



**Mersey Gateway Executive Board**

**Thursday, 24 September 2009 3.00 p.m.  
Marketing Suite, Municipal Building**

A handwritten signature in black ink, appearing to read 'David W R', is centered on the page.

**Chief Executive**

**BOARD MEMBERSHIP**

<b>Councillor Tony McDermott (Chairman)</b>	<b>Labour</b>
<b>Councillor Rob Polhill</b>	<b>Labour</b>
<b>Councillor Mike Wharton</b>	<b>Labour</b>

*Please contact Lynn Derbyshire on 0151 471 7389 or e-mail  
lynn.derbyshire@halton.gov.uk for further information.  
The next meeting of the Board is on Thursday, 19 November 2009*

**ITEMS TO BE DEALT WITH  
IN THE PRESENCE OF THE PRESS AND PUBLIC**

**Part I**

<b>Item No.</b>	<b>Page No.</b>
<b>1. MINUTES</b>	
<b>2. DECLARATION OF INTEREST</b>	
Members are reminded of their responsibility to declare any personal or personal and prejudicial interest which they have in any item of business on the agenda no later than when that item is reached and, with personal and prejudicial interests (subject to certain exceptions in the Code of Conduct for Members), to leave the meeting prior to discussion and voting on the item.	
<b>3. GENERAL PROGRESS REPORT</b>	<b>1 - 4</b>
<b>4. PREPARATION FOR PROCUREMENT</b>	<b>5 - 11</b>

**PART II**

**ITEMS CONTAINING "EXEMPT" INFORMATION FALLING  
WITHIN SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT  
1972 AND THE LOCAL GOVERNMENT (ACCESS TO  
INFORMATION) ACT 1985**

*In this case the Board has a discretion to exclude the press and public but, in view of the nature of the business to be transacted, it is RECOMMENDED that under Section 100(A)(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A to the Act.*

<b>5. LAND ASSEMBLY AND AGREEMENTS WITH THIRD PARTIES</b>	<b>12 - 21</b>
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*In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.*

**REPORT TO:** Mersey Gateway Exec Board

**DATE:** 24 September 2009

**REPORTING OFFICER:** Strategic Director, Environment

**SUBJECT:** General Progress Report

**WARDS:**

### **1.0 PURPOSE OF THE REPORT**

- 1.1 To advise members of the progress made since the last meeting of the Board in March 2009, during which time a Public Inquiry to consider the formal planning applications and orders has taken place.

### **2.0 RECOMMENDATION: That**

- (1) the Mersey Gateway Executive Board note the progress made.

### **3.0 SUPPORTING INFORMATION**

- 3.1 When the Board last met, the Council had just been informed by the Planning Inspectorate (PINS) of the arrangements put in place for the Public Inquiry that would commence on 19 May, at the Stobart Stadium, under the auspice of Mr Alan T Gray MRICS Dip TP MRTPI, the appointed Inspector.
- 3.2 Members will be aware that the Inquiry has now closed, having sat for 19 days. The issues raised at the Inquiry were very much in line with Project Team expectations. All concerns raised by the regulators, such as the Environment Agency, the Mersey Conservator and Natural England were addressed either before or during the Inquiry, resulting in objections being withdrawn. Many objections received from land owners and businesses affected by the project were also addressed, leading to objections also being withdrawn; it is noteworthy that the Inquiry did not receive oral evidence from any party affected by the proposed compulsory purchase powers. The project continues to benefit from wide support, demonstrated in the letters of support sent to the Inspector from Government agencies, neighbouring Councils and businesses.
- 3.3 It is encouraging to report that the Inquiry process has been completed within the timetable set out in the project plan. The Chief Executive has written to the Project Director and members of the Project Team expressing the Council's appreciation for the high degree of professional competence and diligence evident leading up to and during the Inquiry process. With a project of this scale the Inquiry is assessed to have gone as well as could be expected. The outcome of the Inquiry is a matter for Government, and the Board are advised of this decision

process in a separate report dealing with the next steps in project delivery.

- 3.4 Should members wish to look into the more detailed discussions and evidence presented to the Inquiry, the proceedings are recorded on an Inquiry website ([www.persona.uk.com/mersey](http://www.persona.uk.com/mersey)) and the closing statements from key objectors and the Council's advocate provide a convenient summary of events.
- 3.5 The Inquiry work has naturally dominated the last six months but members should also note that further progress has been made towards establishing an Environmental Trust as the long term vehicle for the mitigation plan to deliver lasting benefits associated with the Mersey Gateway and related environmental activities. The Board approved the principle of establishing this Trust at the meeting in March. Also, a Topic Group to consider the proposals to downgrade the approach roads (called de-linking) to Silver Jubilee Bridge once Mersey Gateway is open to traffic has been supported by the Project Team. A report to the Urban Renewal Policy and Performance Board on 16 September explains the investigations undertaken and the conclusions reached by the Topic Group.

#### **4.0 POLICY IMPLICATIONS**

- 4.1 The project is a key priority for the Council which will deliver benefits locally and across the wider region.

#### **5.0 OTHER IMPLICATIONS**

- 5.1 The cost of the Inquiry is covered by the approved Mersey Gateway development budget. The commencement of the Inquiry in May was around two months later than planned. The delay has put pressure on development costs, and the remaining work required to secure the approvals from government to commence procurement are more extensive than expected (see report on Preparation for Procurement) At this stage we estimate that achieving the progress required to commence procurement next spring could result in the development budget for 2009/10 being exceeded by 20 percent. Options to reduce this potential over spend are being investigated and a full report on the budget outturn forecast will be given to the Board at the next meeting.
- 5.2 The Council has capitalised the development costs for the Mersey Gateway project since 2001/2 and this accounting treatment had been accepted by the District Auditor. However, as part of the audit of the 2007/8 accounts, the District Auditor queried our accounting approach. It was his view that the costs should be treated as revenue expenditure. Our financial advisers have now agreed with the District Auditor that development costs for Mersey Gateway should be treated as revenue expenditure. To reduce impact of this accounting change on the Council finances, an application to capitalise development costs was made to the

Department for Communities and Local Government. This has taken some time to resolve but the outcome is expected to be reported to the Business Efficiency Board meeting on 30 September 2009.

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **6.1 Children and Young People in Halton**

There will be an indirect contribution to contribute to Key Objective E: To ensure that all children and young people in Halton have positive futures after school by embracing life-long learning, employment opportunities and enjoying a positive standard of living.

### **6.2 Employment, Learning and Skills in Halton**

There will be an indirect contribution to Key Objective B: To develop a culture where learning is valued and to raise skill levels throughout the adult population and in the local workforce.

### **6.3 A Healthy Halton**

There will be opportunities for biodiversity activities to contribute to Key Objective C: To promote a healthy living environment and lifestyles to protect the health of the public, sustain individual good health and well-being, and help prevent and efficiently manage illness.

### **6.4 A Safer Halton**

There will be opportunities to contribute to Key Objective C: To create and sustain better neighbourhoods that are well designed, well built, well maintained, safe and valued by the people who live in them, reflecting the priorities of residents.

### **6.5 Halton's Urban Renewal**

There will be opportunities to contribute to Key Objective E: To enhance, promote and celebrate the quality of the built and natural environment in Halton. Tackling the legacy of contamination and dereliction to further improve the Borough's image. In particular, in Area of Focus 12, examples of future planned activity include "Creating local nature reserves and wild spaces that support the Council's efforts to deliver urban renewal and a better quality of life in Halton". The Mersey Gateway nature reserve will be a main delivery mechanism for this Area of Focus.

## **7.0 RISK ANALYSIS**

7.1 The relatively low key Public Inquiry reduces the risk to securing the powers required to construct and operate Mersey Gateway. The uncertainty over the timing of the Government's decision on the planning

process is explained in a separate report to the Board dealing with the next steps.

**8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 Mersey Gateway provides an opportunity to improve accessibility to services, education and employment for all.

**9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

9.1 Files maintained by the Mersey Gateway Project Team and by the Highways and Transportation Department.

**REPORT TO:** Mersey Gateway Exec Board

**DATE:** 24 September 2009

**REPORTING OFFICER:** Strategic Director, Environment

**SUBJECT:** Preparation for Procurement

**WARDS:**

### **1.0 PURPOSE OF THE REPORT**

1.1 To advise members of the key activities leading up to the commencement of the procurement process for Mersey Gateway.

### **2.0 RECOMMENDATION: That**

- (1) the Mersey Gateway Executive Board note what is required to be achieved to secure the authority to commence the procurement process, as determined by the Council's funding agreement with Government.

### **3.0 SUPPORTING INFORMATION**

3.1 The next stage of the project plan is focused on the delivery of the following key milestone events:-

- (1) the Secretaries of State announce their decision on the Orders and Applications submitted by the Council and considered at the Public Inquiry; and
  - (2) the Department for Transport (DfT) grants Conditional Funding Approval based on the Outline Business Case submission being approved by both DfT and the Project Review Group (PRG) of HM Treasury.
- 3.2 The planning decision by the Secretaries of State is expected early next year. Although the timetable for, and outcome of, such events is always uncertain, the fact that the Inquiry was relatively short and straightforward will help the drafting of a decision letter.
- 3.3 We have been advised by the Planning Inspectorate that the Inspector's Report on the Inquiry will be with the Transport and Works Act Orders Unit towards the end of November. This is slightly later than we expected, based on the standard service level agreement timings, but the additional time should contribute to the robustness of the subsequent planning decision. Members should note the various planning applications and orders submitted for Mersey Gateway will require contributions from a number of different Government offices in the drafting of a decision letter.

- 3.4 The second requirement prior to commencing the procurement process is to secure Conditional Funding Approval from DfT Ministers, which involves consultation with Treasury Ministers after clearing the Outline Business Case through the Project Review Group.
- 3.5 The work required to complete the Outline Business Case is explained in more detail at Appendix 1, but in essence the process involves the project appraisal being brought up to date compared with the Programme Entry submissions and the procurement strategy being developed. Much of the work required to bring project appraisal up to date will make use of the information produced for the Inquiry and hence this does not require any significant additional work. The procurement strategy is however more challenging as we will need to consider the best way to present our requirements to the market at a time when the market appetite for toll road projects remains uncertain.
- 3.6 The Treasury has recently published guidance for authorities promoting public private partnerships in current market conditions. We will be applying this guidance in the development of our procurement strategy. The guidance focuses on how to secure project finance at value for money at a time when the appetite for providing private finance is uncertain, with potentially a higher cost of borrowing than assumed thus far in the financial models we have agreed with the DfT. Consequently the Conditional Funding Approval submission will aim to put in place the revised funding parameters that are required to deliver Mersey Gateway in the current market.

Although the market for private finance is more challenging, large projects are still being delivered, such as the very large M25 DBFO and the Manchester Waste projects, with financial close being achieved for each of these projects in the last three months. The steps being taken by Government are intended to meet the new market conditions so that the delivery of important projects like Mersey Gateway are not jeopardised.

- 3.7 The programme for securing the sequence of approvals leading to Conditional Funding Approval being granted by Government is shown at Appendix 2. The intention is to provide Ministers with the opportunity to deal with Conditional Funding Approval at the earliest opportunity next year. Members will note that the commencement of procurement is planned for next Spring, subject to Orders being confirmed and the necessary approvals being secured.

#### **4.0 POLICY IMPLICATIONS**

- 4.1 The project is a key priority for the Council which will deliver benefits locally and across the wider region.

#### **5.0 FINANCIAL IMPLICATIONS**



- 5.1 Members will be kept advised of any change in the risk or funding position as options emerge for consideration.

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **6.1 Children and Young People in Halton**

There will be an indirect contribution to contribute to Key Objective E: To ensure that all children and young people in Halton have positive futures after school by embracing life-long learning, employment opportunities and enjoying a positive standard of living.

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## **7.0 RISK ANALYSIS**

- 7.1 As stated in the General Progress Report, the relatively low key Public Inquiry reduces the risk to securing the powers required to construct and operate Mersey Gateway; however the timing of the Government's

decision on the planning process is uncertain. The risk of delay is compounded by the possible General Election next Spring. The process we have proposed to DfT officials (programme at Appendix 2) is aimed at mitigating the risk of delay but we have yet to receive confirmation from the DfT that they have accepted this proposed programme.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 Mersey Gateway provides an opportunity to improve accessibility to services, education and employment for all.

## **9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

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## Mersey Gateway Executive Board

24 September 2009

### Appendix 1

#### The Preparation of the Outline Business Case for Conditional Approval

##### ***Introduction***

This note describes the DfT and HM Treasury approval process that will be the focus of the Project Team's work in the coming months.

##### ***The Approval Process***

Approval is required from both DfT and HM Treasury Project Review Group (PRG) in order to proceed to procurement. DfT approval is required since the Department is providing funding, as PFI credits, under its Major Scheme funding system. PRG oversees the approval process for PFI projects that receive Government support and is the gatekeeper for the delivery of PFI credit funding to the local authority PFI programme.

DfT operates a three stage approval process:

- Programme Entry (granted in March 2006);
- Conditional Approval (the current stage); and
- Full Approval.<sup>1</sup>

PRG 1<sup>st</sup> stage review is carried out at the same time as Conditional Approval.<sup>2</sup>

Both DfT Conditional Approval and PRG 1<sup>st</sup> stage review approval are given on the basis of an Outline Business Case that will be prepared by the Project Team. The Outline Business Case builds on the Programme Entry stage business case and takes account of subsequent development of the Project.

##### ***The Outline Business Case***

The Outline Business Case will be prepared in accordance with the HMT and DfT *5 case model* and, together with a general description of the scheme, will comprise:

##### ***a) The Strategic Case***

The Strategic Case will demonstrate that the scheme is consistent with and will contribute to local, regional, and national objectives in transport and other areas.

The strategic case will describe the current situation, the Council's objectives for the Project and how the selected option meets these objectives. The transport

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<sup>1</sup> Full approval is applied for once procurement has taken place and a preferred bidder and final price has been determined. The final Business Case will revisit the Outline Business Case in the light of the subsequent procurement process.

<sup>2</sup> A 2<sup>nd</sup> stage review may be carried out at the Full Approval stage.



case and the regeneration case are important strands in the Strategic Case, as is the good fit with national, regional and local policies.

**b) *The Value for Money Case***

The Value for Money Case will demonstrate the likely benefits and dis-benefits of the scheme against its likely costs.

The Value for Money Case is built on a robust appraisal of the Project that is carried out in accordance with DfT standards. The appraisal considers the benefits and dis-benefits of the Project against criteria related to environmental impact, safety, economy, accessibility and integration.

**c) *The Delivery Case***

The Delivery Case will demonstrate how the Council will be able to deliver the scheme to time and budget and includes the project programme, the governance arrangements, the plans for stakeholder involvement and robust risk management plans.

**d) *The Commercial Case***

The Commercial Case will demonstrate a sound procurement strategy and a rigorous approach to the private sector involvement.

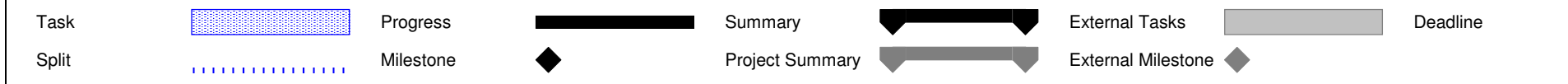
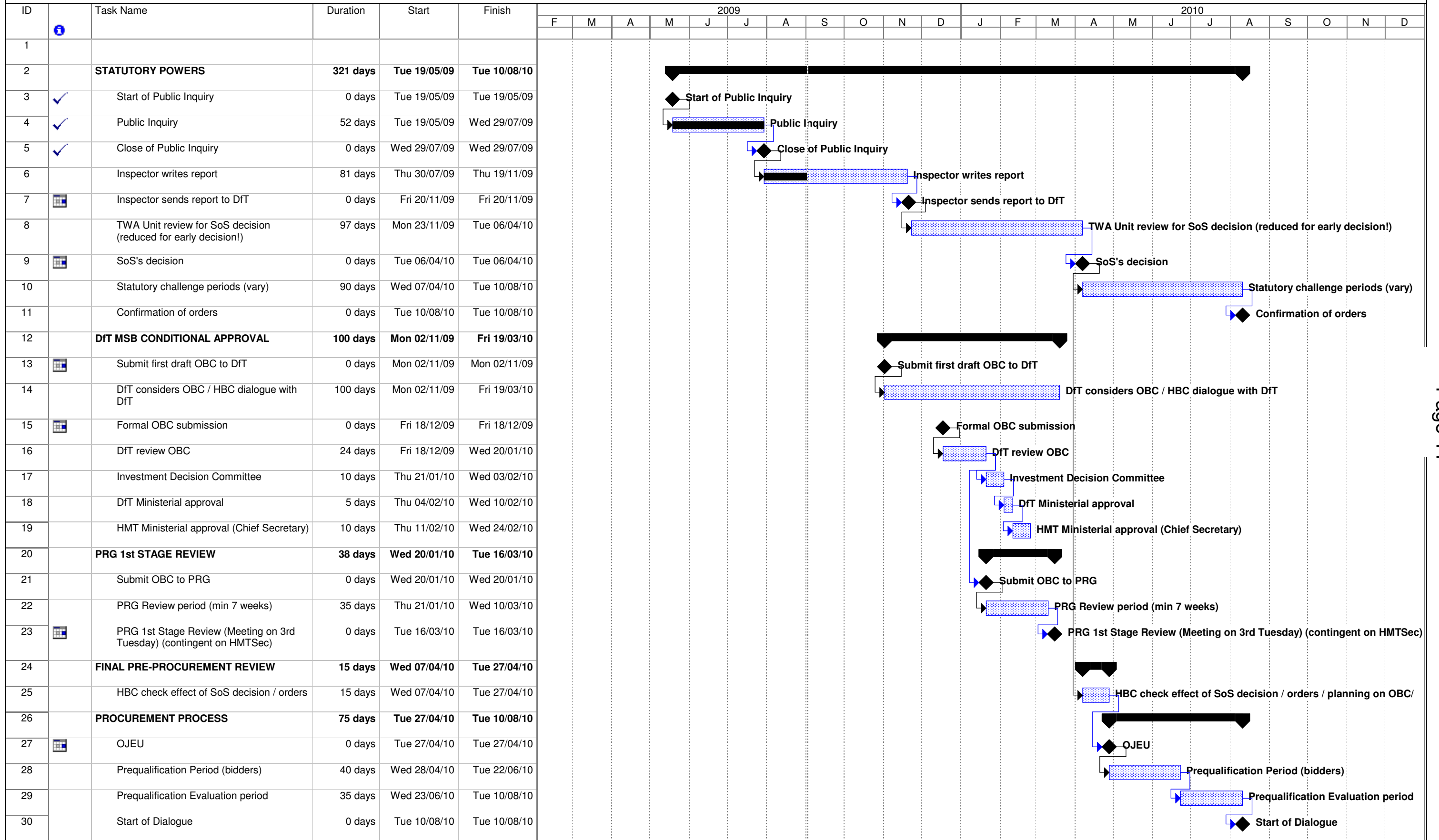
The outcome of the planned market consultation is an important strand in the Commercial Case. The value for money of PFI procurement, as compared to conventional, is also rigorously examined.

**e) *The Financial Case***

The Financial Case will demonstrate that the scheme is based on sound costings and will define the funding requirement.

The core of the Financial Case is a demonstration that the Council has undertaken a robust estimation of the costs and has a firm strategy for funding that cost (in this case being a mix of Government funding and user charging). The Financial Case incorporates a shadow bid model and the results of a sensitivity analysis.

# Mersey Gateway Powers and Dft/PRG Approvals Proposed - OBC to PRG independent of SoS decision



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

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