



Investment Board

Date	30 April 2018
Report title	Investment Programme Update
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Report to be/has been considered by	

Recommendation(s) for action or decision:

The West Midlands Combined Authority Investment Board is recommended to:

- 1 Note the progress against the Investment Programme agreed as part of the region's first Devolution Deal.
- 2 Note the £20.8 million increase in commitments made by West Midlands Combined Authority shown within Table 2 and the work undertaken to advance the Business Rates Supplement work-stream.

1 Purpose

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

2 Background

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

3 Investment Programme Summary

- 3.1 The following table sets out a summary of the 20 Programmes which make up the £8 billion Investment Programme and includes an analysis of the £2 billion intended to be generated by the West Midlands Combined Authority.

Table 1: Summary of Programmes that comprise the Investment Programme

£ millions		WMCA Funding	Total Funding
1	UKC Interchange	398.0	604.6
2	UKC Infrastructure	288.0	634.3
3	HS2 Connectivity Programme schemes	607.1	1,102.4
4	Brierley Hill Metro Extension	103.0	343.6
5	Programme Governance	3.0	3.0
6	Coventry City Centre Regeneration	150.0	357.7
7	Coventry UKC North	21.6	142.9
8	Coventry UKC South	156.4	327.9
9	Land Remediation Funds*	200.0	200.0
10	Business Innovation	50.0	50.0
11	Employment, Education & Skills	20.0	20.0
12	Commonwealth Games*	25.0	25.0
13	Curzon Street Station Masterplan	-	556.2
14	Metro Birmingham Eastside Extension	-	137.2
15	HS2 – Metro Birmingham Interchange	-	735.0
16	Collective Investment Vehicle	-	1,000.0
17	Devolved Transport Investment	-	1,299.0
18	High Speed Supply Chain and Business Support	-	350.0
19	National College of High Speed Rail	-	26.3
20	Enterprise Expansion excluding Curzon	-	20.0
GRAND TOTAL		2,022.1	7,935.1

*Subject to further assurance processes

- 3.2 The table above and the wider financial summary of the Investment Programme showing all sources of anticipated funding (Appendix 1) remain unchanged since the previous report.
- 3.3 Investment Programme approvals to date total £477.7 million. This is summarised in the table below as at the 26 March Investment Board.

Table 2: Summary of Investment Programme approvals made to 26 March 2018

£ millions		Approvals	WMCA Funding	Total Funding
1	UKC Interchange	20.0	398.0	604.6
2	UKC Infrastructure	13.1	288.0	634.3
3	HS2 Connectivity Programme schemes	161.9	607.1	1,102.4
4	Brierley Hill Metro Extension	16.6	103.0	343.6
5	Programme Governance	0.7	3.0	3.0
6	Coventry City Centre Regeneration	150.0	150.0	357.7
7	Coventry UKC North	0.2	21.6	142.9
8	Coventry UKC South	0.8	156.4	327.9
9	Land Remediation Fund	87.8	200.0	200.0
10	Business Innovation	0.5	50.0	50.0
11	Employment, Education & Skills	0.0	20.0	20.0
12	Commonwealth Games	25.0	25.0	25.0
13-20	Other non WMCA Funded Schemes	N/A	N/A	4,123.7
GRAND TOTAL		477.7	2,022.1	7,935.1

3.4 The above table incorporates two new approvals made by Investment Board since the previous report in relation to the UK Central Infrastructure Programme (£9.8m) for design works and £11m for Brierley Hill Metro Extension to cash-flow development works in advance of the Transforming Cities Funding receipt.

3.5 There are no new projects progressing to Full Business Case stage since the previous report.

3.6 Appendix 2 sets out a summarised forward plan of anticipated approvals required over the medium term from the Investment Board

4 Investment Programme Funding

4.1 The previous report to this Board outlined the main factors West Midlands Combined Authority are managing in relation to Investment Programme Funding which were reported to West Midlands Combined Authority Board on 12 January 2018 (“Progress Update on the West Midlands Combined Authority Investment Programme”).

4.2 As detailed in the West Midlands Combined Authority report, the various funding streams underpinning the Investment Programme were ranked based on the likelihood of West Midlands Combined Authority realising the funding to support the programme. These are documented below and remain unchanged.

Table 3: Summary risk rating of the funding for the Investment Programme

	PwC Report February 2016		WMCA review December 2017	
	£ billion	%	£ billion	%
Green	0.5	6%	2.4	30%
Amber	6.5	81%	3.6	45%
Red	1.0	13%	2.0	25%
Total	8.0	100%	8.0	100%

4.3 It should be noted that West Midlands Finance Directors have recently been allocated accountability to realise specific funding streams which will be reviewed at the monthly meeting of West Midlands Finance Directors.

4.4 The January West Midlands Combined Authority report provided further detail with regard to the West Midlands Combined Authority internally generated resources and this is set out in the following table which is unchanged from the previous report.

Table 4: Summary of the Funding Streams that support the West Midlands Combined Authority £2 billion contribution to the Investment Programme

	Investment created by Internally Generated Funds	
	£ billion	%
Annual Devolution Grant	0.7	35%
Business Rates	0.5	25%
Supplementary Business Rate	0.6	30%
Mayoral Precept	0.2	10%
Total	2.0	100%

4.5 The report to the previous Investment Board in March 2018 gave a full account of the position of the income sources noted above. Since the last report, the main areas of progress have been against securing the Business Rates Supplement where West Midlands Combined Authority have undertaken significant initial work to progress the work stream, including:

- Setting up Steering Board and Senior Board governance structures to assist in the delivery of the scheme with the latter including representation from Ministry of Housing, Communities and Local Government (MHCLG), the Local Enterprise Partnerships, West Midlands Finance Directors, and the Mayoral Office in addition to internal West Midlands Combined Authority expertise from Finance, Legal, Communications and Project Management.
- Initial research and best practice learning from MHCLG and the Greater London Assembly.
- Procurement of external resource to:
 - a. Develop an initial Business Rate Supplement prospectus
 - b. Support in confirming and further developing the business rate supplement principles
 - c. Provide assurance of the existing initial financial model
 - d. Develop a new project financial model
 - e. Support the development of a stakeholder map and plan

- f. Provide a phase 2 costed delivery plan
- g. Phase 1 completion and handover
- Completion of a Project Initiation Document and approval of the document through West Midlands Combined Authority Leadership Team.
- Initial briefing to and consultation with the Mayor.

The headline deliverable is for the Mayor to receive the output from a technical piece of work and a potential draft prospectus in early summer where direction will be sought regarding whether the West Midlands Combined Authority Board could consider a potential scheme. If the decision to progress is made, the headline project plan could involve consultation with business prior to a Ballot of affected businesses being undertaken.

- 4.6 In addition to the above progress against the Business Rates Supplement, the West Midlands Technical Rates Group which is charged with proposing options for future Business Rates Growth distribution has been re-established from 26th April 2018 and will meet monthly. This group will also provide key input into the Business Rates Supplement work-stream, specifically around the detailed mechanics of the scheme in terms of operating the scheme.
- 4.7 Finally, it should be noted that arrangements for the Gainshare gateway review remain subject to discussions with Government.

5 Investment Programme Expenditure

- 5.1 Actual Expenditure incurred in relation to the Investment Programme is reported to the West Midlands Combined Authority Board at each meeting and the intention is to provide this summary to the Investment Board alongside updates of the information provided above. Set out below is a summary of the position as at February and an out-turn position for the financial year will be provided to the next Board meeting.

Table 5: Current Status of Expenditure on the Investment Programme

£ millions		2017/18 Forecast	2017/18 Plan	Forecast to Complete
1	UKC Interchange	2.0	2.0	604.6
2	UKC Infrastructure	2.5	4.4	634.3
3	HS2 Connectivity Programme schemes	54.4	68.2	1,102.4
4	Brierley Hill Metro Extension	5.0	2.1	343.6
5	Programme Governance	0.3	0.6	3.0
6	Coventry City Centre Regeneration	6.1	7.8	357.7
7	Coventry UKC North	0.0	0.5	142.9
8	Coventry UKC South	2.6	2.7	327.9
9	Land Remediation Fund	20.0	20.0	200.0
10	Business Innovation	0.0	<0.1	50.0
11	Employment, Education & Skills	0.0	0.0	20.0

£ millions		2017/18 Forecast	2017/18 Plan	Forecast to Complete
12	Commonwealth Games	0.0	0.0	25.0
13	Curzon Street Station Masterplan	1.0	1.0	556.2
14	Metro Birmingham Eastside Extension	2.0	1.7	137.2
15	HS2 – Metro Birmingham Interchange	3.9	2.0	735.0
16	Collective Investment Vehicle	20.0	20.0	1,000.0
17	Devolved Transport Investment	0.0	0.0	1,299.0
18	HS2 Supply Chain and Business Support	25.7	25.7	350.0
19	National College of High Speed Rail	9.5	8.7	26.3
20	Enterprise Expansion excluding Curzon	0.0	0.0	20.0
GRAND TOTAL		155.0	167.5	7,935.1

- 5.2 Appendix 3 to this report includes a summary of Investment Programme expenditure incurred to the end of February 2018 and the forecast to the end of the 2017/18 financial year. This shows an expected under-spend against the 2017/18 budget of £19.1 million largely influenced by the Wolverhampton Interchange scheme delayed spend on the UK Central Infrastructure and Coventry City Centre South programmes, off-set by acceleration against other Metro network schemes. The slippage against the Wolverhampton scheme is expected to be recovered during 2018/19.
- 5.3 West Midlands Combined Authority was able to meet its 2017/18 direct funding and grant funding obligations under the Investment Programme from available resources (i.e. receipt of gainshare and efficient cash management) and as such, no borrowing was undertaken. West Midlands Combined Authority forecasts continue to show a borrowing requirement in 2018/19 which will require West Midlands Combined Authority to acquire the amended borrowing powers from Government if it is to meet the grant requirements for the Coventry Regeneration and other non-transport schemes. These borrowing powers are expected to be in place by the end of April 2018.
- 5.4 The cost at completion shows a favourable £308 million variance but £415 million of that total relates to the removal of both costs and 3rd party funding underpinning the UK Central Interchange scheme. As a result, no programme flexibility is realised as part of this change and the programme is currently being rebased. The reason for the downwards movement relates to the removal of aspects of the programme which are not directly controlled or managed by Solihull MBC, for instance, the £81m for the Automated People Mover which is being delivered by HS2.
- 5.5 Solihull and Brierley Hill Metro schemes continue to show potential over-spends of £60 million and £34 million respectively which relate to optimism bias at this stage. The HS2 Connectivity over-spend relates mainly to the Wolverhampton Interchange Scheme where an agreement on sharing any additional expenditure

has been reached between the West Midlands Combined Authority and the City of Wolverhampton Council. The Metro Board is considering a report in May on action being taken to mitigate this risk.

6 Investment Programme Ranking & Scheduling

- 6.1 West Midlands Combined Authority are still anticipating that financial commitments towards Investment Programme schemes will not be possible after Quarter 4 2018/19 unless additional revenues are secured and realised. It is at this point where West Midlands Combined Authority are forecasting that the Devolution Deal Gainshare Grant will be fully committed. The planned commitments which will be approved against this funding are shown on Appendix 4.
- 6.2 A review has been commenced through a Task and Finish Group to determine whether any rescheduling of Investment Programme commitments is required for the remainder of the 2018/19 financial year. The Terms of Reference for the group responsible for taking forward the ranking and scheduling exercise have been shared with West Midlands Finance Directors and are currently under consideration with sign off expected by the end of April.
- 6.3 The initial outcome of this ranking / sequencing exercise will then be presented back to Finance Directors and Chief Executives before seeking endorsement from Leaders, expected to be in July 2018 at the West Midlands Combined Authority Board. This will be supported by early engagement with the Mayor, the Portfolio Lead for Finance and Metropolitan Leaders Group before the West Midlands Combined Authority Board and Investment Board meetings.

7 Investment Programme Assurance and Governance

- 7.1 Recruitment within the Programme Management Office continues to ensure there is strong capability and capacity to support delivery of the Investment Programme. The planned recruitment within the team has been accelerated in some areas.
- 7.2 A Head of Strategic Programme Delivery has now been approved through the Job Evaluation Process and is being recruited actively to strengthen strategic leadership of the Investment Programme Management Team.
- 7.3 Arcadis have been commissioned to deliver work on the effectiveness and application of the Governance and Assurance Framework and inform the Governance process in the future. This work alongside the delivery of a Benefits Register are planned to provide interim deliverables at the start of April 2018 and then report with final outcomes at the start of May 2018. The intention is to include this as part of the Task and Finish Group and the Investment Board will receive an update of this work at its May 2018 meeting.
- 7.4 The Investment Programme Risk Register, at a strategic level, has been drafted and is currently under review. Plans are in place to deliver this to May 2018 board. Alongside this, a Benefits register is being developed and is a deliverable of the work commissioned with Arcadis.
- 7.5 The Programme Management Office team continues to work with all parties in receipt of West Midlands Combined Authority funds to make sure that they understand and work within the required assurance and governance framework. This activity is being undertaken in close co-operation with West Midlands Combined Authority Finance and Audit and Assurance colleagues.

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

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

APPENDIX 2 : Investment Board - Forward Plan

30 April 2018	04 June 2018	25 June 2018	July 2018
WBHE Change Request (CRQ011 £36m)			OBC - Coventry South - Binley & Walsgrave Junction
			OBC - Coventry Ring Road Junction Improvements
			SOC - UKC Infrastructure Package Phase 2

August 2018	September 2018	October 2018	November 2018
FBC - Coventry South - A46 Link Road P1	OBC - Coventry South - A46 Link Road P2		OBC - Sprint Birmingham to Sutton Coldfield via Langley
FBC A45 to Town Centre & UKC Hub Strategy Cycle Link	OBC - Coventry South - A46 Link Road P3		OBC - Sprint A45
Change Request - city Centre First	OBC - Coventry South - Tile Hill Station Improvements		OBC - Metro EBS
	OBC - HS2 Connectivity Package - Sutton Coldfield Gateway		
	OBC - Moseley, Kings Heath, Hazelwell Stations (Package 2)		
	OBC - Willenhall and Darlaston Station (Package 1)		

December 2018	January 2019	February 2019	March 2019
OBC - Sprint A34 Birmingham to Walsall	OBC - Coventry South - Interchange P&R		
FBC - Birmingham Eastside Extension	FBC - Metro - Wednesbury Brierly Hill		

April 2019	May 2019
	FBC - Sprint Birmingham to Sutton Coldfield via Langley
	OBC - Coventry North

APPENDIX 3 : WMCA Investment Programme Financial Summary

Period Ending 28th February 2018

	PROJECT RAG	2017 / 2018 TO DATE			2017 / 2018 FULL YEAR			COST TO COMPLETION					
		ACTUAL	BUDGET	VARIANCE	BUDGET	FORECAST	VARIANCE	PRIOR YEAR ACTUAL	2017/18 FORECAST	FUTURE YEARS FORECAST	TOTAL FORECAST OUTTURN	TOTAL BUDGET	VARIANCE
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
UK CENTRAL : HS2 INTERCHANGE	Red	1,832	1,780	(52)	2,016	2,040	(24)	1,982	2,040	600,581	604,603	1,019,937	415,334
UK CENTRAL : HS2 INFRASTRUCTURE	Green	1,522	3,757	2,235	4,387	2,513	1,874	751	2,513	631,083	634,347	648,648	14,301
CURZON STREET STATION MASTERPLAN	Green	1,000	1,000	0	1,000	1,000	0	0	1,000	555,200	556,200	556,000	(200)
METRO BIRMINGHAM EASTSIDE	Green	1,575	1,597	22	1,678	2,033	(355)	4,457	2,033	130,710	137,200	137,200	0
METRO BIRMINGHAM INTERCHANGE	Red	2,472	1,910	(562)	2,026	3,856	(1,830)	1,041	3,856	730,103	735,000	675,000	(60,000)
HS2 WIDER CONNECTIVITY PACKAGE *	Orange	45,687	60,513	14,826	68,187	54,370	18,158	56,729	54,370	991,365	1,102,464	1,070,624	(31,840)
BRIERLEY HILL METRO EXTENSION	Green	4,657	1,920	(2,737)	2,133	5,017	(2,884)	2,021	5,017	336,562	343,600	310,000	(33,600)
NATIONAL COLLEGE FOR HIGH SPEED RAIL	Green	9,212	9,212	0	8,687	9,462	(775)	16,318	9,462	531	26,311	25,233	(1,078)
HS2 GROWTH STRATEGY PROGRAMME MANAGEMENT	Green	292	549	257	594	311	283	304	311	2,303	2,918	4,400	1,482
HIGH SPEED SUPPLY CHAIN & BUSINESS SUPPORT **	Green	400	400	0	25,748	25,748	0	10,870	25,748	313,382	350,000	350,000	0
HS2 Growth Strategy Total		68,649	82,638	13,989	116,456	106,350	14,447	94,473	106,350	4,291,820	4,492,643	4,797,043	304,400
COVENTRY UK CENTRAL PLUS CONNECTIVITY*	Green	1,700	2,341	641	3,217	2,591	626	454	2,591	467,650	470,695	472,350	1,655
COVENTRY CITY CENTRE REGENERATION	Green	994	5,440	4,446	7,842	6,079	1,763	464	6,079	351,229	357,772	359,311	1,539
COLLECTIVE INVESTMENT VEHICLE	Green	13,607	13,607	0	20,000	20,000	0	3,589	20,000	976,411	1,000,000	1,000,000	0
LAND RECLAMATION	Green	0	0	0	20,000	20,000	0	0	20,000	180,000	200,000	200,000	0
COMMONWEALTH GAMES	Green	0	0	0	0	0	0	0	0	25,000	25,000	25,000	0
DEVOLVED TRANSPORT INVESTMENT	Red	0	0	0	0	0	0	0	0	1,299,000	1,299,000	1,299,000	0
EZ EXPANSION EXCLUDING CURZON	Green	0	0	0	0	0	0	0	0	20,000	20,000	20,000	0
EMPLOYMENT EDUCATION & SKILLS	Green	0	0	0	0	0	0	0	0	20,000	20,000	20,000	0
BUSINESS INNOVATION	Green	21	21	0	25	25	0	0	25	49,975	50,000	50,000	0
OTHER INVESTMENT PROGRAMME SCHEMES		16,322	21,409	5,087	51,084	48,695	2,389	4,507	48,695	3,389,265	3,442,467	3,445,661	3,194
GRAND TOTAL		84,971	104,047	19,076	167,540	155,045	16,836	98,980	155,045	7,681,085	7,935,110	8,242,704	307,594

FUNDING SUMMARY (JANUARY YTD ACTUAL)	£000
WMCA	27,033
LGF	9,658
DFT	19,216
BCC Borrowing (CIF)	13,607
EZ	5,587
Local Authority	4,043
Central Govt/Other	5,682
Private	145
TOTAL	84,971

* NOTE : An element of the HS2 Connectivity Package is included within the UK Central Hub Growth and Infrastructure Plan.

** NOTE : The High Speed Supply Chain work stream is not a WMCA funded programme and included for information only. The Investment Programme baseline of £350m includes substantial sums as leveraged investment from business.

Spend to the end of February 2018 is £19.1m behind budget. This variance includes £13.2m relating to the Wolverhampton Interchange Station / Car Park works within the HS2 Connectivity Package caused by the delays in the procurement of the main contractor. Other significant year-to-date underspends to budget are UK Central Infrastructure (£2.2m - delayed start to land acquisition and construction works) and Coventry City Centres South regeneration (£4.4m - delayed land acquisition).

The UK Central Interchange project out-turn has been restated to exclude projects not directly managed and sponsored by Solihull MBC and UGC. Previous financial returns have included a number of investment projects relating to the Interchange Hub zone, as set out in the published UGC Growth & Infrastructure Plan, but which are not directly managed by SMBC/UGC. These projects included an element of HS2 direct investment in the Interchange Station, car park and Automated People Mover (APM).

The UK Central Interchange RAG status has been changed to red for the December report. This reflects the position in regard to the £205m matched funding element of the Birmingham International Station (CEF) redevelopment proposal which is not secured. This funding represents 71% of the forecast cost of this project (£287m). The balance of the Interchange programme, including the remainder of the CEF project, is primarily funded by WMCA.

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

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

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

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

