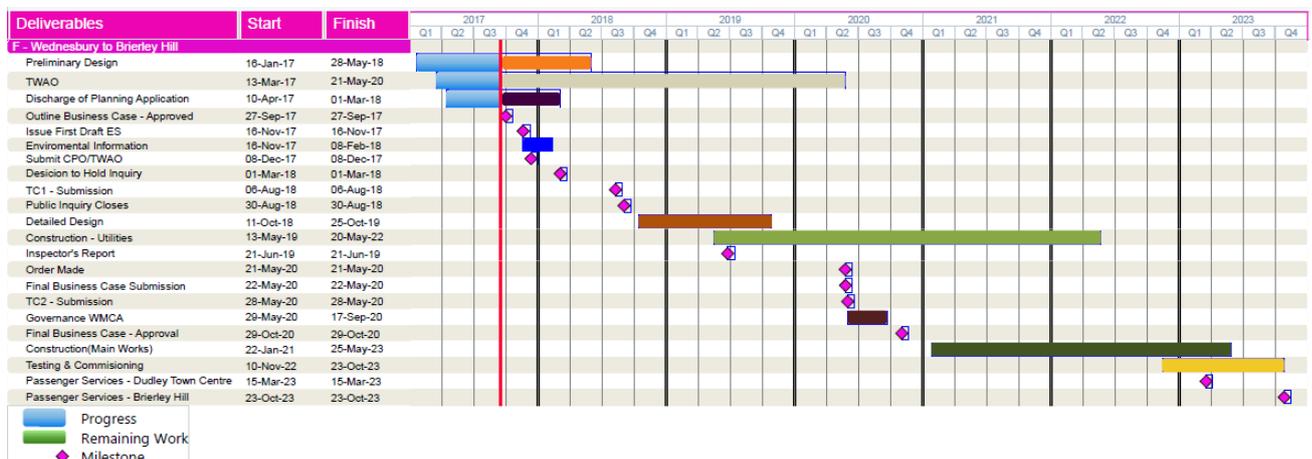
- 2.5 The Wednesbury to Brierley Hill extension project was the subject of a report to WMCA Board on 21 April which approved the submission of a business case to Government.
- 2.6 Subsequent to that report, work continued to finalise and enhance the project business case and this work was completed in June, with an enhanced Benefit to Cost Ratio of 2.48:1. The Outline Business Case was formally presented to the Secretary of State for Transport on 19 June by the Mayor for the West Midlands. A copy may be found on the Midland Metro Alliance website at <http://www.metroalliance.co.uk/wednesbury-brierley-hill/>. Further to the submission of the Outline Business Case, questions on it have been received from the Department of Transport and responded to. These have concerned clarifications and requests for additional information on the commercial and management cases, and (at the end of August) on the transport modelling.
- 2.7 In addition to the above an Economic Impact Assessment report commissioned by Dudley and Sandwell Councils from Lichfield's has reported that the WBHE project will provide a potential increase in housing completions from the current 570 per annum to 2,000 per annum and a doubling in economic output from £14bn to £28bn.
- 2.8 Discussions continue to secure a "Devo Deal" commitment confirming "Devo1" commitments by providing a firm funding allocation in Treasury and/or DfT to support the expansion of the Metro system to create an East-West 'Crossrail' spine for the West Midlands.
- 2.9 The Midland Metro (Wednesbury to Brierley Hill and Miscellaneous Amendments) Order (SI 2005/927) ("the 2005 Order") came into force in 2005. However, a further Transport and

Works Act Order (TWAO) is required to refresh compulsory purchase powers over the route within the limits of the original powers where, following negotiations with landowners, a commercial settlement for the acquisition of the necessary land cannot be achieved. In order to maintain the project schedule, this Order is being prepared for submission on 12 December 2017. The application includes about 600 separate land parcels in Sandwell and Dudley and includes some 58 Ha of land in total, including the rail corridor. A separate report will be submitted to the WMCA Board seeking authority to submit the TWAO application.

Schedule

2.10 The schedule for delivery of the project will be subject to the timescales and outcome of the land acquisition process and to securing funding approval from the DfT, which will be conditional on the Order being made. The overall schedule included in the business case submitted to DfT is illustrated below.

Project Schedule



2.11 Midland Metro Alliance is developing an early works package seeking to bring forward the opening of the first phase of the route. This will bring forward £1.6 million of expenditure from 2018/19 into this financial year, and will include:-

- Creation of gated accesses onto the abandoned rail corridor,
- Management, treatment and eradication of invasive weed species (Japanese Knotweed),
- Plans and approvals to recycle and remove ballast and maximise reuse of site materials,
- Track ballast testing, soils lab testing and mining investigations,
- Commence structures detailed design at key locations to progress detailed approvals with Network Rail to facilitate an early construction start,
- Order Utility C4 estimates to commence detailed utility service designs in Dudley Town Centre and at all affected structures,
- Ground Penetrating Radar Survey of Dudley Town Centre approximately 1.2km in length to inform utility diversion/protection,
- Trial Holes of existing utility apparatus to facilitate structural investigations,
- Detailed design for OLE and tramway and highway alignment to inform and progress C4 utility estimates in Dudley Town Centre, and
- Very Light Rail Innovation Centre – retaining wall and sub-station negotiations and detailed design on 3rd party complementary project.

- 2.12 This work will bring forward the planned completion of the first section of the route to Dudley town centre by four months to November 2022.

Funding

- 2.13 A firm funding profile needs to be agreed with Government via the formal business case submission. Although WMCA will be seeking to draw down Government funding in advance of any borrowing, this cannot be guaranteed. In continuing to develop the scheme, it is expected that WMCA will be required to cash-flow the early stage works until the Government funding is formally awarded at Final Approval, allowing the scheme promoters to potentially recover these sunk costs following the award of grant.
- 2.14 The Devolution Deal and HS2 Growth Strategy Implementation Plan identified this scheme as a high priority and subsequently included it as a named scheme costing £310m within the £8bn package of investment to provisionally be funded from two sources; £103m from WMCA contribution as part of the HS2 Connectivity Package and £207m from a separate ask to Government. The funding for the outturn cost of £343.6m is summarised in the table below.

| | Total |
|------------------------------|--------------|
| Estimated Capital Cost (QCE) | 343.6 |
| Funded By: | |
| BCLGF | 0.4 |
| DfT Funding | 207.0 |
| WMCA Contribution | 103.0 |
| Other Contribution | 33.2 |
| Total | 343.6 |

- 2.15 For WMCA to fully meet the maximum £343.6m current estimated cost, other funding contributions will be required to cover any expenditure above the £310m referred to in paragraph 3.16 and therefore cover any risk expenditure incurred above that allowed for in the current cost estimate. Whilst the maximum cost outlined above exceeds this figure, further work to refine the scheme and the efficiencies to be developed within the Midland Metro Alliance give a good level of confidence that the project can be delivered closer to the originally identified funding envelope. Funding discussions need to be held with the Brierley Hill Enterprise Zone and contributions will be sought from third parties, in particular Intu, owners of the Merry Hill Shopping Centre, Dudley. The previous owners of Merry Hill had agreed to contribute £35m to the project but that agreement has expired. Such contributions will be confirmed prior to a Final Business Case submission.
- 2.16 Should the remaining funding gap need to be met from additional resources, options may include the re-prioritisation of existing project commitments or additional developer / Enterprise Zone contributions.
- 2.17 An option of last resort would be WMCA prudential borrowing which would require an additional increase in the Levy to fund the costs of the interest and principal on the loan if the scheme is not able to make a positive contribution through operating or other revenues.
- 2.18 Where the WMCA prudentially borrows it is important to set out the implications of that borrowing on the Authority. For example, were WMCA required to fund the full £33.2m, the

impact of the borrowing on the Authority would result in an £1.7m annuity loan payment over 40 years at an interest rate of 4%.

- 2.19 The Metro cash flows are a primary revenue source against which WMCA can secure borrowing, thus reducing any potential burden or impact on the WMCA budget. The borrowing will be funded from a combination of devolution grant and local taxation uplifts and it is anticipated by bringing operations in house the cost of this debt can be funded through the increase in operating revenue accruing to the authority after financing required capital renewals.

Further Development Funding

- 2.20 The expenditure profile submitted to DfT in the Business Case is set out in the table 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 | 4.0 | 13.6 | 12.2 | 39.0 | 126.1 | 117.1 | 29.6 | 343.6 |
| Funded By: | | | | | | | | | |
| BCLGF | 0.4 | | | | | | | | 0.4 |
| Government Funding | | | | | 70.4 | 126.1 | 10.5 | | 207.0 |
| WMCA Contribution | 1.6 | 4.0 | 13.6 | 12.2 | -31.4 | 0.0 | 103.0 | | 103.0 |
| Other Contribution | | | | | | | 3.6 | 29.6 | 33.2 |
| Total | 2.0 | 4.0 | 13.6 | 12.2 | 39.0 | 126.1 | 117.1 | 29.6 | 343.6 |

- 2.21 The WMCA Board authorised the £4 million expenditure in 2017/18 at its meeting of 30 April 2017. In order to maintain progress on the scheme and to enable the bringing forward of work to secure an earlier completion of the first phase of the route to Dudley town centre the Investment Board is recommended to approve the bringing forward of £1.6 million of expenditure into 2017/18 to accelerate development and design, to cover the works set out in paragraph 2.11 of this report; a revised expenditure profile is shown 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 |
| Government Funding | | | | | 70.4 | 126.1 | 10.5 | | 207.0 |
| WMCA Contribution | 1.6 | 5.6 | 12.0 | 12.2 | -31.4 | 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 |

- 2.22 A report is planned to be brought to the WMCA Board in March 2018 providing further detail on options to deliver the first phase of the scheme early, and this will include a revised overall scheme expenditure profile for approval in subsequent years.

3.0 Impact on the Delivery of the Strategic Transport Plan

- 3.1 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.

4.0 Wider WMCA Implications

4.1 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.

5.0 Financial implications

5.1 These are largely unchanged from the 21 April report and are covered in the main body of this report. Government agreement to the grant funding of the £207m continues to be progressed.

6.0 Legal implications

6.1 The works outlined in his report will be undertaken within the powers granted by the 2005 TWA Order.

7.0 Equalities implications

7.1 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).

8.0 Other implications

8.1 None.

9.0 Schedule of background papers

9.1 WMCA report 30 September 2016 Midland Metro Update.

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

10.0 Appendices

10.1 N/A