



Investment Board

Monday 14 December 2020 at 10.00 am

Minutes

Present

Councillor Bob Sleigh (Chair)
Nick Abell

Councillor Mike Bird
Paul Brown

Councillor Tristan Chatfield
Councillor Steve Clark
Councillor Karen Grinsell
Councillor Tony Jefferson
Councillor Jim O'Boyle
Councillor Stephen Simkins
Sue Summers
Gary Taylor

Portfolio Lead for Finance & Investments
Coventry & Warwickshire Local
Enterprise Partnership
Walsall Metropolitan Borough Council
Black Country Local Enterprise
Partnership
Birmingham City Council
Dudley Metropolitan Borough Council
Solihull Metropolitan Borough Council
Non-Constituent Authorities
Coventry City Council
City of Wolverhampton Council
West Midlands Development Capital
Greater Birmingham & Solihull Local
Enterprise Partnership

In Attendance

Graham Russell
Sarah Middleton

Donna Pickersgill
Paula Deas

David Hope
Nicola Small
Gareth Bradford
Carl Craney
Dan Essex
Julia Goldsworthy
Linda Horne
Ian Martin
Liam Brooker
Malcolm Holmes

Amion
Black Country Local Enterprise
Partnership
City of Wolverhampton Council
Coventry and Warwickshire Local
Enterprise Partnership
Coventry City Council
Coventry City Council
West Midlands Combined Authority
West Midlands Rail Executive
West Midlands Rail / Transport for West
Midlands
West Midlands Rail Executive
West Midlands Combined Authority
West Midlands Development Capital
West Midlands Development Capital
West Midlands Development Capital

Gavin Smith
Tim Martin
Ed Bradburn
Gerald Gannaway
Nick Oakley

Item Title**No.****107. Chair's Opening Remarks**

The Chair thanked Members and Officers for joining this virtual meeting of the Investment Board. He asked that any Member wishing to speak on any item should use the appropriate icon on the tool bar or indicate their wish in the 'chat' box which would be monitored throughout the meeting. Following the consideration of each item the recommendations contained within the respective report or those made during consideration of the item would assume to be supported unless members made it clear that they dissented.

He advised that Agenda Item No. 19 (Black Country Land and Property Investment Fund – Programme Update and Reprofile Opportunity) would be considered immediately following the consideration of Agenda Item No. 12 (New Stations Package 2 – Full Business Case) to enable Sarah Middleton, the Presenting Officer, to leave the meeting to join the meeting of the Black Country Local Enterprise Partnership Board.

108. Apologies for Absence (if any)

Apologies for absence had been received from Richard Lawrence (City of Wolverhampton Council), Richard Moon and Andy Williams (Coventry City Council), and Matthew Hammond and Roger Mendonca (West Midlands Growth Company).

109. Notification of Substitutes (if any)

No notification of substitute members had been received.

110. Declarations of Interests (if any)

Non-pecuniary declarations of interest were made by Councillor Steven Simkins and Sue Summers (Agenda Item No. 13 – The Marches, Wolverhampton – Investment in 100 Help to Own Units) and Nick Abell (Agenda Item No. 17 – Far Gosford Developments Ltd. – The former Coventry Evening Telegraph building, Coventry – Collective Investment Fund (CIF) / Brownfield Land and Property Development Fund (BLPDF)).

111. Minutes of last meeting

The Chair reminded the Board that he had declared an interest in any items relating to UK Central / Urban Growth Company as he was a Director of the latter body.

With reference to Minute No. 100 (Gateway Review – SQW Report), the Chair advised that the complimentary report to the SQW report had been signed and sent to the Ministry of Housing, Communities and Local Government the previous week. He thanked Members and Officers for their contributions.

Resolved:

That the minutes of the meeting held on 9 November 2020 be confirmed as a correct record and signed by the Chair.

112. Investment Programme Update and Dashboard

Ian Martin presented a report on the status of the Investment Programme to assist the Board in setting out the context for any investment decisions to be made by the Board.

He reported that approved funding from the WMCA Investment Programme for programmes totalled £780.3 million (as at 30 November 2020), compared to £776.7 million as at 31 October 2020) with funding drawn down / incurred against these projects as at 31 October 2020 totalling £228.4 million. Since the last meeting the following business cases had been approved:

- West Midlands Growth Company – two-year extension;
- Tourism, Trade and Investment Programme Full Business Case submission to Department for Culture, Media and Sport (DCMS); and
- A46 Stoneleigh Junction Phase 1 Change Request.

As mentioned earlier in the meeting the SQW report and the WMCA's complimentary report in respect of the Gateway Review had been submitted to the Ministry of Housing, Communities and Local Government (MHCLG) and a decision was anticipated in January 2021.

Ian Martin reminded the Board that at the WMCA Board meeting held on 8 November 2019, the WMCA Board had agreed to hold the Investment Programme approvals at the current affordable limit, whilst arrangements were made to secure additional funding into the WMCA were developed and delivered. Based on what was available to date, the affordable limit had been agreed by the WMCA Board as £801 million. Consequently, programmes that were funded from the Investment Programme beyond the current affordable limit had amber status and included:

- Coventry UKC Plus;
- Employment, Education and Skills;
- Innovation Programme;
- Land reclamation and Remediation;
- Sprint Programme;
- Rail Programme;
- UK Central HS2 Interchange; and
- UK Central Infrastructure Package.

The funding which underpinned the Investment Programme was expected to support borrowing taken out for the delivery of the programmes. He advised on forthcoming Change Requests and discussions in relation to the following schemes:

- UK Central;
- Coventry City Centre South (planning application submitted - discussions on-going); and
- Wolverhampton Metro Interchange.

Resolved:

1. That the status of the Investment Programme delivery as detailed in the report be noted;
2. That the progress of the Devolution Deal five-year gateway review be noted;
3. That the Investment Programme funding status be noted;

113. Extension of Collective Investment Fund (CIF) and Revolving Investment Fund (RIF) Loans - Statement

Ian Martin presented a report on an approach that could be adopted when considering requests to extend commercial loans in response to a request at the last meeting. He advised that this would be a statement rather than a policy with each case considered on its individual merits.

Councillor Steven Simkins commented that the Board could expect the number of requests for extension to loans to increase given the implications arising upon the Covid-19 pandemic and suggested that there was a need for a flexible approach to be adopted whilst maintaining accountability. He was of the view that a formal policy would be required. Nick Abell suggested that the wording of the statement, as detailed in the report, be amended by the addition of 'commercially' before 'alternative' (third paragraph of section 2.1 of the report) as 'alternative finance' was always possible to obtain.

Councillor Jim O'Boyle questioned whether, to date, any loans had been agreed which were contrary to the statement. Ian Martin advised that, to the best of his knowledge, no such loans had been agreed.

Resolved:

That the statement regarding the extension to Collective Investment Fund (CIF) and Revolving Investment Fund (RIF) loans as detailed in the report and as now amended be approved.

114. WMCA Collective Investment Fund (CIF) - Dashboard

Nick Oakley presented the Collective Investment Fund (CIF) Dashboard (public iteration) as at 1 December 2020.

Resolved:

That the Dashboard be received and noted.

115. WMCA Brownfield Land and Property Investment Fund (BLPDF) - Dashboard

Nick Oakley presented the Brownfield Land and Property Development Fund (BLPDF) Dashboard (public iteration) as at 1 December 2020.

Resolved:

That the Dashboard be received and noted.

116. WMCA Revolving Investment Fund (RIF) - Dashboard

Nick Oakley presented the Revolving Investment Fund (RIF) Dashboard (public iteration) as at 1 December 2020.

Resolved:

That the Dashboard be received and noted.

117. 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).

118. New Stations Package 1 - Full Business Case

Malcolm Holmes and Gavin Smith presented a report which sought approval for the Full Business Case for new stations Package 1 (Darlaston and Willenhall stations) and responded to questions from members of the Board which included:

- Confidence on obtaining funding from the Department for Transport (DfT) Rail Network Enhancement Pipeline;
- Impact of Covid-19;
- Impact on services at Coseley Station;
- Costs of fees compared to construction costs and availability of benchmarking information against comparable schemes;
- Position if DfT funding was not awarded fully following media coverage relating to reductions in available funding;
- Whether the scheme fitted within the overall Transport Strategy.

Linda Horne assured the Board that no contracts would be entered into until such time as the allocation of funding from the DfT was known and reminded the Board on the limits of funding within the Investment Programme.

Resolved:

1. That the Full Business Case (FBC) for new stations Package 1 (Darlaston and Willenhall) be approved for onward progression to the WMCA Board on 15 January 2021;
2. That the release of the sum referred to in the report from the WMCA Investment Programme be approved subject to Department for Transport approval and sufficient Rail Network Enhancement Pipeline (RNEP) funding being made available;
3. That the sum referred to in the report Estimate at Completion (EAC) for the scheme at Full Business Case (FBC) and the intending funding sources and the WMCA being the Accountable Body for the entirety of the funding package be noted;
4. That it be noted that the costs included within the FBC were the current best estimates prior to the completion of single option development (GRIP 4);
5. That it be noted that the Benefit Cost Ratio (BCR) of 6.5 represented a very high value for money for the scheme even taking into account the DfT Covid-19 Long-term impact scenario, leading to a BCR of 4.7 in a reasonable worst-case scenario;
6. That the aim of securing funding in Quarter 1 2021 to enable the project to proceed as per stated timetable be noted;
7. That the benchmarking and value engineering work that had been carried out be noted;
8. That delegated authority be granted for the award of contracts to the successful tenderer for the design and build stage being entered into subject to;
 - i) The contract being within the approved budget;
 - ii) All funding agreements being signed and sealed to the

- satisfaction of the WMCA Finance Director and the Monitoring Officer; and
- iii) The operating costs of the stations being fully qualified and affordable;
9. That delegated authority be granted to the WMCA Monitoring Officer and WMCA Finance Director to enter into various funding agreements which would be reasonably required to enable delivery of the new stations, including (if necessary) the issuing of a Letter of Intent to ensure that the project schedule was maintained whilst funding agreements were being finalised subject to the risks of so doing being acceptable to the WMCA Section 151 Officer and the Monitoring Officer.

119. New Stations Package 2 – Full Business Case

Malcolm Holmes and Gavin Smith presented a report which sought approval for the Full Business Case (FBC) for new stations Package 2 (Camp Hill stations) and responded to questions from members of the Board which included;

- Links between Network Rail and Birmingham City Council's Procurement Team in respect of Social Values; and
- Potential for a new station at Balsall Heath.

Resolved:

1. That the Full Business Case (FBC) for new stations Package 2 (Camp Hill line stations) be approved for onward progression to the WMCA Board on 15 January 2021;
2. That the release of the sum referred to in the report from the WMCA Investment Programme be approved subject to Department for Transport approval and sufficient Rail Network Enhancement Pipeline (RNEP) funding being made available;
3. That the sum referred to in the report Estimate at Completion (EAC) for the scheme at Full Business Case (FBC) and the intending funding sources and the WMCA being the Accountable Body for the entirety of the funding package be noted;
4. That it be noted that the costs included within the FBC were the current best estimates prior to the completion of single option development (GRIP 4);
5. That it be noted that the Benefit Cost Ratio (BCR) of 2.4 represented a high value for money for the scheme even taking into account the DfT Covid-19 Long-term impact scenario, leading to a BCR of 1.3 in a reasonable worst-case scenario;
6. That the aim of securing funding in Quarter 1 2021 to enable the project to proceed as per stated timetable be noted;
7. That it be noted that work continued to consider options to reprofile scope in the event that less funding was available for the project;
8. That it be noted that should there be any material change to scope, including any changes arising from this activity, the FBC would be resubmitted to the WMCA Board;
9. That delegated authority be granted for the award of contracts to the successful tenderer for the design and build stage being entered into subject to;
 - i) The contract being within the approved budget;

- ii) All funding agreements being signed and sealed to the satisfaction of the WMCA Finance Director and the Monitoring Officer; and
 - iii) The operating costs of the stations being fully qualified and affordable;
10. That delegated authority be granted to the WMCA Monitoring Officer and WMCA Finance Director to enter into various funding agreements which would be reasonably required to enable delivery of the new stations, including (if necessary) the issuing of a Letter of Intent to ensure that the project schedule was maintained whilst funding agreements were being finalised subject to the risks of so doing being acceptable to the WMCA Section 151 Officer and the Monitoring Officer.

120. The Marches, Wolverhampton - Investment in 100 Help to Own Units

Gareth Bradford and Graham Russell presented a report which sought endorsement of an equity investment from the WMCA's devolved Housing and Land funds to the 100-unit Marches H2O project to pilot a new affordable housing product in Wednesfield, Wolverhampton. It was explained that H2O was a proposed new affordable housing product which provided potentially a rental solution to local residents that gave long-term security, the benefits of home ownership without the risks and complete flexibility to leave whenever the tenant wished.

Councillor Steven Simkins supported the proposal and commented that the product bridged the gap for those tenants who currently struggled to obtain mortgages. He enquired when the resources would be made available in order that the scheme could commence. Gareth Bradford explained that due diligence and further legal matters needed to be concluded but that the WMCA was working closely with colleagues at the City of Wolverhampton Council on these matters.

Gareth Bradford and Graham Russell responded to further questions from members of the Board including:

- Whether a conflict of interest existed with properties being purchased from WV Living (a private limited company set up by the City of Wolverhampton Council);
- The identity of the Accountable Body;
- Whether consideration had been given to other options rather than the establishment of a Real Estate Investment Trust;
- The availability of a presentation on the concept;
- The grant of notional equity to Frontier Development Capital.

Councillor Mike Bird offered his thanks and congratulations to Frontier Development Capital for the work it had undertaken in bringing forward this initiative.

Resolved:

That subject to:

- a) The results of detailed accounting, taxation and legal advice in relation to The Marches H2O Real Estate Investment Trust (REIT)

which was to be commissioned jointly by the WMCA and City of Wolverhampton council;

- b) The City of Wolverhampton Council confirming that it had secured all necessary approvals and funding to co-invest in the project;
 - c) Availability of the debt funding at the terms detailed in the proposal;
 - d) WMCA and City of Wolverhampton Council being involved in the selection of the property manager by Frontier Development Capital (FDC), the proposed manager of the H2O Marches REIT;
 - e) The completion of the detailed legal and financial documentation and due diligence to establish The Marches H2O REIT to the approval of the WMCA Director of Housing and Regeneration, the WMCA head of Governance and WMCA Finance Director;
 - f) The Ministry of Housing, Communities and Local Government (MHCLG) assurance that this novel investment and the re-use of returns to deliver the purposes and intent of the Land Fund and reduce the net investment commitment from the WMCA was compliant with agreed terms of the Land Fund and accepted as an exceptional proof of concept project:
1. That WMCA equity investment up to a maximum as detailed in the report from the WMCA's devolved housing and land funds alongside the City of Wolverhampton Council's investment to enable the delivery of 100 Help to Own (H2O) units on The Marches site in Wednesfield, Wolverhampton through the creation of a new Real Estate Investment Trust (REIT) or other suitable structure as an exceptional proof of concept pilot for a new affordable housing product called 'Help to Own' be approved. (It was envisaged that the investment would be in the form of equity but with the potential for the inclusion of capped first loss or other provisions to ensure viability, subject to detailed due diligence);
 2. That it be noted that the funding was fully compliant with the WMCA Single Commissioning Framework (SCF) approved by this Board, the Housing and Land Delivery Board and the WMCA Board in March 2019 and which had been operational from 1 April 2019 and it be noted also that the scheme had progressed through each SCF Gateway Approval point on the way to this Board;
 3. That it be noted that this funding was considered to be compliant with the requirements set by Central Government for devolved housing and land funds administered by the WMCA;
 4. That it be noted that the report had been co-developed with Officers from the City of Wolverhampton Council, the promoter of the H2O Marches project;
 5. That it be noted that the 100 units would be purchased from WV Living, a private limited company set up by the City of Wolverhampton Council;
 6. That it be noted that the pilot would be subject to ongoing evaluation with six monthly reports to the Investment Panel and Investment Board as well as annual reports to the WMCA Board;
 7. That it be noted that the report had been jointly developed by the WMCA Section 151 Officer, the Monitoring Officer, Director of Investment and Commercial Activities and the Director of Housing and Regeneration.

121. Bromford Road / Fountain Lane – Development of 234 residential units – Revolving Investment Fund (RIF)

Gerald Gannaway presented a report which sought approval to a loan from the Revolving Investment Fund (RIF) alongside a previously approved WMCA land Fund grant to assist with the delivery of 234 residential units (114 of which were affordable). He responded to a question on the security for the loan.

Resolved:

That the loan be approved on the terms and conditions detailed in the report.

122. Grand Union Studios – Junction Works, 106 -110 Fazeley Street, Digbeth, Birmingham – Collective Investment Fund (CIF)

Kieren Turner-Owen presented a report which sought approval of a Collective Investment Fund (CIF) to assist with Phase 1 of the refurbishment of a Grade 2 listed building in Digbeth. He responded to questions and concerns raised by members of the Board. Linda Horne advised that the WMCA would have first charge on the property and that arrangements would be made for a contingent liability to be provided from the Brownfield Land and Property Investment Fund in the event of a default.

Resolved:

That a Collective Investment Fund (CIF) loan be approved on the terms and conditions detailed in the report.

123. Barberry Industrial Ltd. Barberry 57, Advanced Manufacturing Hub, Aston, Birmingham – Collective Investment Fund (CIF)

Ed Bradburn presented a report which sought approval to the provision of a senior development loan to the Company fully secured against the property to fund the acquisition of the property and the construction of a 57,000 sq. ft. industrial and office unit regenerating 2.3 acres of vacant brownfield land. The Chair asked whether there were proposals to mitigate against a breach of the concentration risk. Ed Bradburn explained that a report would be submitted to a future meeting regarding the proposals to mitigate against concentration risk on another proposal from the applicant. He also outlined the reasons for the application to this Board rather than for market funding. In response to a question from Nick Abell he confirmed that the fees of the WMCA and its representatives would be included within the repayments.

Resolved:

That the senior development loan be approved on the terms and conditions detailed in the report.

124. Far Gosford Developments Ltd. – The former Coventry Evening Telegraph building, Coventry – Collective Investment Fund (CIF) / Brownfield Land and Property Development Fund (BLPDF)

Nick Oakley presented a report which sought approval of a two-year extension to an existing Collective Investment Fund (CIF) loan on revised terms.

Resolved:

That approval be granted to the extension of an existing Collective Investment Fund (CIF) loan by two years on the terms and conditions detailed in the report.

125. Very Light Rail Transforming Connectivity West Midlands (VLR TCWM) – Change Request

Nicola Small presented a report which sought the approval to the reallocation of funding within the Very Light Rail (VLR) budget allocation from workstream 5 (Retaining Wall) to workstream 3 (Route and Business Case Development) to support the Research and Development (R&D) phase and the delivery of the outputs envisaged under the Grant Agreement.

Resolved:

That the reallocation of funding as detailed in the report be approved.

126. Black Country Land and Property Investment Fund – Programme Update and Reprofile Opportunity

Sarah Middleton presented a report which sought to secure a reprofile of the Black Country Land and Property Investment Fund programme, to align with current project forecasts of spend and outputs.

Resolved:

1. That the programme progress delivered to date, of the Black Country Land and Property Fund (LPIF) programme, managed by the Black Country LEP and its Single Accountable Body (Walsall MBC) be noted;
2. That the previous derogations which had been approved and provided for the Phoenix 10 and i54 western extension projects be noted;
3. That it be noted that the Black Country LEP utilised its LEP Assurance Framework, which was compliant with the Government's National Assurance Framework, to manage the LPIF programme and would continue to do so until programme closure;
4. That it be noted that programme management costs were agreed at the start of the programme in 2017 (as part of the £53.04 million allocation) and were not due to exceed their overall budget;
5. That the Black Country Land and Property Investment Fund programme be reprofiled to allow expenditure and outputs to be claimed up to March 2025;
6. That programme management costs, within this fund be reprofiled for an additional year to March 2026 to ensure that the expenditure and outputs were audited in line with the Black Country Assurance Framework.

127. WMCA Collective Investment Fund (CIF) - Dashboard

Nick Oakley presented the Collective Investment Fund (CIF) Dashboard (private iteration) as at 1 December 2020 and updated the Board on the position with certain schemes.

Resolved:

That the Dashboard and the update report be received and noted.

128. WMCA Brownfield Land and Property Development Fund (BLPDF) - Dashboard

Nick Oakley presented the Brownfield Land and Property Development Fund (BLPDF) dashboard (private iteration) as at 1 December 2020.

Resolved:

That the Dashboard be received and noted.

129. WMCA Revolving Investment Fund (RIF) - Dashboard

Nick Oakley presented the revolving Investment Fund (RIF) Dashboard (private iteration) as at 1 December 2020. He updated the Board on the present position with the Urban Splash development at Port Loop.

Resolved:

That the Dashboard and update report be received and noted.

130. Land and Property Investment Fund (LPIF)

The Board considered the Land and Property Investment Fund Dashboard as at 1 December 2020.

Resolved:

That the Dashboard be received and noted.

The meeting ended at 11.48 am.