



# WEST MIDLANDS COMBINED AUTHORITY

## Investment Board

Date 26 May 2017

### Minutes

<b>Voting Members</b>	
Councillor Izzie Seccombe (Vice Chair – In the Chair)	Warwickshire County Council
Councillor Robert Hulland	Solihull Metropolitan Borough Council
Paul Brown	Black Country Local Enterprise Partnership
Nick Abell	Coventry and Warwickshire Local Enterprise Partnership
Gary Taylor	Greater Birmingham and Solihull local Enterprise Partnership
<b>Non-Voting Member</b>	
Councillor Robert Vaudry (substitute for Councillor Peter Richards)	Stratford on Avon District Council
Sue Summers	Finance Birmingham
<b>In Attendance</b>	
David Cockroft	Coventry City Council
Carl Craney	West Midlands Combined Authority
Gerald Gannaway	Finance Birmingham
Phil Hewitt	Transport for West Midlands
Angela Hosford	Transport for West Midlands
Nick Oakley	Finance Birmingham
Mark Taylor	West Midlands Combined Authority

### 30/16 Apologies for absence

Apologies for absence had been received from Councillor Sean Coughlan (Walsall MBC), Councillor Majid Mahmood (Birmingham City Council), Councillor Jim O'Boyle (Coventry City Council) and Councillor Peter Richards (Stratford on Avon District Council) (Substitute Member – Councillor Robert Vaudry – Stratford on Avon District Council).

Apologies for absence had also been received from Sarah Middleton (Black Country Local Enterprise Partnership) and Katie Trout (Greater Birmingham and Solihull Local Enterprise Partnership).

### **31/16 Declarations of Interest**

Nick Abell declared an interest in Agenda Item No. 8 9 Collective Investment Fund – investment Case – Expert Holdings Limited) and advised that he would withdraw from the meeting during the consideration of that item.

### **32/16 Chair's Announcement**

The Chair welcomed Councillor Robert Vaudry, Stratford on Avon District Council to the meeting.

### **33/16 Minutes**

#### **Resolved:**

That the minutes of the meeting held on 24 April 2017 be confirmed as a correct record and signed by the Chair.

### **34/16 Matters arising**

With reference to Minute No. 29/16 (Amber REI Holdings Limited, Snowhill Birmingham), the Chair enquired as to the current position with this case.

Nick Oakley reappraised the Board that this project was on hold pending an assessment of the overall portfolio to ensure there was a balance of economic return, financial risk and commercial return within the portfolio.

Nick Oakley advised that a matrix was being prepared for consideration by the Investments Advisory Group reviewing each investment from an economic output, financial risk and commercial return perspective, with economic return being the key driver in line with the fund objectives. This matrix would further inform the decision making process.

The Company was aware of the position with the application being on hold the project was not proceeding at this point.

Councillor Robert Hulland commented that this was the reason for the questions relating to the role of the Board which had been raised at the last meeting. The Chair queried the reasons as to why this particular case did not have support from the Bank. Nick Oakley undertook to look into this matter but suggested that it resulted from the Bank funding policy direct bank funding would not be readily available.

### **35/16 Metro – Wednesbury to Brierley Hill Extension**

Phil Hewitt presented a report which updated the Board on the on-going Wednesbury to Brierley Hill extension development and which sought financial cover for the local element of funding from the WMCA to enable submission of a business case to Government. The report sought also to note approval to submit an Initial Outline Business Case for the Wednesbury to Brierley Hill extension to Government by the WMCA.

Councillor Robert Hulland commented that the overall costs of the scheme had increased and enquired as to the likelihood of them increasing further. He questioned whether the additional

sums added to the project cost were sufficient. Phil Hewitt acknowledged that a possibility existed that costs could continue to rise and explained that this was one of the reasons independent auditors had been appointed to review all costs associated with the scheme. He was optimistic that the 'Optimism Bias' would be reduced.

Councillor Robert Hulland enquired whether it would be possible for the construction and procurement contracts would be sourced locally. Phil Hewitt explained that this would not be possible with the purchase of the trams but that the producers might establish local assembly plants were the order be sufficient to justify such a step. With the infrastructure it was likely to be sources locally.

Councillor Robert Vaudry asked a series of questions relating to the economic case, the absence of an EVA analysis, the cost ratio benefits, the interest rates payable on the funding and the position in the event of an overspend on the contract. Phil Hewitt explained that benchmarking on the EVA could be provided and that the cost benefit ratio was 1.6 : 1 whereas a ratio of 1.5 – 2.0 : 1 was normally considered to be good for business cases for tram schemes. He reported that the scheme was Webtag compliant and that work was continuing with the relevant local authorities to identify the benefit from the scheme from access to new development and residential sites. He reminded the Board that £1.4m had been drawn down in 2016/17 for the scheme. Mark Taylor advised that this sum had not been released from the Collective Investment Fund but that the £4m was a loan to fund capital expenditure. Furthermore, no rate of interest was payable on the loan as the WMCA would borrow money from the Public Works Loans Board or through internal borrowing as detailed in the Treasury Strategy. Councillor Robert Vaudry enquired whether the loan would be repaid. Mark Taylor confirmed that it would not but the scheme would be included as a capital asset of the WMCA.

The Chair reminded the Board that this particular scheme had been an integral part of the Agreement to establish the WMCA. Phil Hewitt commented that the risks had been identified in the Devolution Deal and that it was intended that the Business Case would be submitted to Government during May 2017. It was hoped that the scheme would be referenced in the Chancellor of the Exchequer's Autumn Statement. Nick Abell commented that the scheme had been a project included in the Devolution Deal and that this Board's primary role in this particular case was to monitor progress from a financial perspective. He questioned as to whom would own the asset. Phil Hewitt explained that the capital asset would be owned by the WMCA and that from October 2018, when operation of the Metro service was taken in-house, all revenue would be returned to the WMCA.

The Chair queried whether a structural survey of the proposed route was required. Phil Hewitt reported that a structural survey was currently underway and that the budget included a conservative element for refurbishment. A further report on this element of the scheme would be available in due course.

**Resolved:**

1. That the progress being made on delivering the Wednesbury to Brierley Hill Extension be noted:
  - a. For the period up to 31 March 2017 be noted (Section 5.0 of the report refers);

- b. The delivery of an Outline Business Case submission to the WMCA Assurance process (Section 6.0 of the report refers);
  - c. That planned for the period up to March 2018 (Section 7.0 refers)
2. That the increase in estimated outturn cost for the project of £343.6 million and the principle of WMCA providing financial cover for the local element of this cost to enable the submission of a business case to Government (section 8.0 of the report refers) as agreed by the WMCA Board on 21 April 2017 be noted;
3. That funding of up to £4 million for the 2017/18 financial year in order to progress the scheme be approved (Section 8.0 of the report refers);
4. That, subject to the outcome of on-going WMCA Governance processes (Section 6.0 of the report refers) the submission of the Outline Business Case to Government, for the Wednesbury to Brierley Hill extension, seeking confirmation of project funding in the 2017 Autumn Statement, as approved by the WMCA Board on 21 April 2017 be noted.

### **36/16 Sprint – Hagley Road**

Angela Hosford presented a report which detailed the revised funding profile for the Hagley Road Sprint scheme as agreed with the Greater Birmingham and Solihull Local Enterprise Partnership and which informed the Board of the continued political and Birmingham City Council support for the scheme. She report also advised on the opportunity to implement further public transport priority measures on the corridor as a second phase through the HS2 Connectivity Package.

Councillor Robert Hulland enquired whether the costs now quoted were realistic or whether they were likely to increase incrementally. He also enquired as to the position with the derogation with regard to the use of the 24 metre vehicle. Angela Hosford advised that the costs were as realistic as they could be at this stage but that they would be considered as part of the benefits review. With regard to the 24 metre vehicle she advised that a decision from the Department of Transport was still awaited. She reported that whilst this particular scheme did allow for the use of a 24 metre vehicle this would not necessarily be the case for future Sprint schemes. She confirmed that suitable 18 and 24 metre vehicles would be considered. Councillor Robert Hulland welcomed the two tier approach now described as 24 metre vehicles would not be suitable on all schemes. The Chair commented on the need to 'future proof' the scheme.

Paul Brown questioned the timescale for the scheme. Angela Hosford advised that it was anticipated that this particular scheme would be operational in 2021/22. Paul Brown enquired whether the Mayor would wish for the scheme to be operational at an earlier date. Angela Hosford explained that some infrastructure works would be carried out at an earlier date in order to deliver benefits to the transport network.

Nick Abell enquired how much of the funding had still to be identified and to the position if a potential operator was not willing to make a financial contribution. Angela Hosford advised that these discussions would be undertaken with potential operators, Nick Abell questioned whether the WMCA would retain control of the scheme once operational. Angela Hosford confirmed this to be the case.

The Chair questioned the position with land availability. Angela Hosford reported on the on-going discussions and negotiations with the land owners and lease holders. She explained that the land, once acquired, would be used as 'Bus Lanes' and was identified as such in the Highway Improvement Plan.

**Resolved:**

1. That the WMCA Board be recommended to accept the offer of £7.29 million from the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) towards the Hagley Road Sprint Scheme;
2. That the WMCA Board be recommended to approve, in principle, the funding of a further £3.15 million for delivery of the Hagley Road Sprint Scheme comprising £0.75 million of Integrated Transport Block (ITB) funding approved previously and £2.4 million of HS2 Connectivity Package funding;
3. That the offer from the GBSLEP of £7.29 million which is the balance of its contribution towards the Hagley Road Sprint Scheme, development funding having already been received (total GBSLEP contribution of £8.1 million) be noted;
4. That the requested addendum sent to GBSLEP to re-profile expenditure within the Hagley Road Sprint Scheme submitted business case be noted;
5. That following submission of the Hagley Road Sprint Scheme business case to GBSLEP, the agreement of the WMCA Board to the HS2 Connectivity Package be noted (this package includes additional investment for the Hagley Road Sprint Scheme (Phase 2) with an estimated value of £50 million);
6. That it be noted that following approval of the Strategic Outline Business Case (SOBC) for the Hagley Road Sprint Scheme (Phase 2) a paper recommending the delivery approach for both the promoted scheme and Phase 2 would be submitted to the WMCA management Board to ensure both schemes dovetail;
7. That it be noted that the Birmingham City Council Cabinet Lead for Transport would like to see early delivery of benefits from the Hagley Road Sprint Scheme;
8. That it be noted that no physical works on the promoted scheme would be undertaken until the WMCA Management Board had agreed the delivery approach for the scheme(s).

**37/16 Exclusion of Public and Press**

**Resolved:**

That in accordance with Section 100(A) of the Local Government Act, 1972 the press and public be excluded from the meeting for the following item of business as it involves the likely disclosure of exempt information relating to the business or financial affairs of any particular person (including the authority holding that information).

**38/16 West Midlands Combined Authority CIF / LRF Dashboard**

Nick Oakley presented the WMCA CIF / LRF Dashboard as at 18 May 2017 which detailed:

- Investments committed;
- Geographical allocation; and

- Pipeline – WIP.

**Resolved:**

1. That the Dashboard be received and noted;
2. That a report on project management including details of numbers of jobs created, scale of inward investment generated, monitoring of construction etc. be submitted to future meetings.

**39/16 Collective Investment Fund – Investment Case – Expert Holdings Limited**

Gerald Gannaway presented a report on a Collective Investment Fund (CIF) Senior Debt Loan with a bridging facility for a maximum of two years with repayment from the sale of old premises and refinance of the remaining loan by a commercial mortgage provider and responded to questions posed by those present.

**Resolved:**

That the senior debt loan as now reported be approved.