



WEST MIDLANDS
COMBINED AUTHORITY

WMCA Board

Date	9 March 2018
Report title	Coventry Station Masterplan
Portfolio Lead	Councillor Izzi Seccombe, Finance and Investments
Accountable Chief Executive	Deborah Cadman, West Midlands Combined Authority email: deborah.cadman@wmca.org.uk tel: (0121) 214 7200
Accountable Employee	Sean Pearce, Director of Finance email: sean.pearce@wmca.org.uk tel: (0121) 214 7936
Report to be/has been considered by	Technical Approval Panel (1/11/17) WMCA Investment Advisory Group (4/12/17) WMCA Leadership Team (10/1/18) Investment Board (29/1/18) Programme Board (23/2/18)

The WMCA Authority Board is recommended to:

- (1) Approve the award of £39.4 million Devolution Deal funding to Coventry Rail Station Masterplan project, which is promoted by Coventry City Council based on assurance work completed and the endorsement of the Project by the Investment Board on 29 January 2018.
- (2) Delegate to the Monitoring Officer and the Director of Finance in consultation with the Portfolio Lead for Finance to conclude the grant agreement with Coventry City Council in accordance with this report.

1 Purpose

- 1.0 This report seeks the approval of £39.4 million for Coventry Rail Station Masterplan (CSMP), requested via a full business case.
- 1.1 This report sets out the work undertaken by the Investment Board and the assurance now provided to support the approval being proposed to the West Midlands Combined Authority Investment Board. It summarises the key aspects to the application and is supported by the summarised business case submitted by the lead Council, in this case, Coventry City Council that was considered by the Investment Board.
- 1.2 The Coventry Station Masterplan is an £82 million programme of works to increase capacity at Coventry Rail Station. £42.6 million 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.
- 1.3 The West Midlands Combined Authority funding is therefore the remaining element to be secured to enable a fully funded programme.

2 Background

- 2.0 The Coventry Station Masterplan project aims to improve connectivity to UK Central 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 limiting current and future economic and jobs growth in the city.
- 2.1 The Station Masterplan 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.
- 2.2 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 set out in the following table:

Table 1: Key Project Milestones

CSMP Key Milestone	Target
Planning Applications	February 2018
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

3 Impact on the Delivery of the Strategic Transport Plan

3.0 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.

3.1 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 Summary of the West Midlands Combined Authority Assurance Process

4.0 The application for approval has moved through the West Midlands Combined Authority approvals process and a summary is provided in the table below.

Table 2: West Midlands Combined Authority Assurance activities completed

Process	Decision
Technical Appraisal Panel	1 January 2017 - Technical Appraisal Panel endorsed the Full Business Case to progress to Investment Advisory Group
Investment Advisory Group	4 December 2017 - The investment case was approved to progress to West Midlands Combined Authority Leadership Team.
WMCA Leadership Team	10 December 2017 - The West Midlands Combined Authority Leadership Team approved to progress to Investment Board
Investment Board	29 January 2018 - Investment Board approved to progress to WMCA Board for final approval with their endorsement.

4.1 Confirmation of approval at Coventry City Council Cabinet and Full Cabinet was received on 24 January 2018 to confirm that the project had satisfied all of the approval processes at the host Local Authority.

4.2 All other points and issues raised during the assurance process have been satisfactorily resolved by those Panels, Groups and Boards set out in Table 2. The final substantive item discussed and agreed at Investment Board relates to the risk share on car park revenues where it was confirmed that an approach of fixed funding and risk of any project over spend pressures to remain with Coventry City Council was confirmed.

5 Wider West Midlands Combined Authority Implications

5.0 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.

5.1 The current station facility requires significant investment to support the potential economic growth of the region 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.

6 Financial implications

5.1 A high level financial summary of the programme is set out in the following table:

Table 3: Summary Financial Information for Coventry Station Master Plan

Coventry Station Masterplan - phased spend and funding summary		2016/17 & prior £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Funding source	Funding status							
CWLEP Growth Deal	Secured	5.5	3.3	12.6	3.7			25.1
DfT/Network Rail	Secured			3.1	1.9			5.0
Integrated Transport Block/CCC	Secured	0.6			0.1	0.9		1.6
CCC Prudential Borrowing (based on car park income)	Secured				4.6	5.2	1.1	10.9
WMCA Devolution Deal	Approval in progress			1.4	19.5	14.6	3.9	39.4
TOTAL PROGRAMME		6.1	3.3	17.1	29.8	20.7	5.0	82.0

- 6.0 The overall West Midlands Combined Authority Investment Programme funding requirement of £39.4 million will be utilised after the other confirmed/secure funding sources and the above phasing/cash flow reflects this position. The West Midlands Combined Authority are therefore funder of the last resort subject to a £39.4 million cap. The grant agreement between Coventry City Council and WMCA is being drafted on this basis.
- 6.1 The current forecast of the gross investment for the project of £82.0 million includes £12.4 million contingency for risk. To the extent this contingency is not required, the West Midlands Combined Authority funding requirement will reduce accordingly. However, any overspend against the overall £82 million is at the risk of Coventry City Council.
- 6.2 The prudential borrowing by Coventry City Council of £10.9 million is based on income from the multi-storey car park for an agreed lease period (from Network Rail). This income stream has been modelled based on a 40 year lease period and the forecast passenger growth over this period. The West Midlands Combined Authority Finance Team have reviewed the model and the underlying assumptions. Given the uncertainty around these future projections, it is recommended that West Midlands Combined Authority Board accept the fixed £10.9 million funding commitment from this source and that the risks, as well as the potential upside, of passenger growth remains with Coventry City Council.
- 6.3 Following approval of the Final Business Case by the West Midlands Combined Authority Board a grant agreement will be put in place between the West Midlands Combined Authority and Coventry City Council. Reimbursement of the grant will be quarterly in arrears in accordance with the payment schedule linked to project delivery/construction milestones.
- 6.4 The agreed payment schedule is included at Appendix 1.

- 6.5 In agreeing to the recommendation the West Midlands Combined Authority Board need to take into account the summary and recommendations that it received in January 2018 with the report, 'Progress Update on the West Midlands Combined Authority Investment Programme'. This report set out that not all income streams that support the West Midlands Combined Authority Programme are secured. Therefore the following points with regard to this scheme should be noted:
- a) Existing funding rated as 'Green' or prudential borrowing that can be made and to be repaid by the region's future forecast Devolution Grant is sufficient to support the requested funding for this scheme; however
 - b) Given that there is still substantial work to be concluded to confirm all West Midlands Combined Authority Income Streams, namely income to be derived from Precept and a Business Rates Supplement as set out in the region's first Devolution Deal then approval of this scheme may not allow all further schemes to be approved that are dependent on West Midlands Combined Authority internally generated resources that are contained within the Investment Programme;
 - c) The annual revenue cost to service the borrowing for this scheme is £2.4 million. The basis on which this can be signed off is due to the assumption that the 30 Year Devolution Grant will be received in Full from Central Government. The Total Annual Devolution Grant over 30 years after taking into account the funding of interest costs provides funding for the investment programme of £748 million. The Devolution Grant will be subject to a 5 yearly gateway review that is currently being scoped with Ministry of Housing, Communities and Local Government and SQW. Should the Devolution Grant be reduced, the Annual Revenue Cost will need to be met through contributions from Constituent Authorities on the basis of the underwriting of all West Midlands Combined Authority commitments by each Constituent Authority.

Table 4: Investment Programme Schemes funded by WMCA resources to be generated

	£000's	WMCA	Total	Status
1	UKC Interchange	396,015	1,020,326	SOC pending March CA Board allocation
2	UKC Infrastructure	290,144	638,979	SOC pending March CA Board allocation
3	HS2 Connectivity Programme schemes	603,766	1,099,686	Various
4	Brierley Hill Metro Extension	103,000	343,600	SOC, Grant spending first
5	Programme Governance	3,676	3,676	Year 1 spending to Budget
6	Coventry City Centre Regeneration	150,097	360,055	£99m FBC with remainder in March Board
7	Coventry UKC City Centre First	11,600	18,351	-
8	Coventry UKC North	21,600	142,900	SOC/OBC
9	Coventry UKC South	149,250	311,900	SOC/OBC
10	Land Remediation Fund	200,000	200,000	£68m/£88m deployed pre-March 2018
11	Business Innovation	50,000	50,000	£0.275m SOC
12	Employment, Education & Skills	20,000	20,000	Not commenced
13	Commonwealth Games	25,000	25,000	2022 – subject to full assurance process
-	Other Investment Programme Schemes	-	4,122,634	Various
	GRAND TOTAL	2,024,148	8,357,107	

6.6 A Task and Finish Group of the West Midlands Combined Authority Board is being established in Quarter 1 as set out in the January 2018 Investment Programme Report and February 2018 Budget Report to consider this in more detail.

6.7 All other finance points raised during the assurance process have been satisfactorily resolved.

7 Legal implications

7.0 The grant agreement with WMCA is explained in 6.3 and Appendix 1.

- 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 Cabinet approval obtained in February 2018 in order to make the order in spring 2018 if an agreement cannot be reached by negotiation.

8 Equalities implications

- 8.0 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 Schedule of background papers

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

Cabinet 24 January 2017: Coventry Station Masterplan Update

Cabinet 24 January 2017: Connecting Coventry – Strategic Transport Investment Programme

Cabinet 28 November 2017: Coventry Station Masterplan Procurement Strategy Update

10 Appendices

Appendix 1: Draft Coventry Station Masterplan grant agreement – Schedule 2 (payment schedule)

Appendix 1: Draft Coventry Station Masterplan grant agreement – Schedule 2 (payment schedule)

GRANT AGREEMENT RELATING TO COVENTRY STATION MASTERPLAN PROJECT (1) WEST MIDLANDS COMBINED AUTHORITY and (2) THE COUNCIL OF THE CITY OF COVENTRY									
Schedule 2 [draft based on FBC submitted Oct-17]									
Item	Claim quarter	Eligible Expenditure	Key milestone	Target completion date	Maximum Expenditure Amount (planned - per quarter)	Maximum Expenditure Amount (cumulative)*	Drawdown Trigger Date	Reimbursement of costs under the Grant	Reimbursement conditions
1	Q1 2018/19	Footbridge and Canopies	Planning / Listed Building Approval	Mar-18	£355,500	£355,500	Completion of key milestones during Q1 2018/19 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
			Design and Build Contract Award Date	Apr-18					
		NUCKLE 1.2	Design and Build Contract Award Date	May-18					
			Planning Approval	Mar-18					
			Highways and Bus Interchange	Detailed Design Complete					
2	Q2 2018/19	Footbridge and Canopies		Start Site Works	Jun-18	£355,500	£711,000	Completion of key milestones during Q2 2018/19 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2
		Station Building and MSCP	Design and Build Contract Award Date	Sep-18					
3	Q3 2018/19	Footbridge and Canopies	Detailed Design Complete	Oct-18	£355,500	£1,066,500	Completion of key milestones during Q3 2018/19 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
			NUCKLE 1.2	Detailed Design Complete					
				Start Site Works					
4	Q4 2018/19	NUCKLE 1.2	CPO Approval	Mar-19	£355,500	£1,422,000	Completion of key milestones during Q4 2018/19 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
5	Q1 2019/20	NUCKLE 1.2	Complete Site Works	May-19	£4,895,250	£6,317,250	Completion of key milestones during Q1 2019/20 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
			Station Building and MSCP	Detailed Design Complete					
		Highways and Bus Interchange	Construction Contract Award Date	Mar-19					
			CPO Approval	Mar-19					
			Start Site Works	Mar-19					
6	Q2 2019/20	Footbridge and Canopies	Complete Site Works	Jul-19	£4,895,250	£11,212,500	Completion of key milestones during Q2 2019/20 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
		Station Building and MSCP	Start Site Works	Jul-19					
7	Q3 2019/20	Station Building and MSCP	Complete Site Works	Nov-20	£4,895,250	£16,107,750	Satisfactory progress towards future key milestones during Q3 2019/20 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
		Highways and Bus Interchange	Complete Site Works	Jul-21					
8	Q4 2019/20	Station Building and MSCP	Complete Site Works	Nov-20	£4,895,250	£21,003,000	Satisfactory progress towards future key milestones during Q4 2019/20 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
		Highways and Bus Interchange	Complete Site Works	Jul-21					
9	Q1 2020/21	Station Building and MSCP	Complete Site Works	Nov-20	£3,646,500	£24,649,500	Satisfactory progress towards future key milestones during Q1 2020/21 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
		Highways and Bus Interchange	Complete Site Works	Jul-21					
10	Q2 2020/21	Station Building and MSCP	Complete Site Works	Nov-20	£3,646,500	£28,296,000	Satisfactory progress towards future key milestones during Q2 2020/21 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
		Highways and Bus Interchange	Complete Site Works	Jul-21					
11	Q3 2020/21	Station Building and MSCP	Complete Site Works	Nov-20	£3,646,500	£31,942,500	Completion of key milestones during Q2 2019/20 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
12	Q4 2020/21	Highways and Bus Interchange	Complete Site Works	Jul-21	£3,646,500	£35,589,000	Satisfactory progress towards future key milestones during Q4 2020/21 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
13	Q1 2021/22	Highways and Bus Interchange	Complete Site Works	Jul-21	£1,906,000	£37,495,000	Satisfactory progress towards future key milestones during Q4 2020/21 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
14	Q1 2021/22	Highways and Bus Interchange	Complete Site Works	Jul-21	£1,905,000	£39,400,000	Completion of key milestones during Q2 2019/20 confirmed through WMCA assurance process	Quarterly in arrears on a costs arising basis payable in line with Part 2 Claim Process of this Schedule 2	Reimbursement will be made of direct costs incurred relating to the services and works required to support delivery of the key milestones specific.
Total - maximum amount payable under this agreement					£39,400,000	£39,400,000			
* Maximum cumulative claim limit over the life of the programme. Quarterly planned maximum amounts underclaimed in may be included in future quarterly claims up to the maximum cumulative amount subject to completion of key milestones and evidence of costs incurred.									