



West Midlands
Combined Authority

WMCA Investment Board

Date	18 th March 2024
Report title	OBC Change Request – Electric Vehicle Charging Area Transit Stations (EV CATS)
Portfolio Lead	Cllr Mike Bird – Leader of Walsall City Council, Portfolio Lead for Transport WMCA
Accountable Chief Executive	Laura Shoaf, Chief Executive, WMCA
Accountable Employee	Ian Martin – Investment and Commercial Activities Director, WMCA
Report has been considered by	Investment Panel – 26 th February 2024

Recommendation(s) for action or decision:

The WMCA Investment Board is recommended to:

- 1) Approve the reduction in the number of Transit Stations from ten to nine, whilst maintaining the same overall budget, allowing for an increase in site allocation budget to acquire land for the reasons stated in the Change Request.
- 2) Approve an increase in the site acquisition budget by £1,382,352 to account for site acquisition costs being higher than expected. No change to overall FBC project budget.
- 3) Approve an increase in the number of sites that may be committed to under the OBC, allowing an additional one site to be acquired in case of need prior to FBC (then totalling six of the nine instead of five) with the resultant increase in budget of £1,727,392. No change to overall FBC project budget.
- 4) To pull forward additional funds intended to be spent at FBC stage to obtain planning permission and design two of the stations in the total sum of up to £725,000 (£362,500 x 2). No change to overall FBC project budget.

- 5) Approve the changes in project milestones, noting the reasons for the delays in acquiring land.
- 6) Note the impact of the above and revisions to the financial model. Confirmation from the Project Delivery Team that the project remains viable and able to achieve its objective, particularly leveraging private sector investment.
- 7) Note the progress made in establishing the Delivery Company (DelCo) and remaining work to be undertaken.
- 8) Approve the above detailed increase of £3,834,744 to be taken as follows:
 - a. £3,534,744 from CRSTS and £300,000 from BLPDF.
Both sums are within the overall budget set for this project, as reported to the WMCA Board and **do not increase** the commitment already made to the project. The BLPDF increase is proportionate, being £300,000 per site and reflecting the addition of 1 site to be acquired under the OBC.
- 9) Note that, as a result of the above, in total the £8m will increase to £11,834,744 (an increase of £3,834,744). **There will be no increase in the funds allocated to this project and all will remain managed within the forecast WMCA project cost of £23.62m as presented to WMCA Board.**

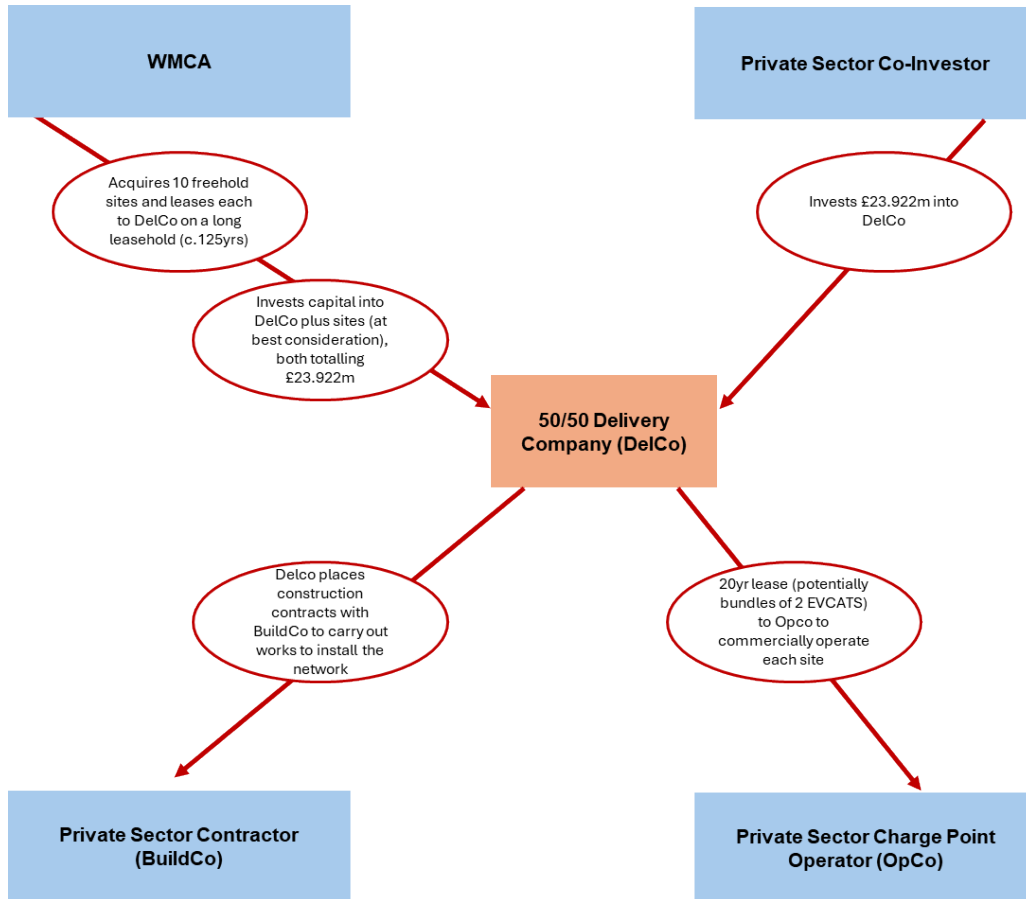
1. Purpose

- i. This document provides the outline information with regard to the proposal for a spine network of purpose-built ultra-rapid electric vehicle charging stations akin to full service traditional petrol stations.
- ii. The paper highlights the progress made to develop the proposal following OBC approval by WMCA Board in March 2022 and the subsequent modifications required to the Project in order for the project to develop to FBC stage.

2. Background

- i. The Project seeks to create a network of 10 ultra-rapid EV CATS stations strategically located on the Key Route Network with an aim to provide access across an area of 3.5 miles radius, and thereby covering 90% of the West Midlands residents and business. Each station, subject to land availability, will aim to be at a distance no greater than seven miles from the next station.
- ii. With the Project operating for a 20-year period and delivered via an innovative public/private sector joint venture, each EV CATS will initially have a minimum of 10 x 150 kW+ charging points capable of delivering an ultra-rapid charge to passenger vehicles and light commercial vehicles. The stations will address the common complaints reported by EV drivers today such as unreported downtime, payment complications, range anxiety and lack of services. They will also offer the convenience and comfort found in the best of today's petrol service stations.
- iii. The total cost of the Project is £47.844m, of which £23.922m is from WMCA and the remaining £23.922m from a private sector co-investor.

WMCA's proposed project structure may be illustrated as follows:



Project Progress

- i. The WMCA Board held on 18th March 2022 approved the OBC, ratifying investment of £14m into the Project from the City Region Sustainable Transport Settlement (CRSTS) funding stream and investment of £2.2m into the project from the Brownfield Land & Property Investment Fund (BLPDF). Of the funding allocation, £6.5m from CRSTS and £1.5m from BLPDF were approved to be used to develop the OBC in the following ways:
 - a. **Site Acquisitions** - acquire up to five freehold sites for the project including expenditure on acquisition fees and land remediation/site preparation works; and
 - b. **Delivery Company** - ancillary costs including set up of the Delivery Company and preparatory legal work to establish the management requirements for the new Delivery Company that would jointly own the assets (private/public sector joint venture) ahead of drawing the remaining investment at Final Business Case (FBC)

Site Acquisitions

- i. Extensive proprietary work went into producing the original OBC including expertise from KPMG, soft testing the concept with Investors and Operators. Further work is however required in the following areas:
 - a. Site Availability and associated Land Prices
 - b. Construction Fees
 - c. Financial Model

More detail is provided below.

A. Site Availability and associated Land Prices

- i. At OBC we identified a significant issue facing Charge Point Operators - the inability to acquire prime roadside sites at values that made commercial returns, ahead of increased EV take-up. Even with a long-term view of profitability, high quality EV stations made poor returns given alternative investments. This continues to be the case.
- ii. Following OBC approval, a consultancy firm was selected via a procurement exercise. They failed to identify suitable sites. WMCA instead utilised its Investment Team and a Chartered Surveyor employed for the project.
- iii. Despite considering c.200 prospective sites (c.200 sites), progress has been slow for the following reasons:
 - a. **Ground Conditions:** two otherwise excellent sites ruled out due to complexity and cost despite budget existing for reasonable works.
 - b. **Power:** where sufficient power can be pulled to a site, the cost varies significantly, pricing us out of some sites.
 - c. **Planning:** for some sites the relevant Local Authority has other aspirations, typically key employment or housing. As would be expected, the WMCA has not pursued these sites as the idea of EV CATS is counter to the local desires.
 - d. **Suitability:** physical inspection has ruled out many sites particularly due to profile to, and access from the Key Route Network.
 - e. **Unreasonable Price Expectation:** several great sites are held by speculative owners with unrealistic price aspirations. EV CATS do not lend itself well to Compulsory Purchase in most (but not all) cases.

There is strong competition for alternative roadside uses. Sites are typically attractive for “drive-thru” and “drive to” schemes for well-known brands such as Costa Coffee, Starbucks, Greggs and McDonalds. Whilst the team were aware that prime roadside locations are few and far between, we were not able to pre-empt the boom in the roadside market since 2021/22 which is bucking all trends for UK property.

- iv. The original OBC budgeted £2m per acre for land (excluding ancillary costs and inclusive of stamp duty and VAT). This theoretically enabled WMCA to purchase plots of 0.55 acres at £1.1m per site (considered the minimum size at the time). Following OBC approval, the team has commissioned scheme schematics based upon real examples. We have now identified that the actual ideal site size should be c.0.85 acres.
- v. The original OBC allowed for the purchase of the first five sites, at a cost of £1,497,000 per site (with ancillary costs). Taking the first two sites (which are currently in solicitors’ hands at the time of writing), the average cost of land plus ancillary costs is £1,723,750 per site, an increase of £226,750 budgeted. If this average were to continue for all ten sites, then it is reasonable to expect we will require £17,240,000 rather than £14,970,000 - an increase of £2,270,000 or 15% in the estimated site cost budget **for all sites**.
- vi. This Change Request is not seeking an increase in the total WMCA funding allocated to the project but seeks to redistribute initial allocation of budget items. In order to continue purchasing sites and retain momentum, the WMCA has revisited the budget and appraised the following options:

Option	Appraisal
Consider cheaper sites significantly set away from the main arterial roads/motorway junctions	Not viable as success of each EV CATS relies on high vehicle footfall and locations must be desirable and operationally viable to Charge Point Operators. The commercial viability of the stations is critical in attracting the Private Sector Investor.
Utilise the Construction Contingency	Removing contingency on construction at a time when construction prices have increased rapidly could be a high-risk strategy and therefore, we do not propose adopting this option.
Consider smaller sites	The original OBC modelled sites of 0.55 acres, but experience of operating in the market plus commissioned initial design work on prospective sites suggest the minimum size should be 0.85 acres. However, the larger the site, the higher the acquisition cost. If WMCA were to entertain smaller sites, it would have to forgo key features such as the number of charge points and/or the retail unit. This would impact project viability and project benefits.

- vii. We ask the Investment Board to approve our preferred and recommended option - **retain the current site selection criteria but reduce the total number of EV CATS delivered.** Applying the revised site acquisition cost of £1,732,750 to acquire nine sites would cost £15.5m (£500,000 above the budget) and to acquire eight would cost £13.79m (£1.18m below budget). Reducing the number of sites may impact the potential benefits of the project by c.10% per site lost, however it still provides sufficiently positive benefits and returns for WMCA, the private co-investor and the Charge Point Operator. Therefore, the project is still viable in all aspects.
- viii. Reducing the number of EV CATS sites by one to nine sites is our preferred option as we believe the existing land acquisition budget could be managed. It is considered possible to manage the £543,750 potential additional requirement from the wider funding envelope. Whilst the first two sites provide some evidence, they cannot be relied upon as providing certainty of actual expenditure. Eliminating one of the ten sites to be acquired will release a potential £4,147,050 from the total cost, this being the cost of a single station. Of this sum, 50% was to be funded by the WMCA i.e. £2,073,525. We propose allocating this released sum across the new target of nine transit stations. The additional £230,392 per site will primarily cover the higher site costs being experienced, allowing budget land acquisition to increase to £1,330,392 and total site costs (with ancillary costs), per site, would increase from £1,497,000 to £1,727,392 as an average.
- ix. The table below highlights our current site pipeline. With suitable land now identified, we want to minimise the risk of losing potential sites. We believe six sites could potentially now become available prior to the FBC. It is felt prudent to recommend that if we are able to proceed with the acquisition of a greater number of sites than envisaged under the OBC (from five to six sites), then we should not let an opportunity pass.

Site	Status	Potential Commitment Date	Site Costs
Chester Road, Erdington	In legals with expected exchange of contracts in March 2024. Completion expected July 2024.	Committed	£1,855,000
Bristol Road, Longbridge	In legals with expected exchange of contracts in February 2024. Completion expected in July 2024.	Committed	£1,592,500
Coventry	Due Diligence	March 24	Not fully known
Perry Barr	Due Diligence	March 24	Not fully known
Oldbury	Due Diligence	April 24	Not fully known
Edgbaston	Identified & Discussions	June 24	Not fully known
Wolverhampton	Identified & Discussions	June 24	Not fully known
Walsall	Identified & Discussions	June 24	Not fully known

- x. We ask the Investment Board to approve our recommendation to increase the number of sites that can be acquired under the OBC from five to six. It should be noted that the WMCA Board has approved acquisition of all sites (was ten but now to be nine) subject to the FBC. This is not therefore a change in the principles already approved, but explicitly making the budget available to acquire an additional site (increasing total site cost per site from £1,497,000 to £1,727,392 as an average as stated above).
- xi. It should also be noted that whilst the WMCA is proposing to commit to acquiring sites, the reality is that in many cases the budget will not be drawn before FBC. A legal commitment will be made to acquire a site subject to conditions. However, once a contractual position is taken, provided each side fulfils its obligations, the transaction must be carried through and therefore there will be expenditure.

B. Construction Fees

- i. As a part of our due diligence for the acquisition of the first two sites, we commissioned architects to draw schematic plans. Two different architects have produced two different concepts. These have been termed the “drum” and “linear” concepts and are illustrated below:

Drum Concept:



Linear Concept:



- ii. The schematic plans helped confirm plot size. However a challenge we have encountered while preparing for the FBC is the lack of a “real” site to validate construction cost assumptions. To address this, we will need to assemble and compensate a professional team, specifically, an Architect, Structural Engineer, Mechanical and Electrical Engineer, and Quantity Surveyor will be essential for this task. The budget for the construction element was to be released at FBC stage and for each site. This was as follows:

Category	Assumption per Station
Infrastructure Upgrade	£204,500
Construction Cat A Charge Park	£1,500,000
Construction Cat A Ancillary*	£300,000
Professional Fees	£262,500
Planning	£100,000
Contingency	£240,500
TOTAL	£2,607,500

**Ancillary – The food and beverage operation at each station*

- iii. Construction costs are still estimates, and we ask Investment Board to approve the bringing forward of the professional team and planning costs for the first two sites to advance (Chester Road, Erdington and Bristol Road, Longbridge), noting the project has allocated £262,500 per site for the professional team and £100,000 for obtaining planning permission.
- iv. This will enable a fully costed (and potentially planning approved) design to be produced, applying the Drum and Linear concepts providing much greater confidence when presenting our FBC. It should be noted that whilst we are requesting use of the full amount, the totality will not be used at this stage. Some budget will be retained to refine designs with the Charge Point Operator and procured construction company post FBC stage.

C. Financial Model

- i. As part of the Change Request, the financial model has been revisited and updated based on the project team’s experience in the market. The table in the OBC Change Request highlights the changes to the model. The revisions do not adversely impact the returns

profile of the WMCA, the Charge Point Operators and the Private Sector Co-Investor. The changes made have increased Private Sector IRR from 9% at OBC to 12.3% and WMCA IRR from 4.7% to 12.6%; however, the Charge Point Operator IRR has reduced from 24.7% to 18.8%

- ii. We ask Investment Board to note the revision to the distribution of capital from operating an EV CAT (based on feedback from Charge Point Operators and Investors) and the change in IRR returns profile. It should be noted that the model is constantly under review dependent upon the general investor market and feedback from potential investors. The important factor is maintaining the returns for the Charge Point Operator and Private Sector Investor and not the levels of the tranches or applicable share.

Delivery Company

- i. WMCA Procurement Team were engaged to secure external legal advisors to the project, with Pinsent Masons LLP appointed in March 2022 to establish the Delivery Company. The original OBC allocated £300,000 to legal expenses related to the Delivery Company, with actual spend to date at the time of writing totalling £27,367.00.
- ii. Pinsent Masons undertook a comprehensive options appraisal, recommending the Delivery Company should be a Limited Liability Partnership (LLP), with WMCA directly investing into the LLP being the optimal delivery structure for the Project.
- iii. WMCA has also sought Kings Counsel opinion on WMCA's ability to enter into an LLP, with Kings Counsel confirming that it will be lawful for WMCA to enter into the proposed LLP. The project team have received positive feedback from potential investors for an LLP structure.
- iv. The governance arrangements of the LLP will be enshrined within the Members' Agreement and will ensure that the Delivery Company's business/objectives are expressly limited to implementing the project.
- v. Whilst the Delivery Company has been scoped and appropriate structure identified, Pinsent Masons has advised that there is no merit in formally incorporating the Delivery Company ahead of identifying the Private Sector Co-Investor. If we were to incorporate the Delivery Company now, we run the risk of incurring additional cost in adapting to any requirements the Co-Investor may have.
- vi. WMCA must also consider whether the project's operating model would be compatible with applicable subsidy control law. Initial conversations with the Subsidy Advice Unit's Pre-Referral Unit advised that it was not typical for public authorities to refer an individual subsidy before identifying their beneficiary, and the subsidy value would need firming up before making a formal submission to the Subsidy Advice Unit.

Project Milestones

- i. The original OBC assumed swift submission of an FBC shortly after OBC approval, with the Private Sector Investor and Charge Point Operator secured by the end of Q4 2022 (calendar year). The table below highlights the areas of the project subject to a time delay

of up to two years, largely due to the time lag in acquiring sites. Further detail on the time impact can be found in the Change Request.

Activity	Time Allocation at OBC (Calendar Year)	Impact on Time (Calendar Year)
Project Start Date	Q2 2022	Commencement delayed to Q3 2022
Full Business Case	Q1-Q2 2022	Commences Q3 2024
Central Gov Approval and Grant	Q2 2022	No Impact on time
Financing to WMCA	Q2-Q3 2022	Commences Q3 2024
JV Investors Funding	Q4 2022	Commences Q3 2024
Delivery Company: <ul style="list-style-type: none"> • Model definition • Private Sector Co-Investor procurement • DelCo formation 	Q1-Q4 2022	<ul style="list-style-type: none"> • Model definition: Completed • Investor Procurement: commences Q3 2024 • DelCo formation: delayed until Private Sector Co-Investor procurement commences
Land Selection and Purchase	Q4 2022 – Q1 2024	First two sites progressing to target exchange in Q3 2024
Development of first site	Q4 2023	Anticipated development commencement date: Q1 2025
Development of remaining sites	Q1 2023 – Q3 2025	Q1 2025 – Q4 2026 This is a rolling activity aligned to securing sites
OpCo Search and Selection	Q3 2022 – Q3 2023	Commences (first batch): Q4 2024 This is a rolling activity aligned to the development of the sites

- ii. We ask Investment Board to note the impact of time on project delivery and accept confirmation from the project delivery team that the project is still on track to meet the CRSTS delivery date of March 2027.

3. Strategic Aims and Objectives

- i. The EV CATS project is being undertaken as part of the WMCA Strategic Aims and Objectives to reduce carbon emissions to net zero and enhance the environment, specifically WMCA's commitment for the West Midlands to be carbon neutral by 2041 - #2041. The project also supports Central Government's Net Zero agenda.

4. Financial Implications

- i. The financial arrangements underpinning this change request are fully documented above. There is no increase in the overall funding of £16.2m WMCA Board have committed to provide to this scheme as a result of this change.
- ii. The decision to reduce the number of sites is supported based on the actual acquisition costs evidenced in the paper. Additionally, the advancement of funds originally expected to be drawn down at the FBC stage is supported for the reasons documented within this report and will leave £4.4m still to approve at Final Business Case stage, as outlined below.

Funding Source	Approved for Draw Down March 2022 WMCA Board	To be Approved for Draw Down Subject to this Report	Remaining to be Approved at FBC	Total Project Budget Approved March 2022
CRSTS	£6.5m	£3.5m	£4.0m	£14.0m
BLPDF	£1.5m	£0.3m	£0.4m	£2.2m
Total	£8.0m	£3.8m	£4.4m	£16.2m

- iii. It should be noted that the Outline Business Case presented to Board in March 2022 referred to the need for WMCA to borrow £7.722m to deliver the project, pending evidence of need and affordability to be contained within the Final Business case. This position is unchanged by this report and as such, details concerning debt requirements and the affordability of those requirements will be covered in the Final Business Base.

5. Legal Implications

- i. WMCA has the power to carry out the EV CATS project under Section 113(1)(a) of the Local Democracy, Economic Development and Construction Act 2009. This statute gives WMCA a power of competence appropriate for the purposes of carrying out any of its functions.
- ii. The EV CATS project is being carried out as part of the WMCA's strategy under its economic and regeneration function to promote and further the achievement/fulfilment of the objectives of reducing carbon emissions to net zero by 2041 and enhancing the environment. WMCA will continue to have this power to carry out the EV CATS project if the changes set out in this report are approved.
- iii. WMCA also has the power to lawfully enter into a limited liability partnership (LLP) with an investor as part of the EV CATS project because the primary purpose of this LLP will be to achieve particular WMCA policy objectives and outcomes rather than to make a profit. Any proposed subsidy to any LLP that is created will need to comply with the Subsidy Control Act 2022.

6. Single Assurance Framework Implications

- i. WMCA Board approved the OBC in March 2022, ratifying the following funding sources:
 - a. Investment of £14m into the Project from the City Region Sustainable Transport Settlement (CRSTS) funding stream and investment of £2.2m into the Project from the Brownfield Land & Property Investment Fund (BLPDF)
 - b. Acknowledged the future need for £7.722m of WMCA borrowings, approval pending future submission of the Final Business Case
 - c. Of the above allocation, £6.5m from CRSTS and £1.5m from BLPDF were to be used to develop the OBC in the following ways:
 - i. Acquire up to five freehold sites for the project including expenditure on acquisition fees and land remediation/site preparation works; and
 - ii. ancillary costs including set up of the Delivery Company (DelCo) - preparatory legal work to establish the management requirements for the new Delivery Company that would jointly own the assets (private/public sector joint venture), drawing the remaining investment at Final Business Case (FBC)
- ii. A formal change request for the proposed changes to the scope and schedule of the EV CATS project has been submitted and appraised by the Programme Assurance and Appraisal team and the recommendation is to approve the proposed changes, noting the recommendations contained within the appended Change Request Submission.

7. Equalities Implications

- i. The EVCATS will have open access to all members of the public.

8. Inclusive Growth Implications

- i. The project will contribute to building a fairer, greener and better-connected West Midlands, with specific socio-economic targets:
 - a. provide an alternative to private and commercial users that do not have access to a viable charging solution
 - b. swifter uptake of EVs through effectual placing of EVCATS counteracting range anxiety
 - c. significant benefits from carbon savings and reduction of NOx and PM 2.5 levels in the air
 - d. Increased time savings for individuals through travel to charge points and charging speed
 - e. reduction in noise pollution
- ii. The EV CATS project is designed to provide a network of Transit Stations serving an anticipated 90% of the West Midlands. The provision of charging availability will benefit the 30% of West Midlands homes where off-street parking is not available and on-street charging has not yet been rolled out to provide alternatives.

9. Geographical Area of Report's Implications

- i. Each EV CAT will be located within the entire WMCA area (7 local authority areas).
- ii. The EV CATS will be strategically located so as to provide an anticipated access to a station within 3.5 miles to 90% of the West Midlands residents and business. Each station will provide cover for an area equivalent to a 3.5-mile radius catchment and, subject to land availability, will aim to be at a distance no greater than seven miles from the next station.

10. Other Implications

- i. There are no impacts to procurement strategy/process as a result of this Change Request. WMCA Procurement will be required to support the delivery team to identify the Private Sector Co-Investor. The timing of this exercise is dependent upon exchanging on the first five sites, as investors will want to see these as part of their due diligence process. The project team aims to conclude this exercise and be in negotiation with an identified Private Sector Co-Investor at the point of FBC submission.
- ii. Pinsent Masons have been asked to consider from a procurement perspective whether the Delivery Company, once established, is likely to be subject to the Public Contracts Regulations (the PCR). This review is due to commence, but Pinsent Masons believe the answer is dependent on whether the Delivery Company is a body governed by Public Law – such opinion to be obtained from a third-party commercial advisor. The results of this will impact how the Charge Point Operators are secured.

11. Schedule of Background Papers

- i. OBC Change Request Submission