



West Midlands Combined Authority

This Change Request Form is required when the tolerances that were set out in the approved Business Case are or will be breached. These include changes to Time, Cost and Scope.

Change Request Form

The Change Control Process should be initiated by the Project Team in the following circumstances:

- There is a cost implication that cannot be managed within the existing contingency budget and results in the requirement of 10% or more of the originally approved budget
- There is movement of over 10% of total project/programme timings (measured in months) which impacts key milestones, the project start/end date and any associated dependencies
- The scope of the project/programme has changed and the outputs, outcomes and benefits which were approved have been impacted (if an output is to be changed, this is also known as a material change)

Please delete and replace all grey text prior to submission as this is guidance for the applicant.

Electric Vehicle Charging Area Transit Stations

Appraised by Paul Atkins

Details of Decision Outcome

Forum / Decision Maker: Investment Panel / Investment Board

Date of Decision: March 18th 2024

Outcome of Decision:

Conditions / AOB:

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1 CHANGE REQUEST DETAIL

CHANGE SUMMARY	
Project Name:	Electric Vehicle Charging Area Transit Stations
Programme Name (if applicable)	
Directorate (if WMCA internal):	Investment and Commercial Activities TfWM
Organisation (if WMCA external):	
This Change Request is seeking additional WMCA funding of:	Not seeking additional funding, but is seeking to reallocate budget and bring forward spend
This Change Request is seeking a time extension of:	Not applicable
This Change Request is seeking the following change to the scope:	Reduction in total sites from 10 to 9 Increase in sites to be acquired via OBC from 5 to 6
STAKEHOLDER INVOLVEMENT	
Provide the names of the following stakeholders who have been sighted on this change request prior to submission, note this is a mandatory requirement:	
Governance:	
Senior Responsible Owner (SRO):	Ian Martin and Mike Waters
Programme SRO (if applicable)	
WMCA Executive Director:	Anne Shaw
Finance Lead:	Carl Pearson
Legal Representative:	Mark Nicholson (WMCA) External Advisors: Pinsent Mason LLP
Procurement Lead:	Brad Benson
Other (i.e., HR / Health & Safety):	<i>If external to WMCA, state any other WMCA stakeholders who have input or had oversight of this change?</i>

VERSION CONTROL			
Version:	1.0	Date:	2nd February 2024
Change Prepared by:	Aanisah Begg	Job Title:	Head of Structuring Investment

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2 BASELINE ASSESSMENT, CHANGE REQUEST DESCRIPTION AND RATIONALE

2A WHICH BUSINESS CASE STAGE IS THIS CHANGE AGAINST? (SELECT ONE OPTION BELOW)

Business Justification Case (BJC)

Strategic Outline Case (SOC)

Outline Business Case (OBC) ✓

Full Business Case (FBC)

Programme Business Case (PBC)

Project Case

2B ROOT CAUSE

Determine **one** root cause of this change request i.e. the source of the change requirement from the list below:

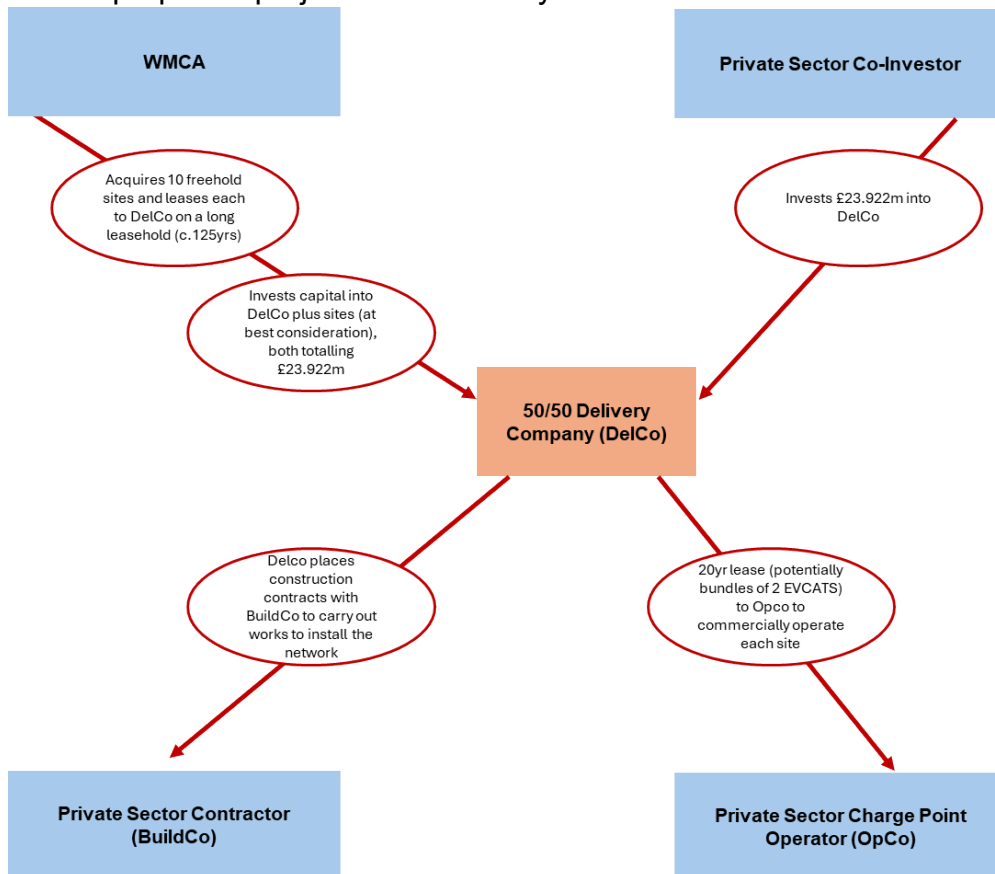
Table 1		
Root Cause Categories		Tick if Applicable
Political	This is due to the need for WMCA to demonstrate to Central Government that WMCA is working towards its Strategies and Polices i.e., Strategic Economic Plan (SEP)	<input type="checkbox"/>
Governance	WMCA must spend in accordance with agreed terms and conditions and abide by public sector procurement requirements and devolved funding assurance frameworks as approved by Central Government	<input type="checkbox"/>
Reputational	There is a high chance of repercussion for organisations' reputation due to the potential of it leading to destruction of trust and relations	<input type="checkbox"/>
Operations	Disruption to delivery of key business functions that support wider business operations	<input type="checkbox"/>
Delivery	Impact on delivery and performance against delivery commitments in the area	<input type="checkbox"/>
Economic	Uncertainty with external factors such as inflation and interest rates	<input checked="" type="checkbox"/>
Financial	Seeking safe delivery options with little residual financial loss only if it could yield upside opportunities.	<input type="checkbox"/>
Opportunity	The ability to deliver more outputs, outcomes, and benefits	<input type="checkbox"/>

2C CHANGE DESCRIPTION AND RATIONALE (MAX 500 WORDS)

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.

With the Project operating for a 20-year period and delivered via an innovative public/private sector joint venture, each EV CATS will have a minimum of ten 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 conveniences and comforts found in today's petrol service stations.

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



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.

On 18th March 2022, WMCA Board approved an Outline Business Case (OBC), ratifying the following decisions:

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- 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)
- Acknowledged the future need for £7.722m of WMCA borrowings, approval pending future submission of the Final Business Case (FBC)
- 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:
 - Acquire up to 5 freehold sites for the project including expenditure on acquisition fees and land remediation/site preparation works; and
 - 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

This Change Request seeks a revision to budget and timing for the EV CATS project based upon experience to date in undertaking OBC development. Recommendations are:

- 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 this report.
- Approve an increase in the site acquisition budget by £1,382,352 to account for site acquisition costs being higher than expected.
- Approve an increase in the number of sites that may be committed to under the OBC, allowing an additional one site to be acquired (then totalling six of the nine instead of five) in case required with the resultant increase in budget of £1,727,392.
- 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)
- Approve the changes in project milestones, noting the reasons for the delays in acquiring land.
- 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.
- Note the progress made in establishing the Delivery Company (DelCo) and remaining work to be undertaken.
- Approve the increase of £3,834,744 to be taken as follows:
 - £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 one site to be acquired under the OBC.
- 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.**

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3 IMPACT ASSESSMENT

Complete the following sections to determine the impact of this Change Request, if a section is deemed not applicable, briefly explain **why**.

3A COST IMPACT (£)

The original OBC approved a funding envelope of £23.922m from a cocktail of sources. Together, these sources covered 100% of WMCA's contribution to the overall Project cost of £47.844m:

CRSTS	£14,000,000
BLPDF	£2,200,000
WMCA Borrowings*	£7,722,440
TOTAL	£23,922,440

*We acknowledge that formal approval of WMCA Borrowings is subject to approval of the FBC but is included in the above to illustrate sources of WMCA funding requirement.

The £8m approved at OBC was to (i) acquire up to five freehold sites (including acquisition fees and land remediation/site preparation works (ii) initial operational and set up costs and (iii) formation of the delivery company. This broadly translated into the following budget:

		OBC Budget Per EV CAT	
Site Costs	Site Acquisition	5,500,000	1,100,000
	Land Clearance plus Remediation	1,500,000	300,000
	External Surveying/professional fees	235,000	47,000
	Legal Cost Site Acquisition	250,000	50,000
	Total for Acquisitions	7,485,000	1,497,000
Other	External Surveying support (search)	15,000	These items are not site specific (ie, are project costs)
	Operational & Set Up Costs yrs 1 and 2	300,000	
	Legal Cost DelCo & Structure	200,000	
Total for Acquisitions plus DelCo set Up		8,000,000	

It should be noted that budget for *External Surveying support (search)* was not a distinct line item in the original OBC, instead being wrapped into more global figures (but within the overall budget). It has subsequently been listed as a clear line item in the budget which has helped manage expenditure. The actual figure will remain at £15,000 with no further spend expected. The sum was utilised to employ an external property advisor to assist in identifying sites. This was unsuccessful and the contract was terminated after 12 months on the basis that we had greater success bringing in direct resource (see Scope Impact Section).

Budget Redistribution

1. Site Acquisitions

The original OBC allowed for the purchase of the first five sites, at a cost of £1,497,000 per site (as illustrated in the above table). Taking the first two sites (which are currently in solicitors' hands at

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the time of writing), the average cost of site acquisition is £1,723,750, 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 total site cost budget **for all sites**.

The Time and Scope Impact sections of this paper detail the influence scarce land availability and heightened land prices have had on the project, particularly impacting budget. **Whilst this change request is not seeking an increase in the total WMCA funding allocated to the Project, it is seeking to redistribute initial allocation of budget items, in order to continue purchasing sites and retain momentum.**

In order to successfully progress the Project without causing a budget deficit, we have the following options:

- **Consider cheaper sites significantly set away from the main arterial roads/motorway junctions**
We currently require sites to be situated in prominent and easily accessible locations. Like motorway service stations, each EV CATS needs to be within easy reach and view of the key route network. Whilst there are mobile apps such as Zapmap and Bonnet to aid drivers in finding their nearest charging stations, one of the problems EV drivers suffer is range anxiety. WMCA adding to the charging network should be helping to alleviate this, not adding to this by being in impractical locations. Furthermore, success of each EV CATS relies on high vehicle footfall and locations must be desirable and operationally viable to ChargePoint Operators. The commercial viability of the stations is critical in attracting the Private Sector Investor.
- **Utilise the Construction Contingency**
The financial model supporting the original OBC allowed for £240k of contingency per site. This was allocated only as a construction contingency, and totals £2.4m. It could be repurposed to cover the additional financial pressure being experienced in acquiring sites. 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 was modelled on securing sites of 0.55 acres, but experience from operating in the market and commissioning initial design works based on “real world” sites, suggest the minimum site size is 0.85 acres. This is an increase in area of 54%. Sites are usually priced in per acre terms. Simply put, the larger the site, the more we must pay. 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.
- **Preferred and Recommended Option - retain the current site selection criteria but reduce the total number of EV CATS delivered**

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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 8 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 returns for WMCA, the private co-investor and the charge point operator. Therefore, the project is still viable in all aspects.

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, and we need to keep in view that 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 9 Transit Stations. The additional £230,392 per site will be made available as a "Site Contingency" primarily to cover the higher site costs being experienced, allowing budget site acquisition (as an average) to £1,330,392 and total site costs, per site, would increase from £1,497,000 to £1,727,392 as an average.

WMCA Board approved the acquisition of ten sites across the entire project (subject to FBC), with the first five to be acquired under the OBC. Below we propose increasing the number of sites to be acquired under the OBC initially to 6 (from 5). With a recommended increase of £230,392 per site, this will result in expanding the budget under the OBC by $6 \times £230,392 = £1,382,352$.

2. Increase in the Number of Sites to be Acquired Under the OBC

This report explains the factors that have meant that the acquisition of sites has been slower than anticipated. It is precisely because of the scarcity of suitable sites that 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.

If we do not make provision for committing to more sites, this may mean a perfect opportunity passes before the FBC can be approved and release further funds. There is a particular concern that we would not be able to react quickly enough during a pre-election period when the Board is not considering matters such as this.

The short list of sites is continually changing, however the progress in acquiring sites illustrates why there is a concern:

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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

Clearly, we are not proposing to move all eight sites to a committed status before the FBC is produced, however with suitable land now identified following a 2-year process, we want to minimise the risk of losing potential sites as a direct result of the FBC not being ready.

As a compromise we would like 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 Full Business Case. This is not therefore a change in the principles already approved but explicitly making the budget available to acquire an additional site.

The impact of approving this change is to increase the budget by £1,727,392 i.e. the new site budget as set by note one above.

It should also be noted that whilst the WMCA is proposing to commit to acquiring sites, the reality is that in some cases the budget will not be drawn. A legal commitment will be made to acquire a site subject to certain conditions e.g. planning permission, vacant possession etc. 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.

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Case Studies

We have two sites that are in solicitors' hands (at the point of writing). These provide real world examples of the issues that have been faced and the forecast costs.

a) Bristol Road, Longbridge

We considered multiple sites in the Southwest Birmingham area. Several were unsuitable due to poor access or visibility from the highway.

Although there were two sites meeting our criteria, one was held for development by a budget supermarket that refused to sell at market value. Therefore, initially there appeared only one viable option - land being prepared for development by St.Modwen at "West Works." Unfortunately, the company refused to enter negotiations at this time. They did not wish to consider small disposals that may compromise sale to occupiers seeking larger parcels of land.

With no suitable and proceedable opportunities to serve this area, we were pleased to identify an off-market opportunity to acquire a property on the Bristol Road. All criteria were met for the project; however it required purchase of a much larger site as the Vendor insisted we must buy all or nothing.

The property is tenanted and whilst the Landlord has agreed they will exercise break options, this will lead to a short delay in obtaining vacant possession of the element needed for EV CATS.

We have agreed that the WMCA will use alternative funds (£700k clawback from BLPDF grants) to acquire the rear portion of the site and thus limit the financial support from the project fund. This land can then be disposed of in the future.

The total cost is therefore £2.34m gross and £1.6m net against the average budget per site of £1.47m. It was considered prudent to pursue the opportunity given the absence of alternatives in the locality.

b) Chester Road, Birmingham

There is a dearth of proceedable development opportunities along this transport corridor. We identified a first site, but this was in two different ownerships (both too small by themselves) and part was sold before we could coordinate parties. In the event of purchase, we would not have had suitable budget as it sold for c.£2.3m per acre. A second site was identified as suitable but is held by a speculative landowner who would only entertain offers in excess of £10m per acre. This was not pursued further.

With no further suitable opportunities in this locality, we were pleased to identify the former GKN site being redeveloped by Chancerygate. Early engagement with the Developer was possible through our contacts and we have secured a site of 0.8 acres.

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The land is valued in excess of £1.6m (£2m per acre), however the developer will demolish the existing structure and provide power which would otherwise cost is to drag to site. Although significantly in excess of our £1.1m budget, we will be able to divert £300k from the BLPDF sourced allowance against demolition, as in effect the developer is carrying this and remediation out as part of a larger contract. Additionally, we will pay £100k on top of the acquisition, for 2 MVA of power to site boundary. This is valuable as our budget for the later stages of the EV CATS project included £200k against this item as an average spend per site. As a result of adjusting the budget, we will deliver the site for £1.855m in total, in excess of the budget of £1.5m per site, however we will have saved £100k on the next phase (power budget).

Both examples highlight how we have utilised the budget to help secure otherwise unattainable sites based on experience to date and helps to illustrate the need to increase the new budget by £1,727,392.

3. Pull Forward Professional Fees

One difficulty we have identified in preparing for the FBC is that we have not had a “real world” site to test construction cost assumptions. In order to do this, we will need to assemble and pay a professional team. An Architect, Structural Engineer, Mechanical and Electrical Engineer and Quantity Surveyor will be required.

The overall project budget for the costs of putting together a professional team as part of the construction cost. The allowance 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.

It will be noted that we have allocated £262,500 per site for the professional team and £100,000 for obtaining planning permission. This paper requests pulling forward the cost of the professional team and planning **for two sites**. This will enable a fully costed (and potentially planning approved) design to be produced. It should be noted however that whilst we are requesting use of the full amount, the totality will not be used at this stage. Some

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budget will be retained as it will be necessary to refine designs with the Charge Point Operator and procured construction company post FBC stage.

As a part of our due diligence for the acquisition of the first two sites, we commissioned architects to draw simple schematic plans demonstrating that we can accommodate an EV CATS on these sites. 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:



The construction cost stated at OBC is still an estimate and we have not presented a professional team with a “real” site to plan and cost to date. The first sites to advance significantly will be Chester Road, Erdington and Bristol Road, Longbridge. Our intention is that a detailed example scheme will be produced for both sites – one applying the Linear

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concept and the other the Drum concept. The design can then be assessed by a Quantity Surveyor. This will provide much greater confidence when presenting our FBC, seeking to commit all funds.

It is not necessarily our intention to obtain planning permission for the two sites in question, however it is prudent to enable the budget to be available if the design advances sufficiently to make a full detailed application. At the very least, an outline planning application will be made for the Chester Road site.

Financial Model

As part of this Change Request, we have revisited the wider financial model. The table below highlights changes to the model. These changes do not affect the £8m budget allocated by the original OBC as it is calculated on the financial impact for all sites in the project. It does however revise the return profile of the WMCA, the Charge Point Operators and the Private Sector Co-Investor. Consequently, it is important to revisit the model periodically and especially when changes are proposed as in this Change Request.

In addition to the recommended changes above, we have taken the opportunity to update assumptions based upon our project experience of the property market, National Grid, Charge Point Operators and Private Sector Investors.

Financial Model Variable	OBC	Change Request	Rationale
Minimum Site Area	0.55 acres	0.85 acres	Experience being in the market plus initial design works
Rent from Drive-To Unit (paid by the charge point operator to the Delivery Company)	£11 psf	£35 psf	This is conservative but based on market data. Savills "Market in Minutes: UK Commercial – August 2023" reports <i>headline rents climbing to just under £55 psf on average for 2023, a 25.9% increase on the previous year.</i>
Standing Charge per quarter	£5k	£45k	Experience being in the market has unearthed several issues with power provision, with standing charge cost almost being bespoke to a site in question. £45k is still a guestimate but based upon National Grid charging a supplier £11k per month for 2 MVA
Retail electricity price	£0.35	£0.8	Based on real data set taken from Zapmap (see the Scope Impacts section of this change request)

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Wholesale electricity price	£0.17	£0.35	Baseline figure provided The EV Network (charge point operator)
Number of sites purchased	10	9	Explained above under Budget Reallocation
Inflation	0%	3.5%	Inflation applies to Operator and Investor construction costs.
Max number site visits per ChargePoint per day	25	20	Until we have an operational site in the market, this is difficult to determine, with charge point operators often presenting their best figures when in dialogue with WMCA. Prudent to revise down although could be argued to retain.
Vehicle movement past each site per day	24,000	22,000	Varies by site location. Prudent to revise down based upon examples we are seeing of “real sites.”

The original OBC assumes the Charge Point Operators will need to finance the installation of charging equipment, applying an interest rate of 4.5%. Due to macroeconomic conditions, we have revised this figure to 6.5%.

Capital flows from operating an EV CAT work in the following way (as per Original OBC):

- The charge point operator pays an annual base rent of £50,000 per annum per site to the Delivery Company
- The charge point operator is also required to pay a turnover rent (retail income – wholesale cost) in tranches to the Delivery Company in tranches:

Tranche	Charge Point Operator Retains	Delivery Company Receives
Up to £50,000	0%	100%
£50,001 to £300,000	80%	20%
£300,001+	20%	80%

- The Charge Point Operator retains all ancillary and retail income

To make the project viable for a Private Sector Co-Investor, the Private Sector Investor will have first preference over the first £250,000 revenue from each EV CAT. Such revenues will arise in one of two ways:

- from the “base rent” paid by Charge Point Operator to the Delivery Company for each EV CAT (currently proposed to be £50,000 per station per annum); and
- from an annual revenue share paid by Charge Point Operator to the Delivery Company. This will be based on a stepped scale on a per station basis based upon its net receipts i.e. the retail price for electricity less its wholesale cost plus a per sqft basis for the retail unit. The

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Charge Point Operator pays 100% of the retail unit rent to Delivery Company at all times and splits the revenue from the charge points. This was envisaged to be set at 20% on gross margin on the first £300,000 of revenues and 80% of incremental gross revenue over £300,000.

Furthermore, the model assumed preferential returns to the Private Sector Co-Investor:

- the Private Sector Co-Investor receiving the first £250,000 per annum receivable by Delivery Company and only after that cap is reached does the WMCA receive a return, then 100% passes to WMCA; and
- preferential return at exit, splitting realisation proceeds on a 60:40 basis in favour of the Private Sector Co-Investor

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.

Based on feedback from Charge Point Operators and Investors, we have reviewed the distribution of capital from operating an EV CAT in the following way:

- the Charge Point Operators continue to pay an annual base rent per site to the Delivery Company, however this has been increased to £75,000
- An additional tranche has been added to the turnover rent payment, along with revised distribution percentages:

Tranche	Charge Point Operator Retains	Delivery Company Receives
Up to £75,000	0%	100%
£75,001 to £325,000	75%	25%
£325,001 to £575,000	50%	50%
£575,001+	25%	75%

- The Charge Point Operator retains all ancillary and retail income
- The Private Sector Co-Investor no longer receiving a preference on realisation proceeds – this will now be split 50:50 between WMCA and the Private Sector Co-Investor

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The overall effect of all changes made to the model are shown in the table below.

	OBC	Change Request
Investor IRR	9.0%	12.3%
WMCA IRR	4.7%	12.6%
Operator IRR (levered position)	24.7%	18.8%

Cost Impact Recommendation

This Change Request outlines the impact to overall project costs, and seeks the following approval:

- 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 this report.
- Approve an increase in the site acquisition budget by £1,382,352 to account for site acquisition costs being higher than expected.
- Approve an increase in the number of sites that may be committed to under the OBC from five sites to six with the resultant increase in budget of £1,727,392
- 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)
- Approve the increase of £3,834,744 to be taken as follows: £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 one site to be acquired under the OBC.

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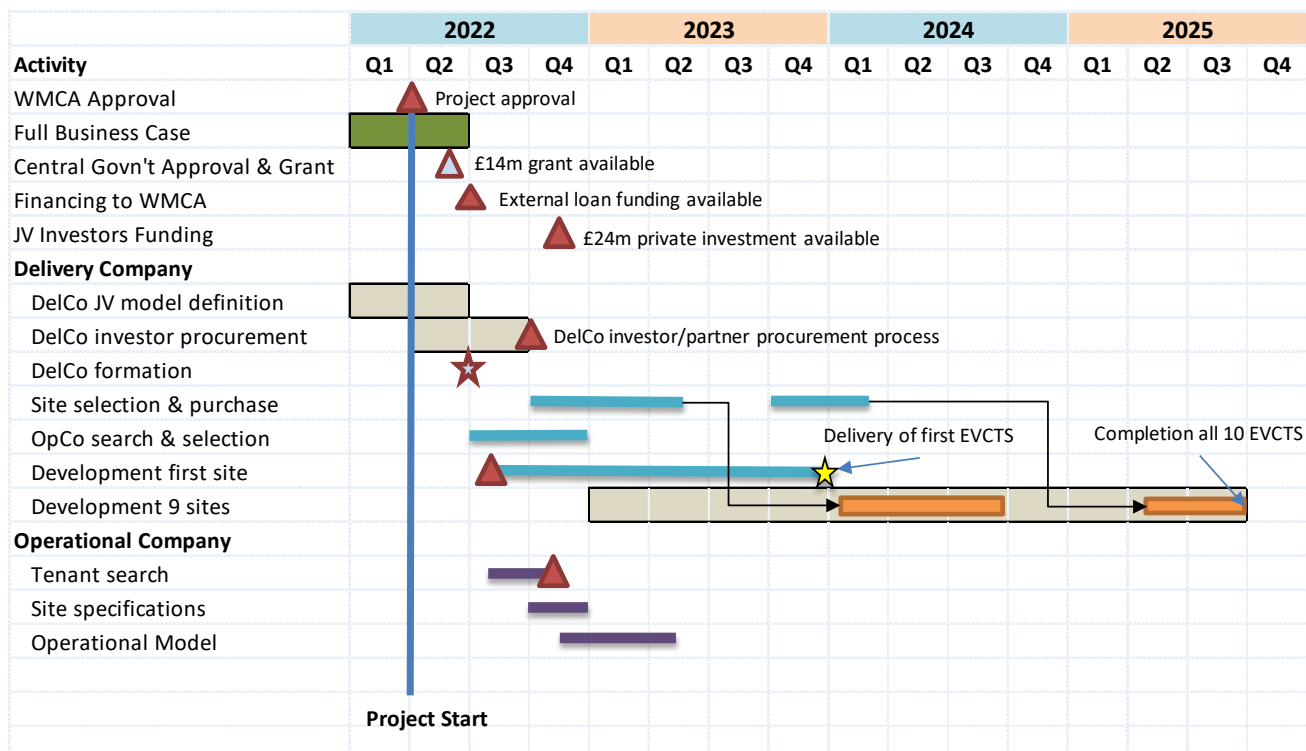
TIME IMPACT

1. Project Timeline as per OBC

The original OBC included a high-level outline of project timing and primary milestone activities, with the following caveat:

“It is recognised that the timing can’t be fixed at this stage as major variables such as investors’ interest or OpCo timeline for involvement in the project can’t be define at this stage. Further variables such as internal project and funding approval will also have a major effect on the final timing for delivery of the EV CATS. It is for this reason that the timing below presents the best-case scenario under which the financial and economic cases were built.”

At the time, the Project frontloaded the majority of its primary milestone activities, assuming swift submission of an FBC shortly after OBC approval, securing the private sector co-investor, establishing the delivery company and procuring the charge point operator all by the end of Q4 2022.



In terms of site development, the original OBC set an objective to deliver the first EV CAT by the end of Q4 2023, with all 10 EV CATS developed by the end of Q3 2025, again with the following caveat:

“it is recognised that this may not be achieved due to the project approval process, formation of DelCo and finding an investment partner.”

Each site was expected to be operationally ready in 18 months with site identification completed in month 1, acquisition legally completed by the end of month 4, planning scoped and approved during

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months 5-9 and construction (including demolition/remediation) undertaken and completed in the remaining 8 months.

Strong feedback from private sector investors was that the WMCA needed to secure (i.e. legally contract) a number of sites before they would be willing to commit to negotiate their participation. No fixed number of stations was set; however discussions indicated a minimum of 5 sites was likely to be appropriate.

2. Updated Milestone Timings for Change Request

The table below provides an update to the original OBC timeline, with slow progression in acquiring suitable sites significantly impacting key milestones such as FBC submission, securing the Private Co-Investor, formally registering the Delivery Company, securing the Charge Point Operators and ultimately operational go-live dates of the EV CATS.

Activity	Time Allocation at OBC (Calendar Year)	Update	Impact on Time (Calendar Year)
Project Start Date	Q2 2022	Following approval of the OBC, the Project Team procured for external legal advisors and a real estate advisory firm in conjunction with hiring internal real estate resource, with formal development of the Project commencing in August 2022.	Commencement delayed to Q3 2022
Full Business Case	Q1-Q2 2022	Whilst progress has been made following OBC approval, there are key elements to the project that need to be firmed up prior to submitting an FBC.	Commences Q3 2024
Central Gov Approval and Grant	Q2 2022	Completed – WMCA Board approved £14m CRSTS and £2m BLPDF allocations to Project, £8m of which drawn to develop OBC to FBC	No Impact on time
Financing to WMCA	Q2-Q3 2022	This refers to the £7.722m of WMCA borrowings.	Commences Q3 2024

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		Formal approval to be obtained via FBC submission	
JV Investors Funding	Q4 2022	<p>The Original OBC sought to secure the Private Sector Co-Investor very early into the Project. However, in reality we need to have secured the first five sites and progress the project past OBC stage to ensure the Private Sector Co-Investor has sufficient information on the project to undertake due diligence and ultimately determine their true appetite.</p> <p>The Project Team seek to have a detailed Heads of Terms agreed with the Investor by submission of FBC, with negotiation and signing of contracts to take place post FBC submission.</p>	Commences Q3 2024
<p>Delivery Company:</p> <ul style="list-style-type: none"> -model definition -Private Sector Co-Investor procurement - DelCo formation 	Q1-Q4 2022	<p>Pinsent Masons LLP were selected as external legal advisors. To date the project team has confirmed project structure, legal structure of DelCo (Limited Liability Partnership, "LLP") and is in a position to incorporate DelCo from a WMCA perspective. Given that an LLP require more than one Limited Partner, DelCo cannot be formally incorporated until the Investor is identified.</p>	<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	<p>Delays in site selection due to external market conditions (rising costs, demand and size) has delayed acquisitions. The Project Team has reprofiled the</p>	First two sites progressing to target exchange in Q3 2024

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		minimum viable size of each EV CAT which should support site identification process.	
Development of first site	Q4 2023	Impacted by delays to site acquisitions. Development is dependent on securing the first site – the first two sites are anticipated to progress to target exchange in Q3 2024	Anticipated development commencement date: Q1 2025
Development of remaining sites	Q1 2023 – Q3 2025	Similar to development of the first site, this is impacted by time taken to secure sites. This Change Request seeks to reduce the total number of sites from 10 to 9	Q1 2025 – Q4 2026 This is a rolling activity aligned to securing sites
OpCo Search and Selection	Q3 2022 – Q3 2023	Our intention is to develop sites and market these to a Charge Point Operator in batches, where sites are bundled in 1-3's, varying in size, location and predicted vehicle footfall/visits	Commences (1 st batch): Q4 2024 This is a rolling activity aligned to the development of the sites

The purpose of the original OBC was to identify the investment option that optimises Value for Money, prepare the scheme for procurement and to put in place necessary funding and management arrangements. Whilst a large proportion of these elements are in place, there are three outstanding items that require further development, in order to produce a robust, risk mitigated FBC. These key items are:

a) Progression of site pipeline

Site identification and acquisition is problematic and **any pause in the programme that might result in lost opportunities should not be risked** (further detail provided in the Scope Impact Section of this change request). Given the issues experienced in finding suitable, proceedable sites, the WMCA is keen not to lose the opportunity to acquire a site and potentially delay the project further.

Despite these challenges, WMCA is confident that the acquisition of sites has gathered momentum, and it is now likely that it will be necessary to acquire sites in a shorter time span, as opposed to the staggered pattern anticipated at the original OBC stage.

The Cost Impact Section of this Change Request tables the sites which are in advanced stages of negotiation (at the time of writing) and therefore there is a reasonable degree of confidence in the timing and cost of acquisition.

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b) Validate construction costs in the financial model

We need to present 'live' sites (likely to be Chester Road, Erdington and Bristol Road, Longbridge) plus initial architect's design works to an external professional delivery team (Quantity Surveyor, Engineer, Town Planner and Architect) to firm up construction costs. This will enable the Project Team to further refine the model, in preparation of FBC submission.

c) Working with WMCA Procurement 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.

3. Impact

This Change Request outlines the areas which are subject to a time delay, with completion of development of all sites that encompass the project being delayed by 12 months from Q4 2025 to Q4 2026. There are elements of this project that have incurred delays of up to two years (as per the table above), however the project is still on track to meet the CRSTS delivery date of March 2027.

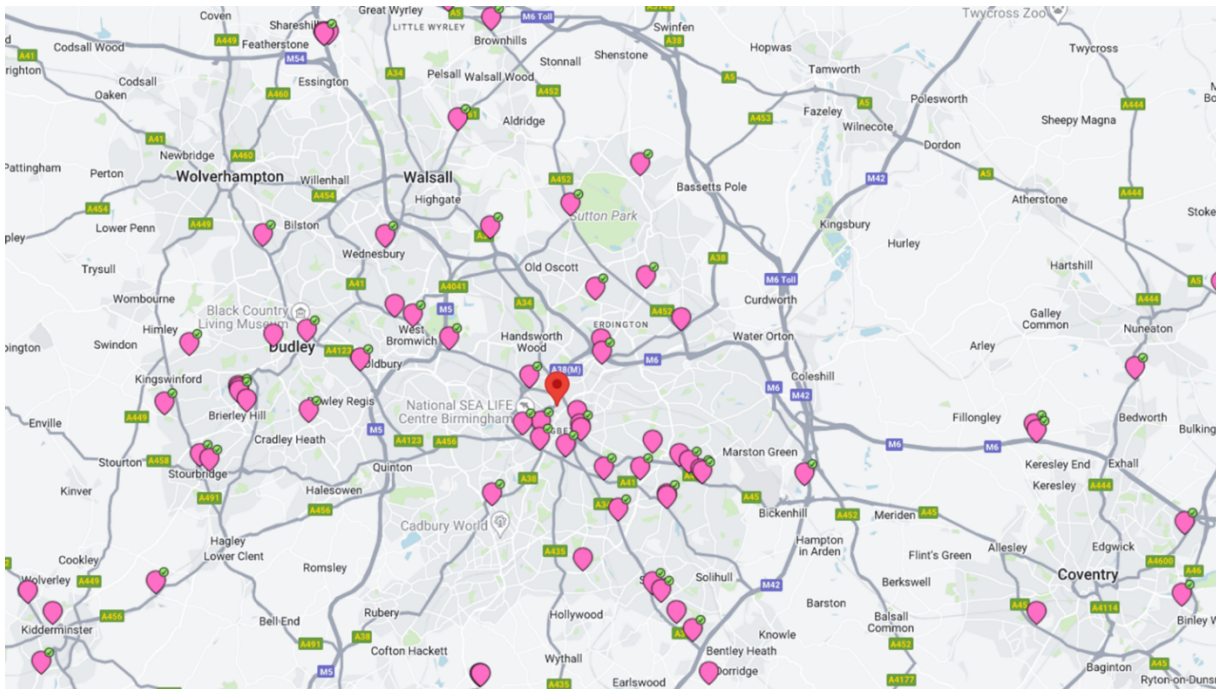
3C SCOPE IMPACT

1. Current Market Need and Demand for Sites

This project is designed to serve a particular market. There is demand for Ultra Rapid charging i.e. 150 kW+. This serves a particular market need, largely business users but also the general public where there is no ability to charge at home or nearby on street, or where there is a need for a charge in a short time window.

Since the original OBC was produced there has been some expansion in the market. This can be seen from an analysis of Zapmap¹. Whilst **published data can run a few months behind sites being operational, it is still the best source of information** for the number and location of chargers across all major operators.

Data was pulled from Zapmap on 4th January 2024. A search was conducted to identify sites available 24 hours a day to the public and for chargers offering 100 kW plus speeds. This was the closest match to the service that EV CATS will provide. The following table and map show the following chargers available across the West Midlands 7 Met area:



¹ <https://www.zap-map.com/live/>

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Zap map - Open 100kW plus chargers West Midlands - 100 kW plus - Tesla only removed						
04/01/2024						
Location	Postcode	Chargers	CPO	Format	Price	
Costa, Bilston	WV4 6LQ	4	Osprey	150 kW	0.79	
MFG Wednesbury	WS10 9HA	6	MFG	150 kW	0.79	
McDonalds Rushall	WS4 1JW	2	InstaVolt	120 kW	0.85	
Shell Four Oaks, Sutton Coldfield	B74 2XH	4	Shell	150 kW	0.85	
Shell Moorcroft, Sutton coldfield	B74 2HN	4	Shell	150 kW	0.85	
Shell Birmingham Road	B43 7AP	1	Shell	150 kw	0.85	
Lanes shopping centre	B72 1YG	2	Instavolt	120 kw	0.85	
Shell West Bromwich	B70 9LS	2	Shell	150 kW	0.85	
West Bromwich	B714JH	6	Ionity	350 kW	0.74	not 24 hr
LCP Stallings Lane	DY6 7LE	2	InstaVolt	120 kw	0.85	
Eve Service Station	DY1 3AW	4	MFG	150 kw	0.79	
Catlegate Drive, Dudley	DY1 4TA	4	InstaVolt	150 kW	0.85	
Kingsbury Road	B24 9PZ	2	PoGo Charge	150 kW	0.79	not 24 hr
Birmingham Armada	B23 7PG	2	Eon Drive	150 kW	0.63	not 24 hr
Star City	B7 5SA	8	Osprey	150 kW	0.79	
KFC Oldbury	B69 2BH	6	Instavolt	120 kW	0.85	
MFG New John Street, Birmingham	B19 3TZ	8	MFG	150 kW	0.79	
BNP Paribas, Stourbridge	DY8 5NA	2	InstaVolt	120 kW	0.85	
port West Retail Park	DY5 1LL	3	BP Pulse	150 kW	0.85	
MFG Merry Hill	DY5 1SY	7	MFG	150 kW	0.79	
KFC Old Hill	B64 5LS	2	InstaVolt	100 kW	0.85	
Mill Race Car Park, Stourbridge	DY8 1JN	1	InstaVolt	120 kW	0.85	not 24 hr
birminham street, Stourbridge	DY8 1JR	2	InstaVolt	100 kW	0.85	not 24 hr
Tennat Street, Birmingham CC	B15 1EL	1	ESB	100 kW	0.77	
Holloway head Gulf Petrol Station	B1 1NG	3	ESB	100 kW	0.77	
Waterlinks, Aston	B9 4HF	6	MFG	150 kW	0.79	
McDonalds bristol road b'ham	B5 7TT	2	InstaVolt	120 kW	0.85	
Mcdonalds Small Heath	B10 0RJ	2	InstaVolt	120 kW	0.85	
McDonalds Yardley	B26 1DS	2	InstaVolt	120 kW	0.85	
Oakland recreational park	B25 8AS	1	ESB	100 kW	0.73	
KFC sheldon	B26 3JA	2	InstaVolt	120 kW	0.85	
Wells Lane retail Park	B26 3JA	2	InstaVolt	100 kW	0.85	
MFG Whirlwind	B26 3HL	8	MFG	150 kW	0.79	
Texaco Warwick Road	B11 2QX	3	ESB	100 kW	0.73	
Shell cocks Green	B27 6AR	4	Shell	150 kW	0.85	
Selly Oak train station	B29 6DP	2	ESB	100 kW	0.73	
mcDonalds Olton	B92 7HX	2	InstaVolt	120 kW	0.85	
NEC East Car Park	B40 1PW	16	BP Pulse	150 kW	0.85	
McDonalds Yardley Wood	B14 4BJ	2	InstaVolt	120 kW	0.85	
BMO Sears retail Park	B90 4QY	1	Mer	150 kW	0.78	
Johnsons of Solihull	B90 4NU	1	Greenflux	150 kW	0.85	
KFC Shirley	B90 4AD	2	InstaVolt	100 kW	0.85	
McDonalds Shirley	B90 4EL	2	InstaVolt	120 kW	0.85	
Shell Box Trees, Dorridge	B94 6NS	2	Shell	150 kW	0.81	
Esso Canley Ford	CV4 7BB	4	Other	150 kW	0.65	
MFG Walsgrave	CV2 2QN	8	MFG	150 kW	0.79	
MFG Rogby road, coventry	CV3 2EA	4	MFG	150 kW	0.79	
TOTAL		166				
Average number of chargers per location		5.0				

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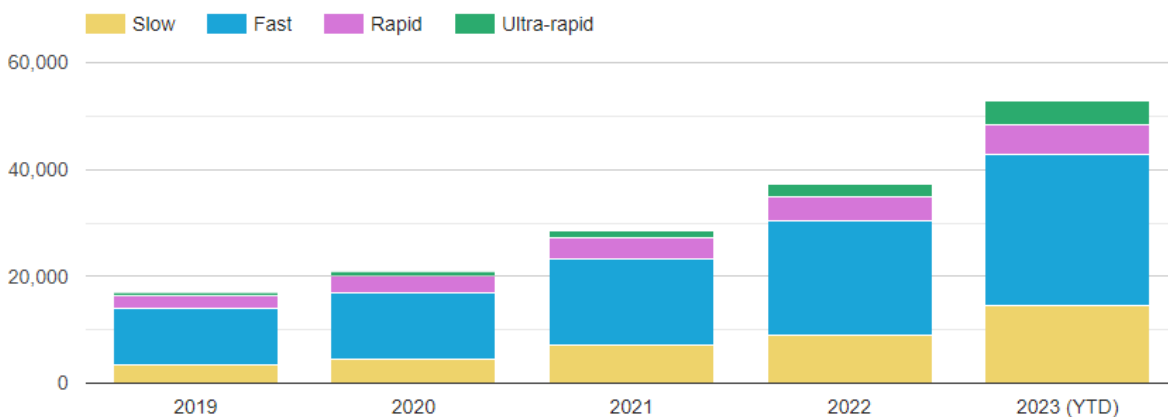
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The data indicates there are only 188 open access ultra rapid charge points across the whole of the 7 Met area. There is no doubt that there is substantial growth in all charging provision, however consensus is that it is not sufficient.

The data also provides real-time retail electricity pricing across the existing network, with prices varying from £0.79-£0.85 per kWh. Using this data, we have revised the cost of retail electricity in our model, increasing this from £0.35 to £0.8 per kWh.

The chart below is taken from Zapmap² and shows that there were 2,295 ultra rapid chargers across the UK in 2022 and this increased to 4,505 by November 2023 (from a total of 53,029 charge point of varying speeds), however it does not indicate whether all of these allowed for public access. Of these, 2,869 devices operate across the UK at 150 kW plus (our definition of ultra rapid). Based upon our analysis of there being 137 open access 150 kW units in the West Midlands, **then this is less than 5% of the UK total**. The Project Team remain confident in the need to provide ultra-rapid charging locations via EV CATS as per the original OBC.

Number of public UK charging points by speed (2019 to date)



Source: Zapmap database. Updated: 30th November 2023

2. Updates to Scope

Whilst extensive proprietary work went into producing the original OBC including expertise from KPMG, soft testing the concept with potential Private Sector Investors and ChargePoint Operators; having the budget to develop assumptions made in the OBC and formal engagement with the market have highlighted two key areas which impact the assumptions made at initial OBC stage:

- Appropriate Site Availability
- Land Prices

² <https://www.zap-map.com/ev-stats/how-many-charging-points>

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a) Appropriate Site Availability

At OBC, one of the specific issues identified facing Charge Point Operators was the inability to acquire prime roadside sites necessary to facilitate EV CATS at values that could make locations viable. Even with a long-term view of profitability, there was little to incentivise investment in EV stations today given alternative investments.

Whilst it was always known that land suitable for this project would be unique and scarce, in practice finding suitable sites that would be attractive to the Private Sector Co-Investor and Charge Point Operators has been more difficult than appreciated. It is only by operating in the market that this could have been established.

Given real estate is critical to the project it was necessary to procure a property advisor to provide services to identify and acquire sites, and for WMCA to employ a suitably qualified Chartered Surveyor.

Avison Young were selected through a procurement exercise (supported by WMCA Procurement Team). During their 12-month contract, Avison Young failed to identify any suitable sites that could be acquired in that timescale. Consequently, their services were terminated in August 2023, with WMCA instead utilising its Investment Team and the specialist Chartered Surveyor employed for the project.

Despite having a dedicated Chartered Surveyor who has been successful in identifying initial prospective sites (c.200 sites), progress on acquisitions has been much slower than anticipated due to the following reasons:

- **Ground Conditions:** two good sites have been ruled out due to exceptionally complex and costly ground remediation. Whilst an allowance exists to attend to this, without a discounted acquisition price the sites will not make economic sense.
- **Power:** not all sites that were thought to be suitable have sufficient power available or the likelihood of this in the next couple of years. Where sufficient power can be pulled to a site, the cost of standing charges wildly vary, pricing us out of some sites.
- **Planning:** for a number of sites the relevant Local Authority has aspirations to see them developed for certain purposes, typically key employment or housing. These sites may be owned by the Local Authority or held privately. As would be expected, the WMCA has not pursued sites where it is thought that the Project would be counter to the locally desired outcome.
- **Suitability:** formal inspection of the sites has led to many of these being ruled out due to being marginally too small to accommodate the EV CATS infrastructure or not having the required visibility and access from the Key Route Network.
- **Unreasonable Price Expectation:** a number of sites are held by speculative owners whose expectation is not reasonable. For example, a c.1 acre site near Wolverhampton City centre was purchased speculatively for £1.3m but the owner stated they want £2.6m less than two years later. The landowner of a site in Walsall near junction 10 has quoted £1.8m for part of a site (c. one third of the total site) even though they acquired the whole site for roughly the same price.

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b) Land Prices

The objective of the Project is to locate each EV CAT on prime roadside locations along the Key Route Network. These sites are typically used 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 which is bucking all trends for UK property, with very high occupier demand driving increased rents which translate to rising land values. Unfortunately, this effects exactly the same sites that are required for EV CATS. Savills “Market in Minutes: UK Commercial – August 2023”³ publication, provides a good summary of market movement:

“F&B operators have consistently featured in the top 20 most acquisitive operators, which in H1 this year included Greggs (20 units), Starbucks (19), Costa (12), Burger King (7), McDonald's (7), KFC (6), Taco Bell (6) and Tim Hortons (6).

Having become so popular with the UK consumer during the pandemic, Drive-Thrus are the format of choice for these operators. Last year we saw 100 new Drive-Thru openings in the market, just under double the number opened in 2019 pre-Covid. The truth is, the most acquisitive F&B operators would like to do more were it not for scheme configuration and planning constraints.

With vacancy now as low as 4.4% across the sector, there is very little opportunity to satisfy further demand, which is why many of the new Drive-Thru openings are newly constructed roadside developments rather than the reparation of voids.

As a result, rents have increased dramatically, as firstly, the competition for space has become so fierce, and secondly, in order to make a development viable to the landlord, due to the recent and significant increase in construction costs. Drive-Thru & Drive-To net effective rents now stand at £47.19 psf on average, an increase of 27.9% versus pre-pandemic. By comparison, the rest of the [out of town retail] market has plateaued at c.£18.09 psf, with a marginal decrease of -1.1% in the same time period.”

The original OBC budgeted £1.1m for each site acquisition (excluding ancillary costs and inclusive of stamp duty and VAT). This theoretically enabled WMCA to purchase plots of 0.55 acres, our ideal size at the time, which is what the team has been trying to acquire.

Following OBC approval, the Team has had the opportunity to properly enter the market and compete for sites and commission architects to draw up deliverable schemes based upon real examples. Based on these findings, we have identified that the actual ideal site size should be c.0.85 acres.

We currently lack flexibility to consider all sites that are coming to us and holding out in the hope of cheaper sites is not a viable strategy when the land resource is this scarce unless the timescale of this project is vastly extended – which we do not consider feasible given the CRSTS funding requirements.

³ https://www.savills.co.uk/research_articles/229130/350122-0

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The Cost Impact section of this Change Request outlines the options WMCA has to help mitigate the impact site availability and increased land prices on the project.

3. Scope Impact

Based on the challenges faced in the marketplace and the information gathered from being an active participant, we are proposing the following scope changes:

- 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
- Approve an increase in the number of sites that may be committed to under the OBC, from five to six
- The ability to purchase larger sites – primarily those which are c.0.85 acres
- Acquire sites in a shorter time span to minimise further delay to the Project – 4 acquired by December 2024, a further 3 acquired by December 2025 and the remaining 2 by December 2026

The Project Delivery Team are confident that the project remains viable and able to achieve its objective, particularly leveraging private sector investment.

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3D DEPENDENCIES IMPACT

The original OBC highlighted the following constraints and dependencies:

- Locations – *The project concentrates on locations on the key route network which tend to be more expensive than nearby similar locations. The cost differential and impact of the price difference is yet to be tested.*
- Operators – *The project assumes that the private operators will be willing to follow the procedures and guidelines set out by the project in exchange for the incentives provided.*
- Competition - *The project assumes that private operators will prefer the partnership with WMCA over implementing their own purely private project.*

Soft market testing of the Project amongst a selection of private sector Charge Point Operators yielded positive feedback, particularly as the majority are trying to gain greater UK market share, and this project presents them with prime roadside sites they otherwise struggle to obtain and/or afford. Whilst there is still on-going work to do with securing Charge Point Operators (including post FBC submission), we perceive them to be a lower probability and impact to the Project.

There are no further dependencies identified via this change request, however work undertaken to develop the OBC has highlighted how problematic acquiring suitable sites on the key route network is, increasing probability and impact of locations to this project.

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3E STAKEHOLDER IMPACTS AND STRATEGY CHANGE IMPACTS

All stakeholders have been updated on the revised enclosed in this Change Request. Monthly Delivery Meetings for the Projects are held which include WMCA Investment and Commercial Activities Team, our Senior Implementation Specialist (Chartered Surveyor employed to complete site acquisitions), TfWM representatives for the CRSTS programme and Energy Capital.

Even with the proposed changes outlined in this paper, the Project remains committed towards contributing to WMCA's Strategic Objectives as highlighted in the original OBC (#WM2041, WMCA Regional Transport Plan and Inclusive Growth) and presents no impact to supporting these.

3F OUTPUTS, OUTCOMES AND BENEFIT IMPACTS

The project aims to increase the supply of ultra-rapid EV charging infrastructure within the region, with sufficient expansion space to increase charge point capacity as the market requires, in support Central Government's Net Zero agenda and the WMCA Region's own green agenda including #2041.

The project will specifically:

- provide an alternative to private and commercial users that do not have access to a viable charging solution
- swifter uptake of EVs through effectual placing of EVCATS counteracting range anxiety
- significant benefits from carbon savings and reduction of NOx and PM 2.5 levels in the air
- Increased time savings for individuals through travel to charge points and charging speed
- reduction in noise pollution

Furthermore, the original OBC presented the following benefit indicators, which included sensitivity analysis reducing total EV CATS utilisation figures by 30%:

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Indicators	Buy option	Buy option <i>30% reduced utilisation</i>
Present Value of Costs (PVC) <i>exit returns unaccounted for</i>	£22,739,135	£22,739,135
Additional Public Sector exit return	£2,137,902	£2,137,902
Total additional Public Sector exit return	£2,137,902	£2,137,902
Present Value of Benefits (PVB) <i>without private investment devaluation</i>	£65,297,419	£50,966,019
Present Value of Costs (PVC) <i>exit returns accounted for</i>	£20,601,233	£20,601,233
Net Present Value (NPV)	£44,696,186	£30,364,786
Benefit Cost Ratio (BCR)	3.17	2.47

The Change Request seeks to reduce the number of EV CATS from ten sites to nine and provides an updated financial model, modifying (i) the maximum number of site visits per charge point per day from 25 to 20 and (ii) vehicle movement past each site per day from 24,000 to 22,000. The revised model using these metrics still provides a Benefit Cost Ratio within the sensitised vs non sensitised range provided in the Original OBC (3.17-2.47).

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3G RISK IMPACT

(UNCERTAIN EVENT(S) THAT SHOULD THEY OCCUR WILL HAVE AN EFFECT ON THE ACHIEVEMENT OF OBJECTIVES)

The Original OBC identified a number of primary key risks, with the principal risk at that time not considered to be delivery aspects of the project but rather on generating sufficient interest from investors in the project at an early stage due to the nascent nature of the EV charging industry. These risks are outlined in the table below:

Risk	Position at OBC		
	Probability	Impact	Mitigation
UNABLE TO FIND INTERESTED INVESTORS	Medium	High	The revenue share model can be skewed in favour of the investors to improve the IRR at the expense of the public funding.
UNABLE TO FIND INTERESTED OPERATING COMPANY	Low	High	The incentive of having the land delivered to the OpCo spec will be attractive to many companies. The strategy and location for the EV CATS network will be delivered ready-made Prime sites will be on offer allowing the partner OpCo to achieve a commanding position in the market.
STRONG PRIVATE SECTOR COMPETITION - drives down prices	High	Medium	Manage the KPIs to ensure that a high level of services is provided by the OpCo.
SLOW INCREASE IN EV CHARGING DEMAND - EV uptake occurs slower than predicted	Low	Low	Very low estimates (~2%) of passing traffic is assumed to utilise the charging stations in the model. Conservative estimates of conversion of ICE to EVs have been made in the plan.
COMPETITION FROM OTHER FORMS OF CHARGING - at home/supermarket /at destination	High	Medium	The EV CATS offer is distinct services, speed, and convenience. EV CATS can adapt to other forms of charging if necessary.
USER BEHAVIOUR - unknown whether users will have a 'brand' preference for charging stations	High	Medium	EV CATS offers EV drivers a strong value proposition. Offer includes conveniences, entertainment, etc making it attractive to EV drivers.
TECHNOLOGY CHANGES - EV technology makes EVCATS infrastructure obsolete	High	High	Selection of adaptable technology in partnership with OpCo.
PROJECT APPROVAL & PARTNERSHIP - FORMATION DELAYS - private sector will enter the market at scale	Medium	High	Well-developed business case and partnership proposal for JV
JV FORMATION - takes longer than expected	Medium	High	Further study is required in this area.

The risks above have been reviewed and we believe it prudent to keep ratings for probability and impact unchanged at this stage – these will need to be reviewed again in line with the FBC submission.

In addition to the primary key risks, the original OBC included a risk register spanning operations, finance, governance, political and planning. The impact of land availability and associated increased land values has been reflected in this Change Request and has subsequently been added to the

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risk register, rated 'high' for both probability and impact -whilst we have a pipeline of sites, the pipeline is continually changing, affecting cost, time and scope of the project.

This Change Request also highlights the impact power provision has on the project – whether this be ensuring sites have access to sufficient power in the short term (impacting site availability) or the bespoke nature of standing charges by National Grid which make it difficult to predict this cost or where known, price us out of a transaction. Power provision has therefore been added to the risk register, rated 'high' for both probability and impact. A key takeaway from identifying power provision as a risk is its ability to suppress the threat of competition, as similar to the impact of roadside land prices, the high cost of power provision may also deter entrants into the market in the short – medium term.

Dialogue to date with prospective Private Sector Co-Investors (although held within the parameters of soft-market testing) have been very positive. Whilst these are not definitive conversations resulting in securing private sector investment, it does shift the primary risk focus away from investor interest to delivery; specifically in our ability to secure appropriate sites.

3H ISSUE IMPACT

(EVENT(S) THAT HAVE OCCURRED WHICH WERE NOT PLANNED AND REQUIRE MANAGEMENT ACTION)

Similar to the risk impact section, the prevalent issue is land availability and associated land costs, with active issue management in place over the life of the project.

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3I PROCUREMENT IMPACT

There are no impacts to procurement strategy/process as a result of this Change Request, but procurement of the Private Sector Co-Investor and the Charge Point Operator will commence once the first five sites are secured.

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:

	Actual	Budget
OBC		£300,000.00
Options report	£11,317.00	
Structure/Vires	£4,050.00	
Procurement	£6,000.00	
Subsidy Control	£6,000.00	
TOTAL	£27,367.00	£300,000.00

Delivery Company Structure and Vires

Pinsent Masons have focused on legal structure of the Delivery Company, undertaking an options appraisal which concluded with the recommendation of establishing an Limited Liability Partnership (LLP), with WMCA directly investing into the LLP being the optimal delivery structure for the Project. Other forms of contractual relationships between WMCA and the Private Sector Co-Investor, such as a contractual joint venture or limited company were deemed inherently rigid, not providing (amongst other matters) the benefit of ring-fencing the assets and risks within Delivery Company and also does not provide tax transparency.

The Project Team have tested appetite of an LLP structure with potential Co-Investors, with positive feedback that it provides a tried and tested model which is well understood by the private sector.

Pinsent Masons have reviewed WMCA vires and has concluded WMCA has the ability to establish/enter into a LLP. The primary objectives of this project are socio-economic (see Outputs, Outcomes and Benefit Impacts section of this document) and these objectives also apply to the LLP.

To this, WMCA has also sought Kings Counsel opinion on WMCA's ability to enter into an LLP (not included in the spend to date figure, but quoted to be c.£3,500 plus VAT). Due to the socio-economic objectives of the project, Kings Counsel confirm that it will be lawful for WMCA to enter into the proposed LLP with a Co-Investor.

The governance arrangements of the LLP are yet to be finalised, but will be enshrined within the Members' Agreement and in particular, ensure that the Delivery Company's business/objectives are expressly limited to implementing the Project. All decisions will be made by the WMCA and the

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Private Sector Co-Investor in accordance with the terms of the Members' Agreement (which can mirror the governance arrangements and delegations of WMCA, as appropriate).

Whilst the Delivery Company has been scoped out 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 the LLP to accommodate any requirements the Co-Investor may have.

Procurement

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.

Subsidy Control

WMCA must also consider whether the project's operating model (see Cost Impact Section) would be compatible with applicable subsidy control law, and if so, depending on quantum, whether the subsidy is a Subsidy of Interest or Subsidy of Particular Interest - the latter of which will need declaring to the Competition and Markets Authority via the Subsidy Advice Unit (SAU).

The provision of the WMCA funding and the transfer of the WMCA-owned sites to Delivery Company may involve a subsidy to the Delivery Company and to the Private Sector Investor, with initial subsidy value ranging from £7.2m-£9.9m. To this, WMCA has had an informal conversation with the Subsidy Advice Unit's Pre-Referral Unit and were 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 rather than being range based before making a formal submission to the SAU.

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4 STAKEHOLDER INVOLVEMENT

Statements are needed from the stakeholders below as mandatory. Note, if you are WMCA external, these comments will be gathered by WMCA upon submission.

WMCA Finance Business Partner Name:	Carl Pearson
<p>Observations and Finance Statement:</p> <p>The financial arrangements underpinning this change request are fully documented above. There is no increase in the overall funding WMCA have committed to provide to this scheme as a result of this change. 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.</p>	
WMCA Legal Representative Name:	Mark Nicholson
<p>Observations and Legal Statement:</p> <p><i>Power/competence</i></p> <p>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.</p> <p>The EV CATS Project is being carried out as part of the WMCA strategy under its economic development and regeneration function to promote and further the achievement/fulfilment of, inter alia, the Net Zero 2041 objective.</p> <p>WMCA will continue to have the power to carry out the EV CATS project if the changes set out in this report are approved.</p> <p><i>In Summary</i></p> <p>The case made in this Change Request Form is a coherent case for the changes to be endorsed. However, consideration and attention should be given to the points I make below.</p> <p><i>Lawfulness of the LLP</i></p> <p>In taking forward this Project officers should note that the lawfulness of the proposed LLP (as the delivery vehicle) derives from the fact that the primary purpose for the establishment and use of the LLP is to achieve particular WMCA policy objectives and outcomes rather than to make a profit.</p> <p>I endorse the advice of Pinsent Masons that is set out in paragraph 2.8.5 of their Instructions to James Goudie KC which is that “<i>WMCA should ensure that there is a robust audit trail in place</i>”</p>	

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which supports this primary purpose to include (but not be limited to) any historical or future correspondence minutes business plans members agreements and communication with the Co-Investor or otherwise in existence and going forwards”.

Subsidy Control

I also draw to the attention of officers and endorse the advice given by Pinsent Masons in Paragraph 10.6 of their Options Appraisal dated 3 October 2023 that it will be for WMCA to satisfy *“itself that any subsidy will be compatible with the Subsidy Control Principles”*. WMCA cannot rely upon Pinsent Masons to apply the principles for WMCA although WMCA can be advised and guided by Pinsent Masons on how WMCA should apply the principles.

WMCA Legal Services

Officers should ensure that WMCA Legal Services is closely involved with the Project both at the Project level and in respect of each of the individual property acquisitions. It is recommended that Project Officers contact Andre Bromfield, Lead Solicitor for Strategic Transport and Corporate Services to discuss what henceforth should be the appropriate level of WMCA Legal Services involvement in this Project.

Governance Arrangements

It is essential that Legal & Governance should have input into the formation of the governance arrangements of the proposed LLP. In Pinsent Masons’ options appraisal dated 3 October 2023 Pinsent Masons recommended at paragraph 1.1.1 of Appendix 5 that one of the next steps that should be taken should be for *“internal legal to confirm the standing orders and internal governance arrangements are satisfied”*. Advice on this should be sought from Andre Bromfield’s team if it has not already been sought.

WMCA Procurement Representative Name:

Brad Benson

The procurement team have been engaged throughout this project. In addition, professional external advice has been sought on procurement implications, which once received, will be reviewed and implemented.

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5 APPRAISAL – INTERNAL USE ONLY

TO BE COMPLETED BY WMCA PROGRAMME ASSURANCE AND APPRAISAL ONLY

5A APPRAISAL RECOMMENDATION

Change Reference Number:	CR102
Has this change been reviewed by WMCA Appraisal?	Yes

Appraisal Recommendation:

Approve noting recommendations, **R1** through **R7**.

Context and Background

- (i) The Outline Business Case (OBC) for the Electric Vehicle Charging Area Transit Stations (EV CATS) was approved by WMCA Investment Board in March 2022. Significant time has lapsed between approval at OBC and receipt of this Change Request ref: CR102.
- (ii) At OBC the Assurance Observations report identified land acquisition ahead of the Full Business Case (FBC) as a critical success factor to attract private investors; with the recommendation to make the funding approach clear, identifying risks, timelines and constraints and how these impact the wider intervention.
- (iii) At OBC the Appraisal Observations report identified the requirement to develop the Financial Case further to increase the level of detail required to support the project.

Verification of the Business Case.

- (iv) The rationale for intervention for the EV CATS project as set out in the OBC is summarised as follows:

“A National Audit Office report in February 2021 stated that the UK will need upwards of 450,000 public chargers by 2030, which is more than 10 times than the current estimated 41,000 public chargers. The West Midlands with its above-average growth in EV ownership and coupled with its geographical location at the heart of the UK’s transport network, will see increasing pressure for regional EV public charging infrastructure. In parallel to other local authority actions, there is the short-term need for WMCA to intervene and incentivise the establishment of a highly visible and efficient EV public charging infrastructure in the region to avoid the market failure”

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- (v) The project aims to increase the supply of ultra-rapid EV charging infrastructure within the region, with sufficient expansion space to increase charge point capacity as the market requires, in support Central Government's Net Zero agenda and the WMCA Region's own green agenda including #2041.
- provide an alternative to private and commercial users that do not have access to a viable charging solution
 - swifter uptake of EVs through effectual placing of EVCATS counteracting range anxiety
 - significant benefits from carbon savings and reduction of NOx and PM 2.5 levels in the air
 - Increased time savings for individuals through travel to charge points and charging speed
 - reduction in noise pollution
- (vi) An analysis of the expansion and growth in EV charging infrastructure provision across the West Midlands region has been identified, quantified and presented in detail within this change request. It is clear there has been and continues to be non-linear growth in the provision of public charging points in the U.K. In 2019 there were around 18,000 public charge points and in 2023 (YTD) there are over 50,000 public charge points.
- (vii) Based on the information provided this growth has a doubling period of around 3.5 years and if the trend continues without intervention; projecting forward to 2027 the total number of public charging points would be estimated at around 100,000 and by 2030 the total number would increase to around 180,000 charge points nationally.
- (viii) The evidence presented in this change request indicates a developing and maturing position for the provision of EV charge point infrastructure in the timeframe since the OBC was approved with an increasing proportion of Ultra-Rapid charge points. The case for market intervention or action to lower barriers of entry remains in place as without action; and based on the evidence provided for continuing trends the total number of U.K. public charge points in 2030 would be below 50% of the required number identified by the National Audit Office (NAO) 450,000.
- (ix) The business case at OBC is further verified citing only 137 Ultra-Rapid Open Access Charge Points in the West Midlands region; this is less than 5% of the U.K. total.

Business Case re-modelling and Update

- (x) The increase in site acquisition costs and delays in the identification and acquisition of suitable locations and sites for EV CATS stations at prime locations on the Key Route Network have been articulated and presented transparently. In particular it is noted the EV changing market dynamics and increased competition for prime locations adjacent to the Key Route Network have been identified and the risk and impact quantified and applied pro-rata across the EV CATS project.
- (xi) The methodology employed to rescope and reframe the project as a consequence of the delays in acquisition of sites and increased competition for prime sites is logical and has been applied consistently.
- (xii) Consideration of (i) the acquisition of cheaper sites away from prime locations on the KRN, (ii) use of construction contingency £2.4m and (iii) acquisition of smaller sites have all been considered and ruled out as they would lead to sub-optimal outcomes and have an adverse impact on the outcomes and benefits identified at OBC. This is clearly evidenced.

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- (xiii) It is noted the use of the construction contingency of £2.4m allocated within the project to mitigate the increase in land prices would likely represent a very high risk strategy as the construction costs for an EV CAT station are not yet known as identified elsewhere in this change request.
- (xiv) Consideration of smaller sites is effectively ruled out on the basis the change request identifies the requirement for an increased site footprint for an EV CAT station from 0.55 to 0.85 acres (1.36 to 2.01 hectares).
- (xv) Acquisition of lower cost, non-prime sites away from the Key Route Network would clearly have an adverse impact on the ability of the project to secure a private sector partner; this is clearly inferred if not explicitly stated in the body of the Change Request.
- (xvi) Therefore the reduction in the overall number of EV CATS stations from ten to nine represents the lowest risk and best fit strategy for progression as it protects the key benefits identified within the original OBC.
- (xvii) The reduction in overall benefits (VfM) as a consequence is identified at a high level (10%) and the impact on the BCR reported at OBC is articulated.
- (xviii) The risk associated with increased land costs and the need to increase the momentum of the project is further mitigated by increasing the commitment to securing five sites to six sites at OBC.
- (xix) Since the OBC was submitted in March 2022 there has been emergent instability in energy markets leading to significant increases in both the wholesale and retail cost of electricity. The financial case for EV CAT stations has been remodelled reflecting increases in the retail and wholesale unit costs for electricity and reflecting increases in standing charges.
- (xx) An uplift in land rental charges has been applied and this is reflected in an increase in annual rental paid by the Charge Point Operators from £50,000 per year to £75,000 per year.
- (xxi) A construction inflation rate of 3.5% has been introduced into the financial model.
- (xxii) The interest rate for the investment required to build the charging network has been amended from 4.5% to 6.5%
- (xxiii) The vehicle movements past each site have been revised downward from 24,000 per day to 22,000 and the total number of and the maximum number site visits per charge-point per day has been revised downward from 25 to 20.
- (xxiv) All of the above changes have been applied to the financial model (financial case) and the viability of the model has been retested, verified and articulated clearly from the perspective of each of the stakeholders, i.e. WMCA, The Private Investor, The Delivery Company and the Charge Point Operator. It is noted the financial model has been adjusted to mitigate the risk associated with securing a Private Sector Investor.
- (xxv) The 30% sensitivity analysis presented in the OBC has been retained; i.e. the model has been tested at a take-up rate 30% below the projected demand in order to counter any optimistic bias.
- (xxvi) A complete revision of the detailed financial modelling (v0.22) is provided in support of this change request. This has been reviewed by the Finance Business Partner.

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- (xxvii) The requirement to bring forward funding for the requisite professional services to understand the construction costs, risks and constraints associated with the construction stage of an EV CAT station is an effective mitigating action; the earlier this information is secured the better.

Timeline

- (xxviii) The unfolding implications of the impact associated with the delays in acquisition of sites and the impact on dependencies have been identified in detail and the slippage against each of the milestones and deliverables set out in the Gantt Chart presented in the OBC has been quantified and accounted for and reported transparently.
- (xxix) It is noted the impact as a consequence of the changes set out in this change request is a twelve month elongation; the completion date for the construction of the last EV CAT station has been moved out to Q4 2026 from Q4 2025.
- (xxx) Based on the revised timeline the project completes and the last EV CAT Station completes ahead of the CRSTS-1 March 2027 deadline.

Risk Landscape

- (xxxi) The primary key risk table presented in this Change Request identifies and re-evaluates all of the key risks identified at OBC including a reassessment of the risk of failure to secure a private investor, a charge point operator, increased private sector competition and technology changes.
- (xxxii) The evaluation of the key risks presented in the change request reflect the nature of the project. WMCA intervention in the emerging EV Charging market space is innovative, sets a precedent and the construction of charging stations for the emerging Ultra-Rapid charge points is leading edge from a technology perspective. These risks need to be seen and viewed in the context of promoting the modal shift from ICEs to EVs and the need for WMCA to address and mitigate the impact of Climate Change (WMCA #2041).

Conclusions

- (xxxiii) **Approve** based on the information presented in this Change Request and engagement with Finance, Procurement and Legal services to date. Specific focus and attention should be given to the following issues and risks moving forward to Full Business Case (FBC). The recommendations provided are a reaffirmation and reassertion of those set out in the Change Request.
- **R1.** Provision of WMCA funding and transfer of WMCA owned sites to the Delivery Company and the Private Sector Investor may constitute a subsidy and the Competition and Markets Authority are currently unwilling to provide a statement with regard to the impact or probability of this without a known beneficiary in place. This requires managing as an active issue right through to it's resolution.
 - The overall risk to the benefits identified at OBC with an intervention strategy in the EV Charging Marketplace potentially increases over time as the charging infrastructure and marketplace matures. Existing operators of petrol service stations do not have the same barriers to entry, i.e. they already have the premium sites located on the Key Route Network and the evidence presented in this Change Request indicates there is a small

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and emerging presence of Shell, BP, Esso and other service station operators in this market space within the West Midlands region.

- The doubling period associated with the number of public access charging points in the U.K. is estimated to be 3.5 years based on the data provided; it is assumed the rate of change in the doubling period is zero. There may be second order non-linear dynamics in the market place which could mean the number of public access charge points in the U.K. and the region by 2030 may be greater than current trends indicate.
- **R2.** Specific resource should be identified and allocated within the project to focus on securing and assuring the best possible market data and trends for the EV Charging sector at a U.K. and regional level. The number and type of public access charge points should be continuously monitored through to FBC [and into implementation]. The initial assumptions within the National Audit Office (NAO) report published in 2021, i.e. the requirement for 450,000 public access charging points by 2030 needs to be continuously monitored and assured; where practicable.
- **R3.** Continued development, testing and re-modelling of the Financial Case (Model) is critical for mitigating risk and assuring optimal outcomes as the EV CATS project progresses.
- **R4.** The requirement to secure five EV CATS sites in order to attract an external investor and have in place the Heads of Terms with the financial investor is clearly on the critical path for this project and all risks with the potential to compromise these outcomes need to be actively monitored with effective mitigation strategies.
- **R5.** Formulation of SMART objectives should be defined as part of the development of the FBC as highlighted in the assurance observations report at OBC.
- It is recognised actions identified within the assurance and appraisal observation reports at OBC have been enacted as the project progresses to FBC.
- **R6.** The EV CATS project team will notify Governance and the Programme Assurance and Appraisal Team when a date for the submission of the Full Business Case (FBC) has been confirmed.
- **R7.** Comply all with the recommendations and actions as set out by WMCA Legal Services in this Change Request.