



Name of meeting: WMCA Investment Board

Meeting date: 19 August 2024

Report title: Investment Programme Update

Responsible Director: Ian Martin, Executive Director of Commercial and Investment

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Key Decision? No

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 approval under delegated authority by WMCA Officers of the business case submission disclosed at **Section 3**.
- 1.2 Note the WMCA Investment Programme funding status and current affordable limit, as outlined at **Section 4**.
- 1.3 Note the Regional Investment Programme delivery update detailed within this report and appendices (including the project-level summary within the WMCA Investment Programme dashboard at **Appendix 2**).

2. Voting Requirements

- 2.1 Not applicable.

3. Executive Summary

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

4. Matters for Consideration

Background

- 4.1 The Investment Board was established by the WMCA Board as a key element of the approvals process across the Investment Programme.
- 4.2 The Investment Board considered and endorsed an enhanced Terms of Reference at its meeting on 20th April 2020 (approved by WMCA Board 24th July 2020). This set out an enhanced role supporting decision-making, greater post approval controls, performance management and effective delivery of monitoring & evaluation requirements.
- 4.3 The enhanced Terms of Reference included the following:
- To oversee and monitor all investments made through the Investment Programme.
 - To add conditions to any funding decision that falls within its delegated authority. Minimum conditions should specify the availability period, conditions to drawdown of funds, conditions for withdrawal of support and terms of clawback, start date and completion date for the project or programme.
 - Where oversight of monitoring and evaluation applies to the Investment Board, to consider whether a formal review of project or programme is required, and to consider this review itself or instruct the Investment Panel to do so on its behalf.
- 4.4 On the 10th of June 2022, WMCA Board approved extending the role and remit of WMCA Investment Board to cover all WMCA projects (including the CRSTS programme), allowing investment decisions to be made for values between £5 million and £20 million in line with the Single Assurance Framework.

Investment Programme Assurance Summary

- 4.5 Approved grant funding awarded and administered by the WMCA to programmes within the Regional Investment Programme totals £848.4 million as at 31st July 2024 (previously £848.4 million as at 30th June 2024) – refer to **paragraph 4.8**.
- 4.6 These commitment values above exclude the provisional 'ear-marked' allocations agreed by WMCA Board in March 2021 that are yet to obtain formal approval. Commitments for some of these ear-marked items will be confirmed via the approval of further reports to WMCA Board.
- 4.7 WMCA Investment Programme funding used to date to fund eligible expenditure of projects against these funding commitments totals £647.3 million. An analysis of Investment Programme funding applied to date is provided at **Appendix 1**.

- 4.8 Since the previous full sitting of WMCA Investment Board on 18th March 2024 the following business case submissions have been approved under delegated powers in respect of grant funding. In all cases, there are no changes to the terms and conditions of funding approved from the Investment Programme:
- 4.9 Rail Package 2 (Camp Hill Line Local Enhancements) – WMCA officers approved a change request submission, under delegated authority granted within the meeting of WMCA Board in July, to increase the project budget and award further funding from the region’s CRSTS programme to the project. The approved increase in funding is as per the Transport pressures paper presented to, and approved by, WMCA Board.
- 4.10 Wolverhampton Interchange Project – WMCA officers approved a revised cost to complete. The approved increase in funding is as per the Transport pressures paper presented to, and approved by, WMCA Board.
- 4.11 Wednesbury to Brierley Hill Extension Phase 1 – WMCA officers approved a revised cost to complete. The approved increase in funding is as per the Transport pressures paper presented to, and approved by, WMCA Board.
- 4.12 The submissions disclosed within this report at **paragraph 4.8** may exclude items which the Responsible Director deems not relevant for the attention of Investment Board or submissions which are restricted by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.
- 4.13 **Appendix 1** details the commitments made against the WMCA Investment Programme, summarised by programme, to the end of July 2024. The WMCA Investment Programme dashboard at **Appendix 2** discloses the sums committed against individual projects.

Investment Programme Affordable Limit & Gateway Status

- 4.14 At the WMCA Board meeting on 19th March 2021, WMCA Board approved an increase to the current WMCA Investment Programme affordable limit of £70 million, from £801 million to £871 million.
- 4.15 This remains the current limit of grant funding¹ that can be provided by WMCA from the Investment Programme. The WMCA capital programme is currently subject to a review due to the opportunities arising from the region’s Single Settlement secured with Central Government.
- 4.16 Investment Board is advised to note that WMCA are working closely with the Department for Levelling Up, Housing and Communities (‘DLUHC’) in respect of an Interim Gateway Review.
- WMCA have worked with DLUHC-appointed consultants SQW, to establish a list of projects within scope for evaluation.
 - A Local Evaluation Framework (LEF) was drafted in May 2023 and is currently with DLUHC for approval.

¹ Excluding part of the anticipated recoverable/recyclable commitment to the West Midlands Co-Invest Equity fund approved by WMCA Board on 23rd July 2021.

- Work on the Mid-Term Gateway Review commenced in September 2023, originally a deadline of February 2024 was agreed for documentation to be submitted to DHLUC. Following dialogue between WMCA, SQW and DHLUC it has been agreed that the Mid-Term Review would be paused – whilst work on the LEF is ongoing.
- On 1st March 2024, a letter from the Secretary of State for Levelling up, Housing & Communities to the WMCA Mayor stated that *'On gainshare review, as set out at Autumn Statement, the five-yearly review will be removed for mature institutions, like WMCA, subject to meeting the criteria. This includes ensuring that the Local Evaluation Framework is as robust as possible.'*
- The WMCA are seeking to establish what DLUHC seek to replace the Gateway reviews with before accepting any replacement. Once clarity has been received an update will be provided to members of the Investment Board.

4.17 An internal Audit has been conducted on the Investment Programme monitoring under the instruction of ARAC and as part of routine reports on all aspects of the WMCA functionality. A Satisfactory rating was issued, and the full report can be made available to members on request. Five Amber Risk recommendations were made as follows:

- Implement tracking of milestones and benefits during projects based upon completing Project Delivery Plans for all projects. To do this the WMCA needs the cooperation of Local Authorities.
- Formally monitor internal WMCA projects. Whilst monitoring does occur, it is suggested we introduce formal reporting as per external bodies.
- Take action on Red issues reported on the Investment Board dashboard. Where Sponsors of projects are not issuing Change Requests to address issues and inform the WMCA/Investment Board then the Board should instruct action.
- Explicitly flag and recommend action to Investment Board for projects which have withdrawn all available Investment Programme funding but have not yet reported Benefits as delivered i.e., not completed.
- Ensure that the WMCA and Project Sponsors complete all funding documentation which has remained outstanding in some cases.

Investment Programme Delivery and Expenditure

4.18 An update in respect of expenditure funded from the WMCA Investment Programme incurred during Q1 of FY24-25 is expected to be received from project sponsors in July and reported at the next available sitting of WMCA Investment Board.

4.19 Significant expenditure funded by the WMCA Investment Programme during Q1 of FY24-25 comprises:

- Wednesbury to Brierley Hill Extension Phase 1 (£17.2m) Construction works – Track laying and tram stop construction is underway on Flood Street. The new road configuration on the Minories is completed. The final structure for Phase 1 being Hanson's Ale Bridge was installed across Birmingham New Road in June 2024. Tram stop construction continues at a number of other locations.
- Rail Camp Hill Line Local Enhancements – Package 2 (£6.0m) – Construction works of £6.0m.
- Coventry City Centre South – Land acquisition.

- Friargate Business District - Two Friargate achieved Practical Completion (PC) and full handover on 28 May 2024.
- Land reclamation and remediation works within the Land & Property Investment Fund, including on Phoenix 10 scheme.
- City of Wolverhampton Technical Centre –Expenditure on construction works which are now materially complete, the facility is expected to open for courses commencing from September 2024.

4.20 The WMCA Investment Programme dashboard at **Appendix 2** provides a detailed summary by project of project completion dates, business case stage and commentary on key project milestones.

Investment Programme Dashboard

- 4.21 The Investment Programme (IP) Dashboard is attached separately at **Appendix 2**.
- 4.22 The dashboard identifies whether project starts, and completions are as forecast when compared with the original business case, or funding documentation where this supersedes the business case.
- 4.23 There are eighty-four projects that have passed the Assurance Process and have received a financial commitment (noting that several projects have identified distinct sub-projects within the approval).
- 4.24 Twenty-two schemes have a RED status for completion dates, with the Assurance and Appraisal team working with Sponsors to bring forward requests to extend dates to the relevant approval body. **Those projects with a RED status are brought to the attention of Investment Board.**
- 4.25 UKC Infrastructure – There are now fourteen schemes which are listed as RED status because the original completion date has either expired without the project concluding or the project requires a time extension. The IP team have worked with Programme Assurance and Appraisal and the Project Sponsor to bring forward a consolidated Change Request, reflecting a number of time extension requests across the UKC Infrastructure Programme. The Change Request has been reviewed by Appraisal. Before making a recommendation, the appraisal and monitoring team have asked for detail on each projects progress to date i.e. what has been achieved and the degree of certainty that sufficient funds remain to deliver the benefits originally forecast. The request was made 24/07/24 with a response received on 06/08/24. This is currently being reviewed by Appraisal. The schemes currently RED status are:

- A45 Damson Parkway Junction Improvements;
 - Solihull Town Centre Public Realm Improvement Scheme;
 - Kingshurst Village Centre;
 - Chelmsley Wood Town Centre;
 - Walking, Cycling & Green Infrastructure Investment Programme;
 - UKC Hub Access and Transport Modelling Programme;
 - Accelerated Housing Delivery - Utilising Solihull Assets (CR expected);
 - Playing Pitch Implementation Strategy (CR expected);
 - Middlewood House (subject to a separate CR submission currently being appraised);
 - Inclusive Growth – Securing Social Value;
 - Sustainable Energy – Enabling Clean Growth and Mobility;
 - Sustainable Energy – UKC Hub Low Carbon Heat Network;
 - Low Carbon Future Mobility;
 - Sustainable Energy – Solihull Town Centre Low Carbon Energy Network.
- Coventry South Interchange Package
 - A46 Stoneleigh Junction (A46 Link Road Phase 1). RED status due to its approved completion date having expired. The Assurance & Appraisal team has received a Change Request to extend the completion date (the revised suggested date has subsequently passed without the project completing). At a meeting on 22 May 2024 the project SRO confirmed that the Change Request has been drafted but cited an ongoing supply issue which is causing delays to the scheme. The Investment Programme team has requested regular updates on progress and timescales associated with the re-submission of the Change Request once this is known. IP SRO emailed Coventry S.151 Officer and Project SRO on 29 July 2024 for further clarity around completion date and Change Request status.
 - A46 Link Road Phase 2– RED status due to scheme development work being paused pending the outcome of the South Warwickshire Local Plan Review. IP SRO emailed Coventry S.151 Officer and Project SRO on 29 July 2024 for further clarity around completion date and Change Request status.
 - A46 Link Road Phase 3 – RED status due to scheme development work being paused pending the outcome of the South Warwickshire Local Plan Review. IP SRO emailed Coventry S.151 Officer and Project SRO on 29 July 2024 for further clarity around delivery, completion date and Change Request status.
 - Coventry South Interchange. RED status due to Midlands Connect submitting an SOBC to DfT seeking further funding to develop an OBC for this scheme. Scheme currently on hold pending a decision from DfT. IP SRO emailed Coventry S.151 Officer and Project SRO on 29 July 2024 for further clarity around completion date and Change Request status.
- Coventry North
 - Kersley Link Road. RED status due to scheme exceeding completion date and now being delivered in phases with further funding being sought. The IP team are working with Appraisal and Coventry City Council around the

submission of a Change Request to reflect the time extension and changes to the delivery structure of the scheme. IP SRO emailed Coventry S.151 Officer and Project SRO on 29 July 2024 for further clarity around completion date and Change Request status.

- Metro Programme
 - Birmingham Eastside Extension – The original Project Change Request has been withdrawn due to a planned refresh of the Full Business Case. A date for this is to be confirmed.
 - Rail. A Change Request is awaited for Rail Package 1 and Sutton Coldfield Gateway due to the projects being rebased, reflecting a number of known challenges.
 - Walsall to Wolverhampton Local Enhancements (Package 1);
 - Sutton Coldfield Gateway.

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

5.1 This report is one of a regular series of updates. Not applicable.

6. Reasons for recommending preferred option

6.1 Not applicable.

7. Implications and Considerations

Priority:	Contribution:
Delivery of Strategic Transport Plan	N/A – This report provides an update on the status of the overarching WMCA Investment Programme, which contains an array of different capital and revenue programmes/projects selected to support the WMCA’s key priorities.
Promote inclusive economic growth in every corner of the region	N/A – This report provides an update on the status of the overarching WMCA Investment Programme, which contains an array of different capital and revenue programmes/projects selected to support the WMCA’s key priorities
Ensure everyone has the opportunity to benefit	N/A – This report provides an update on the status of the overarching WMCA Investment Programme, which contains an array of different capital and revenue

Priority:	Contribution:
	programmes/projects selected to support the WMCA's key priorities
Connect our communities by delivering transport and unlocking housing and regeneration schemes	N/A – This report provides an update on the status of the overarching WMCA Investment Programme, which contains an array of different capital and revenue programmes/projects selected to support the WMCA's key priorities
Reduce carbon emissions to net zero and enhance the environment	N/A – This report provides an update on the status of the overarching WMCA Investment Programme, which contains an array of different capital and revenue programmes/projects selected to support the WMCA's key priorities
Secure new powers and resources from central government	N/A – This report provides an update on the status of the overarching WMCA Investment Programme, which contains an array of different capital and revenue programmes/projects selected to support the WMCA's key priorities
Develop our organisation and our role as a good regional partner	N/A – This report provides an update on the status of the overarching WMCA Investment Programme, which contains an array of different capital and revenue programmes/projects selected to support the WMCA's key priorities

8. Internal Consultation and Scrutiny:

8.1 Executive Directors and Deputy Section 151 officer have been consulted prior to the clearance of this report.

9. External Consultation and Scrutiny:

9.1 Ongoing consultation with key directors and officers of constituent member authorities.

10. Financial implications:

10.1 There are no direct financial implications arising from the recommendations within this report. Key financial information and updates are provided at **Section 4** and are updated on a regular basis.

11. Legal implications:

11.1 Not are no direct legal implications arising from the recommendations within this

report. The WMCA Investment Programme is underpinned by the Annual Devolution Deal grant received from Department for Levelling Up, Housing and Communities. Funding must be used by WMCA in accordance with the terms and conditions of this grant.

- 11.2 Legal support is obtained as appropriate to administer funding awarded by WMCA to local authorities and ensure compliance with all applicable legal requirements.

12. Single Assurance Framework implications:

- 12.1 The Single Assurance Framework implication of this report are set out at **Section 4**, within the 'Investment Programme Assurance Summary' and 'Investment Programme Dashboard' subsections.

13. Risk implications, including Risk Appetite:

- 13.1 Key risks in respect of compliance with the requirements of Central Government are set out at **Section 4**.
- 13.2 The delivery of projects within the Investment Programme is subject to an array of macro and local economic risks. However, funding awarded from the Investment Programme is capped, and project sponsors are required to manage and mitigate any gross cost escalations.
- 13.3 It is not anticipated at this time that the change in UK Government resulting from the national General Election on 4th July 2024 will have a material impact on the delivery of the Investment Programme. However, any changes to this expectation will be reported as appropriate to WMCA Investment Board.
- 13.4 The Board will have considered the findings of the Audit as reported above at **paragraph 4.17**.

14. Procurement Implications:

- 14.1 There are no procurement implications arising from this report.

15. Equality implications:

- 15.1 There are no equalities implications arising from this report.

16. Inclusive Growth Implications:

- 16.1 There are no direct implications to the West Midlands Inclusive Growth fundamentals arising from this report.

17. Local Authority Impact:

- 17.1 There are no direct implications on either constituent member local authorities or non-constituent local authority members arising from this report.

18. List of appendices referred to:

Appendix 1: Tables and Graphs

Table 1: WMCA Investment Programme Commitments (as at 31st July 2024) This table summarises the total grant funding approved to date to be provided by WMCA from the WMCA Investment Programme, summarised by programme.

Graph 1: WMCA Investment Programme Funding Drawn This graph shows how Investment Programme Funding has been drawn to date and the current expectations for future drawings from within the current affordable limit.

Appendix 2: WMCA Investment Programme Dashboard Report (as at 31st July 2024)
See separate attachment. This appendix summarises the WMCA grant funding commitments by project, as well as business case stage and expected project completion dates.

19. Background papers used to compile this report:

19.1 Not applicable.

20. List of Other Relevant Documents

20.1 Not applicable.