



WMCA Board

Date: Friday 8 December 2017

Time: 11.00 am **Public meeting** Yes

Venue: Council Chamber, Council House, Birmingham City Council, Victoria Square, Birmingham, B1 1BB

Membership

Constituent Members

Andy Street (Chair)
Councillor Bob Sleigh (Vice-Chair)

Councillor Peter Bilson
Councillor Sean Coughlan
Councillor Ian Courts
Councillor George Duggins
Councillor Steve Eling
Councillor Patrick Harley
Councillor Lee Jeavons
Councillor Brigid Jones
Councillor Abdul Khan
Councillor Roger Lawrence
Councillor Pete Lowe
Councillor Paul Moore
Councillor Ian Ward

Appointing Authority

Mayor of the West Midlands Combined Authority
Solihull Metropolitan Borough Council

City of Wolverhampton Council
Walsall Metropolitan Borough Council
Solihull Metropolitan Borough Council
Coventry City Council
Sandwell Metropolitan Borough Council
Dudley Metropolitan Borough Council
Walsall Metropolitan Borough Council
Birmingham City Council
Coventry City Council
City of Wolverhampton Council
Dudley Metropolitan Borough Council
Sandwell Metropolitan Borough Council
Birmingham City Council

Non-Constituent Members

Councillor George Adamson
Jonathan Browning

Councillor Steven Claymore
Councillor Shaun Davies
Councillor Bill Hartnett
Councillor Dennis Harvey
Councillor David Humphreys
Councillor Peter Nutting
Tim Pile

Councillor Chris Saint
Councillor Izzi Seccombe
Councillor Michael Stokes
Stewart Towe

Cannock Chase District Council
Coventry & Warwickshire Local Enterprise Partnership
Tamworth Borough Council
Telford & Wrekin Council
Redditch Borough Council
Nuneaton & Bedworth Borough Council
North Warwickshire Borough Council
Shropshire Council
Greater Birmingham & Solihull Local Enterprise Partnership
Stratford-on-Avon District Council
Warwickshire County Council
Rugby Borough Council
Black Country Local Enterprise Partnership

Observers Awaiting Membership

Councillor Tony Johnson
Graham Wynn

Herefordshire Council
The Marches Local Enterprise Partnership

Co-Opted Member

Lee Barron

Midlands Trades Union Congress

Observer Members

Councillor John Edwards
David Jamieson

West Midlands Fire & Rescue Authority
West Midlands Police & Crime Commissioner

Quorum for this meeting shall be at least one member from five separate Constituent councils

If you have any queries about this meeting, please contact:

Contact	Dan Essex, Governance Services Manager
Telephone	0121 214 7505
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AGENDA

No.	Item	Presenting	Pages
Items of Public Business			
11.	Wolverhampton Interchange Project	Councillor Izzi Seccombe	1 - 8

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WEST MIDLANDS
COMBINED AUTHORITY

WMCA Board

Date	8 December 2017
Report title	Wolverhampton Interchange Programme
Portfolio Lead	Councillor Izzi Seccombe - Finance & Investments
Accountable Chief Executive	Deborah Cadman OBE, West Midlands Combined Authority email: deborah.cadman@wmca.org.uk tel: (0121) 214 7200
Accountable Employee	Sean Pearce, Director of Finance email: sean.pearce@wmca.org.uk tel: (0121) 214 7936
Report considered by	N/A

Recommendations for noting:

The WMCA Board is recommended by the Investment Board to:

- (1) Note the appended report by the Portfolio Lead for Transport with regard to the Wolverhampton Interchange Programme contained in Appendix 1.
- (2) Note the Investment Board's endorsement of this report at its meeting of 27 November 2017 and the following recommendations made in that report:
 - (a) For the funding package for the Wolverhampton Interchange Programme and for the project team to submit this report to the WMCA Board seeking authority to commit the funding of £49.3m, of which the £21.9m WMCA contribution is to be funded by the Department for Transport deed as approved by the ITA.
 - (b) For the WMCA Board to approve the delegation of powers from the WMCA to the Metro Programme Director and the Head of Governance to enter into the necessary legal agreements.

Recommendations for decision:

The WMCA Board is recommended:

- (1) Based on the Funding Package agreed at Investment Board as set out in paragraph 2.3 agree the recommendations made by the Portfolio Lead for Transport to:
 - (a) Approve the funding package for the Wolverhampton Interchange as detailed in Appendix 1, including the commitment of funding by the WMCA of £49.3m, of which £21.9m is to be funded by the Department for Transport deed as approved by the ITA and the remainder financed by borrowing.
 - (b) Approve the delegation of powers to the WMCA to the Metro Programme Director and the Head of Governance to enter into the necessary legal agreements.

1. Purpose

- 1.1. The Investment Programme Assurance Process requires potential bids or changes to the Investment Programme over £5m to be agreed by the Investment Board. Where the potential bid or change exceeds £20m, the Investment Board considers those proposals and can only endorse those subject to approval by the WMCA Board.
- 1.2. With regard to the Wolverhampton Interchange Project, a paper was considered at the Investment Board on 27 November 2017 requesting the addition of £30m to the original Project Budget of £50.8m.
- 1.3. The Wolverhampton Interchange Project incorporates the Midland Metro Wolverhampton City Centre Extension, the provision of a new multi-storey car park and reconstruction of Wolverhampton Station.
- 1.4. The project team have developed a proposal to fund this increase in project costs through two elements. The first tranche of £15m has been proposed and agreed to be met by the City of Wolverhampton Council following a meeting of its Cabinet and Full Council. A request has been made to the WMCA for the remaining £15m to be met through the Investment Programme.
- 1.5. The purpose of this covering report is to confirm that the Investment Board has considered the options for funding to be provided through the Investment Programme and its endorsement of the funding that can be made available. Given the value of the change proposed, the full report from the Portfolio Lead for Transport and the WMCA Managing Director for Transport for the West Midlands is provided.

2. Consideration of Project Proposals by Investment Board

- 1.6. The attached paper in Appendix 1 sets out the City of Wolverhampton and the WMCA proposals for the delivery of the Wolverhampton Interchange Programme, which is a key element of the Strategic Economic Plan for the city and the wider Black Country.
- 1.7. The Investment Board met on 27 November 2017 to consider this paper and the recommendations of the Technical Advisory Panel and the Investment Advisory Group, and endorsed the submission of the attached paper to the WMCA Board based on the funding being identified following work undertaken by the WMCA Finance Team.
- 1.8. The Investment Board confirms that the proposed WMCA capital contribution of £15m can be made available from within the existing Investment Programme and it is anticipated that any contribution from the Investment Programme will be accommodated from within existing resources without any further impact on what was already planned to be funded from the annual gain share grant of £36.5m. This is possible because the overall cost of interest associated with borrowing is now anticipated to be lower over the 30 year period, creating some headroom to fund additional capital investment. In addition to the lower interest charge, the profile of capital expenditure upon which the interest costs are based has been revised and shows a lower capital expenditure and borrowing requirement in the early years with the refinement of capital spend under continual review.

- 1.9. Whilst the Investment Board noted that a number of reasons for the increase in cost estimate were specific to this project, as part of the Investment Board's endorsement it has recommended the following reports are received back by the Investment Board. This has been requested in order to provide assurance to the Investment Board on both this project and the rest of the investment programme forecasts, given the increase in costs estimates that have now been proposed for the Wolverhampton Interchange Project:
- (i) A Lessons Learnt paper to be produced by the Project Team setting out the reasons for the increase in forecast cost of this project, the cost and project mitigations that have and will be put in place and the arrangements for effectively monitoring and controlling costs on this project.
 - (ii) For this Lessons Learnt paper to set out in addition:
 - How the lessons from this project will be applied to other Capital Projects across WMCA.
 - How the Assurance Framework captures and evaluates these cost risks.
 - (iii) Confirmation that, where required, the risk register be updated and included with the Lessons Learnt report for the Investment Programme.
- 2.5 In addition, the Investment Board will receive regular update reports on this project that reviewed its progress against scheduled timescales and financial gateways, given the need for strong project management to be shown in delivering it.

Appendix 1: Wolverhampton Interchange Project Report to Investment Board

1. Purpose

- 1.1. To provide an update on the Wolverhampton Interchange Programme (WIP) and approve the commitment of WMCA funding of £49.3m.

2. Background

- 2.1. The Wolverhampton Interchange Project (WIP) is a key element of the Strategic Economic Plan for the city and the wider Black Country. It will deliver a multi-modal transport hub comprising a new train station, multi-story car park (MSCP) extension and an extended tram connecting to the railway station through a new stop at the bus station. It will enable the delivery of 30,000sq.m of office, retail and leisure floor space, £80m of private sector funding and 1,300 new jobs in the newly-created Commercial Gateway.
- 2.2. West Midlands Combined Authority (WMCA) are working with the partners Midland Metro Alliance, the City of Wolverhampton Council, Network Rail, Canals and Rivers Trust (CRT), West Midlands Rail, London Midland, ION Property Developments and Virgin Trains in delivery of the programme.
- 2.3. The programme has made good progress to date with the completion of the Multi-Storey Car Park in January 2017 and the design work on Metro Extension, together with the undertaking of the bulk of the advance utility diversions. In August 2017, work commenced on the installation of the first part of the main works for the tram extension, being the switch and crossings on Bilston Street, carried out at the same time as the Bilston Road Track Replacement project in order to minimise disruption to tram passengers.
- 2.4. Tram costs have been established via the contractual mechanism of the Midland Metro Alliance and the costs are a "Target Cost 2" level at which the parties have thoroughly examined the costs and commit to the delivery within the Alliance's contractually agreed risk-sharing approach to pain-gain share. This has followed a detailed value engineering exercise to drive down costs through, for example, more efficient traffic management arrangements. The previous project estimates were provided by Aecom, and validated by the Black Country LEP's external auditor at the time the business case was approved, but delays to the programme, increasing construction price inflation and a longer programme duration have increased costs on both the station and the tram projects.
- 2.5. The station main construction contract is to be let in November 2017 with commencement on site in December 2017.
- 2.6. The WIP programme schedule has been included in Appendix 1.

3. Financial Considerations

- 3.1. The overall scheme WIP is now estimated to cost £81.8m, which is £30m above the budgeted £51.8m and comprises of new station building, extension to the multi storey car park and tram extension. The Wolverhampton Interchange Partnership has carried out a thorough estimate of the costs for implementing the projects and is summarised in Table 1 below.

Table 1

Project Elements:	Current Outturn
Station and MSCP Delivery	34.5
Urban Realm Works	1.5
Metro Works	33.3
Programme Costs and Risk	12.5
Total	81.8

- 3.2. The cost estimate for the station works included above are based on an estimated value and the contract value is currently being negotiated with the contractor.
- 3.3. The project has committed funding from various funding providers and is detailed in the table 2 below and further funding approval of £30m is required for delivery of the programme.

Table 2

Funded by:	Funding Committed	Funding Approval	Total
BCLGF	13.5		13.5
ITB	3.0		3.0
Wolverhampton City Council	1.0	15.0	16.0
WMCA Contribution (Investment Programme)	12.4	15.0	27.4
WMCA Contribution (DfT Deed)	21.9		21.9
Total	51.8	30.0	81.8

- 3.4. WMCA is asked to approve the funding of £49.3m, which includes of the committed £21.9m WMCA contribution funded from the DfT deed. The £21.9m will be funded by way of a direct payment deed entered into with the DfT, which allows repayment of the £21.9m debt and other charges, which will be repaid over 12 annual payments by the SFO to WMCA. The funding agreement with DfT has been signed and came into effect on 31 October 2017.
- 3.5. The remainder of the £27.4m consists of £12.4m which has been committed as part of the HS2 Connectivity Package which is included in the WMCA devolution Investment Programme of £8bn; and the additional £15m funding will be required for the WIP programme which will be funded from the WMCA investment programme. If the £15m Investment Programme funding is not available, other funding sources would have to be considered.
- 3.6. Business case was considered by Technical Advisory Group on the 4 October 2017 and IAG on the 6 November 2017.

- 3.7. It is proposed that the WMCA capital contribution of £15m will be made available from within the existing Investment Programme and it is anticipated that any contribution from the Investment Programme will be accommodated from within existing resources without any impact on what was already planned to be funded from the annual gain share grant of £36.5m. This is possible because the overall cost of interest associated with borrowing is now anticipated to be lower over the 30 year period, creating some headroom to fund additional capital investment. In addition to the lower interest charge, the profile of capital expenditure upon which the interest costs are based has been revised and shows a lower capital expenditure and borrowing requirement in the early years with the refinement of capital spend under continual review.
- 3.8. Funding of the other £15m will be provided by the City of Wolverhampton Council which will be funded by borrowing as approved by the Cabinet in September 2017.
- 3.9. The WIP programme will work to minimise costs and an equal proportion of any savings from the £30m will be returned back to the WMCA investment programme and the City of Wolverhampton Council.

4. Impact on the Delivery of the Strategic Transport Plan

- 4.1. The Wolverhampton Interchange Project 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.

5. Wider WMCA Implications

- 5.1. The Metro Extension to Wolverhampton 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. Coupled with the Wednesbury to Brierley Hill Extension this will provide direct access by the Metro to West Coast Main Line services from a wide area of the Black Country.

6. Financial Implications

- 6.1. The financial implications have been covered in the main report section 3 above.

7. Legal Implications

- 7.1. WMCA will be required to enter into grant and funding agreements with City of Wolverhampton Council and the DfT and any delays to the funding approvals would delay the programme delivery with potential financial implications.

8. Equalities implications

- 8.1. 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).

9. Other Implications

9.1. None.

10. Schedule of background papers

10.1. None.