



## Investment Board

**Date:** Monday 29 January 2018  
**Time:** 10.00 am **Public meeting** Yes  
**Venue:** Room 116, 16, Summer Lane, Birmingham, B19 3SD

### Membership

Councillor Izzi Seccombe (Chair)	Warwickshire County Council
Councillor Jim O'Boyle	Coventry City Council
Councillor Sean Coughlan	City of Wolverhampton Council, Dudley MBC, Sandwell MBC and Walsall MBC
Councillor Robert Hulland	Solihull Metropolitan Borough Council
Councillor Majid Mahmood	Birmingham City Council
Councillor Peter Richards	Non-Constuent Authorities
Nick Abell	Coventry & Warwickshire Local Enterprise Partnership
Paul Brown	Black Country Local Enterprise Partnership
Gary Taylor	Greater Birmingham & Solihull Local Enterprise Partnership
Sue Summers	Finance Birmingham

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
<b>Meeting Business Items</b>			
1.	Apologies for Absence (if any)	Chair	None
2.	Notification of Substitutes (if any)	Carl Craney	None
3.	Declarations of Interests (if any) Members 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 - 4
5.	Matters Arising	Chair	None
<b>Business Items for Consideration</b>			
6.	Coventry Station Master Plan	Rhian Palmer	5 - 30
7.	Coventry Friargate Business District Phase 1	David Cockroft / Aimee Proctor	31 - 36
8.	Consortium for the Demonstration of Intelligent Systems (CDIS)	Jane Holmes / Pam Waddell	37 - 42
9.	Exclusion of the Public and Press [To pass the following resolution: That in accordance with Section 100(A) of the Local Government Act, 1972 the press and public be excluded from the meeting for the following items of business as it involves the likely disclosure of exempt information relating to the business or financial affairs of any particular person (including the authority holding that information).]	Chair	None
<b>Business Items for Consideration</b>			
10.	A & J Mucklow (Halesowen) Ltd. BLPDF Grant Request	Nick Oakley	43 - 82
11.	Opus Land (Oldbury) Ltd. - BLPDF Grant Request	Ed Bradburn	83 - 98

**Business Items for Noting**

12.	WMCA CIF / BLPDF Dashboards	Nick Oakley	99 - 106
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## WEST MIDLANDS COMBINED AUTHORITY

### Investment Board

Monday 18 December 2017 at 10.00 am

### Minutes

#### Present

Councillor Izzi Seccombe (Chair)  
Councillor Majid Mahmood  
Nick Abell

Paul Brown

Gary Taylor

David Cockroft

Warwickshire County Council  
Birmingham City Council  
Coventry & Warwickshire Local  
Enterprise Partnership  
Black Country Local Enterprise  
Partnership  
Greater Birmingham & Solihull Local  
Enterprise Partnership  
Coventry City Council

#### In Attendance

Gerald Gannaway  
Nick Oakley  
Carl Craney  
Tim Martin  
Andrew Hood  
Sean Pearce

Finance Birmingham  
Finance Birmingham  
West Midlands Combined Authority  
West Midlands Combined Authority  
Birmingham City Council  
West Midlands Combined Authority

#### Item Title No.

#### 48. Apologies for Absence (if any)

Apologies for absence had been received from Councillor Jim O'Boyle (Coventry City Council), Councillor Robert Hulland (Solihull MBC), Councillor Peter Richards (Stratford on Avon District Council) and Sarah Middleton (Black Country Local Enterprise Partnership).

#### 49. Notification of Substitutes (if any)

Councillor Jim O'Boyle had nominated David Cockroft as his substitute.

#### 50. Declarations of Interests (if any)

Councillor Majid Mahmood declared an interest in Agenda Item No. 6 (Birmingham City Council – Residential Development / Land regeneration of 13.3 hectare (33.09 acres) council owned site – Yardley Brook, Cole Hall Lane, Shard End inasmuch as he was the Birmingham City Council Cabinet Member for Commercialism, Commissioning and Contract Management.

#### 51. Minutes of last meeting

Resolved:

That the minutes of the meeting held on 27 November 2017 be

confirmed as a correct record and signed by the Chair.

**52. Matters Arising**

With reference to Minute No. 46 (Very Light Rail: Transforming Connectivity West Midlands (VLR:TCWM)), the Chair advised that the issue regarding Intellectual Property rights had been addressed.

With regard to Minute No. 47 (Wolverhampton Interchange Project), the Chair advised that regular monitoring reports on this project would be considered by the Audit, Risk and Assurance Committee and/or the Overview and Scrutiny Committee.

**53. Birmingham City Council - Residential Development/ Land regeneration of 13.3 hectare (33.09 acres) council owned site - Yardley Brook, Cole Hall Lane, Shard End**

Gerald Gannaway presented a report on an application for a grant from the Brownfield Land and Property Remediation Fund (BLPDF) in respect of a contaminated site (a former sewage works) with additional exceptional remediation and infrastructure costs, totalling c£9.5 million, ultimately to deliver 263 houses with a potential for 273 houses. Andrew Hood explained the history of the site and the proposals for its development. Various questions from the Board were responded to.

Resolved:

That a grant of £4,386,000 from the Brownfield land and Property Remediation Fund be approved subject to the clawback and terms and conditions detailed in the report.

**54. 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).

**55. WMCA CIF / BDPDF**

Nick Oakley presented the CIF / BDPDF Dashboard as at 7 December 2017 which detailed:

- WMCA CIF 'Loan Fund' / BDPDF – Investments committed and completed funds;
- WMCA CIF / BDPDF – Dashboard of deal values and total diagrams;
- WMCA CIF 'Loan Fund' / BDPDF – Pipeline WIP.

He advised that an updated Pipeline report would be submitted to the January 2018 meeting. He responded to various questions from the Board.

Resolved:

1. That the Dashboard be received and noted;
2. That a report be submitted to a future meeting on the use of interest paid on loans made by the Board.

The meeting ended at 10.43 am.

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## WMCA Investment Board Meeting

<b>Date</b>	29 <sup>th</sup> January, 2018
<b>Report title</b>	Coventry Station Masterplan
<b>Portfolio Lead</b>	Councillor Roger Lawrence - Transport
<b>Accountable Chief Executive</b>	Keith Ireland  Email : Keith.Ireland@wolverhampton.gov.uk Tel : 01902 554500
<b>Accountable Employee</b>	Rhian Palmer  Email : Rhian.Palmer@coventry.gov.uk Tel: 024 7683 2041
<b>Report to be/has been considered by</b>	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 £39.4m Devolution Deal funding to Coventry Rail Station Masterplan project, which is promoted by Coventry City Council. The allocation falls within Coventry's UK Central Plus (UKC+) Programme.

**1.0 Purpose**

- 1.1 This report seeks the approval of £39.4m for Coventry Rail Station Masterplan (CSMP), requested via a full business case.
- 1.2 Approval was granted in summer 2017 of the strategic outline business case for 'Coventry City Centre First', which is a package of transport interventions aimed at improving connectivity to UK Central and HS2 and boosting jobs and growth in the city centre, of which Coventry Station Masterplan is the largest component. WMCA approved the Coventry Station Masterplan project could proceed directly to full business case, recognising the advanced stage of the project.

- 1.3 The Coventry Station Masterplan is an £82m programme of works to increase capacity at Coventry Rail Station. £42.6m is already secure, funding has been awarded from a number of sources including Coventry and Warwickshire Local Enterprise Partnership (CWLEP), Department for Transport (DfT) and prudential borrowing via Coventry City Council. The WMCA funding is therefore the remaining element to be secured to enable a fully funded programme.

## 2.0 Background

- 2.1 Coventry is a dynamic and fast growing city where transport investment is needed to keep pace with rapid change. Coventry's Strategic Transport Investment Programme 'UK Central Plus' (UKC+) sets out the city's ambitious transport strategy for the next decade, which seeks to support economic growth by transforming the quality of transport infrastructure and services. The £620m programme is made up of a cocktail of funding sources, using WMCA Devolution Deal to provide match funding to enable Coventry to develop and deliver a strategic transport programme on an unprecedented scale and go further and faster in enabling economic growth, which is what the WMCA Strategic Economic Plan sets out to deliver.
- 2.2 A key component of this strategy is Coventry Station Masterplan which aims to improve connectivity to UKC and HS2, boosting jobs and growth in the city centre. The current Grade-II listed railway station which has seen little change since it opened in 1962 is now a barrier to achieving this. The station has experienced unprecedented passenger growth over the last 10 years and is now beyond its design capacity, which is suppressing demand for travel and choking off current and future economic and jobs growth in the city.
- 2.3 An economic led study was commissioned in 2013 'The Coventry Rail Story' which identified how rail can deliver growth in the city. The study identified interventions required to increase station capacity to handle the additional patronage and will not only support connectivity with HS2 but will also help enable reconnecting the city by rail to other cities in the East Midlands and beyond. Without intervention the limited capacity at the station will act as a barrier to growth and will not enable Coventry to fully capitalise from the benefits of HS2 and the UK Central Growth Hub.
- 2.4 The Station Masterplan was born as a result of the Coventry Rail Story and will involve a comprehensive redevelopment of the station, delivering new infrastructure including a second station building, 644 space multi-storey car park with an uplift of 350 car park spaces from the current provision, a new footbridge connecting all platforms, a new bay platform to enable more frequent services between Coventry and Nuneaton, a 6 bay bus interchange with provision for rail replacement services and significant highway improvements to deal with traffic operation around the station and bus interchange. A pedestrian underpass has already been completed which will provide traffic free access for pedestrians between the bus interchange and station building. See Appendix 1 for visualisations.
- 2.5 The programme has been phased to minimise disruption to the railway station, which will remain in operation throughout programme delivery. The phasing of the programme is as follows:

CSMP Key Milestone	Target
Planning Applications	December 2017
Finalise Land Acquisition (CPO process)	Spring 2019
Footbridge and Canopies/Substation	May 2018 - Summer 2019
NUCKLE Phase 1.2	Oct 2018 - May 2019
Highways	Phased delivery Spring 2019 – End 2020
New Station Building	End 2020
Multi-storey Car Park	End 2020
Bus Interchange	Summer 2021

Note that a programme review is being undertaken to explore whether the programme can be accelerated in order to complete works by the end of 2020, following Coventry being announced as the City of Culture 2021.

- 2.6 The Coventry Station Masterplan will deliver a multi-modal transport hub in the heart of Coventry city centre. The scheme will also make provision for Very Light Rail, which will serve the station in the future. The project is also very important in realising the wider economic benefits by supporting other developments in Coventry, including the Friargate development which is adjacent to the railway station, City Centre South which is in close proximity, as well as continued expansion of the city's two universities.
- 2.7 The project generates a DfT WebTAG BCR of 2.74:1. This assumes growth to continue as forecast rates and the scheme is delivered as per the current phasing and cost assumptions. This also captures wider economic benefits, which includes unlocking the western extent of the Friargate development through the creation of new roads. As part of the economic appraisal, a case for capped London services was also considered, to illustrate that even if there was a significant diversion of trips to use the HS2 station at Birmingham Interchange rather than using Coventry Station the benefits still demonstrate a positive BCR of 1.29:1. The unconstrained does assume some transfer to HS2 post 2026/27 arising from the fact that the 3 current fast London services per hour reduce to two per hour and the third slot is taken by a slower semi-fast service.

### 3.0 Impact on the Delivery of the Strategic Transport Plan

- 3.1 The West Midlands Transport Strategy *Movement for Growth* states that strong growth is continuing in the regional and inter-city markets, with the need for investment in more / longer trains and additional infrastructure capacity. HS2 will provide a massive opportunity to re-configure the existing West Coast Main Line to provide a wider range of more local and regional services. This was explored in detail in the 'Coventry Rail Story' report in late 2013 which identified the following potential enhancements:
- Greater frequencies for Canley and Tile Hill stations as part of increasing the number of services between Coventry and Birmingham from 7 to 9 trains per hour.
  - An additional Cross Country service each hour providing increased frequency between Coventry and Leamington Spa, Oxford, Reading and the south coast and new direct journey opportunities to Derby Sheffield and the north-east;
  - Potential for connections from Coventry to Heathrow Airport via the new Heathrow Western Access;
  - More frequent regional services south towards Rugby, Northampton and Milton Keynes;

- Through services on the NUCKLE line from Leamington Spa to Nuneaton via Coventry – including a new station in the south of the city as part of the Coventry South package;
- Extension of NUCKLE services from Nuneaton to Leicester and potentially other East Midlands destinations including Nottingham and cities in the North East (via a new connection from the West Coast Mainline); and
- Direct service from Leamington Spa / Kenilworth to Birmingham International / UK Central via Coventry.

These services will connect people with jobs, and also enable greater levels of business travel to be undertaken by rail. This is particularly the case at Friargate where up to 15,000 jobs will be created – therefore providing further local commuting demand to the railway station.

#### **4.0 Wider WMCA Implications**

4.1 The Coventry Station Masterplan will provide additional capacity to the rail network and enable additional services to be introduced between Coventry and Nuneaton in the short term, with the potential to introduce more direct cross city services to the north east including Leicester and Nottingham in the longer term. The scheme is an important gateway from Coventry to HS2. The current station facility is not fit for purpose and it's vital that the capacity is increased in order to capitalise fully on the opportunities HS2 will bring not only to Coventry but also the wider sub-region.

#### **5.0 Progress, options, discussion, etc.**

5.1 Out of the current anticipated final cost of the scheme of £82m a total of £42.6m has already been secured (including £10.9m prudential borrowing), leaving £39.4m being sought from WMCA through this FBC.

5.2 All elements of the project are now at single option development stage (Network Rail GRIP 4) with the exception of the Warwick Road underpass for which the first phase has been delivered. The procurement strategy has been agreed for GRIP 5-8, and procurement will commence in November upon completion of GRIP 4 design.

5.3 Planning applications will be submitted in early 2018. Pre-planning public engagement has been undertaken, which included an exhibition, drop in sessions and targeted stakeholder group meetings.

5.4 The project also requires acquisition of third party land to deliver the western highways infrastructure (referred to in the SOBC as Friargate West), bus interchange and part of the access infrastructure required to complete the NUCKLE bay platform. Negotiations with the land owners are progressing and in parallel a Compulsory Purchase Order (CPO) is being prepared, which will be made subject to approval of the remaining project funding via this FBC. A CPO will only be required if negotiations are not successful.

5.5 Coventry City Council granted Cabinet Approval for the scheme to proceed in January 2017. Cabinet granted further approval in November 2017 for the proposed procurement strategy.

A further Cabinet Report will be tabled in February 2018 seeking approval to utilise the authority's CPO powers if needed.

- 5.6 Following the fantastic award of City of Culture 2021, the City Council are reviewing the delivery programme. Originally a phased delivery was planned, with works commencing on site in 2018, to be completed in 2021. The aspiration is to accelerate this to complete all works by the end of 2020. This may require some changes to procurement strategy in order to package works more efficiently to enable this milestone to be achieved.

## 6.0 Financial implications

- 6.1 A total of £39.4m is sought from WMCA which will make up the remaining funding to be secured to deliver the £82m programme (see Table 1 for detail on how the programme is funded in more detail). Coventry City Council will be the accountable body for the funding, under its UKC+ and HS2 programme allocations.

**Table 1 – Summary of Programme Costs and Funding Sought**

Funding Source	(£m)	Status
<b>CWLEP Local Growth Deal</b>	25.1	Secured
<b>Integrated Transport Block (incl LA cont.)</b>	1.6	Secured
<b>DfT/Network Rail</b>	5.0	Secured
<b>Prudential Borrowing</b>	10.9	Secured
<b>WMCA Devolution Deal</b>	39.4*	Not secured
<b>Total</b>	82.0	

\*Note that £15m of the total Devolution Deal sum for Coventry Station Masterplan is allocated to the HS2 connectivity package, with the remaining £24.4m from Coventry's UKC+ allocation.

- 6.2 Coventry City Council are prudentially borrowing £10.9m to fund the multi-storey car park. Coventry City Council will be operating the car park and obtaining the revenue to pay back these costs. The commercial model is supported by DfT and has been shared with WMCA finance officers. The car park will be transferred to Network Rail at the end of the agreed lease period. The commercial model has been agreed on the basis that the rail industry will receive the income from the station facilities and retail as compensation for a loss of car parking revenue from existing people in future using the multi-storey car park.
- 6.3 Current cost estimates have been provided by cost consultants based on the latest design and market rates. These costs form the basis of the BCR. The procurement strategy for the project will involve commissioning works in packages for the various elements, with some flexibility to enable multiple elements to be packaged together for efficiencies if required. The first element to be commissioned will be the footbridge and canopies, followed by the substation, NUCKLE bay platform, station building and car park, highways and bus interchange. Following each procurement exercise the detailed financial cashflow for the programme will be updated with actual costs. There is £12.2m contingency in the overarching programme budget to allow for cost increases, however this will be subject to approval within

the robust programme governance and any variance over £1m will require CCC Cabinet approval. Until the procurement is undertaken, cost certainty remains a risk.

## **7.0 Legal implications**

- 7.1 In the railway sector the responsibility to operate and manage the main national railway network is typically the responsibility of the State, either through an administrative body or by a public undertaking, in most cases under a legal monopoly, which within the UK is Network Rail. As the management and operation of the main rail infrastructure networks within the EU are generally carried out in national, geographically closed and separated markets that are not subject to competition, public financial support made available to infrastructure managers is generally not liable to affect trade between Member States. Therefore the Council considers that state aid is not applicable to Coventry Station Masterplan as is of the view it does not affect competition and trade between Member States in relation to the investment into the construction, maintenance and management of general railway infrastructure.
- 7.2 To further mitigate any state aid challenge, Coventry City Council could argue that they are underpinning the investment into the Coventry Station Masterplan, by utilising the Market Economy Investor Principle, so that the investment is on normal commercial arm's length terms, which it considers would provide an appropriate mechanism to justify any aid to Network Rail following the Council's investment. As part of the proposed structure the Coventry City Council will be taking a long lease of the Multi Story Car Park which is estimated to provide a significant return to the Council. Therefore in the event any element of the investment into Coventry Station Masterplan is challenged the Council will make the case that there is no "aid" as the terms would be acceptable for a private operator under the normal conditions of a market economy.
- 7.3 A Memorandum of Understanding is in the process of being agreed between Coventry City Council and the Department for Transport, regarding the terms of the commercial model in place to enable CCC to prudentially borrow funds for the multi-storey car park. This is due to be completed early 2018.
- 7.4 The City Council will need to obtain formal approval for Station Change for each element of the project. This is the basis of obtaining a legal agreement between Coventry City Council and the rail industry regarding the works, including how it will be delivered and any indemnities that are payable as a result of any activity that deviates from the terms set out in the current station franchise. Station Change has already been agreed for the footbridge, and the remaining elements are to be agreed in Q4 2018.
- 7.5 A commercial agreement will also need to be in place between CCC and TfWM for the operation of the bus interchange. Discussions regarding this are ongoing on the basis the facility will be cost neutral to TfWM following a strategic review of citywide bus services and facilities. This will need to be agreed prior to the tender for the bus interchange to be issued, which will be mid-2018.
- 7.6 Several legal agreements will also need to be in place between CCC and Network Rail for the delivery and transfer of station assets. These are standards rail industry agreements, discussions are ongoing and they will be in place prior to moving to the next design stage early 2018.

7.7 Finally, in order to deliver the new western link road third party land must be acquired. Negotiations are ongoing with landowners accordingly. In parallel, a compulsory purchase order is being prepared, with a view to obtaining Council approval in February 2018 in order to make the order in spring 2018 if an agreement cannot be reached by negotiation.

**8.0 Equalities implications**

8.1 All components of the Station Masterplan have been developed in line with the Equality Act 2010. An Equality Impact Assessment has been developed accordingly and extensive stakeholder engagement has been undertaken with accessibility and disability groups. Engagement will continue during delivery to ensure that temporary arrangements during construction are accessible for all.

**9.0 Schedule of background papers**

Cabinet 3rd March, 2015: Coventry Station Regeneration and associated rail improvements

Cabinet 24th January 2017: Coventry Station Masterplan Update

Cabinet 24<sup>th</sup> January 2017: Connecting Coventry – Strategic Transport Investment Programme

Cabinet 28th November 2017: Coventry Station Masterplan Procurement Strategy Update

**10.0 PMO Assurance**

Assurance activities completed

Technical Panel	Appraisal	01/11/17 - TAP endorsed the Full Business Case to progress to IAG
Investment Group	Advisory	04/12/17 - The investment case was approved to progress to WMCA Leadership Team.
WMCA Team	Leadership	09/01/18 – The WMCA Leadership Team approved to progress to Investment Board
Investment Board		

**10.0 Appendices**

Appendix 1: Coventry Station Masterplan Visualisations

[PUBLIC]

# Coventry Station Masterplan

## Appendix I1: Visualisations

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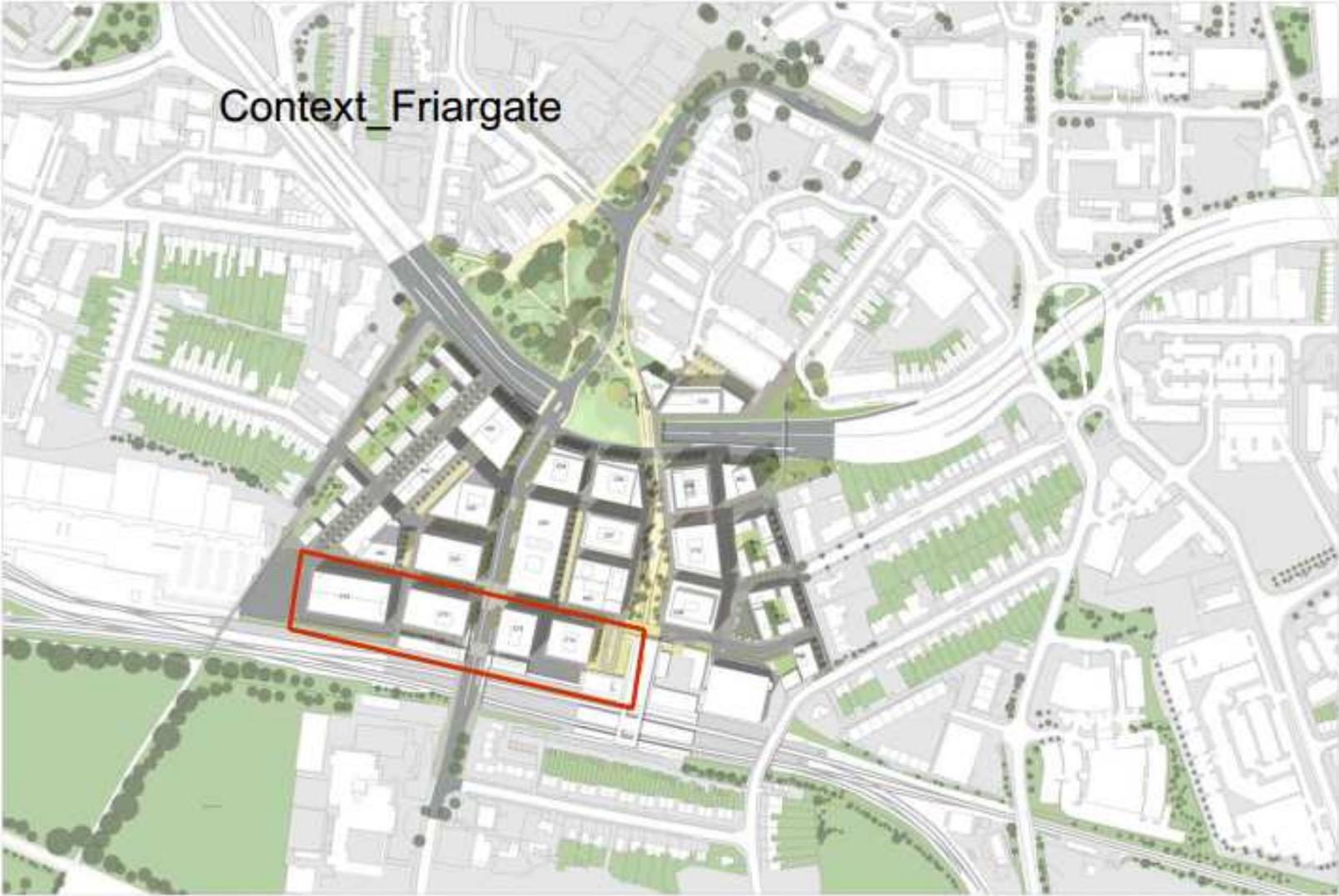


# Current Station

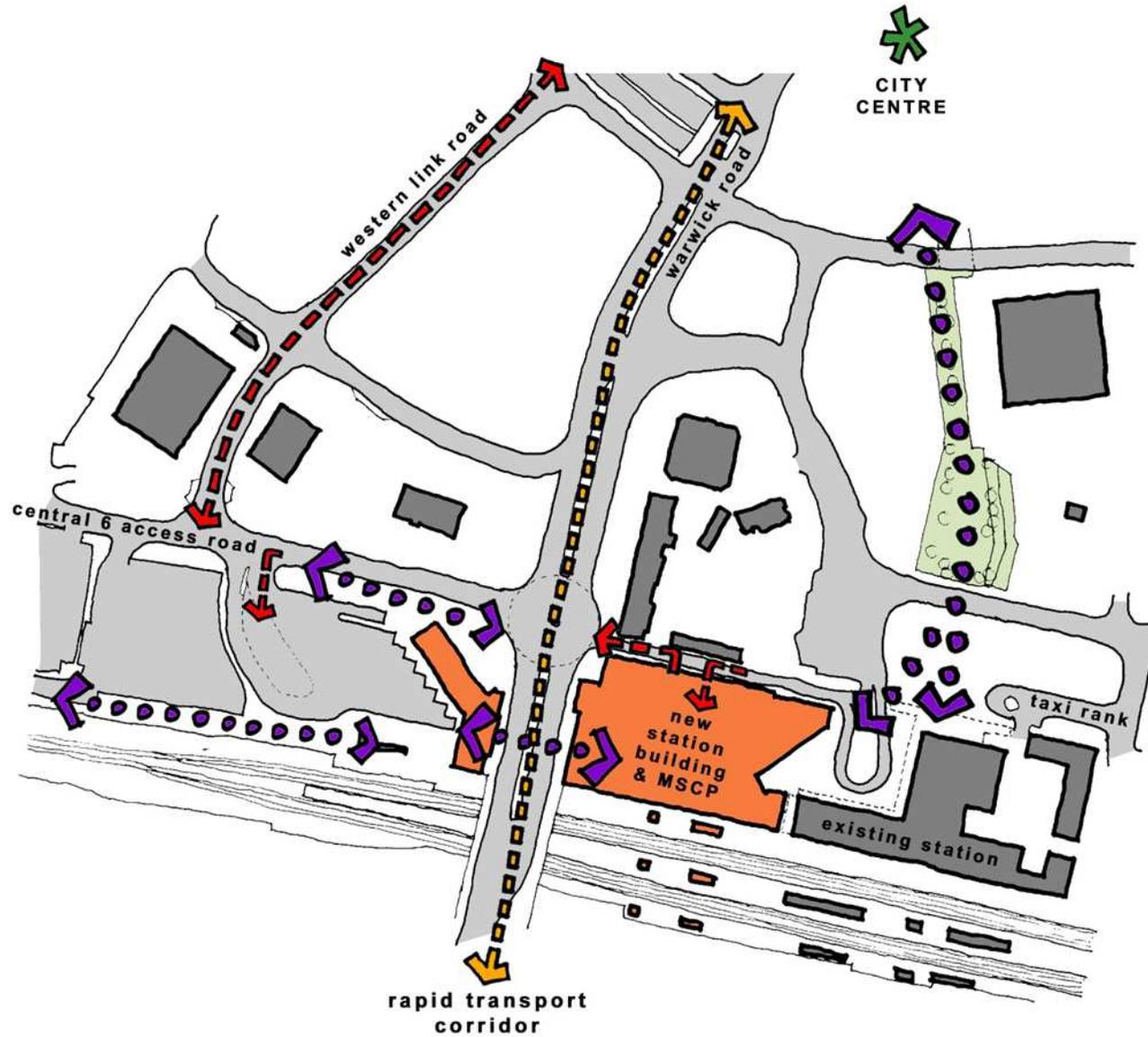


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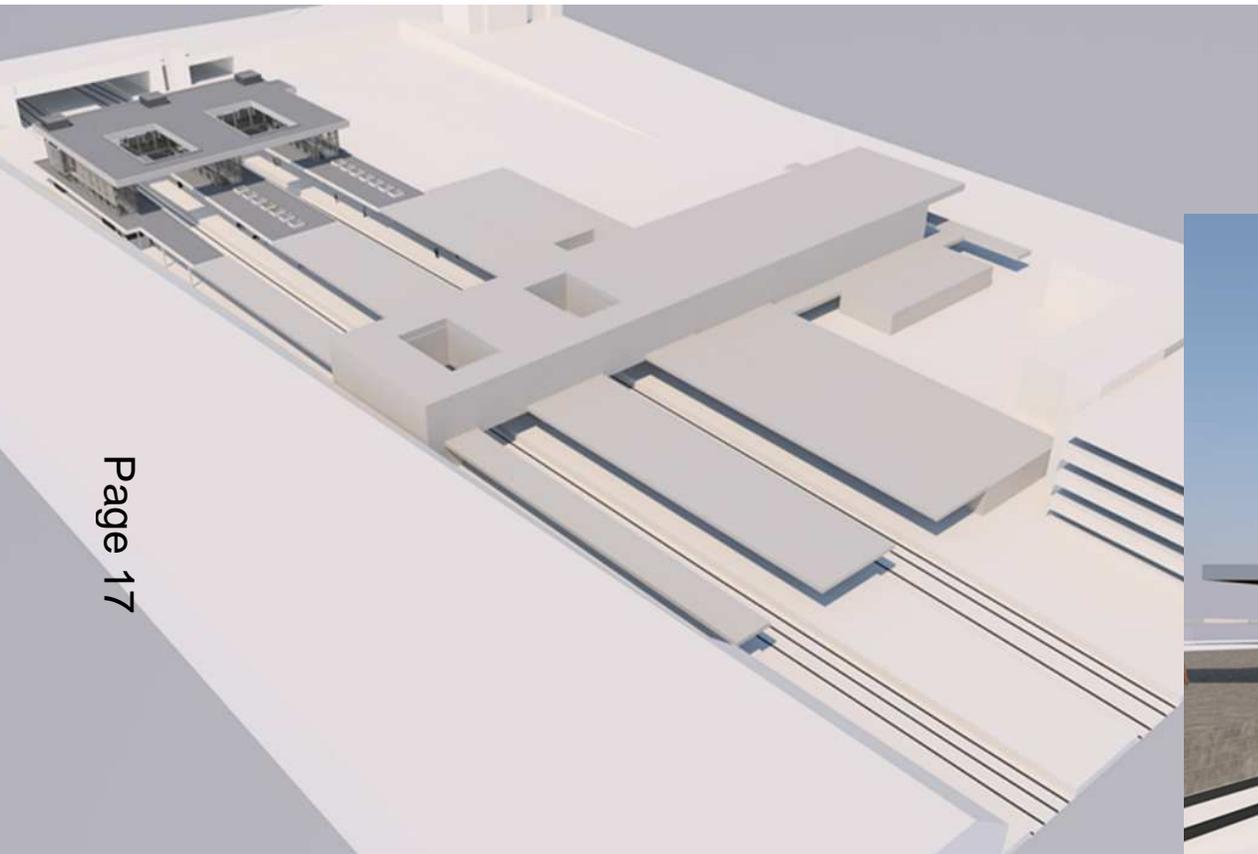
# Friargate Masterpla



# Proposed Coventry Station Masterplan



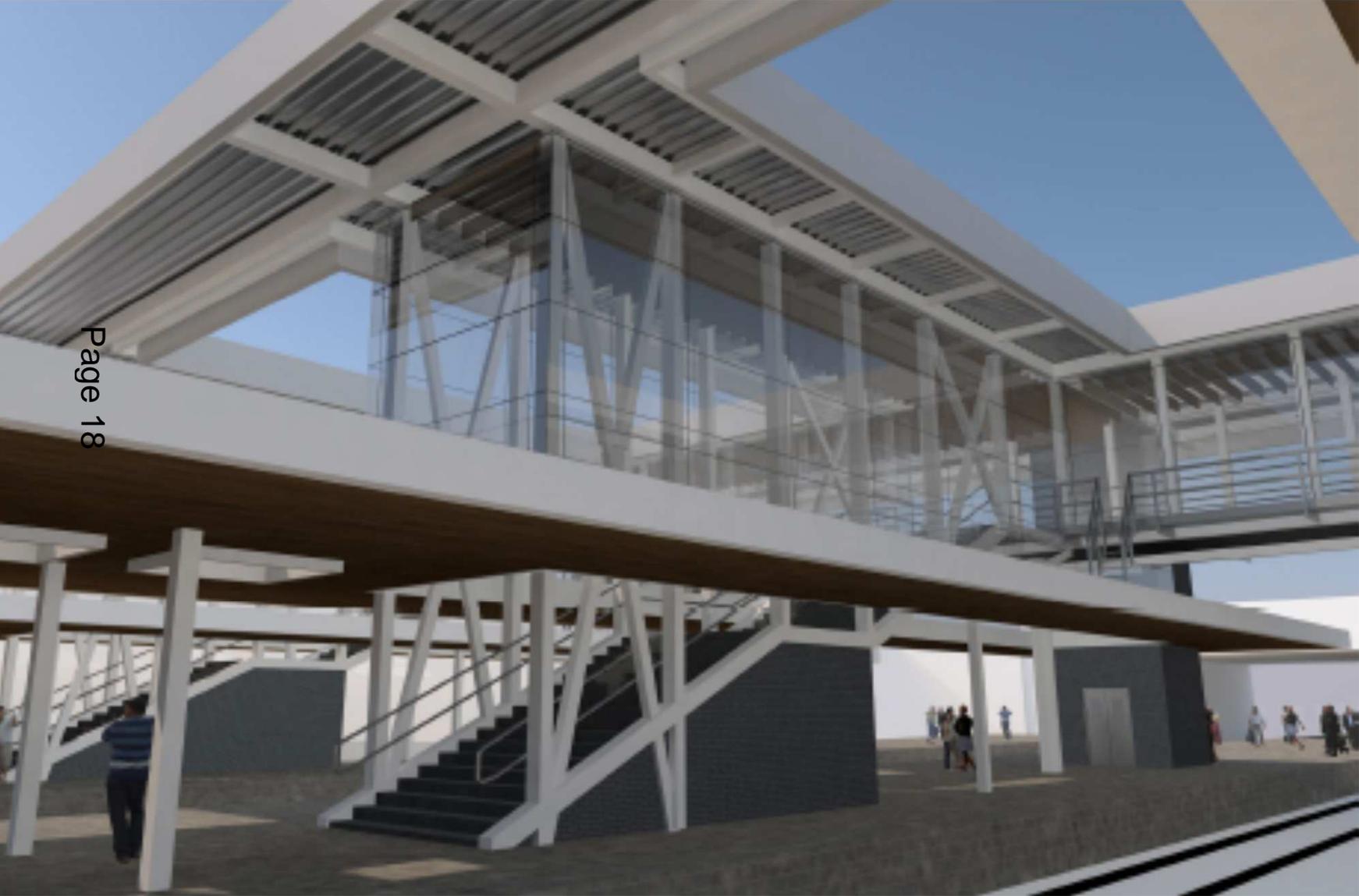
# Footbridge and Canopies



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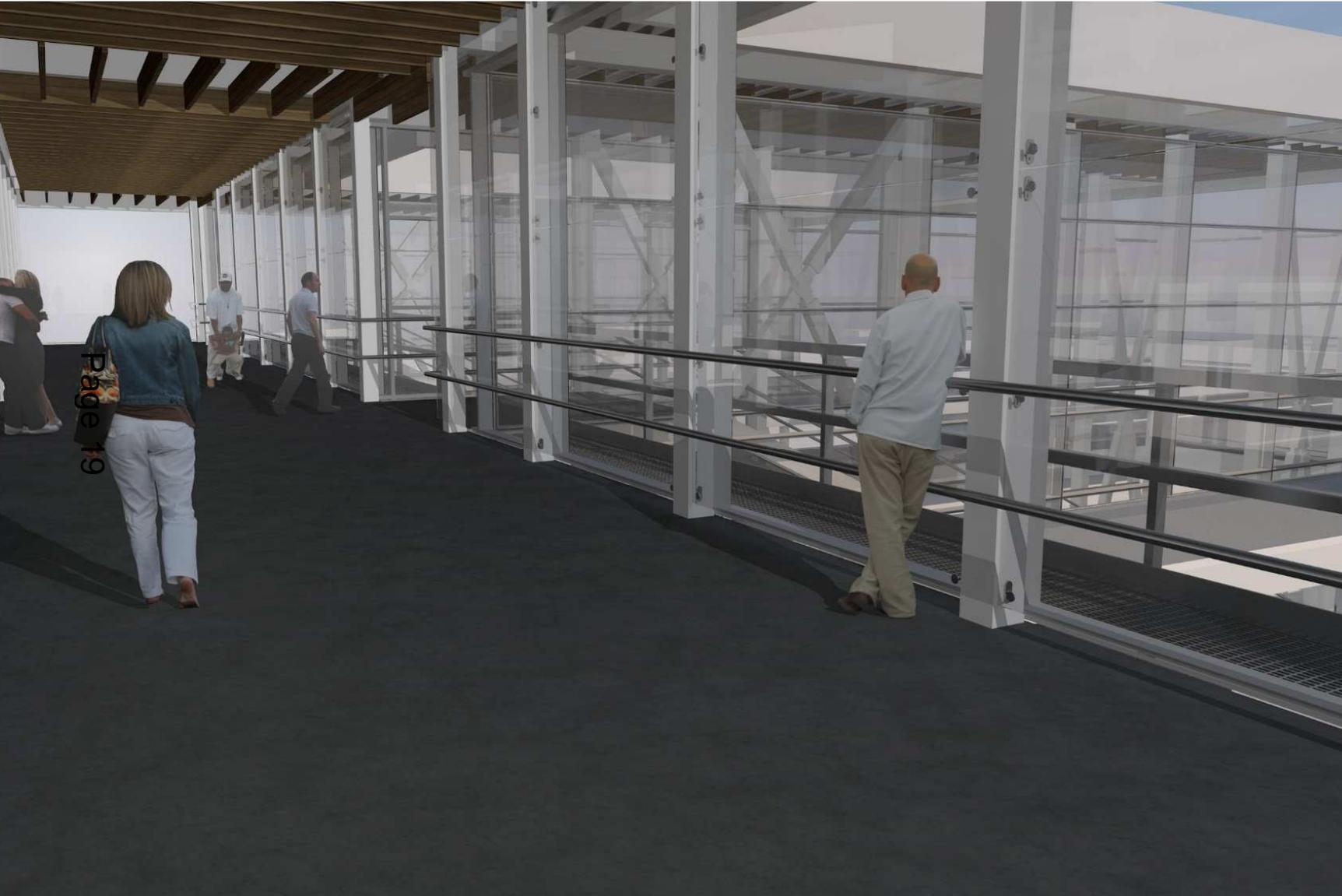


# Footbridge and Canopie



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# Footbridge and Canopie



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# New Station Building and car park

New station building linked to bus interchange via access tunnel

Upper concourse access to new footbridge and Warwick Rd

Five retail units

Lift direct to car park

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# New station car park

Circa 630 spaces over 7 ½ levels

Height approx. 23m, two lifts and open 24 hours a day

The new drop off area will be adjacent to the New Station Building/Station Square

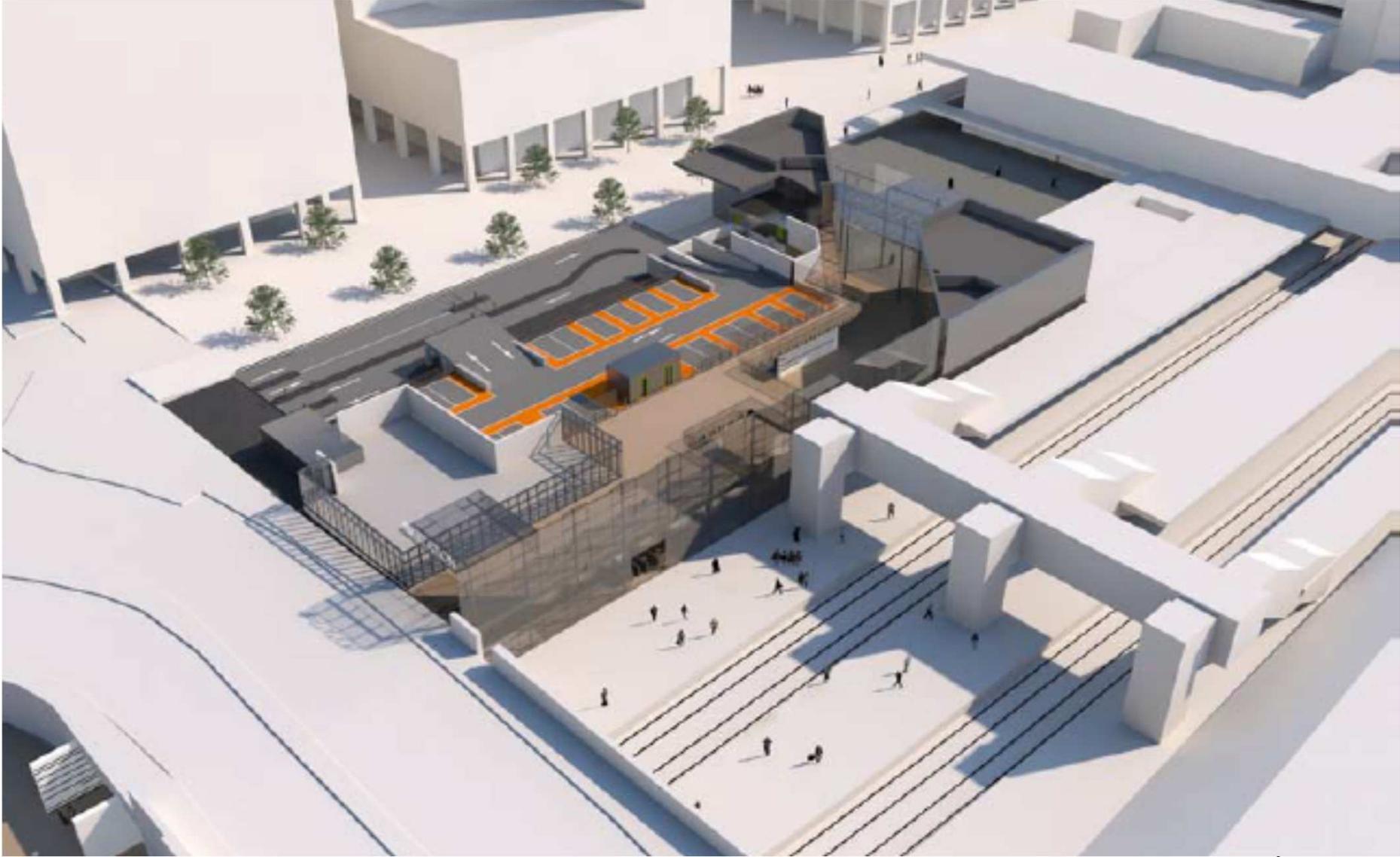


# Lower Level Concourse



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# Upper Level Concourse



# New Station Building and car park



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# New Station Building and car pa

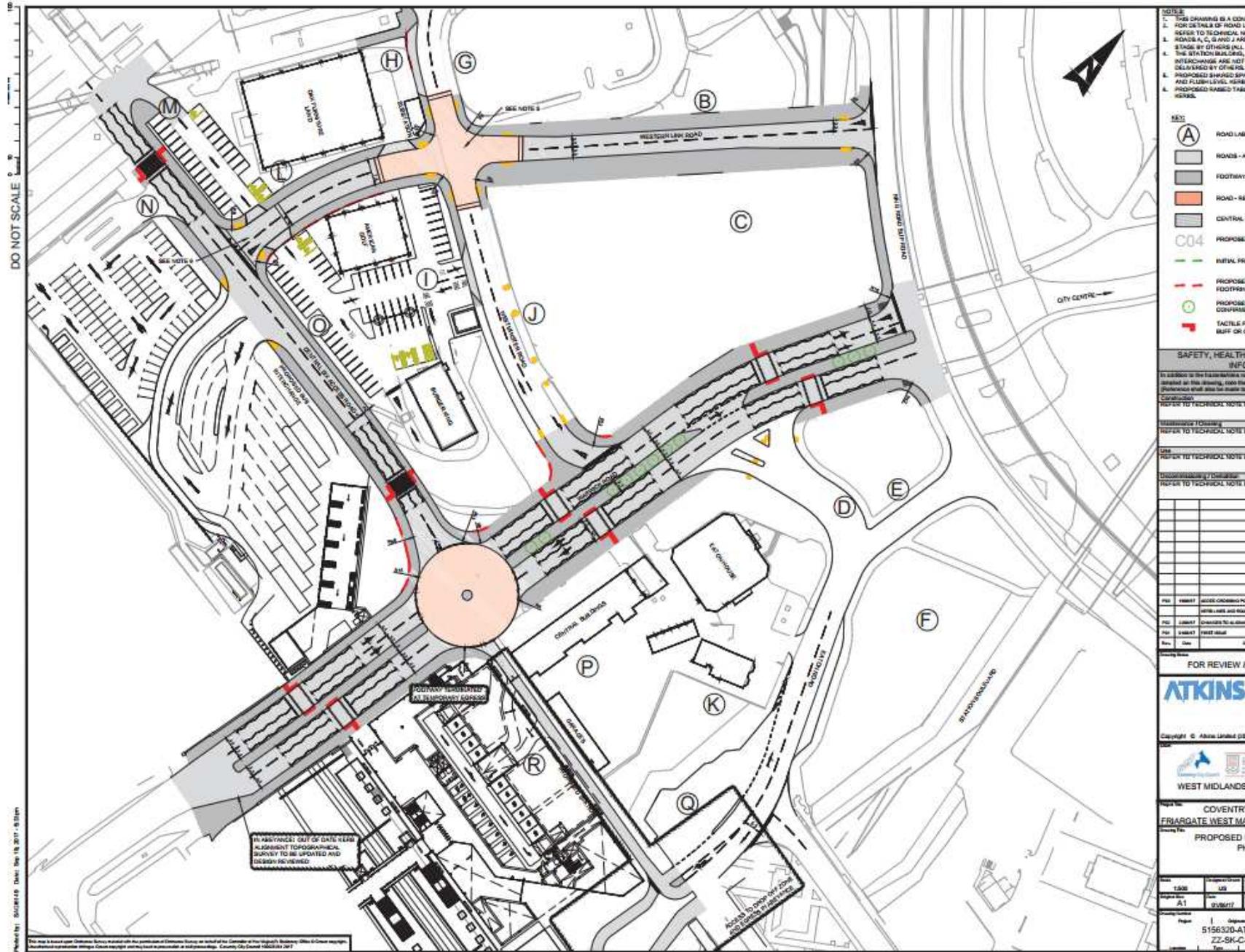


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# Road Improvements

Upgrade existing Central  
link roundabout on  
Warwick Road

Provide  
new two way link road  
connecting Central 6 to  
the ring road



# Bus interchange

Central 6 side of Warwick Road

Six bus bays and two rail replacement bus bays

Direct access to rail station building via access tunnel

Sheltered bus stops

Two storey building with stairs and lift



# Bus Interchange

Bus Interchange  
Building adjacent to  
access tunnel linking to  
station building



# Bus Interchange



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## Investment Board

<b>Date</b>	29 January 2018
<b>Report title</b>	Coventry Friargate Business District Phase 1
<b>Portfolio Lead</b>	<p>Andy Street - Mayor</p> <p>Councillor Steve Eling - Cohesion &amp; Integration and Public Sector Reform</p> <p>Councillor Ian Ward - Economic Growth</p> <p>Councillor Patrick Harley - Environment</p> <p>Councillor Izzie Seccombe - Finance &amp; Investments</p> <p>Councillor Sean Coughlan - Housing &amp; Land</p> <p>Councillor George Duggins - Skills &amp; Productivity</p> <p>Councillor Roger Lawrence - Transport</p> <p>Councillor Pete Lowe - Health &amp; Wellbeing</p> <p>Councillor Bob Sleight - Wellbeing and HS2</p>
<b>Accountable Chief Executive</b>	<p>Martin Reeves</p> <p>Email <a href="mailto:martin.reeves@coventry.gov.uk">martin.reeves@coventry.gov.uk</a></p> <p>Tel 02476831383</p>
<b>Accountable Employee</b>	<p>David Cockroft</p> <p>Email <a href="mailto:david.cockroft@Coventry.gov.uk">david.cockroft@Coventry.gov.uk</a></p> <p>Tel 02476833964</p>
<b>Report to be/has been considered by</b>	<p>Technical Appraisal Panel</p> <p>Investment Advisory Group</p>

**Recommendation(s) for action or decision:**

**The Combined Authority Board is recommended to:**

1. To support the Coventry City Council application for funding to support its Friargate Business District proposal and to approve a grant of up to £51 million.

## **1.0 Purpose**

- 1.1 The purpose of this report is to summarise the Friargate Business District proposal and to highlight the process already undertaken to challenge and clarify the proposed scheme.
- 1.2 The report seeks the approval of £51m for Coventry Friargate Business District requested via a full Business Case.

## **2.0 Background**

- 2.1 The 'Friargate Masterplan' is a redevelopment scheme located on approximately 26 acres of land next to Coventry Railway Station. The mixed use scheme will provide a new high quality business district for the city. There will also be provision for ancillary retail, hotel and leisure uses along with residential buildings.
- 2.2 This project seeks funding to further develop Phase One of the Masterplan. Comprising four office buildings and a hotel. This is in addition to the building constructed for Coventry City Council, the Friargate Bridge Deck, and public realm schemes.
- 2.4 The Council is proposing a model whereby initial investment from the Combined Authority would be supported by the Council also investing in a joint venture with the developer and providing a programme of development that would seek to deliver the four office blocks and the hotel included in Phase One. The rationale for intervention is to overcome market failure whereby it is difficult to attract occupiers to a scheme before a building is constructed yet conversely the private sector will not currently finance construction of a building until occupiers are secured.
- 2.5 The proposal is to start the development of Phase One of the scheme by using Combined Authority funding to deliver the second building at Friargate against a commitment from the Council that, once annual rental income is secured it will use its ability to borrow to fund further buildings, using rental income to fund the finance costs.

## **3.0 Wider WMCA Implications**

- 3.1 The proposal in the business case complements other WMCA schemes in Coventry, including the City Centre South scheme and the Station Masterplan, and if developed, will generate increased business rates that would benefit the wider region.

## **4.0 Progress, options, discussion, etc.**

- 4.1 Following political briefings throughout 2017, negotiations have continued with Friargate. The current discussions are around a CCC investment in a Joint Venture model that envisages securing the land for the Joint Venture and the funds required to take the scheme forward.

- 4.2 One Friargate, the first building in the Friargate Masterplan is now open and occupied. The Council has secured a Letting of part of this building to the Financial Ombudsman Service. CCC occupies the remainder of the building. A number of options have been considered to deliver phase one of the scheme. These options are detailed in the Full Business Case.
- 4.3 Delegated authority was given to officers by Cabinet on 24th January 2017 to enter into negotiations with the WMCA to secure the grant for Friargate Business District, with the terms being subject to a further report to Cabinet. Regular political briefings have taken place since this approval was given, with Friargate Business District being the subject of a further report to Cabinet on 9th January 2018 and Council on 16th January 2018.

#### **5.0 Recommended option: Develop a rolling programme using development finance following initial investment from WMCA**

This option is for CCC to use the £51m from the combined authority to build the first building. This would make development of a second building much more likely. An added benefit is that debt can be repaid once buildings are sold following letting

Further borrowing would be required to enable the rolling programme, and repayment of such borrowing would be dependent on letting the buildings. CCC as a partner would take a share of the development risks.

Benefits of a rolling programme include the wider economic impact of the project, and demonstrate the value for money to the public purse. The development of the additional office space will generate more temporary and permanent jobs in the area boosting GVA and will also result in higher footfall in the area boosting economic activity. The additional office blocks will also generate additional business rates and rental income.

#### **6.0 Financial implications**

- 6.1 The report seeks approval to grant £51m funding for the purpose of establishing a vehicle which will bring forward a programme of building at Friargate. The next building in phase one is number Two Friargate and is planned to be funded from this grant. It is proposed that this would be made available from the Council to the Joint Venture in order to facilitate the construction of Two Friargate.
- 6.2 The funding sought is intended to fund the next building in phase one (C10). The table below demonstrates programme costs relating to the Construction of this first building:

	18/19 £m's	19/20 £m's	20/21 £m's	21/22 £m's	Total C10 £m's
Construction cost	14.7	19.6	4.9	0.0	39.1
Plot and infrastructure costs	0.2	0.3	0.2	0.0	0.7
Professional fees	1.6	1.6	0.4	0.0	3.7
Letting costs including voids	0.0	0.0	2.8	1.0	3.8
Development overhead	0.9	1.2	1.2	0.3	3.6
<b>Total</b>	<b>17.4</b>	<b>22.7</b>	<b>9.6</b>	<b>1.3</b>	<b>51.0</b>
WMCA Funding	17.4	22.7	9.6	1.3	51.0

- 6.3 Following completion and a full letting of the first building (C10), it is intended that further loan finance will be provided to Joint Venture Company for the construction of the third building and so on until Phase one is completed. It is anticipated that the costs to build the remainder of Phase One will likely total c£220m.
- 6.4 The capital grant of £51.2m received from the WMCA is intended to be paid into Coventry City Council for the purposes of funding future buildings at Friargate. It is likely that it will be used in the form of loan finance into a joint venture company, and repaid to the City Council using income from these buildings. The funding will then be recycled to fund future buildings on an ongoing basis. We confirm that we expect the funding to be ring-fenced to the Friargate scheme in order to deliver the outcomes for the Friargate development as described in the full business case.

## 7.0 Legal implications

- 7.1 The Council has various powers to set up a company in order to trade for a profit. The Localism Act 2011 provides powers for local authorities to do anything that individuals may generally do. Where the Council uses the General Power of Competence to do something for a commercial purpose, section 4 of the Localism Act 2011 requires that the Council must do so through a company (which has a wider definition than for the purposes of section 95 Local Government Act 2003). This power also allows the Council to set up and enter into a Joint Venture Company for a commercial purpose.

The Council's rights and obligations under the proposed joint venture shall be contained in a Joint Venture Shareholders' Agreement. This agreement will cover, amongst other things:

- The establishment of the joint venture vehicle and how each party will contribute resources to it;
- The rights of each party to appoint directors to the board;
- Any restrictions placed on the parties (i.e. not separately competing for business that should be run through the JV);
- The content and process for agreeing annual business plans;
- The dividend policy, setting out how and in what circumstances profits should be distributed to each JV partner;
- The process for dealing with a deadlock situation where neither party can agree a course of action;
- Terminating and unwinding the arrangement.

The board of directors will have responsibility to run the business of the JV on a day-to-day basis. Certain decisions (being those of greater importance) will be reserved to the shareholders (the so-called 'reserved matters'). Reserved matters would include agreeing the business plan for each year, altering the rights attached the shares in the company, changing the company name and entering into contracts or employing anyone over a pre-agreed financial limit. Other reserve matters can be added to this list to ensure the Council retains control over certain, key issues.

The appointed directors to the newly-incorporated LLP Company will be under statutory duties imposed by the Companies Act 2006.

Conflicts of interest can frequently occur in the context of a joint venture when directors have to balance the interests of the shareholder organisation that appointed them with the need to exercise independent judgment and promote the success of the company. The JV articles will include detailed provisions on how the shareholders will be able to permit the directors from still acting notwithstanding any actual or potential conflict they may face.

Any loans granted to the company by the Council should be provided on commercial rates so as to avoid any potential State Aid challenges.

## **8.0 Equalities implications**

- 8.1 This project is not expected to have any negative equalities impacts. When the joint venture LLP company is established, CCC will place requirements upon the new company to ensure that appropriate equalities impact assessment work takes place as it begins to undertake its stated objectives.

## **9.0 Other implications**

- 9.1 The development of Friargate will deliver office accommodation, reflecting modern day standards and building regulations. The use of new materials will eliminate energy loss from the fabric of the buildings and promote energy efficiency, resulting in a reduction in carbon emissions and utility costs for occupiers.
- 9.2 All buildings constructed as part of the Friargate scheme will have the benefit of connecting to the Heatline network allowing all future tenants to connect to the renewable energy source.
- 9.3 Friargate LLP, as a current landholder and a future Joint Venture partner will be a major stakeholder in the scheme. The Joint Venture will enable Friargate to ensure that there is no remaining charge over the land within the scheme, enabling development of the site.

## **10.0 Schedule of background papers**

- 10.1 Report to Cabinet 18 June 2013 and Council 25 June 2013 – Starting the Friargate Business District to Regenerate the City, Transform the Council and Deliver Savings.

## **11.0 PMO Assurance**

Assurance activities completed

Technical Panel	Appraisal	01/11/17 - TAP endorsed the Full Business Case to progress to IAG
Investment Group	Advisory	04/12/17 - The investment case was approved to progress to WMCA Leadership Team
WMCA Team	Leadership	WMCA Leadership Team approval to progress to Investment Board: <ul style="list-style-type: none"><li>• Sean Pearce approved 18/01/18</li><li>• Tim Martin approved 18/01/18</li><li>• Patrick White approved 18/01/18</li></ul>
Investment Board		

Agenda Item No.



**WEST MIDLANDS**  
COMBINED AUTHORITY

## Investment Board

<b>Date</b>	29/01/2018
<b>Report title</b>	Consortium for the Demonstration of Intelligent Systems (CDIS)
<b>Portfolio Lead</b>	Councillor Ian Ward - Economic Growth
<b>Accountable Chief Executive</b>	Deborah Cadman Email: Deborah.Cadman@wmca.org.uk Tel: 0121 214 7200
<b>Accountable Employee</b>	Sarah Middleton Email <a href="mailto:sarah_middleton@blackcountryconsortium.co.uk">sarah_middleton@blackcountryconsortium.co.uk</a> Tel 01384 471102
<b>Report to be/has been considered by</b>	This project has been approved/endorsed by the Technical Appraisal Panel and Investment Advisory Group at Outline Business Case stage, and this report will be considered by the Leadership Group and Investment Board.

### Recommendation(s) for action or decision:

### The Combined Authority Board is recommended to:

1. Endorse the approval for the early draw down of £250,000 funds to support the preparation of the FBC.
2. Endorse the approval for the project to move forward to Full Business Case.

## **1.0 Purpose**

- 1.1 The purpose of this report is to fulfil the Assurance Framework obligations for the Consortium for the Demonstration of Intelligent Systems (CDIS) proposal which is at Outline Business Case stage.

## **2.0 Background**

- 2.1 The Consortium for the Demonstration of Intelligent Systems (CDIS) was conceived in 2015 by the WMCA Innovation Working Group, a group formed to support Martin Reeves, as WMCA lead officer on innovation at the time, to consider appropriate innovation proposals for DevoDeal 1 and subsequently to steer their development. CDIS was a specific activity proposed in DevoDeal 1.
- 2.2 The WMCA Innovation Working Group, comprising a wide range of partners from across the innovation ecosystem in the West Midlands, has steered the development of CDIS. Birmingham Science City (BSC), which convenes this group, has led the work to develop the CDIS partnership and proposals to date, as an independent alliance of innovation organisations from the public, private and university sectors from across the West Midlands. The proposal has been approved at Strategic Outline stage, and has been approved at Outline Business Case stage by both the Technical Appraisal Panel and Investment Advisory Group.

## **3.0 Wider WMCA Implications**

- 3.1 This proposal has been developed in consultation with a wide range of innovation partners from across the WMCA geography, including Aston University, University of Birmingham, Birmingham City University, Coventry University, University of Warwick, Wolverhampton University, Innovation Birmingham, Digital Catapult, Energy Systems Catapult, Transport for West Midlands, Sustainability West Midlands, West Midlands Academic Health Science Network, Birmingham Smart City Alliance (including IBM & Amey), Digital Birmingham, Innovate UK, BEIS local, GBS LEP, Black Country LEP, C&W LEP, West Midlands Growth Company and others.
- 3.2 CDIS is expected to impact positively on the Productivity and Public Service Reform objectives of the WMCA SEP, as below.
- 3.3 CDIS has the potential to impact positively on a wide range of WMCA priorities, including Digital, Housing, Transport and Skills.

## **4.0 Progress, options, discussion, etc.**

- 4.1 The aim of the Consortium for the Demonstration of Intelligent Systems (CDIS) is to bring together regional expertise to develop and apply intelligent/ smart systems technology and approaches to solving real and substantial challenges faced by the public and private sector. The process of developing and scaling up solutions to such challenges will lead to the creation of new products, services and applications in the West Midlands, generating competitive advantage and leading to new and growing businesses.

- 4.2 At its heart, CDIS is a progression of collaborative feasibility, pilot and demonstrator activities that will tackle barriers to exploiting intelligent systems to solve the region's challenges in mobility, health and energy, and areas where those sectors interact. A small team of CDIS brokers will facilitate the development of partnerships and activities that enable the scaling up of technologies and approaches developed in the region, by bringing together the region's existing complementary expertise to develop solutions at scale for maximum economic and public service impact.
- 4.3 CDIS supports the West Midlands Strategic Economic Plan, and is mentioned specifically in that document, as well as the ambitions stated in the Mayor's 'renewal Plan'. The feasibility, pilot and demonstrator activities supported through CDIS will be selected to impact both public sector reform agenda and to improve productivity, by opening up new market opportunities for innovative, high value products and improved processes.
- 4.4 CDIS also provides a good fit with regional strengths and priorities as identified in the recent West Midlands Science and Innovation Audit (WM SIA), and was used as a case study of potential good practice in that report. The initial focus of CDIS will be the Mobility, Health and Energy sectors, which match several of the identified market strengths and key enabling competencies identified in the WM SIA including digital and data, and integrated systems, both essential components of intelligent systems.
- 4.5 There is a significant amount of exciting entrepreneurial innovation activity already ongoing in isolated pockets across the West Midlands. CDIS will join up these pockets of good practice and support the scaling up of effective innovative products and services from regional companies. CDIS will also connect up and build on the region's innovation excellence, building on existing strengths, expertise and activities in businesses, universities, science and technology parks, NHS Trusts, Local Authorities, Catapult Centres and other business focussed research organisations (local and further afield); each able to bring different strengths, approaches and relationships to collaborative projects.
- 4.6 CDIS represents a well-structured, measured, portfolio approach to challenge-led innovation and as such is an optimum intervention for WMCA in response to the WM Science and Innovation Audit and support of the delivery of the Strategic Economic Plan. Innovation is a cross cutting theme of the WMCA SEP, which states that 'a relentless focus on innovation is key to achieving productivity and public service reform objectives'.

## **5.0 Financial implications**

- 5.1 The Business Innovation (CDIS) project is a component of the Devolution Deal One Investment Programme with an overall value assigned to it of £50m which is fully funded by WMCA. This report requests endorsement allowing the project to draw down £250,000 revenue over up to 12 months in accordance with the agreed grant reimbursement process.
- 5.2 At the Technical Appraisal Panel stage which considered the CDIS OBC (6 September 2017), it was recommended that adequate funding be provided to resource the FBC for CDIS. Advice has been taken from WMCA and LEP colleagues in quantifying the necessary financial requirement which has informed the recommendation within this report.

5.3 The financial requirement of £250,000 was approved by the Investment Advisory Group on 6 November 2017 and will facilitate the following deliverables:

5.3.1 Consultancy support of up to £150,000 to:

- Provide further economic evidence – demonstrating that there is evidence to support assertions on the economic value of innovation projects, and make an assessment on the appropriate size for the project in financial terms.
- Ensure an appropriate governance process is in place, including the selection body and process for feasibility, pilot and demonstrator projects to be funded via CDIS.
- Provide Legal support across a number of issues including Intellectual Property Rights, State Aid, Procurement and legal structures between project partners.
- Provide clarification on a number of current uncertainties including rationalisation of the prioritisation model, expected failure rate and demand stimulation strategy.

5.3.2 An interim Project Manager/Director with some administrative support will also be sought (up to £100,000), to build towards 'go live', fostering partnership and project ideas, building governance structures and preparing for recruitment of the small team of brokers

5.4 It is anticipated that the CDIS FBC will be brought forward by the three WM LEPs and the wider partnership, and that the FBC will have been approved by its Board and other appropriate bodies within its governance structure before submission to WMCA.

## **6 Legal implications**

6.1 The legal implications of the CDIS proposal are not expected to be substantial. However appropriate advice and guidance will be sought as part of the development of the Full Business Case, for which the early draw down of funding is requested

## **7 Equalities implications**

7.1 No equality impact is envisaged in relation to this report.

## **8 Other implications**

8.1 There are no other implications.

## **9 Schedule of background papers**

9.1 There are no background papers

## 10 PMO Assurance

### Assurance activities completed

Technical Panel	Appraisal	06/09/17 – TAP endorsed OBC. Assurance activities completed prior to issue to IAG
Investment Group	Advisory	06/11/17 – IAG endorsed OBC to proceed to next stage
WMCA Team	Leadership	13/12/17 – WMCA Leadership Team approved OBC to progress to Investment Board

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