



Name of meeting: Investment Board

Meeting date: 22 July 2024

Report title: Coventry Very Light Rail (VLR) Stage Gates

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Key Decision? Yes 20/05/24

Is the ability for the Combined Authority to make a decision internally reliant on Constituent or Non-Constituent Councils making a formal decision first?

Yes No

Public/private report: Public

1. Decision/s Recommended

- 1.1 Note the revisions to the WMCA Board approved Strategic Outline Case (SOC) made in April 2024 by WMCA under delegated powers, as detailed in Section 10.
- 1.2 Approve that West Midlands Combined Authority (WMCA) enter into a Grant Agreement with Coventry City Council (CCC) for Coventry Very Light Rail (CVLR) Stage Gate 2 for £6.85m.
- 1.3 Note that the total value of Grant Agreements entered into between WMCA and CCC will not exceed the total value of funding that DfT have approved for release.
- 1.4 Approve that delegated authority be granted to the Executive Director of Transport for the West Midlands (TfWM), in agreement with the Section 73 / 151 Officer and Monitoring Officer to authorise the release of future CVLR allocations, subject to appropriate agreement / consent from the Independent Review Panel and Department for Transport's (DfT).
- 1.5 Agree that WMCA can enter into a grant agreement with CCC for CVLR as appropriate once the delegation above has been exercised and DfT have released the funding in line with the Strategic Outline Case.

2. Voting Requirements

- 2.1 A majority of voting members, in attendance in the meeting room and indicating their preference, are required to vote in favour of any recommendations for it to become a decision of the board.

3. Executive Summary

- 3.1 The Very Light Rail Regional Programme (VLRRP) Strategic Business Outline Case (SOBC) was approved by WMCA Board on 13th January 2023 with specific financial terms and conditions and at the time funding was released for Stage Gate 1 only (£8.9m)
- 3.2 This report sets out the agreed assurance process for the VLRRP which is being funded through the City Region Sustainable Transport Settlement (CRSTS) and the process agreed with the DfT to release funding for CVLR which has an allocation of £40.5m and remains a retained scheme due to its value and Research & Development (R&D) nature.
- 3.3 The 3 projects within the VLRRP are as follows and the amount allocated to each of these through the approved SOBC submission is highlighted:
- Coventry Very Light Rail (CVLR) scheme promoted by Coventry City Council (CCC) (£40.5m allocated **£35m originally approved at SOBC with funding for CVLR stage Gate 1 released (£8.9m)**)
 - Dudley Very Light Rail National Innovation Centre (VLRNIC) promoted by the Black Country Innovative Manufacturing Organisation (BCIMO) and Dudley Council (£12m allocated **£1.2m approved at SOBC**)
 - Mass Transit Options Appraisal study which is to include an assessment of urban VLR promoted by Transport for West Midlands (TfWM) (£5m allocated **£600k approved at SOBC**)
- 3.4 CVLR is being delivered in 4 stage gates, as approved by WMCA Board on 13th January 2023. This report focuses on CVLR as set out above and is recommending approval to change the delegated power from Investment Board to the Executive Director of Transport for the West Midlands (TfWM), in consultation with the Section 73/151 Officer and Monitoring Officer.
- 3.5 The process agreed with DfT for funding release is set out in Appendix 1, which also explains how the process will integrate with the WMCA's Single Assurance Framework (SAF).
- 3.6 An update on the current status of the CVLR programme can be provided upon request.

4. Matters for Consideration

- 4.1 The VLRRP is not a traditional transport delivery programme. It is deemed a R&D programme by DfT and as such a bespoke assurance process has been put in place and agreed with DfT which is explained in Appendix 1.
- 4.2 The CVLR element of the VLRRP remains a retained scheme by DfT, due to its value and R&D nature. This means that DfT are the ultimate decision makers on whether CRSTS funding is released or not.
- 4.3 Prior to funding release for Stage Gate 3, technical, safety and commercial review will take place through an Independent Review Panel (IRP) which has been procured by CCC through its R&D framework.
- 4.4 The IRP consists of 4 qualified technical specialists (Rolling Stock, Track, Case for Safety and Commercial) that have been appointed following a robust procurement process through Coventry's R&D framework. The Terms of Reference for the IRP are available and their CV's are available upon request.
- 4.5 The IRP will review evidence and make recommendations to the IRP Board, which includes membership of Executive Director of Transport for the West Midlands (TfWM).
- 4.6 The commercial equity and economic benefits from CVLR will be reassessed during Stage Gate 4, when CAPEX costs are known following the installation of the CVLR City Centre Demonstrator during Stage Gate 3.
- 4.7 The economic benefits of rail based mass transit are well documented, but a report summarising the benefits of urban rail can be provided upon request.

5. What options have been considered and what is the evidence telling us about them?

- 5.1 The 13th January 2023 proposal to return to Investment Board between Stage Gates has been considered, but given the lengthy scrutiny process the CVLR project will already be subject to, it is deemed inappropriate for Investment Board to also review the Stage Gate evidence, as this would unnecessarily protract the programme.
- 5.2 In addition, given CVLR is a unique 'First of a Kind' R&D programme, Investment Panel, Investment Board or WMCA Board members are unlikely to have the technical or case for safety expertise required to recommend if the CVLR project has met the required outputs to progress to the next stage gate.
- 5.3 It was therefore considered appropriate, given the level of scrutiny imposed through the IRP, to recommend that the Executive Director of Transport for the West Midlands, in consultation with the Section 73/151 Officer and Monitoring Officer be authorised to approve the request to the Department for Transport's for funding release for Coventry VLR Stage Gates 3 and 4.
- 5.4 It is also recommended that WMCA enter into Grant Agreement with CCC for each

Stage Gate once DfT have approved the release of funding, without the requirement to return to Investment Board for approval to do so.

6. Reasons for recommending preferred option

- 6.1 To prevent protraction of the CVLR programme
- 6.2 To enable specialist experts, who have been specifically recruited and appointed through CCC’s R&D framework, to make appropriate recommendations to CCC, TfWM and DfT prior to funding release for CVLR Stage Gates 3 and 4 through the governance process agreed between CCC, TfWM and DfT.

7. Implications and Considerations

Priority:	Contribution:
Delivery of Strategic Transport Plan	N/A
Promote inclusive economic growth in every corner of the region	N/A
Ensure everyone has the opportunity to benefit	N/A
Connect our communities by delivering transport and unlocking housing and regeneration schemes	N/A
Reduce carbon emissions to net zero and enhance the environment	N/A
Secure new powers and resources from central government	As CVLR is not a traditional transport delivery programme, it has secured engagement and input (advice) from central government through the DfT’s Science and Innovation Team and Infrastructure Delivery Unit. In addition, DfT provide officials to attend and represent DfT at the VLRRP Steering Group and VLRRP Programme Board which meet every quarter.
Develop our organisation and our role as a good regional partner	If the recommendation in this report is approved, it will demonstrate WMCA/ TfWM ability to work with DfT seamlessly to release funding for bespoke/ retained projects such as CVLR

8. Internal Consultation and Scrutiny:

- 8.1 The VLRRP, including the CVLR project, has been through the SAF process and has therefore been considered by Investment panel, Investment Board and WMCA Board prior to the initial funding release in January 2023.

9. External Consultation and Scrutiny:

- 9.1 There are no external consultation and scrutiny requirements as a result of the

recommendations in this report

10. Financial implications:

- 10.1 The VLR programme is entirely funded from the WMCA CRSTS allocation.
- 10.2 On 13 January 2023, WMCA Board approved the VLR Strategic Outline Case (SOC) at a total value of £38.8m consisting of £35.08m of Coventry City Council led initiatives (see below) and £1.8m of Dudley MBC and TfWM initiatives.
- 10.3 Whilst the wider SOC was approved, only Phase 1 (at a value of £8.99m) was approved for draw down, with progression to the next phase (and all subsequent stage draw downs) being subject to Investment Board approval. The reason for the gateway approval rationale was to ensure the project was delivered in a controlled and considered way with appropriate checks on metrics such as VFM being assessed and approved before further sums were committed. This was also driven by the fact the scheme is retained by DfT meaning DfT require additional oversight and involvement in the development and delivery process.
- 10.4 A summary of the programme financial status and approval status is shown below:

	PROGRAMME FINANCIAL SUMMARY			CURRENT & FUTURE APPROVAL SUMMARY			
	Original	Revised at Rebase	Change	Approved By WMCA To Date	Requested In This Report	Future Drawdowns*	Total
Phase 1	£8.99m	£7.96m	(£1.03m)	£8.99m	-	-	£8.99m
Phase 2	£8.76m	£8.34m	(£0.41m)	-	£6.85m	£0.46m	£7.31m
Phase 3	£11.44m	£16.50m	£5.06m	-	-	£16.50m	£16.50m
Phase 4	£5.90m	£7.70m	£1.80m	-	-	£7.70m	£7.70m
Total SOC	£35.08m	£40.50m	£5.42m	£8.99m	£6.85m	£24.66m	£40.50m
OBC & FBC	£19.42m	£0.00m	(£19.42m)				
Total	£54.50m	£40.50m	(£14.00m)				

* To be delegated to Officers subject to satisfying DfT assurance processes as detailed within this report.

- 10.5 The SOC was subsequently reshaped (approved within local WMCA governance structures) in April 2024 following the CRSTS programme re-base as detailed above, increasing the value of work to be undertaken at SOC stage but reducing the overall programme value from £54.5m to £40.5m.
- 10.6 This report requests a partial draw down of the Phase 2 funds totalling £6.85m for the reasons outlined in this report. As detailed in the recommendations, Grant Agreements entered into between WMCA and CCC will be contained within the overall level of funding that DfT have approved for release. To date, DfT have released £15.1m for CVLR from the overall allocation. Whilst the cumulative value of the current grant

agreement (£8.99m) plus the £6.85m for Stage Gate 2 subject to this report exceeds the £15.0m released to date, a dead of variation is being actioned to bring the Stage Gate 1 agreement down to £7.96m. Once this is approved, there will be sufficient headroom to enter into the Stage Gate 2 agreement at £6.85m.

- 10.7 The table included as a private appendix (for commercial confidentiality reasons) details the use of the £6.85m subject to this report which excludes contingency allowances at this point. These allowances may be accessed at a future point subject to DfT extending the value it has approved beyond the £15.0m.
 - 10.8 The report also requests that future draw-downs within the overall SOC sum are delegated to the Executive Director of Transport for the West Midlands (TfWM), in consultation with the Section 151 / 73 Officer and Monitoring Officer to authorise further drawdowns against the programme.
 - 10.9 The approval of further drawdowns would be subject to the outcome of the Independent Review Committee and subsequent recommendations to the IRP Board.
 - 10.10 The removal of the need to report to WMCA Investment Board to move between stages is not considered therefore to present any specific risk, as the business case receives adequate assurance and appraisal from independent specialists.
- 11. Legal implications:**
- 11.1 There are no additional legal implications as a result of the recommendations within this report being approved.
 - 11.2 It has been mutually agreed that the CCC will enter into a Grant Agreement with WMCA at every CVLR stage gate once approval of funding has been confirmed by DfT.
- 12. Single Assurance Framework implications:**
- 12.1 Appendix 2 outlines the implications of the bespoke assurance process for the VLRRP, with a focus on CVLR and VLRNIC.
- 13. Risk implications, including Risk Appetite:**
- 13.1 There are no additional risk implications as a result of the recommendations within this report being approved.
 - 13.2 However, if the recommendation is not approved there is a risk that the CVLR programme will be protracted due to potentially lengthy processes to release stage gate funding.
- 14. Procurement Implications:**
- 14.1 There are no additional procurement implications as a result of the recommendations within this report being approved.
- 15. Equality implications:**
- 15.1 There are no additional equality implications as a result of the recommendations within this report being approved.

16. Inclusive Growth Implications:

16.1 There are no inclusive growth implications as a result of the recommendations within this report being approved.

17. Local Authority Impact:

17.1 There is no local authority impact as a result of the recommendations within this report being approved.

18. List of appendices referred to:

18.1 Appendix 1 Integrating IRP into SAF

19. Background papers used to compile this report:

19.1 13th January 2023 WMCA Board Report

20. List of Other Relevant Documents

20.1 None