

# Financial Appraisal Report

## External Funding Application to West Midlands Combined Authority & Transport for West Midlands – Traffic Signal Improvement Scheme (Key Route Network)

Date Issued: 10<sup>th</sup> February 2021

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### Report to Cabinet

#### 1 Executive Summary

##### Introduction

Regeneration & Economy are seeking approval to enter into a grant funding agreement with the West Midlands Combined Authority to deliver traffic signal improvements at four locations within Sandwell.

The proposed traffic signal improvements are on a 'Key Route Network' for the future Commonwealth Games. Improvements are necessary due to the existing traffic signal equipment at each of these 4 locations having been identified as being lifetime expired.

In December 2020, Regeneration submitted an expression of interest to the West Midlands Combined Authority for grant funding from Transport for West Midlands to improve traffic signal operation. Funding was approved in January 2021.

Strategic Finance has been asked to carry out an appraisal of the funding application, which has been evaluated against HM Treasury Green Book guidance. The appraisal process recorded a score of 74%, with some areas of risk identified.

### Project Objectives

- To improve the management of transport networks.
- To support the Council's Vision 2030, where Sandwell will have excellent and affordable public transport that connects us to all local centres and to jobs in Birmingham, Wolverhampton, the airport and the wider West Midlands.

### Project Details

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The project will deliver improved traffic signal operation at the following locations:

- Bearwood Road/Church Road, Smethwick
- Bearwood Road/Waterloo Road, Smethwick
- Black Country New Road/Cliff Drive, Tipton
- Dudley Road/High Street, Tipton

Traffic signal equipment will be replaced at each junction with the installation of LED traffic signal heads and extra low voltage equipment for on street safety of all users. Each installation will be equipped with adaptive MOVA (microprocessor optimised vehicle activated) control to maximise capacity and reduce delay by up to 13%. Remote monitoring and urban traffic control will provide a facility to notify all faults and subsequently increase reactivity time of repairs.

The total project cost is estimated to be £0.355m and will be fully funded by grant provided by the West Midlands Combined Authority. Any additional costs will be funded from within Regeneration’s existing resources.

The traffic signals improvement scheme will be completed by October 2021.

### Scope and objectives of financial appraisal

The purpose of financial appraisals is to consider the guidance provided by HM Treasury in evaluating business case proposals and assessing the potential risk to the Council in achieving its objectives. The following components and risks are assessed:

HM Treasury Green Book	Potential Risks
<u>Strategic Case</u> Objective, need, demand and reasonableness	Insufficient justification for project/will not meet strategic objectives
<u>Economic case</u> Option analysis and risk	Poor use of council resources & excessive risk to Council
<u>Commercial Case</u> Legal and statutory implications	Project may contravene legal/statutory regulations
<u>Financial Case</u> Affordability	Proposals are not affordable or realistic
<u>Management Case</u> Governance, project management, monitoring and evaluation	Non-delivery of project and outputs

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LEVEL OF ASSURANCE GAINED FROM FINANCIAL APPRAISAL

Limited (0%-65%)	Satisfactory (66%-80%)	Substantial (81%-100%)
There is a high risk of objectives not being met due to insufficient assurance within the project proposals. There is limited evidence to confirm that the risks to the Council could be adequately mitigated.	There is adequate assurance that objectives could be met, but further actions are required to adequately mitigate the risk to the Council.	There is good assurance that objectives will be met, with little risk to council resources.

Overall Conclusion

The appraisal scored 74% and provides **satisfactory assurance** over the adequacy of the proposals.

Financial appraisals will identify the following levels of issues:

**Fundamental**

Action is imperative to ensure that the objectives of the project are met

**Significant**

Action is required to avoid exposure to significant risks in achieving objectives

**Merits Attention**

Action is advised to enhance operational efficiency

Summary of key issues identified

- The financial appraisal has identified NO ‘fundamental’ issues
- The financial appraisal has identified 1 ‘significant’ issue
- The financial appraisal has identified 4 ‘merits attention’ issues

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## 2 Issues Arising

Action is required to avoid exposure to significant risks in achieving objectives  
**Significant**

No

### 2.1 Economic Case – *Risks*

A corporate risk register has been provided but does not currently recognise risks relating to grant funding.

**Implication:**

Risks to the project may not be identified and mitigated sufficiently, resulting in non-delivery of the objectives and financial implications to the Council.

**Recommended action:**

- That the Risk Register is reviewed to ensure all risks are identified and adequately mitigated.

Action is advised to enhance operational efficiency  
**Merits Attention**

No

### 2.2 Commercial Case – *State Aid*

State aid advice has not been sought for the project.

**Implication:**

Grant funding may not be compliant with state aid regulations.

**Recommended action:**

State aid advice is sought from Legal Services to ensure all grant funding is state aid compliant.

### 2.3 Financial Case – *Contingency*

No contingency allowance has been provided for within the estimates. It was advised that this is due to detailed design estimates having been costed.

**Implication:**

Additional unforeseen costs may be incurred on the project. These will need to be funded from existing resources within Regeneration & Economy.

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**Recommended action:**

That available resources are identified within Regeneration & Economy's to cover any unexpected additional costs for the project.

**2.4 Financial Case – VAT/Tax implications**

Whilst it is not envisaged that the project would have any negative VAT or tax implications for the Council, confirmation has not been sought from the Council's Tax Accountant.

**Implication:**

Any negative VAT/tax implications may have financial implications for the Council.

**Recommended action:**

That VAT/tax advice is sought from the Council's Tax Accountant.

**2.5 Management Case – *Project Monitoring & Evaluation*** – Specific outcomes for the project have been identified, e.g. a reduction in CO2 emissions, energy savings, improved reliability and reduced on-going maintenance costs. However, outcomes had not been quantified and limited information has been provided to determine how these would be monitored, evaluated and reported.

**Implication:**

Objectives and outcomes may not be adequately measured and evaluated to determine the level of success of the project.

**Recommended action:**

- That expected outcomes are quantified.
- That a system be established to capture all outcomes relating to the project, to ensure that the project can be effectively evaluated.
- That a process for the evaluating and reporting of project outcomes is determined.

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