



Investment Board

Date: Monday 4 June 2018

Time: 10.00 am **Public meeting** Yes

Venue: Room 116, 16, Summer Lane, Birmingham, B19 3SD

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

Contact Carl Craney Governance Services Officer West Midlands Combined Authority
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SUPPLEMENTARY AGENDA

No.	Item	Presenting	Pages
Meeting Business Items			
6.	Investment Board Programme Update	Sean Pearce	1 - 10
8.	Tatton Hall Homes Ltd. - Residential Development - W H Marren Site, Harper Street, Willenhall - Brownfield Land and Property Development Fund (BLPDF)	Gerald Gannaway	11 - 46

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Investment Board

Date	4 June 2018
Report title	Investment Programme Update
Portfolio Lead	Councillor Izzi Seccombe - Finance & Investments
Accountable Chief Executive	Deborah Cadman Email Deborah.Cadman@wmca.org.uk Tel 0121 214 7200
Accountable Employee	Sean Pearce Email Sean.Pearce@wmca.org.uk Tel 0121 214 7936
Report to be/has been considered by	

Recommendation(s) for action or decision:

The West Midlands Combined Authority Investment Board is recommended to:

- 1 Note the reduction of £8.3 million in relation to Investment Programme commitments made by West Midlands Combined Authority as detailed in Section 3.
- 2 Note the out-turn against the Investment Programme for 2017/18 as detailed in Section 5.
- 3 Agree to revoke the previous WMCA Board decision to exclude Sandwell MBC from the Collective Investment Fund following WMCA acquiring the necessary borrowing powers as detailed in Section 6.
- 4 Agree to recommend to the West Midlands Combined Authority Board an increase in the value of the Collective Investment Fund from £60 million to £70 million following WMCA acquiring the necessary borrowing powers as detailed in Section 6.
- 5 Agree the principle of applying the Investment Programme Assurance Framework to Investment Programme schemes only as detailed in Section 7.
- 6 Note the Investment Programme related revenue expenditure for 2016/17 as detailed in Section 5.4.

1 Purpose

- 1.1 The Investment Board agreed on 26 March 2018 to receive a monthly report on the status of the Investment Programme to help set the context for any investment decisions being made by the Board. This report fulfils that requirement.

2 Background

- 2.1 The Investment Board was established as part of the approvals process across the Investment Programme. The Investment Board was not originally set up to consider the progress being made across the Investment Programme as a whole. However, what has become clear is the need for the Investment Board and the West Midlands Combined Authority Board to consider appropriate information across funding, expenditure and approvals to support it in relation to its decision making process.

3 Investment Programme Summary

- 3.1 Previous reports to Investment Board have summarised the 20 Programmes which make up the £8 billion Investment Programme showing an analysis of the £2.022 billion intended to be generated by the West Midlands Combined Authority. The discrete values across the programme at a project level remain unchanged.
- 3.2 A detailed analysis is available within the funding summary (Appendix 1) which also remains unchanged.
- 3.3 The previous report stated that approvals to fund commitments to the value of £477.7 million had been through the approved assurance processes. This value has decreased by £8.3 million to £469.4 million since the previous report due to:
- Investment Programme funding of £17.6 million being displaced by the Transforming Cities Funding (TCF) which will be utilised first in relation to the Wednesbury to Brierley Hill Metro Extension. The West Midlands Combined Authority have, however, agreed an arrangement for the Metro Extension to be able to call on cash resources to accommodate timing differences between receipt of TCF grant and expenditure out-lay, to the value of £25 million.
 - Approval of the Birmingham International Station hub OBC design costs (£9.3 million) taking the total approved funding to £469.4 million.
- 3.4 An analysis of the commitment profile for the full £2.022 billion is included within Appendix 4 with a forward plan of commitments expected to be made under the Assurance Process shown within Appendix 2.
- 3.5 Since the last report, UKC have confirmed submission of an FBC under the Interchange programme for Junction 4 M6 enabling works. This is currently scheduled on the forward plan to be presented to Investment Board in September 2018.
- 3.6 It should be noted that the value of funding actually claimed / due relative to the £469.4 million totals £30 million to date.
- 3.7 Of the 20 Programmes, the first scheme to successfully conclude through the assurance approvals process is the Bilston Road Track Replacement scheme (a component of the HS2 Connectivity Package) which has out-turned within budget at a value of £14 million. An out-turn report detailing the final costs and benefits is being produced.

4 Investment Programme Funding

- 4.1 The previous report to this Board outlined the main factors West Midlands Combined Authority are managing in relation to Investment Programme Funding with a specific focus on the potential for a Business Rates Supplement.
- 4.2 The current focus of the project team in relation into the potential supplement is the acquisition of current data relating to the overall Business Rates picture across the West Midlands for businesses with a rateable value in excess of £50,000 to allow the scheme to be developed and communications strategies to be formulated.

- 4.3 In addition, work is under way ahead of a conversation with District Leaders to identify suitable projects to form a part of the Prospectus which will allow WMCA to best chance of success in a Ballot scenario and ensure compliance with the Business Rates Supplement Act.
- 4.4 The main factor in this regard is the likely requirement to terminate a Business Rates Supplement scheme if a project supported by the supplement does not proceed; it is currently unclear how the supplement would need to be amended in the event of a project within a programme not proceeding which will be relevant for WMCA considering that the supplement is likely to be levied on a number of projects within specific programmes. With this in mind, the project team are continuing to obtain Legal opinion on such points.
- 4.5 Over the next 4 weeks, WMCA are expecting to obtain these legal clarifications and prepare a draft prospectus, assembling the economic arguments for the supplement by consolidating the existing information available on each of the projects / programmes. In addition to this, resource plans will be finalised and initial work on the stake-holder engagement plan will be undertaken.
- 4.6 WMCA are hosting a workshop on 30th May 2018 to begin to scope out the Ballot arrangements for a potential Business Rates Supplement. Following this workshop, more clarity on how the Ballot will operate, who will be liable to vote and how the electorate will be identified and approached should be obtained. The work-shop will include representatives from across the Local Authority area who have specific experience in operating Ballots, specifically for Business Improvement Districts.
- 4.7 The major milestone for the Business Rates Supplement work-stream will be the WMCA Board in September 2018 where a view will be obtained on whether the scheme should progress to Phase 2 which would involve the formal consultation stage.

5 Investment Programme Expenditure

- 5.1 Actual expenditure incurred during 2017/18 in relation to the Investment Programme capital is attached as Appendix 3 which details the West Midlands Combined Authority Investment Programme spending of £98.4m against a forecast of £157.3m with the main variance being due to the Land Remediation and HS2 Supply Chain Programmes. These two budgets reflected approximate spend targets whilst the project scope was being fully established. In relation to the HS2 supply chain, the variance relates to private sector leverage which is in the process of being reviewed. Work will continue into 2018/19 to validate this investment.
- 5.2 Appendix 3 also currently notes forecast costs greater than funding on the Metro schemes to Birmingham Airport and Brierley Hill. However at this early stage of development it is assumed this will be value managed down as the project detail develops. Those projects and programmes flagged as Red or Amber rated are reviewed by the HS2 Growth Delivery Board and mitigating actions to reduce risks are considered and challenged.
- 5.3 It should be noted that work with District Leaders on scheduling is continuing and an update will be given to Investment Board at an appropriate point.
- 5.4 In addition to the spend itemised within Appendix 3, the following Investment Programme costs were expensed through the revenue account in pursuance of Investment Programme Delivery and are detailed as follows:

WMCA Investment Programme revenue costs	2017/18
WMCA Investment Programme governance	£441,604
Investment Programme contribution to WMCA operational budget	£436,248
Mayoral election costs	£4,317,811
Mayoral office costs	£362,491
Growth Company set up cost	£500,000
BLPDF management fee	£112,500
Total Investment Programme revenue costs	£6,170,654

5.5 The above spend was approved by the Combined Authority with the majority being incurred in relation to the reimbursement of Local Authority expenditure to fund the Mayoral election and to drive forward the devolution agenda and the significant benefits in regional growth and funding anticipated from a Mayoral Combined Authority.

6 Collective Investment Fund

6.1 On 5 May 2018 the Order allowing the West Midlands Combined Authority to borrow for all of its functions was made. The result of this action will mean that the West Midlands Combined Authority is able to undertake borrowing for a broader range of schemes such as the Coventry Regeneration and Collective Investment Fund initiatives.

6.2 On 12 May 2017, the West Midlands Combined Authority Board received a report (Collective Investment Fund Update) to seek agreement to reduce the Collective Investment Fund to £60 million, from £70 million, until such time as the Combined Authority has the power to borrow. This was because all Metropolitan District Councils, with the exception of Sandwell, had formally agreed to enter into a legal agreement with Birmingham City Council to share the risks associated with the Collective Investment Fund and hence any losses arising in equal proportions.

6.3 Sandwell MBC were subsequently restricted from accessing the Collective Investment Fund until the West Midlands Combined Authority Board acquired the necessary borrowing powers; a decision which can now be revoked subject to the necessary approval.

6.4 Now the West Midlands Combined Authority have obtained borrowing powers, consideration needs to be given about whether the Collective Investment Fund is reinstated back to its initially intended commitment ceiling of £70 million (i.e. £10 million per constituent Local Authority). The ceiling effectively caps the value of outstanding fund commitments at any one time, thus limiting the overall exposure of the West Midlands Combined Authority. As the Collective Investment Fund is 'ever-green', loan repayments from existing deals create the capacity to re-invest subject to the commitment cap not being exceeded.

6.5 Increasing the cap will provide greater capacity for the fund to invest which currently has a commitment value totalling £43 million and will help contribute to the early successes of the fund.

7 Application of Assurance Framework

- 7.1 The Investment Board are asked to endorse the approach towards the Assurance Framework whereby the recognised Investment Programme Assurance Framework is only applied to Investment Programme Schemes and not the wider West Midlands Combined Authority capital investments. These 'wider' investments include relatively immaterial investments such as Asset Replacement Programmes (c. £2 million per annum) but also key, local strategically important schemes such as Longbridge Park and Ride (circa £5 million). There are pre-existing alternative Assurance processes based around the Gateway model which have proved successful using existing delegated authority levels within Transport for West Midlands.

Appendix 1 : WMCA Investment Programme - Funding Summary (£000)

	WMCA Borrowing	DFT	Enterprise Zone	Private (Direct)	DFT Block Grants	Funding Gap / Not Identified	Highway England	Network Rail	Local Growth Fund	Local Authority	Private (Leverage)	LSTF / LGF / OLEV Additional Funding (Not Secure)	Collective Investment Fund	Other	Grand Total
UKC Interchange	398,041					205,650				131				821	604,643
UKC Infrastructure	288,000					22,410	300,000			22,015				1,923	634,348
Curzon Street Station Masterplan			556,200												556,200
Metro Birmingham Eastside Extension	-	129,260							7,940						137,200
HS2 - Metro Birmingham Interchange		492,000	183,300			59,700									735,000
HS2 Connectivity Programme	HS2CP Bilston Road	15,985													15,985
	HS2CP Centenary Square	28,804		16,774	6,100				7,550						59,228
	HS2CP Metro Edgbaston Extension	30,096	58,350						1,500						89,946
	HS2CP Sprint Programme	212,810	35,050		22,419				8,100	950					279,329
	HS2CP Wolverhampton Metro	27,400							13,500	40,900					81,800
	HS2CP Rail Programme	186,100				40,500		198,500							425,100
	Coventry Station Masterplan)	51,000	5,000						25,047	12,567					93,614
Coventry Very Light Rail	55,000							2,460						57,460	
Brierley Hill Metro Extension	103,000	207,000				33,200			400						343,600
National College of High Speed Rail									7,465					18,847	26,312
Programme Governance	3,023														3,023
High Speed Supply Chain and Business Support						7,100					342,900				350,000
SUB TOTAL - HS2 GROWTH STRATEGY	1,399,259	926,660	756,274	28,519	-	368,560	300,000	198,500	73,962	76,563	342,900	-	-	21,591	4,492,788
Coventry City Centre Regeneration	149,955			207,816											357,771
Coventry UKC North	21,600	68,800		52,500											142,900
Coventry UKC South	156,450	80,850		16,300			65,000		500	8,805					327,905
Collective Investment Vehicle													1,000,000		1,000,000
Land Remediation Funds	200,000														200,000
Devolved Transport Investment					429,000							870,000			1,299,000
EZ Expansion Excluding Curzon			20,000												20,000
Business Innovation	50,000														50,000
Employment, Education & Skills	20,000														20,000
Commonwealth Games	25,000														25,000
SUB TOTAL - INVESTMENT PROGRAMME OTHER	623,005	149,650	20,000	276,616	429,000	-	65,000	-	500	8,805	-	870,000	1,000,000	-	3,442,576
GRAND TOTAL	2,022,264	1,076,310	776,274	305,135	429,000	368,560	365,000	198,500	74,462	85,368	342,900	870,000	1,000,000	21,591	7,935,364

Appendix 2: Investment Board - Forward Plan

04-Jun-18	25-Jun-18	23-Jul 18	20-Aug 18
		SOC - UKC Infrastructure Package Phase 2	Change Request - SOC City Centre First
			FBC - Coventry South - A46 Link Road P1
			FBC A45 to Town Centre & UKC Hub Strategy Cycle Link
			FBC - UKC Interchange - M6 Junction 4 Enabling Works

17-Sep 18	22-Oct 18	19-Nov 18	10-Dec 18
Change Request - UKC Interchange - OBC HS2 Hybrid Act Change	OBC - Willenhall and Darlaston Station (Package 1)	OBC - Metro EBS	OBC - Sprint A34 Birmingham to Walsall
	OBC - Moseley, Kings Heath, Hazelwell Stations (Package 2)	OBC - Coventry South - Tile Hill Station Improvements	FBC - Birmingham Eastside Extension
		OBC - HS2 Connectivity Package - Sutton Coldfield Gateway	OBC - Coventry South - A46 Link Road P2
			OBC - Sprint A45

21-Jan 19	18-Feb 19	18-Mar 19	15-Apr 19
OBC - Coventry South - Interchange P&R			
FBC - Metro - Wednesbury Brierly Hill			
OBC - Sprint Birmingham to Sutton Coldfield via Langley			

May (no meeting scheduled)	3-Jun 19
	FBC - Sprint Birmingham to Sutton Coldfield via Langley
	OBC - Coventry North

APPENDIX 3 WMCA Investment Programme Financial Summary

Period Ending 31st March 2018

PROJECT RAG	2017 / 2018 BUDGET VARIANCE			2017 / 2018 FORECAST VARIANCE			COST TO COMPLETION					
	ACTUAL	BUDGET	VARIANCE	ACTUAL	FORECAST	VARIANCE	PRIOR YEAR ACTUAL	2017/18 ACTUAL	FUTURE YEARS FORECAST	TOTAL FORECAST OUTTURN	TOTAL BUDGET	VARIANCE
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
UK CENTRAL : HS2 INTERCHANGE	1,965	2,016	51	1,965	2,040	75	1,982	1,965	600,656	604,603	1,019,937	415,334
UK CENTRAL : HS2 INFRASTRUCTURE	1,404	4,387	2,983	1,404	2,513	1,109	751	1,404	632,192	634,347	648,648	14,301
CURZON STREET STATION MASTERPLAN	0	1,000	1,000	0	1,000	1,000	0	0	556,200	556,200	556,000	(200)
METRO BIRMINGHAM EASTSIDE	1,760	1,678	(82)	1,760	2,033	273	4,457	1,760	130,983	137,200	137,200	0
METRO BIRMINGHAM INTERCHANGE	3,061	2,026	(1,035)	3,061	3,856	795	1,041	3,061	730,898	735,000	675,000	(60,000)
HS2 WIDER CONNECTIVITY PACKAGE	50,268	68,187	17,918	50,268	55,430	5,162	56,729	50,268	995,468	1,102,465	1,070,624	(31,841)
BRIERLEY HILL METRO EXTENSION	5,347	2,133	(3,214)	5,347	5,017	(330)	2,021	5,347	336,232	343,600	310,000	(33,600)
NATIONAL COLLEGE FOR HIGH SPEED RAIL	9,409	8,687	(722)	9,409	9,985	576	16,022	9,409	78	25,509	25,233	(276)
HS2 GROWTH STRATEGY PROGRAMME MANAGEMENT	311	594	283	311	417	106	304	311	2,409	3,024	4,400	1,376
HIGH SPEED SUPPLY CHAIN & BUSINESS SUPPORT	400	25,748	25,348	400	25,748	25,348	10,870	400	338,730	350,000	350,000	0
HS2 Growth Strategy Total	73,925	116,456	42,531	73,925	108,039	34,114	94,177	73,925	4,323,846	4,491,948	4,797,043	304,597
COVENTRY UK CENTRAL PLUS CONNECTIVITY	1,887	3,217	1,330	1,887	2,746	859	454	1,887	468,459	470,800	472,350	1,550
COVENTRY CITY CENTRE REGENERATION	5,357	7,842	2,485	5,357	6,498	1,141	464	5,357	352,380	358,201	359,311	1,110
COLLECTIVE INVESTMENT VEHICLE	17,196	20,000	2,804	17,196	20,000	2,804	3,589	17,196	979,215	1,000,000	1,000,000	0
LAND RECLAMATION	0	20,000	20,000	0	20,000	20,000	0	0	200,000	200,000	200,000	0
COMMONWEALTH GAMES	0	0	0	0	0	0	0	0	25,000	25,000	25,000	0
DEVOLVED TRANSPORT INVESTMENT	0	0	0	0	0	0	0	0	1,299,000	1,299,000	1,299,000	0
EZ EXPANSION EXCLUDING CURZON	0	0	0	0	0	0	0	0	20,000	20,000	20,000	0
EMPLOYMENT EDUCATION & SKILLS	0	0	0	0	0	0	0	0	20,000	20,000	20,000	0
BUSINESS INNOVATION	25	25	0	25	25	0	0	25	49,975	50,000	50,000	0
OTHER INVESTMENT PROGRAMME SCHEMES	24,465	51,084	26,619	24,465	49,269	24,804	4,507	24,465	3,414,029	3,443,001	3,445,661	2,660
GRAND TOTAL	98,390	167,540	69,151	98,390	157,308	58,918	98,684	98,390	7,737,875	7,934,949	8,242,704	307,257

Spend to the end of 2017/2018 is £69.1m behind budget mostly due to the deferral of payments relating to Land Remediation and an underspend against the HS2 supply chain Support relating to Private Sector leverage which has proved difficult to verify. Both budget allocations for 2017/18 were set as a high level aspiration of spend before the work-streams were fully scoped. The Land Remediation programme is making good progress with firm commitments being made and expected draw downs due to occur in early 2018/19. Work to quantify the Private Sector match funding against the HS2 Supply Chain work-stream will continue into 2018/19.

The remaining variances are consistent with previous reports where the Wolverhampton Interchange Station / Car Park works within the HS2 Connectivity Package caused by the delays in the procurement of the main contractor and underspends to budget were encountered against UK Central Infrastructure due to a delayed start to land acquisition and construction works. These variances were offset by acceleration of the Metro Programmes for Briarley Hill and the extension to Interchange Station (Solihull) where development has been advanced.

The UK Central Interchange completion cost has been restated to exclude projects not directly managed and sponsored by Solihull MBC and UGC. Previous financial returns have included a number of investment projects relating to the Interchange Hub zone, as set out in the published UGC Growth & Infrastructure Plan, but which are not directly managed by SMBC/UGC. These projects included an element of HS2 direct investment in the Interchange Station, car park and Automated People Mover (APM). The UK Central Interchange RAG status is reported as red reflecting the position regarding the £205m matched funding element of the Birmingham International Station (CEF) redevelopment proposal which is not secured. This funding represents 71% of the forecast cost of this project (£287m). The balance of the Interchange programme, including the remainder of the CEF project, is primarily funded by WMCA.

The UK Central Infrastructure scheme programme continues to show a reduction against the initial budget as activities and funding are aligned to programmes. Previous financial returns have included projects set out in the published UGC Growth & Infrastructure Plan.

The forecast out-turn for the Birmingham to Interchange and Briarley Hill Metro Extensions continue to exceed the original budget as a result of the inclusion of optimism bias into the initial business case estimates. No new funding has been identified to cover these variances.

The 2018 Devo II announcement confirmed the DCLG/DfT funding for the Briarley Hill Metro extension and therefore the RAG status has moved to green. The RAG status remains red for the Birmingham to Interchange Metro extension because Government funding has not been confirmed. WMCA are working with project stakeholders to identify a funding strategy for this project.

Within the HS2 Connectivity Package, the Wolverhampton Interchange Station / Car Park scheme is now forecasting an additional £30.0m of cost which has emerged as part of the procurement activity to be funded by WMCA (50%) and the City of Wolverhampton (50%).

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