



Investment Board

Date: Monday 27 November 2017
Time: 10.00 am **Public meeting** Yes
Venue: Room 116, 16, Summer Lane, Birmingham, B19 3SD

Membership

Councillor Izzi Seccombe (Chair)
Councillor Jim O'Boyle
Councillor Sean Coughlan

Councillor Robert Hulland
Councillor Majid Mahmood
Councillor Peter Richards
Nick Abell

Paul Brown
Gary Taylor

Warwickshire County Council
Coventry City Council
City of Wolverhampton Council, Dudley MBC,
Sandwell MBC and Walsall MBC
Solihull Metropolitan Borough Council
Birmingham City Council
Non-Constuent Authorities
Coventry & Warwickshire Local Enterprise
Partnership
Black Country Local Enterprise Partnership
Greater Birmingham & Solihull Local Enterprise
Partnership

Quorum for this meeting shall be three members.

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

Contact Carl Craney Governance Services Officer West Midlands Combined Authority
Telephone 0121 214 7965
Email Carl.Craney@wmca.org.uk

AGENDA

No.	Item	Presenting	Pages
Meeting Business Items			
1.	Apologies for Absence (if any)	Chair	None
2.	Notification of Substitutes (if any)	Carl Craney	None
3.	Declarations of Interests (if any) Embers are reminded of the need to declare any disclosable pecuniary interests they have in an item being discussed during the course of the meeting. In addition, the receipt of any gift or hospitality should be declared where the value of it was thought to have exceeded £25 (gifts) or £40 (hospitality).	Chair	None
4.	Minutes of last meeting	Chair	1 - 6
5.	Matters Arising	Chair	None
Business Items for Consideration			
6.	Very Light Rail: Transforming Connectivity West Midlands (VLR:TCWM)	Rhian Palmer	7 - 20
7.	Wolverhampton Interchange Project	Phil Hewitt	21 - 34



WEST MIDLANDS COMBINED AUTHORITY

Investment Board

Monday 30 October 2017 at 10.00 am

Minutes

Present

Councillor Izzi Seccombe (Chair)
Councillor Jim O'Boyle
Councillor Robert Hulland
Councillor Peter Richards
Nick Abell

Paul Brown

Gary Taylor

Warwickshire County Council
Coventry City Council
Solihull Metropolitan Borough Council
Non-Constituent Authorities
Coventry & Warwickshire Local
Enterprise Partnership
Black Country Local Enterprise
Partnership
Greater Birmingham & Solihull Local
Enterprise Partnership

In Attendance

Phil Edwards
Gerald Gannaway
Phil Hewitt
Katherine Kynaston
Sarah Middleton

Nick Oakley
Michael Ogden
Sean Pearce
Carl Craney

Telford and Wrekin Council
Finance Birmingham
Transport for West Midlands
Telford and Wrekin Council
Black Country Local Enterprise
Partnership
Finance Birmingham
Transport for West Midlands
West Midlands Combined Authority
West Midlands Combined Authority

Item Title No.

29. Chair's Announcement

The Chair, Cllr Mrs Izzi Seccombe, introduced Sean Pearce, WMCA Director of Finance to the Board. Sean Pearce outlined his career history and advised that he looked forward to working with Board Members.

30. Apologies for Absence (if any)

Apologies for absence had been received from Councillor Majid Mahmood (Birmingham City Council), David Cockroft (Coventry City Council) and Roger Mendonca (Greater Birmingham and Solihull Local Enterprise Partnership).

31. Notification of Substitutes (if any)

No notifications of substitutes had been received.

32. Declarations of Interests (if any)

No declarations of interest were made relative to items under consideration at the meeting.

33. Minutes of last meeting

Resolved:

That the minutes of the meeting held on 6 October 2017 were confirmed as a correct record and signed by the Chair.

34. Matters Arising

There were no matters arising from the minutes of the meeting held on 6 October 2017.

35. Approval for Entering into a Development Agreement for Curzon Street Tram Stop Interface with HS2 for the Birmingham Eastside Extension and underwriting costs of up to £18.5 million

Michael Ogden presented a report which sought authorisation for the West Midlands Combined Authority (WMCA) to underwrite the £18.5 million estimated maximum cost of additional utility works, design and management which would be incurred by HS2 in order to integrate the metro and stop at the Curzon Street HS2 station and to note that the Head of Governance had been granted delegated authority on 30 September 2016 to enter into the Development Agreement with Birmingham City Council (BCC) and HS2 Ltd. he explained that this placed certain obligations upon the WMCA including underwriting costs and for the parties to work together to seek to reduce such costs.

He advised that the initial estimated costs were likely to include some elements of double counting inasmuch as the original design for the Curzon Street HS2 station would require some parts of the utility works addition of the metro and stop would not be responsible for all of the additional costs. Furthermore, it was anticipated that the costs could be reduced through value engineering works and some of the works being carried out by the Midland Metro alliance (MMA). He explained that the costs and scope of the works would be refined early in the New Year.

The Board sought assurances that the WMCA was not being required to underwrite costs which were attributable to the HS2 element of the scheme. Michael Ogden advised that the costs were being disaggregated by the Utilities Working Group comprised of Officers and consultants from WMCA / MMA / BCC / HS2. The Board required this to form part of its formal decision. Councillor Robert Hulland stressed that the WMCA / BCC should only be required to be responsible for any additional expenditure nor any duplicated costs. The Chair suggested that an Agreement be sought with the HS2 Board to this effect. Michael Ogden advised that these matters were included within the Heads of Terms. Sean Pearce suggested a form of words that could be included in the resolution of this Board were it minded to approve the proposals.

Nick Abell queried the identity of those representing the WMCA / BCC in the negotiations with HS2 Ltd. Michael Ogden responded accordingly. Nick Abell commented on the references in the report to exceeding the £18.5 million

sum for underwriting the costs, subject to the approval of this Board at some point in the future and questioned whether this actually amounted to a capped limit on expenditure given that a commitment to the schemes would have been made by that point in time and the WMCA would have some responsibility for costs incurred. Sean Pearce explained the financial projections, the governance arrangements and that the total costs of the schemes were not known at this time. He suggested that the decision of the Board could take account of these issues. Phil Hewitt advised that it would be necessary for this Board to receive and consider a further report on this scheme in approximately 12 / 18 months' time in any event when final costs were known.

Councillor Robert Hulland referred to the comments now made and queried whether it was actually necessary for the decisions now under consideration to be taken at this stage in the scheme. Phil Hewitt explained that these considerations provided 'Risk Provision' and that it was necessary for the Development Agreement to proceed.

Resolved:

1. That the WMCA Board approval of 30 September 2016 be noted;
2. That the Assurances in place relating to the integration of the metro stop at Curzon Street be noted;
3. That the sift process undertaken in 2016 leading to the selection of Option 4 and the production by HS2 Ltd of an estimated £27.5 million (worst case scenario) of additional works required comprised of £18.5 million utility diversions and £9 million station and urban realm works be noted;
4. That HS2 is required to proceed through governance with relation to the interface costs and scope in order to reflect this in the procurement of the design of the station and that this necessitated the WMCA and BCC to commit to underwriting the costs identified in Option 4 at this stage;
5. That the underwriting of the maximum £18.5 million for additional utility diversions arising as a result of the tram stop integration and not included previously in the HS2 Business Case be authorised;
6. That subject to 5. above, the grant of delegated authority to the Head of Governance to enter into and execute the Development Agreement in accordance with the powers delegated by the WMCA Board on 30 September 2016 be noted.

36. Midland Metro - Wednesbury - Brierley Hill Extension - Change to capital profile

Phil Hewitt presented a report which outlined opportunities to accelerate the Wednesbury – Brierley Hill Metro Extension project into Dudley Town Centre by approximately four months. He advised that a further report would be submitted in due course with regard to further acceleration of the project. He drew to the attention of the Board that the purpose of the report was not to seek additional funds but to re-profile the current budget.

Councillor Robert Hulland referred to paragraph 2.15 of the report insofar as it referred to a contribution towards the costs of the scheme being sought from Intu, the owner of the Merry Hill Shopping Centre and enquired whether

this was likely to be forthcoming. Phil Hewitt explained that this would be the subject of commercial negotiations between the two parties.

Resolved:

1. That progress on the business case and funding on the Wednesbury to Brierley Hill Metro Extension project since the report to the WMCA Board on 21 April 2017 be noted;
2. That the bringing forward of £1.6 million of capital expenditure into 2017/18, to maintain and accelerate progress on development and implementation of this important project, funding as detailed in the report, be approved.

37. Exclusion of the Public and Press

Resolved:

That in accordance with Section 100A4 of the Local Government Act 1972, the press and public be excluded from the meeting during the consideration of the following items of business as they involve the likely disclosure of exempt information relating to the business affairs of any particular person (Including the authority holding that information).

38. Telford and Wrekin Council - Unlocking Housing Sites

Gerald Gannaway presented a report which sought approval to the grant of £3,690,000 of Brownfield Land and Property Remediation Fund (BLPDF) monies to target the bringing forward of 540 housing units across a variety of sites within the Telford and Wrekin Council area at a maximum intervention of £7,000 per unit. The report detailed the mechanism for the management of this sub fund.

In response to a query from Councillor Robert Hulland, Katherine Kynaston advised on the current planning position with the respective sites and on the types of development and tenures which would exist.

Resolved:

That the grant of £3,690,000 of Brownfield Land and Property Remediation Fund (BLPDF) monies to target the bringing forward of 540 housing units across a variety of sites within the Telford and Wrekin Council area at a maximum intervention of £10,000 per unit together with the mechanism for the management of the sub fund, as detailed in the report, be approved.

39. WMCA CIF / BLPDF Dashboard

Nick Oakley presented the CIF / BLPDF Dashboard as at 18 October 2017 which detailed:

- WMCA CIF / BLPDF – Investments committed and completed funds;
- WMCA CIF / BLPDF – Dashboard of deal values and totals diagrams; and
- WMCA CIF “Loan Fund” / BLPDF – Pipeline – WIP.

He responded to a question from Councillor Jim O’Boyle in relation to a particular scheme.

Resolved:

That the Dashboard be received and noted.

40. Receipts of Gifts and Hospitality on WMCA Business

Gary Taylor referred to the circulation recently of the WMCA policy in relation to the acceptance of gifts and hospitality whilst undertaking WMCA business and enquired whether this applied to all matters carried out during his business activities. Carl Craney clarified that this policy applied only whilst members were carrying out duties related to WMCA membership i.e. as members of the Investment Board in this particular example. Nick Abell commented that the requirement to declare gifts and hospitality whilst on WMCA business was not dissimilar to the requirements under the Bribery Act which applied to private sector businesses.

The meeting ended at Time Not Specified.

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Investment Board Meeting

Date	27 November 2017
Report title	Very Light Rail: Transforming Connectivity West Midlands (VLR: TCWM)
Portfolio Lead	Councillor Roger Lawrence - Transport
Accountable Chief Executive	Keith Ireland Email : Keith.Ireland@wolverhampton.gov.uk Tel : 01902 554500
Accountable Employee	Colin Knight Email : Colin.Knight@coventry.gov.uk Tel: 024 7683 3001
Report to be/has been considered by	Report has been considered by WMCA Technical Approval Panel and WMCA Investment Advisory Group

Recommendation(s) for action or decision:

The Combined Authority Board is recommended to:

1. Approve the award of £12,204,821 Devolution Deal funding to the Very Light Rail: Transforming Connectivity West Midlands programme, which is jointly promoted by Coventry City Council and Dudley Metropolitan Borough Council. The allocation falls within Coventry's UK Central Plus Programme.

1.0 Purpose

- 1.1 This report seeks the approval of £12.2m for the Very Light Rail: Transforming Connectivity West Midlands (VLR: TCWM) programme, requested via a Strategic Outline Business Case.

1.2 VLR:TCWM is a programme of activity to help establish the West Midlands as a world-class business investment location by supporting urban public transport connectivity, developing significant supply chain opportunities and providing a focus for driving up skill levels, focusing on the development of VLR technology. The programme is promoted by Coventry City Council (CCC) and Dudley Metropolitan Borough Council (DMBC), with support from Transport for West Midlands.

2.0 Background

2.1 The VLR:TCWM programme consists of a number of projects which focus on the development of VLR technology as per Figure 1. Warwick Manufacturing Group (WMG) are involved in each of the projects, and are market leaders in VLR Research and Development (R&D) and have the necessary technical expertise to turn VLR from concept into reality.

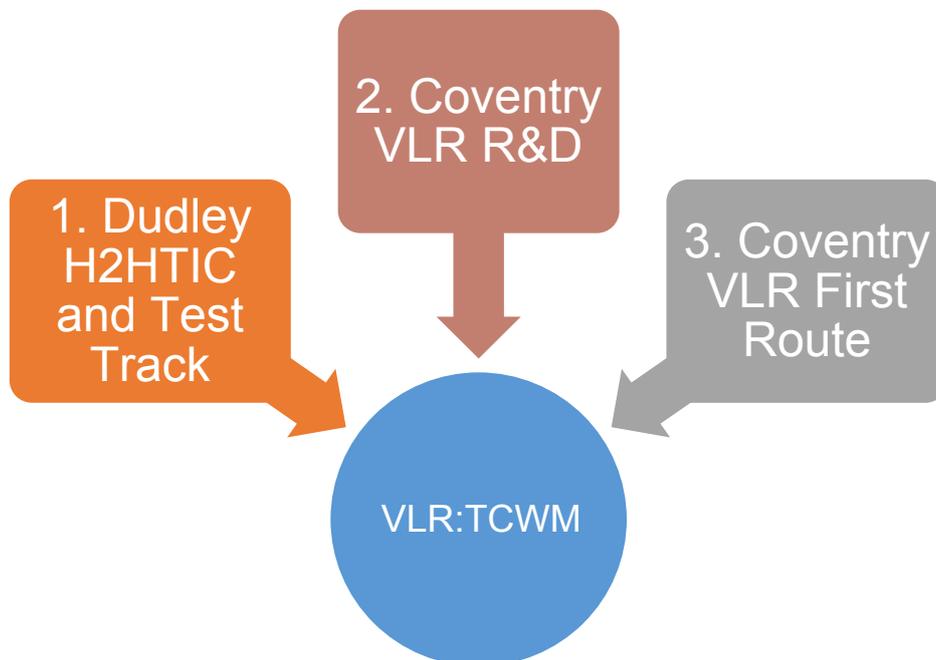


Figure 1: Very Light Rail: Transforming West Midlands Programme Components

2.2 The programme comprises of the following:

(1) Dudley H2HTIC and Test Track

This project includes (a) Hub to Home Transport Innovation Centre and Test Track and encompasses (b) a retaining structure linked to Midlands Metro.

(a) The Hub to Home Transport Innovation Centre and Test Track Project: Very Light Rail and Autonomous Technologies (H2HTIC)

Located in Dudley, this is a strategically important project to support the development of the Very Light Rail and autonomous technology sector which will provide growth for new UK industries supplying domestic and international light rail schemes. The facilities will provide opportunities to develop and test new solutions, predominately for VLR, but also autonomous pod vehicles which focus on the last few miles of any passenger's journey, from a station or 'hub' to the front door, 'home'.

The project supports a wider programme of transport improvements in the Black Country including helping to tackle some of the congestion problems facing both businesses and visitors to the area and providing access to key employment sites. In addition, a new supply chain will be created to support the ongoing needs of this innovative sector.

Specifically the Dudley H2HTIC centre will:

- i. Support the emergence of new technologies based around very lightweight railway carriages with an overall objective to significantly reduce costs, save energy and lighten corresponding rail infrastructure;
- ii. Provide opportunities to work with local businesses in the development of autonomous technologies; and support Dudley in becoming a demonstrator town for such technologies, similar to Milton Keynes and Coventry. (A proposal for the first demonstrator route is being submitted in collaboration with Dudley College and Westfield Racing to Centre for Connected and Autonomous Vehicles (CCAV) Test Bed call);
- iii. Create a hub for the industry offering: world class research, development and education focused around very light rail vehicles, autonomous vehicles, skilled personnel and essential incubation space;
- iv. Boost innovation in SMEs through market ready New Product Development and collaboration with the University of Warwick and other similar HEIs;
- v. Support the development of an immature supply chain which is fragmented and lacking critical mass while providing an opportunity for UK companies to develop new products serving a number of emerging markets both in the UK and abroad;
- vi. Provide a base location for existing projects e.g. the Product Innovation Accelerator (PIA) which enables SMEs to participate in Research and Development and create, test and demonstrate new marketable products that are based on the new technology and applications; and

- vii. Work in partnership with Dudley College and specifically their University Centre Dudley to offer higher level apprenticeships, specialist undergraduate and post graduate courses for individuals and companies seeking training and education in key aspects related to the value chain for VLR and autonomous pods, plus other selected aspects of advanced manufacturing relevant to the Black Country.

(b) Metro Retaining Structure (Shared Wall)

The Midland Metro's Wednesbury to Brierley Hill Extension (WBHE) alignment will pass very close to the H2HTIC; it has to go up a 250m long slope from Tipton Road to Station Drive and there will be two tram stops behind the H2HTIC building. There is a 10m height difference between the two stops.

A large retaining wall is required for the H2HTIC and Midland Metro WBHE projects to coexist, given their close proximity. The embankment solution authorised in the Midland Metro (Wednesbury to Brierley Hill and Miscellaneous Amendments) TWAO SI2005/927 Order would effectively prevent the H2HTIC and the access road running parallel to the Centre, from being constructed. As this project will remove (or unlock) the technical constraints for both H2HTIC and Midland Metro WBHE, the parties have therefore agreed to work together to develop an integrated design solution.

The SOBC is seeking approval of £4.33m for this element of the project.

(2) Coventry VLR Phase 1: Research & Development

Coventry City Council's Strategic Transport Investment Programme 'UKC+' is an ambitious 10 year programme to drive sustainable high value economic growth and to maximise the opportunities offered by the opening of HS2 and the Growth Hub at UK Central.

The local transport network has finite capacity and, as one of the UK's fastest growing cities, it is essential Coventry develops an efficient mass transit system which encourages people to use low emission public transport – to keep the city moving as well as to address air quality and public health concerns.

Bus travel, even when enhanced, does not encourage the same modal shift as rail-based modes. However, conventional street tramways are tremendously expensive (from around £15m/km up to around £100m/km within city centres) meaning it is virtually impossible to generate a positive business case in cities the size of Coventry.

The purpose of the Coventry VLR project is to develop an alternative form of light rapid transit system that is affordable and attractive to users. It is essential that the final product functions as a complete system – not just discrete elements. The project will need to meet the following overarching objectives:

- i. Marketable to the general public as an attractive alternative to the private car;
- ii. Value for money – capable of generating a favourable Benefit to Cost Ratio (BCR) in cities of similar size to Coventry;
- iii. Interoperability with Midland Metro;
- iv. Able to run both on and off the existing highway, using an innovative modular slab track and simple signalling technology (for the on-highway sections, the lightweight track could be installed using shallow excavations – thereby leaving pre-existing utility equipment in place).
- v. Capable of being produced to modular standards by local manufacturers;
- vi. Potential for autonomous operation in the future; and

- vii. Self-propelled using battery technology only – no overhead line equipment and no internal combustion engine based hybrid operation (which means zero emissions at source).

In order to deliver phase 2 all of the objectives need to be met to deliver a low cost solution. The aim is to achieve a total whole system target cost of around £7m per kilometre (at 2017 prices). This would be substantially cheaper than most conventional light rail systems.

The Coventry VLR project provides the opportunity for an initial production run of locally manufactured vehicles, batteries and track. The R&D project is made up of four work streams:

- Design, construction and testing of a VLR vehicle prototype;
- Development and testing of an innovative low cost modular track;
- Development of a design and business case for the first route in Coventry; and
- Co-ordination of measures to deliver an operational system with an excellent passenger experience.

The Coventry VLR R&D project aims to utilise innovative vehicle, battery and track technology to deliver a route network that is a more sustainable and attractive alternative to conventional bus; at an affordable price.

Cost efficiencies can be achieved through collaboration with DMBC, where the Coventry VLR vehicle is facilitated and tested at the VLR Innovation Centre.

The Coventry project also aims to develop autonomous operation in order to take advantage of the existing West Midlands' capability and status as a "living lab". The VLR Innovation Centre will develop a testing facility for autonomous pods and the Coventry VLR project will consider the potential either for

- "Last mile" journeys at either end of the route (e.g. in the city centre); or
- Full autonomous operation of the whole route.

The key deliverables of the R&D stage of the projects will be a prototype vehicle, track and charging system, subject to full testing, which if successful will proceed to Phase 2.

(3) Coventry VLR Phase 2: First Route

Subject to the success of Phase 1 R&D and approval of a robust full business case (FBC), Coventry would seek WMCA to release the residual funding (£42.8M) from the £55M allocation for delivery of Phase 2 of the project. Phase 2 will involve construction and operation of the first route and all constituent components. These will include:

- Detailed civil engineering and ground works;
- Installation of track in the highway and on segregated routes;
- Stops design and installation;
- Charging facilities for the vehicle;
- Manufacturing of vehicles.

The Transport and Work Act Order (TWAO) is a lengthy process which can take between 3-5 years. Following approval of funding and consent granted under the TWAO procurement will commence. Construction of the first route is due to start to in 2023 with works to be

completed in 2025, with anticipated operation of service commencing in 2025/2026. If the timescales for obtaining the TWAO can be expedited, it is anticipated that operation of service can be brought forward to 2024.

3.0 Impact on the Delivery of the Strategic Transport Plan

3.1 The programme supports the delivery of the following tiers of the Movement for Growth Strategy, and is included as a priority in the 2026 Delivery Plan:

National & Regional: *Improved Connections to the UK Central Hub Area* through the aspiration to connect Coventry to UKC via VLR as a future phase;

Metropolitan: *HS2 Connectivity Programme* through a future phase of VLR to connect to the HS2 Interchange and complement the wider HS2 Connectivity Programme through interoperability with Metro, along with supporting the Metro Wednesbury to Brierly Hill extension through construction of the retaining wall and links to the Innovation Centre;

Smart Mobility: *Connected and Autonomous Vehicles* through working with industry experts in research and development and creation of real world test environments through both the Innovation Centre and Coventry VLR scheme to support industry investment and applied CAV technology.

4.0 Wider WMCA Implications

4.1 This project presents an opportunity in terms developing an affordable rail based rapid transit system that if successful could be used in other areas across the West Midlands. The Coventry VLR project is being developed to be interoperable with Midlands Metro. The Dudley Innovation Centre will include a retaining wall which futureproofs the Metro extension and will also provide an opportunity to test vehicle prototypes on Metro track. The project also presents job and skills opportunities in the advanced manufacturing sector, using a supply chain based in the region.

5.0 Progress, options, discussion, etc.

5.1 The programme is progressing well. The DMBC and CCC elements are at different stages, as outlined below. Programme governance has been established, which includes representation at Board level from both CCC, DMBC along with TfWM, WMG and WMCA.

5.2 The Dudley project is currently at design stage for the retaining wall. It is expected that by the end of November, options for the wall's design will have been tabled and progressed. Design and logistic meetings are being held every 2 weeks between Dudley MBC, WSP and MMA. DMBC have gone out to tender for the construction of the Innovation Centre, which makes provision for Coventry's prototype track.

5.3 The Coventry VLR R&D project is at concept development stage. The project has attracted £2.46m from DfT Growth Deal, which has enabled feasibility studies to be commissioned for both the vehicle and track, led by WMG. A preferred vehicle option has been selected and is now out to tender for development, while a feasibility report on the track options is currently being considered, with a view to making a formal decision on the preferred option by the end of the year. Work on the route development and business case is ongoing, a consultant has been procured to undertake a detailed modelling exercise to explore a number of route

options, the results of which are anticipated in January 2018. TfWM are providing technical advice and support on the project. DfT are closely engaged in the project, and engagement has been undertaken with Network Rail and the ORR. Engagement with Utility Companies, a key stakeholder, will commence in the next few months.

6.0 Financial implications

6.1 A total of £12.2m is sought from WMCA which will specifically fund both the shared retaining wall and Coventry VLR Phase 1 R&D. It is proposed Coventry City Council will be the accountable body for the funding, under its UKC+ and HS2 programme allocations. Funding will be managed via a grant aid agreement between the parties.

Coventry is seeking a contribution of £7.87m to deliver Coventry VLR Phase 1. The nature of this project is Research and Development. Coventry is seeking assurance from WMCA that in the event of the R&D project outcome being unsuccessful, the funding allocation will not be recovered. Coventry notes that in this event the remaining £42.8m funding of the £55m WMCA funding package will no longer be required to spend on Phase 2 for delivery of the first route, and would seek approval via the WMCA assurance framework to reallocate the funding to another project within the UKC+ programme.

Other funding sources are also being pursued, including European Funding through a recent ESIF funding call, along with private industry investment.

7.0 Legal implications

7.1 H2HTIC

State Aid Advice through DEF in August 2016 states that the VLR Innovation Centre project is deliverable through a 'no aid' conclusion from the 'research infrastructure' provisions in the European Commission's 2014 R&D Framework. The ERDF and other public funding for the project is likely to be 'state aid' justified which through its 'no aid' basis is not limited in terms of aid intensity. (Further details can be submitted if required).

7.2 Coventry VLR Phase 1 & 2

The funding for the design concept will be provided by way of a grant funding agreement made between CCC and UoW. As the funding is coming from public funds, any potential risk of State Aid has to be addressed.

State aid does not arise under the proposed grant being given to UoW for research and development of the very light rail project. This is because where a University carries out almost exclusively non-economic activities or research infrastructure is used almost exclusively for non-economic purposes, the funding may fall outside State Aid Rules, so long as any economic activity is purely ancillary. In this case, a case can be made on the basis that the UOW are undertaking this R&D for purely non-economic purposes.

Notwithstanding the above, the Department for Business and Innovation (BIS) issued guidance in July 2014 which states that under the section R&D and Innovation support that funding is not considered to constitute State aid "Where a University/non-profit research organisation effectively collaborates in business research projects, this will not constitute

state aid provided the organisation is paid market rates by business partners for its share of the project work or results, or is given on-going ownership of the results generated by its share of the work (Intellectual Property)". It is only where these conditions are not met, the organisation's contribution to the project will constitute State aid."

As stated above, this project will be underpinned by a collaboration and grant agreement with UoW. Within those agreements and in order to address the State Aid risks, it will a condition of the collaboration agreement that all intellectual property which arises out of the research and development will be shared between the parties. Therefore the condition is met within BIS guidance and therefore it can be said state aid does not apply.

It should be noted that the Research and Development and Innovation (R&D&I) Framework does not provide an exemption from notifying the Commission before the aid is granted. The purpose of the Framework is to inform the public of the criteria which the Commission will apply if proposed State Aid is notified to the Commission (by way of a challenge) and the Commission has to decide whether or not to permit that aid. In making that assessment the Commission balances the positive impact of the aid in reaching an objective of common interest against its potentially negative effects of distorting trade and competition. The R&D&I Framework has a section on collaborative research. The arrangement which is being discussed on VLR falls within category as it satisfies the condition "any IPR resulting from the project and access rights are allocated between the collaborators so as to reflect adequately their work packages, contributions and respective interests". As a result if the Commission had to decide whether it was to permit the aid, in Coventry's Legal Services' opinion it would so long as the collaborative agreement specifies any intellectual property rights resulting from the project and access rights are shared.

A collaboration agreement will be in place between the parties with the shared intellectual property rights specified simultaneously with the grant agreement and before any grant monies are given.

8.0 Equalities implications

8.1 The programme will ensure that both the facility and transport infrastructure are developed in line with the Equality Act 2010. An Equality Impact Assessment will be developed accordingly and stakeholder engagement will include accessibility and disability groups.

9.0 Schedule of background papers

9.1 DMBC Cabinet Approval 'External Funding Applications – Black Country Growth Deal/West Midlands Combined Authority Investment Fund, 29th June, 2016

CCC Cabinet Approval 'Connecting Coventry – Strategic Transport Investment Programme', 24th January, 2017



PROJECT: VLR Transforming Connectivity West Midlands

Very Light Rail: Transforming Connectivity West Midlands (TCWM) is a programme of activity to help establish the West Midlands as a world-class business investment location by supporting urban public transport connectivity, developing significant supply chain opportunities and providing a focus for driving up skill levels. The programme is promoted by Coventry City Council and Dudley Metropolitan Borough Council, with support from Transport for West Midlands.

This programme consists of a number of projects which work towards achieving this ambition as per the table below. The common denominators are the focus on the development of VLR technology, along with the role played by Warwick Manufacturing Group (WMG), who are market leaders in VLR Research and Development (R&D) and have the necessary technical expertise to turn VLR from concept into reality.

Project	Description
1. Dudley H2HTIC and Test Track	This project includes (a) Hub to Home Transport Innovation Centre and Test Track and encompasses (b) a retaining structure linked to Midlands Metro. <i>(a) The Hub to Home Transport Innovation Centre and Test Track Project: Very Light Rail and Autonomous Technologies (H2HTIC)</i> <i>(b) Metro Retaining Structure (Shared Wall)</i>
2. Coventry VLR R&D	Coventry Very Light Rail (VLR) Phase 1: Research & Development
3. Coventry VLR Route	Coventry Very Light Rail (VLR) Phase 2: First Route

Financial Ask: To deliver the programme, £12.2m of funding is sought from the WMCA through this SOBC (as per Table 1) - £4.33m to develop the shared wall at Castle Hill Dudley and £7.87m to support Coventry’s ambitions to deliver Coventry VLR Phase 1 R&D.

It is proposed that the £12.2m will be funded from Coventry’s £55m allocation for Very Light Rapid Transit, which is made up of £40m UKC+ and £15m HS2 connectivity funding. The £4.33m allocation for Dudley will be awarded on a grant basis, the terms of which are to be agreed between CCC and DMBC via a grant aid agreement. It is estimated that through utilising Dudley’s innovation centre to test the Coventry VLR prototype, up to £1m savings will be made to the Coventry VLR R&D phase. If the R&D stage of the Coventry VLR scheme is a success, CCC and WMCA will be required to work together using best endeavours to identify up to £3.3m funding to address the potential shortfall as a result of awarding funding to DMBC.

Table 1 – Funding Sought from WMCA

Programme Funding Breakdown	£
Expenditure:	
Coventry VLR Phase 1 R&D (incl £4.33m to Dudley)	14,562,821
Funding Secure:	
DfT / Growth Deal	2,460,000
Funding Sought from WMCA (shortfall)	12,204,821

Assurance Level	Stage SOC	Stage OBC	Stage FBC	Actions	Confirmed	Approved
Local Assurance				None		Cabinet approval obtained 24/01/17
Date: 24/01/17						

Assurance Level	Stage SOC	Stage OBC	Stage FBC	Actions	Confirmed	Approved
				<ul style="list-style-type: none"> Retaining wall was originally part of Metro – Wednesbury to Brierley Hill. Needed to bring timing forward in order not to impact DMBC project. Costs will be removed from MMA budget <p>Other:</p> <ul style="list-style-type: none"> The comprehensive risk register Coventry Council have developed for the scheme should be added as an appendices to the SOC Governance needs expansion as relates to internal project only Agreed stage gates would be implemented to monitor progress of Phase 1. This would be done in line with WMCA reporting requirements to be agreed via WMCA PMO If the Coventry VLR R&D Phase is successful then an OBC for the Coventry VLR First Route will be completed and progressed through the Investment Programme approvals process 	Programme level risk register provided as appendix 4.	
<p>Investment Advisory Group</p> <p>Date: 02/10/17</p>						Investment case was approved to progress to Management Board
<p>WMCA Leadership Board</p> <p>Date: 14/11/17</p>					<p>Email approval lodged with PMO.</p> <p>Due to SOC value, Investment Board approval required</p>	<p>Email approval received from Sean Pearce (Director of Finance), Julia Goldsworthy (Director of Strategy), Tim Martin (Head of</p>



Assurance Level	Stage SOC	Stage OBC	Stage FBC	Actions	Confirmed	Approved
						Governance & Monitoring Officer)
SEP Board Date: 14/12/2017						
Investment Board Date: 27/11/2017						
WMCA Board Date:						

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WMCA Investment Board

Date	27 November 2017
Report title	Wolverhampton Interchange Project
Cabinet Member Portfolio Lead	Councillor Roger Lawrence – Transport
Accountable Chief Executive	Laura Shoaf, Managing Director TfWM Email: laura.shoaf@tfwm.org.uk Tel: 0121 214 7444
Accountable Employee	Phil Hewitt, Metro Programme Director Email: phil.hewitt@tfwm.org.uk Tel: 0121 214 7254
Report to be/has been considered by	Strategic Transport Officers' Group 11/9 - Completed Technical Advisory Group (TAP) 4/10 - Completed Investment Advisory Group IAG 06/11 - Completed Programme Board 24/11 WMCA Investment Board 27/11 WMCA Board 08/12

Recommendation(s) for action or decision:

The WMCA Investment Board is recommended to:

1. Note progress on the Wolverhampton Interchange Project
2. Endorse the funding package for WIP as detailed in section 3 and the submission of a report to WMCA Board seeking authority to commit the funding of £49.3m of which £21.9m WMCA Contribution (borrowing) to be funded by the DfT deed was approved by the ITA.
3. Endorse the submission of a recommendation to 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.

1.0 Purpose

- 1.1 To provide an update on the Wolverhampton Interchange Programme (WIP) and current funding package and the forthcoming reports to WMCA Governance.

2.0 Background

- 2.1 The Wolverhampton interchange Programme (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 30,000 sq.m of office, retail and leisure floor space, £80 million 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, 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 Jan 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.

3.0 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 will be 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. Funding agreement with DfT has been signed by WMCA and is awaiting final signature from the DfT.
- 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 £15 million 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 £36.5 million. 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 Wolverhampton City 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 Wolverhampton City Council.

4.0 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.

5.0 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.

6.0 Financial Implications

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

7.0 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.

8.0 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).

9.0 Other implications

9.1 None.

10.0 Schedule of background papers

10.1 Report to WMCA Board Midland Metro Update 30 September 2016

11.0 Appendices

11.1 Appendix A - WIP Programme Schedule

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PROJECT: Metro Wolverhampton Interchange Programme

The Wolverhampton Interchange Programme (WIP) scheme comprises three main phases of the extension of the Multi-Storey Car Park (MSCP), redevelopment of the station and demolition of former station, and extension of the tram links down Pipers Row to a tram stop in front of the station, creating a truly multi-modal public transport Interchange. The overall programme outturn for the 3 projects is £81.8m.

The first phase of the Programme completed with the opening of the MSCP on January 8th 2017. The capacity for the MSCP increased from 450 to over 800 long stay car parking spaces.

The second phase of the Interchange Programme is now starting - including the demolition of the existing station building and construction of a new station. Planning permission for the station was approved on 27th October 2016. The project team are working closely with Network Rail and designs are making good progress. The main works are due to begin on the new railway station early in 2018.

Initial work for the tram extension has already started, with site investigations and service diversions taking place along Piper’s Row and Railway Drive and construction works starting on Bilston Street.

Financial Ask: The proposed funding package for the WIP programme is showing committed funding of £51.8m and total funding approval required from the WMCA board of **£27.4m**. CWC Cabinet have been asked to approve **£15m** funding to the WIP Programme for the delivery of the programme.

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
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WMCA Contribution (DfT Deed)	21.9		21.9
Total	51.8	30.0	81.8

Assurance Level	Stage SOC	Stage OBC	Stage FBC	Actions	Confirmed	Approved
<p>Local Assurance</p> <p>Date: June 2017</p>				<ul style="list-style-type: none"> Risk, Costs, Set-up and Schedule Review report produced by Turner and Townsend re Metro, provided as supporting documentation to the FBC. The report identified that based on the information available the project target cost, risk and schedule are generally satisfactory, but some areas for improvement and clarity have been identified. Further clarity required from WCC on Local Assurance for the whole programme 		
<p>Technical Appraisal Panel <i>Attendees:</i> Sarah Roche (WMCA) Claire Jones (WMCA) Chris Davies (WMCA) Carl Pearson (WMCA) Joti Sharma (WMCA) Tom Fletcher (GBS LEP) David Hope (CW LEP) Carl Beet (TfWM) Paul Cobain (TfWM) Bav Patel (TfWM) Subeagh Singh (WCC)</p> <p><i>Conference Call:</i> Paul Lakin (BC LEP)</p> <p>Date: 04/10/17</p>				<p>Economic: No further Actions</p> <p>Strategic:</p> <ul style="list-style-type: none"> The FBC refers to the SOC and OBC for the project, as this project is at a more advanced stage it was agreed to progress to FBC, therefore a SOC and OBC does not exist, where appropriate reference needs to be made to the Technical Transport Business Case within the FBC Section C5 Strategic Issues/Risks – TAP identified that the risks within the FBC and the Risk Register are inconsistent with dates preceded. Prior to IAG submission the Risk Register needs to be updated <p>Commercial:</p> <ul style="list-style-type: none"> Section F5 Affordability and Value for Money – BCR of 2.67:1 only relates to the Metro element of the Programme. A combined BCR incorporating the multi-storey carpark and redevelopment of the station Inc. demolition of the former station needs to be included within the FBC 	<p>Risks updated as requested.</p> <p>Full Scheme BCR WITH THE Car Park is 3.83:1</p>	<p>TAP endorsed the Business Case to progress to IAG on 06/11/17 (subject to confirmation from the WMCA Head of Finance and Business Planning clarifying if £15m funding is available from the WMCA Investment Programme and completion of agreed actions)</p>

Assurance Level	Stage SOC	Stage OBC	Stage FBC	Actions	Confirmed	Approved
				<ul style="list-style-type: none"> Section E Commercial Case Question 9 – TAP identified that additional information on the financial returns and revenue generated from the Car Park, Station Shop and patronage increase should be elaborated upon within the FBC <p>Technical:</p> <ul style="list-style-type: none"> TAP informed the Technical Transport Business Case has been through Technical Assurance process by Jacobs this needs to be referenced within the FBC <p>Financial:</p> <ul style="list-style-type: none"> WMCA Financial Strategy Manager identified a funding gap of £30m above the budgeted £51.8m. £15m if approved will be underwritten by the WMCA Investment Programme and £15m by further contributions from Wolverhampton City Council. WMCA Head of Finance and Business Planning to provide clarification if £15m funding is available from the WMCA Investment Programme <p>Other Actions:</p> <ul style="list-style-type: none"> Section I Appendices – Stakeholder Map, Evidence of planning permission, project programme and detailed breakdown of project costs by month to be completed prior to submission to IAG on the 6th November 2017 The Stakeholder Map needs to reference Board structures and identify TfWM representation Section J Monitoring and Evaluation Plan – to be completed prior to submission to IAG on the 6th November 2017 	<p>Updated to include additional information on revenue generated by the car park.</p> <p>Amended to reflect the action.</p> <p>25/10/17 - WMCA Head of Finance and Business Planning confirmed the £15m can be accommodated from the Investment Programme.</p> <p>Appendices provided.</p> <p>Appendix 2 Governance and stakeholder map provided and includes Board Structures. Appendix 3 Monitoring and Evaluation Plan provided.</p>	

Assurance Level	Stage SOC	Stage OBC	Stage FBC	Actions	Confirmed	Approved
				<ul style="list-style-type: none"> TAP queried if the actions identified within the Assurance Report marked as red and dated June-17 had been completed. Bav Patel identified that some had and agreed to provide an update to be included as a supporting document on the actions completed within the report WMCA DEIM Review Sept-17 to be included as supporting documentation to the FBC Section G2 Risk Monitoring and Management – the risk referring to availability of funding needs to be amended to remove from the mitigation ERDF as an additional funding stream FBC to expand on Governance with inclusion of a flow chart 	<p>Updated as per the action.</p> <p>DIEM Report provided as Appendix 6.</p> <p>Risk amended as per action.</p> <p>Appendix 2 Governance and Stakeholder Map updated.</p>	
Investment Advisory Group						The investment case was approved to progress to Programme Board and further onto Investment Board.
WMCA Leadership Board				<p>From Sean Pearce, WMCA Director of Finance:- I am happy for this to go forward but with two additional comments please following Investment Board approval as follows:</p> <ol style="list-style-type: none"> The financial flexibility available from a review of the interest rates payable on our actual borrowing vs forecast is now exhausted once taking into Account the Commonwealth Games Commitment and this A detailed review will be commissioned into: 		



Assurance Level	Stage SOC	Stage OBC	Stage FBC	Actions	Confirmed	Approved
				<ul style="list-style-type: none"> a. The reasons for the increase in expenditure in this project and lessons to be learned; (to be led by Laura Shoaf) b. Whether the reasons for increase will impact on cost estimates across the remainder of the Investment Programme; (Laura Shoaf and Sean Pearce) and c. The Assurance Framework to confirm the extent to which risks on potential overspends in projects are highlighted in a timely manner and the Investment Programme Risk Register includes overspend risks that may have an impact on the totality of the £8 billion investment programme (Sean Pearce) <p>From Tim Martin, Head of Governance & Monitoring Officer:</p> <p>I have got some reservations on the basis that there has been a significant increase in costs although a number of reasoned justifications are put forward for this in the papers. There has been re tendering for some of the works in an effort to reduce costs. CWC have agreed to contribute a significant additional sum (as I read it?) and there is also a significant contingency built into the current estimates which seems to be almost as much as the additional amount we are being asked to provide from the Investment Programme. The fact that the station facility operator is also due to change in due course as part of the new rail franchise must also be recorded as a risk in terms of negotiations. However we are already a long way down the process with this project and it has had a number of abortive starts so</p>		

Assurance Level	Stage SOC	Stage OBC	Stage FBC	Actions	Confirmed	Approved
				<p>it's always a difficult judgement whether to add more into a struggling project in the hope that it can become viable.</p> <p>On the basis that there is an acknowledgement that any unused additional funds will be returned to CWC and WMCA pro rata, and the fact that this is clearly a crucial piece of infrastructure then I would say go head and see what Investment Board's views are. Presumably there will be some very clear cost monitoring put in place and regular reporting to ensure this doesn't get out of control?</p>	Confirmed robust monitoring will be in place. Work currently ongoing to determine consistent approach across the Investment Programme	Approved to move to Investment Board 27/11/17. Approval provided by Sean Pearce (WMCA Director of Finance), Tim Martin (Head of Governance & Monitoring Officer), Julia Goldsworthy (Director of Strategy)
SEP Board						
Date: N/A						
Investment Board						
Date: 27/11/2017						
WMCA Board						



Assurance Level	Stage SOC	Stage OBC	Stage FBC	Actions	Confirmed	Approved
Date: 08/12/2017						

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