

MERSEY GATEWAY EXECUTIVE BOARD

*At a meeting of the Mersey Gateway Executive Board on Thursday, 22 September 2011
in the Marketing Suite, Municipal Building*

Present: Councillors Polhill (Chairman), Stockton and Wharton

Apologies for Absence: None

Absence declared on Council business: None

Officers present: L. Derbyshire, B. Dodd, M. Noone, S. Nicholson and M. Reaney

Also In Attendance: Councillors: Browne and Redhead

ITEMS DEALT WITH UNDER DUTIES EXERCISABLE BY THE BOARD

Action

MGEB4 MINUTES

The Minutes of the meeting held on 16 June 2011 were taken as read and signed as a correct record.

MGEB5 LAND ASSEMBLY PROGRESS & LAND ACQUISITION CAPITAL EXPENDITURE BUDGET FORECAST

The Board considered a report of the Chief Executive which gave Members the progress to date with the acquisition of land required for the Mersey Gateway by agreement and the proposals for acquisition of land using Compulsory Purchase Orders (CPO) / Transport and Work Act 1992 (TWA) powers. The report also advised of the issues regarding the management of property acquired and advanced works that were required prior to hand over to the Concessionaire.

The Board was advised that by resolution of the Mersey Gateway Executive Board on 19th May 2008, the Council had adopted a policy within the Mersey Gateway Relocation Strategy which formed the basis on which the Mersey Gateway Team had progressed with acquisitions in advance of CPO/TWA. In accordance with the Mersey Gateway Relocation Strategy and guidance provided in Government Circular 06/2004 the Council sought, wherever

practicable, to acquire interests in land by agreement and enter into agreements for acquisition, and in appropriate cases did so. These negotiations were conducted in parallel with the compulsory purchase process.

The Board was further advised that in advance of the start of the Public Inquiry the Council had acquired a number of interests in land required and entered into agreements with other parties set out in the report.

It was reported that in the period after Public Inquiry, the continuing land assembly strategy was to:

- Continue with the agreements for acquisition/relocation in accordance with the obligations within the agreements;
- Completion of acquisitions/agreements where terms agreed;
- Assess the remaining businesses for relocation where there was potentially a need to acquire in advance of CPO, to allow sufficient time to physically relocate, having regard to the need for early possession on complicated sites; and
- Formulate land assembly strategy consistent with the procurement process and timetable.

Following the Public Inquiry the Mersey Gateway Team entered into two further agreements detailed in the report.

Furthermore, it was reported that the Council had commenced the exercise of the relevant compulsory purchase powers enabled by the CPO and the made Order under the TWA. These powers allowed the Council to acquire the remaining land which was necessary for the Project. The Council had also served the preliminary notices in the CPO process on the parties affected by these Orders in two stages. In addition, it was reported that the Council now owned or had agreed rights for over 63% of the land required.

The remainder of the land required for the scheme would be acquired by the serving of three further General Vesting Declarations, which would cover the investment landowners, operational businesses to be relocated and minor parcels/severed land. This would be undertaken in a phased approach to ensure affected businesses were given

the maximum time possible to relocate and it was now expected to commence in October 2011. However, it was reported that there were a number of elements of advanced works which needed to be undertaken in the period between acquisition and handover.

The key elements were:

- The relocation of the primary substation at Ditton Road by SP Manweb;
- Pre-construction engineering and environmental surveys;
- Remediation of contamination at Catalyst Trade Park; and
- Enabling Works.

The Land Acquisition budget had been set at £86m, and had not been increased since being originally agreed. This budget was expected to cover the principle elements of:

- The acquisition of the land required, including disturbance payments, SDLT and fees;
- Property management, including demolition of buildings prior to handover to the Concessionaire;
- Advance works, including ground investigations and remediation of contaminated sites;
- Section 10 Claims, as outlined in the report; and
- Part One Claims, as outlined in the report.

In conclusion, it was reported that the Council's land assembly strategy would ensure that all land required for the scheme was in the Council's ownership by the time of the selection of Preferred Bidder.

RESOLVED: That the progress made in assembling the land required for the Mersey Gateway be noted.

MGEB6 MERSEY GATEWAY PROJECT BUDGET

The Board considered a report of the Chief Executive which gave Members advice on the current budget position relating to the Mersey Gateway Project.

The Board was advised that the Project budget was split into two distinct areas: the development cost budget and the land assembly (including advanced works and surveys) budget.

The development cost budget for developing the Mersey Gateway through the Procurement phase of the project up to Financial Close when a contract would be in place with the private sector (the Project Company) to design, build, finance and operate the project.

The information updated the forecasts made in the development budget approved by the Executive Board on 25th September 2008 and the information on budget monitoring reported to the MG Executive Board since then. A revised forecast for this period was also outlined in Table 2 in the report.

The report also provided a summary of the expenditure incurred in relation to land acquisition to the end of quarter one 2011-12 together with the current estimate for the expenditure to be incurred under various activities.

The Board was further advised that the funding agreement with the Department for Transport (DfT) established when Mersey Gateway received Programme Entry approval in March 2006, specified that the Council was responsible for meeting all development costs up to receiving Final Funding approval for the project. The funding agreement with Ministers was being administered by the rules for delivering local major transport schemes.

Furthermore, it was reported that originally, the Council contributions were expected to be Capital in nature. However, there was an ongoing debate in terms of what the Audit Commission was content to accept as Capital expenditure. As a result, a proportion of the development budget could not be treated as Capital and must be accounted for as Revenue expenditure instead. This could partially affect the way the Council was able to utilise prudential borrowing as a funding mechanism. Discussions were ongoing in this matter and the assessments undertaken so far indicate that revenue was unlikely to exceed 20 per cent of the total development budget with the remainder being treated as capital expenditure.

It was also reported that the Project Team had experienced significant cost pressures since 2010:

- The Project Team expected the Mersey Gateway

to receive the necessary planning and funding approvals early in 2010 after a successful Public Inquiry. Unfortunately, the economic crisis and subsequent Spending Review meant that the project programme suffered from a lengthy delay;

- The situation had been exacerbated even further due to Government requests for information on various aspects of the project. The Project Team were obliged to undertake a significant amount of further research, studies, etc in order to satisfy these queries. This included revisions and further testing of the traffic model, revisions to the business case and a value engineering exercise. The tasks associated with these requests were not part of the original budget forecast and required the continued mobilisation of a large project team; and
- The Secretary of State had requested that the project costs were reduced and the project team had managed to propose changes that overall would reduce cost by at least £30m. To deliver these changes alterations to the original approved planning applications were required. This additional work was not part of the original budget forecast.

As reported on Item 5, the planning decisions made by the Secretary of State on 20th December 2010 had now triggered the next stage in the land assembly process.

RESOLVED: That

- (1) the revised budget for Development Costs up to Financial Close when a public private partnership is in place be approved;
- (2) the requested land acquisition capital expenditure budget be approved;
- (3) it be recommended that the Council amend the Capital Programme accordingly; and
- (4) the potential impact on the Council's revenue budget to cover the costs that are not capitalised, be noted.

Chief Executive

MGEB7 MERSEY GATEWAY OUTLINE BUSINESS CASE

The Board considered a report of the Chief Executive which informed the Members that since the project had received Government support in the Comprehensive Spending Review, announced in October 2010, the Mersey Gateway project team had been preparing an Outline Business Case for the project which met the requirements of the Department for Transport. The report provided a summary of the final draft OBC which was expected to be cleared by the Secretary of State for Transport, subject to the approval of HMT officials who were reviewing the final draft OBC report during September.

The Board noted the verbal update on the draft funding conditions.

RESOLVED: That

- (1) the report be noted;
- (2) the proposed draft funding support with conditions as proposed by the Department of Transport be agreed; and
- (3) the proposals in the OBC be agreed.

Chief Executive

MINUTES ISSUED: 23 September 2011

CALL-IN: 30 September 2011

Any matter decided by the Mersey Gateway Executive Board may be called in no later than 5.00pm on 30 September 2011

Meeting ended at 4.00 p.m.