

REPORT: Major Projects Division,
Department for Transport

DATE: 7 July 2006

REPORTING OFFICER: Mersey Gateway Project Director

SUBJECT: Mersey Gateway

1.0 PURPOSE OF REPORT

This progress report is the first of a series of reports to the Major Projects Division at the Department for Transport (DfT) required to support major scheme funding approval. It is proposed that progress reports will be submitted at quarterly intervals and this report covers scheme preparation developments since Mersey Gateway received Programme Entry funding approval in March 2006.

2.0 KEY DECISIONS REQUIRED

- (1) To confirm that the proposed traffic model specification now being taken forward has the scope to provide robust evidence that should be fully compliant with the Department's modelling requirements.**
- (2) To agree on the most appropriate statutory process that should be incorporated in the Mersey Gateway Project Plan in order to secure the powers to build, maintain and apply toll charges for both the proposed Mersey Gateway and the existing Silver Jubilee Bridge.**

3.0 GENERAL PROGRESS

- 3.1** The Secretary of State announced on 29 March 2006 that he had granted Programme Entry approval for Mersey Gateway and offered to fund the scheme in line with the Authority bid of £86 million grant and £123 million in PFI Credits. The decision places Mersey Gateway in the DfT national programme of major schemes. The decision was clarified in a letter from DfT to the Council's Chief Executive of 29 March that set out specific terms on which the approval and funding offer were based.
- 3.2** At its meeting on 20 April the Council's Executive Board accepted the funding conditions and gave authority for Mersey Gateway to be progressed through the planning and procurement process. This

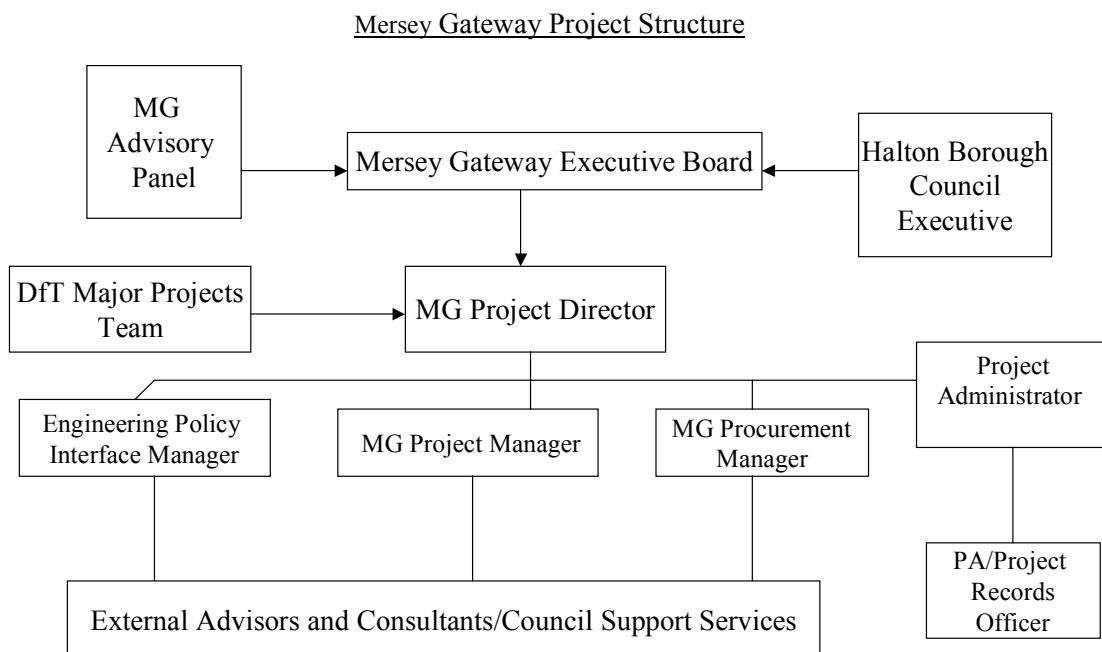
decision was confirmed by the Council Chief Executive in his letter to Alison Munro of 3 May 2006.

- 3.3 The Programme Entry approval and the Council Executive Board's decision to accept the funding conditions, gave officials executive authority to mobilise the resources and project organisation required for project delivery. It is envisaged that the revised project structure will be fully staffed and operational by September 2006.
- 3.4 The three-tier project organisation, comprising the Advisory Panel, the Mersey Gateway Executive Board and the Project Team will be fully functional by the end of July.
- 3.5 The Advisory Panel meets for the first time on 13 July and its role is to steer and scrutinise project development with particular emphasis being placed on securing project benefits which are of regional significance. The Panel members include senior officials from Government Agencies, local authorities in South Merseyside and Cheshire and selected private sector representatives who are identified with the case for delivering Mersey Gateway. The expertise of the latter group will add to the public sector skills in place to provide a keen appreciation of delivery risks, many of which are influenced by market and commercial considerations.
- 3.6 The executive control of the project would be through the Mersey Gateway Executive Board, chaired by the Council Leader and formed under the Council's constitution. The membership of the Mersey Gateway Executive Board will be based on project management best practice (PRINCE2) where the roles of the Board members are identified and understood. The Leader and two nominated Councillors as principal Board members have been given all the necessary powers to act on behalf of the Council unless the Council's constitution and standing orders require specific matters to be referred to Council. The Board will delegate project delivery to the Project Director who will raise issues and change management requirements on an exception basis. The inaugural meeting of the Mersey Gateway Executive Board will be held on 20 July 2006.
- 3.7 The Project Team will be dedicated to the delivery of the Mersey Gateway and will be formed by a combination of recruitment and secondment and headed by myself (Steve Nicholson) as full time Project Director. A core team of Project Manager, Procurement Manager and an Integration and Policy Manager, supported by a Public Relations Officer and administrators will co-ordinate the input of specialist consultants and financial and legal advisors. The Project Director will be responsible directly to the Mersey Gateway Executive Board.

- 3.8 Arrangements to fill the Project Team posts are in hand. Claire Hall has been seconded from Gifford to fill the Project Manager role, and tenders have been invited from specialist procurement and cost management consultants to provide the Procurement Manager, again on secondment terms. The remaining posts are in the process of being filled through internal recruitment competitions.
- 3.9 The Project Team will direct the undertakings of consultants and advisors. The existing arrangements with Gifford, Mott MacDonald, KPMG and Herbert Smith, are expected to be maintained with the contractual appointments refreshed as required. As referred to above, the Project Team will require further specialist consultant support in the area of cost management and in the drafting of PFI procurement documentation. Bids have been invited with a view to commissioning this support at the end of July.

4. ESTABLISHING THE PROJECT DELIVERY ORGANISATION

- 4.1 The revised Mersey Gateway Project Structure is described below.



5.0 FINANCE ISSUES

5.1 Development Costs

5.1.1 The estimate of development cost has been revisited and the range has been narrowed to between £12m and £16m. The mid-point of £14 million has been used to develop an operating budget for the project that is estimated to be required to deliver the project up to financial close (ie up to a stage where a contract and private finance is in place and work can commence). The profile of the budget over the next six years is given in the following table:-

	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	Total
Core Team ¹	0.5	0.5	0.5	0.5	0.5	0.25	2.75
Technical ²	2.0	1.5	0.9	0.25	0.25	0.10	5.0
Legal ³	0.75	1.0	1.0	0.5	0.5	0.25	4.0
Financial	0.25	0.25	0.25	0.5	0.75	0.25	2.25
Total	3.5	3.25	2.65	1.75	2.0	0.85	14.0

5.1.2 In the first instance, these costs have been covered by utilising prudential borrowing funded by the Borough Council's Priorities Fund. The need for further prudential borrowing would be kept under review alongside the development of a preferred procurement strategy and the external contributions secured. Prior to Programme Entry the project was supported by significant financial contributions from some neighbouring authorities and NWDA. We are currently negotiating to secure further contributions with the aim of raising 50 per cent of the £14m development budget through third party contributions.

5.1.3 **To support robust financial planning the Council would like confirmation of the administration procedure for funding Mersey Gateway that will be applied going forward, particularly as the Department's policy towards funding major schemes has gone through a series of consultation reviews in recent months.**

6.0 PROJECT ISSUES (to be discussed at the meeting on 21 July)

6.1 Traffic Model Specification and Liaison Procedures

¹ Includes for project team office accommodation

² includes £1.2m for new traffic model

³ Includes land referencing consultant support for Property Services

6.1.1 The Council has agreed Mott MacDonald proposals for the new traffic model. Surveys have now commenced and existing data is being collected throughout the study area. The aim is to produce the LMVR early next year to be followed by the forecasting work required to support a business case review before the summer recess (2007). The availability of reliable forecast parameters is critical to programme delivery. To ensure the modelling proposals are robust the Council seek DfT agreement to the scope and model specification and to put in place liaison arrangements to ensure the model outputs satisfy the Department's standards.

6.1.2 The model scoping report is attached at Appendix 1 and the points to consider in setting up appropriate liaison arrangements with the DfT specialists is at Appendix 2.

6.2 Project Initiation Document

6.2.1 A draft PID has been forwarded to Philip Mills and we have received several comments aimed at improving the robustness of the delivery framework. An amended PID will be forwarded before the meeting on 21 July and the comments received will be discussed at that meeting.

6.3 Statutory Process (covered by legal in confidence for FOI purposes)

6.3.1 The Council has taken further legal advice on the statutory procedures available to secure tolling powers for Mersey Gateway and the existing Silver Jubilee Bridge. The advice prompts a review of earlier considerations given to this matter which involved consultations with the Department. A report explaining the issues is attached at Agenda item 6 (see Part II).