



West Midlands
Combined Authority

Investment Board

Date	26 July 2018
Report title	Investment Programme Update
Portfolio Lead	Councillor Bob Sleigh - Finance & Investments
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Report to be/has been considered by	

Recommendation(s) for action or decision:

The Investment Board is recommended to:

- (1) Note the status of the Investment Programme delivery as detailed within this report.

1 Purpose

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

2 Background

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

3 Investment Programme Assurance Summary

- 3.1 Previous reports to Investment Board have summarised the 20 programmes which make up the £8 billion Investment Programme, showing an analysis of the £2.022 billion intended to be generated by the West Midlands Combined Authority. A detailed analysis is available within the funding summary (Appendix 1) and it should be noted that the gross programme total has changed since the previous report by £680 million (from £7,935 million to £8,615 million) primarily due to the inclusion of additional private sector funding against the UK Central Infrastructure programme. The £2.022 billion value of the WMCA funding across the programme remains unchanged.
- 3.2 The additional private sector funding brought into the programme by the UK Central Infrastructure programme is as a result of the forecast development value of the town centre redevelopment proposals and a number of residential housing schemes in the Solihull area.
- 3.3 Approvals to fund commitments to the value of £471.0 million had been through the approved assurance processes against which approximately £30 million (net WMCA funding) was spent by 31 March 2018. The commitment value remains unchanged since the previous report.
- 3.4 An analysis of the commitment profile for the full £2.022 billion is included within Appendix 4 with a forward plan of commitments expected to be made under the Assurance Process shown within Appendix 2.
- 3.5 Appendix 4 documents the value of approvals WMCA is able to make based on known and secure income streams. This shows that the current pipeline of approvals totals £1,351 million to 31 March 2020. The task and finish group to consider how the forward plan of approvals align to secured income streams has now commenced and will be consider by Leaders in early September.
- 3.6 Since the last report, UK Central have withdrawn submission of a Full Business Case under the Interchange programme for Junction 4 M6 enabling works. This was withdrawn following further consideration around the benefits this scheme would achieve. The Urban Growth Company are now looking at other options to deliver enhanced works with Solihull Metropolitan Borough Council and Highways England.

3.7 Since the last report, the following Strategic Outline Cases have received approval from WMCA Leadership Team via the Assurance Process:

- HS2 Growth delivery programme communications - £0.08m;
- HS2 Growth Jobs & Skills Project - £0.8m;
- Rail programme strategic outline case change control for land acquisition at Darlaston - £1.2m.

4 Investment Programme Expenditure

4.1 The financial results for the Investment Programme run one month behind the normal reporting month due to the requirement to consolidate outputs across the metropolitan area. The May results are shown in Appendix 3.

4.2 The reported Investment Programme budget now reflects the recent re-basing exercise. Significant changes compared with the programme budgets reported during 2017/18 are as follows:

- £415m decrease: UK Central Interchange, following changes agreed during 2017/18 to remove elements of cost and funding from the programme.
- £629m increase: UK Central Infrastructure in relation to the significant uplift in value funded by the private sector, consistent with Strategic Outline Business Case 2.
- £32m increase: Coventry UK Central Plus in relation to the addition of scope to be funded from the Housing Innovation Fund for Kings Hill.
- £32m increase: For Wolverhampton Interchange following the agreement between WMCA and City of Wolverhampton Council to meet the cost pressure associated with the scheme.
- £2m decrease: Representing a minor amendment consistent with the 2018/19 returns from Coventry City Council.

4.3 The direct WMCA funding into the above programmes is not affected by these amendments to the project totals.

4.4 The financial summary continues to highlight increased spend against the Wednesbury to Brierley Hill and Birmingham to Solihull Interchange Metro extensions. An exercise is ongoing via the Metro Delivery Board to review and verify the costs to completion for the Metro Programme and the results will be reported in due course.

4.5 The cost to completion against UK Central Interchange remain red status due to the funding gap of circa £205m relating to the Birmingham International Station redevelopment project. Funding sources are being progressed by Solihull Metropolitan Borough Council/Urban Growth Company.

4.6 Appendix 4 details the commitments made against the Investment Programme which totalled £471m to the end of June 2018.

4.7 Following government approval to grant the WMCA non-transport borrowing powers, work is underway to transfer the existing CIF commitments from Birmingham City Council. Also, the June Investment Board has agreed to re-admit Sandwell Metropolitan Borough Council into the scheme and increase the fund back up to the original £70m from the temporary £60m limit.

5 Investment Programme Assurance Framework

- 5.1 A comprehensive review of the existing governance and assurance framework for the Investment Programme is currently being concluded and is being considered by the Executive Team.
- 5.2 All potential enhancements to the framework are being considered against HMT Green Book Guide, DfT Standards, WebTAG and Five case framework models. Work is underway to confirm the plan for implementation of these enhancements and updates will be provided to the Investment Board at a future meeting. This will include reporting arrangements across the programme which are also currently being reviewed.

APPENDIX 1 : WMCA Investment Programme Funding Summary (£000)

Portfolio		WMCA	DfT	EZ	Private Sector	DfT Block Grants	TBC	Highways England	Network Rail	LGF	Private Leverage	LSTF / LGF / OLEV Additional Funding (Not Secure)	CIF	EU	HIF	Local Authority	Other	Grand Total
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Coventry Centre First Package		51,000	5,000							25,148						10,923	1,544	93,615
Coventry Very Light Rail		55,000								2,460								57,460
Metro Centenary Square Extension		11,982		18,212	4,700					10,700							1,000	46,594
Metro Edgbaston Extension		46,918	58,300							1,500								106,718
Wolverhampton Metro Extension		27,400								13,500						40,900		81,800
Bilston Road Track Replacement		14,998														688		15,686
Sprint Programme		212,685	35,050		22,267					8,378						950		279,331
Rail Programme		186,100							198,500							40,500		425,100
HS2 Growth Strategy	UK Central Interchange	398,071					205,649							636		131	125	604,612
	UK Central Infrastructure	287,935			674,506			300,000								3,291	11,871	1,277,603
	Curzon			556,300														556,300
	Metro Birmingham Eastside Extension		129,260							7,940								137,200
	Midland Metro East Birmingham to Solihull Extension		492,000	183,300			59,700											735,000
	HS2 Governance Team	3,032																3,032
	National College for High Speed Rail									7,012							18,497	25,509
	Brierley Hill Metro Extension	103,000	207,000				33,200			400								343,600
High Speed Supply Chain and Business Support											350,000							350,000
SUB TOTAL HS2 GROWTH STRATEGY		1,398,120	926,610	757,812	701,473	-	298,549	300,000	198,500	77,038	350,000	-	-	636	-	97,383	33,037	5,139,159
Other Investment Programme Schemes	Coventry City Centre South	156,450	80,850		16,300			65,000		500					35,130		7,000	361,230
	Coventry North Package	21,600	68,800		52,500													142,900
	Coventry City Centre Regeneration	149,940			207,831													357,771
	Land Remediation Funds	200,000																200,000
	Business Innovation	50,000																50,000
	Employment, Education & Skills	20,000																20,000
	Commonwealth Games	25,000																25,000
	Collective Investment Vehicle												1,000,000					1,000,000
	Devolved Transport Investment					429,000						870,000						
EZ Expansion Excluding Curzon				20,000														20,000
Grand Total		2,021,110	1,076,260	777,812	978,105	429,000	298,549	365,000	198,500	77,538	350,000	870,000	1,000,000	636	35,130	97,383	40,037	8,615,059

Appendix 2 - Investment Board Forward Plan			
26-Mar-18	30-Apr-18	04-Jun-18	25-Jun-18
WBHE Change Request (CRQ009 £12million)	OBC - CEF Birmingham International Station Development		
26-Jul 18	20-Aug 18	17-Sep 18	22-Oct 18
	Change Request - SOC City Centre First	Change Request - UKC Infrastructure Chelmsley Wood Town Centre	
	FBC - Coventry South - A46 Link Road P1		
	FBC A45 to Town Centre & UKC Hub Strategy Cycle Link		
	SOC - UKC Infrastructure Package Phase 2		
19-Nov 18	10-Dec 18	21-Jan 19	18-Feb 19
OBC - Metro EBS	OBC - Sprint A34 Birmingham to Walsall	OBC - Coventry South - Interchange P&R	OBC - HS2 Connectivity Package - Sutton Coldfield Gateway
FBC - Metro BEE	OBC - Coventry South - A46 Link Road P2	FBC - Metro - Wednesbury Brierley Hill	
OBC - Coventry South - Tile Hill Station Improvements	OBC - Sprint A45	OBC - Sprint Birmingham to Sutton Coldfield via Langleys	
FBC - Coventry City Centre First	OBC - Willenhall and Darlaston Station (Package 1)		
	OBC - Moseley, Kings Heath, Hazelwell Stations (Package 2)		
18-Mar 19	15-Apr 19	May (no meeting scheduled)	3-Jun 19
			FBC - Sprint Birmingham to Sutton Coldfield via Langleys
			OBC - Coventry North

Appendix 3

WMCA Investment Programme Financial Summary

Period Ending 31st May 2018

	2018 / 2019 YEAR TO DATE			2018 / 2019 FULL YEAR			COST TO COMPLETION					
	ACTUAL	BUDGET	VARIANCE	BUDGET	FORECAST	VARIANCE	PRIOR YEAR SPEND	2018/19 FORECAST	FUTURE YEARS FORECAST	TOTAL FORECAST OUTTURN	TOTAL BUDGET	VARIANCE
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
UK CENTRAL : HS2 INTERCHANGE	2,908	2,908	0	12,718	12,718	0	3,947	12,718	587,946	604,612	604,612	0
UK CENTRAL : HS2 INFRASTRUCTURE	185	185	0	13,425	13,425	0	2,155	13,425	1,262,023	1,277,603	1,277,603	0
CURZON STREET STATION MASTERPLAN	0	0	0	4,406	4,406	0	0	4,406	551,894	556,300	556,300	0
METRO BIRMINGHAM EASTSIDE	864	1,425	561	22,859	22,859	0	6,217	22,859	108,123	137,200	137,200	0
METRO BIRMINGHAM TO SOLIHULL INTERCHANGE	1,513	2,730	1,217	13,273	13,273	0	4,102	13,273	717,626	735,000	675,000	(60,000)
HS2 WIDER CONNECTIVITY PACKAGE	8,421	12,649	4,227	112,197	108,027	4,170	106,997	108,027	891,279	1,106,303	1,106,303	0
BRIERLEY HILL METRO EXTENSION	1,471	2,903	1,432	34,510	34,510	0	7,368	34,510	301,722	343,600	310,000	(33,600)
NATIONAL COLLEGE FOR HIGH SPEED RAIL	0	0	0	78	78	0	25,431	78	0	25,509	25,509	0
HS2 GROWTH STRATEGY PROGRAMME MANAGEMENT	41	41	0	239	239	0	615	239	2,179	3,032	3,032	0
HIGH SPEED SUPPLY CHAIN & BUSINESS SUPPORT	0	0	0	TBC	TBC	-	11,270	TBC	TBC	350,000	350,000	0
HS2 GROWTH STRATEGY TOTAL	15,403	22,841	7,438	213,706	209,536	4,170	168,102	209,536	4,422,791	5,139,159	5,045,559	(93,600)
COVENTRY UK CENTRAL PLUS CONNECTIVITY	324	324	0	8,922	8,922	0	2,341	8,922	492,867	504,130	504,130	0
COVENTRY CITY CENTRE REGENERATION	693	693	0	25,394	25,394	0	5,821	25,394	326,555	357,770	357,770	0
COLLECTIVE INVESTMENT VEHICLE	0	0	0	20,000	20,000	0	20,785	20,000	959,215	1,000,000	1,000,000	0
LAND RECLAMATION	0	0	0	20,000	20,000	0	0	20,000	180,000	200,000	200,000	0
COMMONWEALTH GAMES	0	0	0	25,000	25,000	0	0	25,000	0	25,000	25,000	0
DEVOLVED TRANSPORT INVESTMENT	0	0	0	0	0	0	0	0	1,299,000	1,299,000	1,299,000	0
EZ EXPANSION EXCLUDING CURZON	0	0	0	0	0	0	0	0	20,000	20,000	20,000	0
EMPLOYMENT EDUCATION & SKILLS	0	0	0	0	0	0	0	0	20,000	20,000	20,000	0
BUSINESS INNOVATION	0	0	0	0	0	0	25	0	49,975	50,000	50,000	0
OTHER INVESTMENT PROGRAMME SCHEMES	1,017	1,017	0	99,316	99,316	0	28,972	99,316	3,347,612	3,475,900	3,475,900	0
GRAND TOTAL	16,420	23,858	7,438	313,022	308,852	4,170	197,074	308,852	7,770,403	8,615,059	8,521,459	(93,600)

The financial results for May are shown above. The budgeted costs contained in the report reflect the recent re-basing exercise for the Investment Programme. Significant changes compared with the programme budgets reported during 2017/18 are as follows:

- 1) £415m Decrease : UK Central Interchange, following changes agreed during 2017 / 2018 to remove elements of cost and funding from the programme.
- 2) £629m Increase : UK Central Infrastructure in relation to the significant uplift in value for Solihull town centre and housing schemes funded by the private sector, consistent with Strategic Outline Business Case 2.
- 3) £32m Increase : Coventry UK Central Plus in relation to the addition of scope to be funded from the Housing Innovation Fund for Kings Hill.
- 4) £32m Increase : For Wolverhampton Interchange following the agreement between WMCA and City of Wolverhampton Council to meet the cost pressure associated with the scheme.
- 5) £2m Decrease : Representing a minor amendment consistent with the 2018/19 returns from Coventry City Council.

The financial allocations into these projects funded by WMCA are not affected by these amendments to the project totals.

Budgets have not been rebased for the Wednesbury to Brierley Hill and Birmingham to Solihull Interchange Metro extensions. Therefore the reported variances continue to highlight the over-spends with the former experiencing issues around cost escalation and the latter experiencing issues around both cost escalation and funding risk, which is being addressed with the support of MHCLG.

The cost to completion against UK Central Interchange remains red due to the funding gap of c.£205m relating to the Birmingham International Station redevelopment project. Funding sources are being progressed by UGC.

For 2018/19, the YTD spend to May is £7.4m behind budget. This is comprised of £4.2m relating to the HS2 Connectivity Programme (being primarily the Centenary Square/Edgbaston and Wolverhampton Metro extensions) and underspends on the other Metro projects as follows: Birmingham Eastside - £0.6m; East Birmingham to Solihull - £1.2m; and Wednesbury to Brierley Hill - £1.4m.

The 2018/19 full year forecast underspend of £4.2m for the HS2 Connectivity Package relates to the Metro Edgbaston extension.

Appendix 4 : Investment Programme Commitment Profile (as at 30th June 2018)

£ MILLION	Committed	2018 / 2019			2019 / 20				2020/21	2021/22	2022/23	2023/24	2024/25	Post 2025	TOTAL
		Q2	Q3	Q4	Q1	Q2	Q3	Q4							
UKC Interchange	29.3	8.3						303.1						56.8	397.5
UKC Infrastructure	13.2		28.8	13.0	19.6	2.7	42.4	56.2	76.6					36.0	288.4
HS2 Connectivity (Sprint)	4.1		23.5				44.4	20.0	29.3	60.6	30.7				212.7
HS2 Connectivity (Metro)	102.3														102.3
HS2 Connectivity (Rail)	4.0	1.2	5.7	7.6		2.5	16.4	35.2	8.7					104.8	186.1
HS2 Connectivity (City Centre First incl. CSMP)	39.4	0.6		11.0											51.0
HS2 Connectivity (Coventry VLR)	12.2			9.0				33.8							55.0
HS2 Programme Governance	0.8			2.4											3.2
Wednesbury Brierley Hill Metro				103.0											103.0
SUB TOTAL INVESTMENT PROGRAMME	205.2	10.1	58.0	146.0	19.6	5.2	103.2	448.3	114.7	60.6	30.7			197.6	1399.2
Coventry North	0.2		1.8							19.7					21.6
Coventry South	0.8	6.6	1.0	0.5		0.8	44.2	6.5				46.2		50.0	156.5
Coventry Regeneration	150.0														150.0
Land Remediation	88.5	4.4	5.0	5.2							97.0				200.0
Business Innovation	0.5				0.6	3.3			11.4	12.9	11.4			10.0	50.0
Employment Education & Skills	0.8			5.0				5.0	5.0	4.2					20.0
Commonwealth Games	25.0														25.0
OTHER INVESTMENT PROGRAMME	265.7	11.0	7.8	10.7	0.6	4.1	44.2	11.5	16.4	36.7	108.3	46.2		60.0	623.0

Approval commitment profile based on June 2018 returns from Finance Directors

CUMULATIVE APPROVALS	471.0	492.1	557.8	714.5	734.7	743.9	891.2	1351.1	1482.2	1579.5	1718.5	1764.7	1764.7	2022.2
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Commitments can be made up to £766m from Devolution Deal Grant which is assumed to be secure for 30 years.

Commitments can be made up to £916m subject to WMCA securing the Precept from April 2019.

Any commitments in excess of £916m cannot be made until the Business Rates Supplement / Business Rates Growth is secure, expected to be around April 2020. As such approximately £435m of Commitments made need to be rescheduled from Q4 2019/20 to Q1 2020.