



West Midlands  
Combined Authority

## WMCA Investment Board

|                                      |  |
|--------------------------------------|--|
| <b>Date</b>                          | 15 <sup>th</sup> February 2021   |
| <b>Report title</b>                  | Investment Programme Update  |
| <b>Portfolio Lead</b>                | Councillor Bob Sleigh - Finance & Investments  |
| <b>Accountable Chief Executive</b>   | Deborah Cadman<br>Email: <a href="mailto:Deborah.Cadman@wmca.org.uk">Deborah.Cadman@wmca.org.uk</a><br>Tel 0121 214 7200 |
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| <b>Report has been considered by</b> | N/A  |

**Recommendation(s) for action or decision:**

**The WMCA Investment Board is recommended to:**

1. Note the status of the Investment Programme delivery as detailed within this report.
2. Note the progress of the Devolution Deal five-year gateway review.
3. Note the Investment Programme funding status.

## **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 by the WMCA Board as a key element of the approvals process across the Investment Programme.
- 2.2 The Investment Board considered and endorsed an enhanced Terms of Reference at its meeting on 20th April 2020. This set out an enhanced role supporting decision-making, greater post approval controls, performance management and effective delivery of monitoring & evaluation requirements.
- 2.3 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.
- 2.4 The WMCA Board considered and approved the enhancements to the role and Terms of Reference of the Investment Board on 24th July 2020.

## **3 Investment Programme Assurance Summary**

- 3.1 An analysis of the overall West Midlands Investment Programme is shown at Appendix 1.
- 3.2 Approved funding from the WMCA Investment Programme for programmes totals £795.3 million as at 31st January 2021 (£780.3 million at 30th November 2020).
- 3.3 Investment Programme funding actually drawn / incurred by projects against these funding commitments as at 31st December 2020 totals £252.5 million.
- 3.4 Since the last report, the following business cases have been approved:
- New Stations Rail Package 1 – Full Business Case;
  - New Stations Rail Package 2 – Full Business Case;
  - Very Light Rail Transforming Connectivity West Midlands (VLR TCWM) – Change Request; and
  - Coventry Station Masterplan – Change Request.
- 3.5 Appendix 3 details the commitments made against the Investment Programme to the end of January 2021.

#### **4 Devolution Deal Gateway Review**

- 4.1 Five-yearly Gateway Review periods formed part of the Devolution Deal agreement in 2016. The 2020/21 financial year is the fifth and final year of the first gateway review period.
- 4.2 SQW were commissioned by MHCLG to review a selection of projects within the Investment Programme and produce an evaluation report.
- 4.3 SQW have concluded their interviews with stakeholders and report. At the 9th November Investment Board, the SQW report was presented and the complimentary report prepared by WMCA was approved.
- 4.4 Following the submission of the reports, WMCA officers were invited to a Gateway Review meeting held on 20th January 2021, chaired by HMG. At this meeting, WMCA officers were given the opportunity to respond to queries, discuss achievements/progress within the gateway period and consider future opportunities.
- 4.5 A ministerial decision is expected before April 2021. WMCA Officers will continue to keep Investment Board informed.

#### **5 Investment Programme Funding**

- 5.1 At the WMCA Board meeting on 8th November 2019, the WMCA Board agreed to hold Investment Programme approvals at the current affordable limit, whilst arrangements to secure additional funding into WMCA are developed and delivered.
- 5.2 Based upon what is available to date, the affordable limit was agreed by WMCA Board to be £801 million.
- 5.3 Consequently, programmes that are funded from the Investment Programme beyond the current affordable limit of £801 million are amber status.
- 5.4 These programmes include:
  - Coventry UKC Plus;
  - Employment, Education and Skills;
  - Innovation Programme;
  - Land Reclamation and Remediation;
  - Sprint Programme;
  - Rail Programme;
  - UK Central HS2 Interchange; and
  - UK Central Infrastructure Package.
- 5.5 The funding which underpins the Investment Programme is expected to support borrowing taken out for the delivery of the programmes.

## **6 Investment Programme Delivery and Expenditure**

- 6.1 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 December results are shown at Appendix 2.
- 6.2 In respect of full project costs to completion, the financial summary has been adjusted to reflect the revised budget based on the 2020/21 programme baseline. It should be noted that the impact of COVID-19 on projects within the WMCA Investment Programme is continuously being assessed by the Accountable Bodies, with each respective delivery organisation being required to manage the schemes within the funding available to them.
- 6.3 The cost to completion against UK Central Interchange remains red status due to the funding gap of circa £131 million against the Birmingham International Station redevelopment project.
- 6.4 The 2020/21 YTD variance of £293.1 million<sup>1</sup> compared with the 2020/21 programme baseline primarily comprises:
- Coventry UKC Plus variance of £40.0 million, including Coventry Station Masterplan (£9.4 million) and Coventry City of Culture Regeneration (£10.3 million);
  - UK Central Infrastructure Package variance of £80.8 million, primarily in respect of major M42 Junction 6 improvements budgeted for 2020/21 now forecast for 2021/22 (project delivered and funded as part of the National Highways England Programme);
  - UK Central HS2 Interchange variance of £37.3 million; and
  - Land reclamation and remediation variance of £31.65 million, for which expenditure has been reprofiled.
- 6.5 The above variances are not considered to have an impact on the overall delivery of the projects.

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<sup>1</sup> This is the gross variance against spend funded from all sources within the regional Investment Programme.

## **7 Investment Programme Dashboard**

- 7.1 As per the Investment Programme Dashboard is attached separately (Appendix 4).
- 7.2 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.
- 7.3 There are 74 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). Those projects with a RED status are brought to the attention of Investment Board.
- 7.4 Nine schemes have a RED status for completion dates, with the Strategic Hub working with sponsors to bring forward requests to extend dates to the relevant approval body.
- HS2 Parallel Designs –Expired July 2019 and a draft Change Request has now been received by Strategic Hub to pass through the Assurance Process. Requesting a new expiry of December 2025 with no increase to financial commitment. Continuing drawdowns in the interim.
  - UKC Interchange Strategy: Utilities, Land Value, Car Parking – Expired March 2020. A change request has been received by Strategic Hub to pass through the Assurance Process. Requesting a new expiry of July 2021 with no increase to financial commitment.
  - Coventry City Centre South – Update received at September Board. Expiry in September 2024 and change request expected in due course. Planning application for the redesigned scheme submitted 30th November. Change Request expected in early 2021 to deal with any necessary variations.
  - Metro Wolverhampton Interchange – The scheme is comprised of two projects: Wolverhampton Interchange and Metro Wolverhampton City Centre Extension. Project Sponsor indicating a target completion date of 9th September 2021. Extension of time request to be submitted to Strategic Hub.
  - UKC Infrastructure – there are five schemes which expired between November 2020 and December 2020. The project sponsor has indicated the schemes are facing delays due to COVID-19 and will submit individual extension of time requests in March 2021. No increase to financial commitment anticipated.
    - Birmingham Business Park Southern Access
    - UKC Hub Access and Transport Modelling Programme
    - Solihull Town Centre - Development & Investment
    - Accelerated Housing Delivery - Utilising Solihull Assets
    - Low Carbon Future Mobility

## **8 Financial Implications**

- 8.1 There are no financial implications as a result of the recommendations within this report to note the status of the Investment Programme and provide approval of the supplementary Investment Programme Dashboard. Financial commentary is provided throughout.

## **9 Legal Implications**

- 9.1 There are no legal implications as a result of the recommendations within this report to note the status of the Investment Programme and provide approval of the supplementary Investment Programme Dashboard.

## **10 Equalities Implications**

- 10.1 There are no equalities implications as a result of the recommendations within this report to note the status of the Investment Programme and provide approval of the supplementary Investment Programme Dashboard.

## **11 Inclusive Growth Implications**

- 11.1 There are no inclusive growth implications as a result of the recommendations within this report to note the status of the Investment Programme and provide approval of the supplementary Investment Programme Dashboard.

## **12 Geographical Area of Report's Implications**

- 12.1 There are no geographical implications as a result of the recommendations within this report to note the status of the Investment Programme and provide approval of the supplementary Investment Programme Dashboard. The Investment Programme, which is the subject of this report, focuses mostly on the Constituent Area Local Authorities but also reaches out to some non-constituent areas.

## **13 Other Implications**

- 13.1 Not applicable

## **14 Schedule of Background Papers**

Appendix 1: WMCA Investment Programme Funding Summary (as at 31st December 2020)

Appendix 2: WMCA Investment Programme Financial Summary (as at 31st December 2020)

Appendix 3: Investment Programme Commitments (as at 31st January 2021)

Appendix 4: Investment Programme Dashboard Report (as at 30th November 2020) – separate attachment)

APPENDIX 1: WMCA Investment Programme Funding Summary (as at 31st December 2020)

| Portfolio<br>£000                        |  | WMCA<br>(Grant) | WMCA<br>(Prudential<br>Borrowing) | DfT     | EZ      | Private Sector | DfT Block<br>Grants | TBC     | LGF     | Private<br>Leverage | LSTF / LGF /<br>OLEV<br>Additional<br>Funding (Not<br>Secure) | CIF       | Local<br>Authority | Other   | Grand Total |         |
|--|--|-----------------|-----------------------------------|---------|---------|----------------|---------------------|---------|---------|---------------------|---|-----------|--------------------|---------|-------------|---------|
| HS2 Growth<br>Strategy                   | Coventry UKC Plus                          | 288,051         | -                                 | 149,648 | -       | 71,117         | -                   | -       | 40,540  | -                   | -   | -         | 13,095             | 148,839 | 711,290     |         |
|  | Sprint Programme                           | 217,406         | -                                 | 35,000  | -       | 23,037         | -                   | 41,494  | 6,696   | -                   | -   | -         | 322                | 10,300  | 334,254     |         |
|  | Rail Programme                             | 160,119         | -                                 | 79,480  | -       | -              | -                   | -       | -       | -                   | -   | -         | 6,920              | 13,500  | 260,019     |         |
|  | Metro Programme                            | 222,831         | 195,600                           | 397,040 | 203,724 | 3,167          | -                   | 540,802 | 31,600  | -                   | -   | -         | 57,628             | 11,898  | 1,664,290   |         |
|  | UK Central Infrastructure Package          | 288,000         | -                                 | -       | -       | 764,676        | -                   | -       | -       | -                   | -   | -         | 13,379             | 336,480 | 1,402,534   |         |
|  | UK Central HS2 Interchange                 | 398,000         | -                                 | -       | -       | 97             | -                   | 131,110 | -       | -                   | -   | -         | 180                | 636     | 530,023     |         |
|  | Curzon Street Station Masterplan           | -               | -                                 | -       | 553,848 | -              | -                   | -       | -       | -                   | -   | -         | -                  | -       | 553,848     |         |
|  | National College for High Speed Rail       | -               | -                                 | -       | -       | -              | -                   | -       | 7,056   | -                   | -   | -         | -                  | -       | 18,497      | 25,553  |
|  | High Speed Supply Chain & Business Support | -               | -                                 | -       | -       | -              | -                   | -       | -       | 350,000             | -   | -         | -                  | -       | -           | 350,000 |
| SUB TOTAL HS2 GROWTH STRATEGY            |  | 1,574,407       | 195,600                           | 661,168 | 757,572 | 862,093        | -                   | 713,406 | 85,891  | 350,000             | -   | -         | 91,524             | 540,150 | 5,831,812   |         |
| Other Investment<br>Programme<br>Schemes | Coventry City Centre South Regeneration    | 149,958         | -                                 | -       | -       | -              | -                   | -       | -       | -                   | -   | -         | 178,967            | -       | 328,925     |         |
|  | Innovation Programme                       | 50,000          | -                                 | -       | -       | 119,658        | -                   | -       | 2,750   | -                   | -   | -         | -                  | 22,592  | 195,000     |         |
|  | Land Reclamation and Remediation           | 200,000         | -                                 | -       | -       | -              | -                   | -       | -       | -                   | -   | -         | -                  | -       | 200,000     |         |
|  | Commonwealth Games 2022                    | 25,000          | -                                 | -       | -       | -              | -                   | -       | 20,000  | -                   | -   | -         | 10,000             | 17,534  | 72,534      |         |
|  | Employment, Education & Skills             | 20,000          | -                                 | -       | -       | -              | -                   | -       | -       | -                   | -   | -         | -                  | -       | 20,000      |         |
|  | Tourism, Trade & Investment Programme      | 2,600           | -                                 | -       | -       | -              | -                   | -       | -       | -                   | -   | -         | -                  | 21,300  | 23,900      |         |
|  | Collective Investment Fund                 | -               | -                                 | -       | -       | -              | -                   | -       | -       | -                   | -   | 1,000,000 | -                  | -       | 1,000,000   |         |
|  | Devolved Transport Investment              | -               | -                                 | -       | -       | -              | 429,000             | -       | -       | -                   | -   | 870,000   | -                  | -       | 1,299,000   |         |
|  | EZ Expansion Excluding Curzon Street       | -               | -                                 | -       | 20,000  | -              | -                   | -       | -       | -                   | -   | -         | -                  | -       | -           | 20,000  |
| Grand Total                              |  | 2,021,964       | 195,600                           | 661,168 | 777,572 | 981,751        | 429,000             | 713,406 | 108,641 | 350,000             | 870,000   | 1,000,000 | 280,492            | 601,576 | 8,991,171   |         |

APPENDIX 2: WMCA Investment Programme Financial Summary (as at 31st December 2020)

**WMCA Investment Programme Financial Summary**

Period Ending 31st December 2020

| PROGRAMME                                  | 2020 / 2021 YEAR TO DATE |                |                | 2020 / 2021 FULL YEAR |                |                | COST TO COMPLETION |                  |                       |                        |                  |                 |
|--|--------------------------|----------------|----------------|-----------------------|----------------|----------------|--------------------|------------------|-----------------------|------------------------|------------------|-----------------|
|  | ACTUAL                   | BUDGET         | VARIANCE       | BUDGET                | FORECAST       | VARIANCE       | PRIOR PERIOD SPEND | 2020/21 FORECAST | FUTURE YEARS FORECAST | TOTAL FORECAST OUTTURN | TOTAL BUDGET     | VARIANCE        |
|  | £000                     | £000           | £000           | £000                  | £000           | £000           | £000               | £000             | £000                  | £000                   | £000             | £000            |
| COVENTRY UKC PLUS                          | 42,737                   | 82,746         | 40,010         | 113,191               | 81,187         | 32,005         | 61,277             | 81,187           | 568,827               | 711,290                | 704,851          | (6,439)         |
| SPRINT PROGRAMME                           | 12,002                   | 35,170         | 23,168         | 54,302                | 28,523         | 25,779         | 12,287             | 28,523           | 293,444               | 334,254                | 334,515          | 260             |
| RAIL PROGRAMME                             | 4,209                    | 9,708          | 5,499          | 13,238                | 6,956          | 6,282          | 8,050              | 6,956            | 245,013               | 260,019                | 213,015          | (47,004)        |
| METRO PROGRAMME                            | 59,421                   | 89,094         | 29,673         | 123,634               | 94,577         | 29,057         | 275,784            | 94,577           | 1,293,929             | 1,664,290              | 1,664,639        | 349             |
| UK CENTRAL INFRASTRUCTURE PACKAGE          | 7,521                    | 88,338         | 80,817         | 117,784               | 23,262         | 94,522         | 18,299             | 23,262           | 1,360,972             | 1,402,534              | 1,386,688        | (15,846)        |
| UK CENTRAL HS2 INTERCHANGE                 | 8,106                    | 45,440         | 37,334         | 74,870                | 21,961         | 52,909         | 17,396             | 21,961           | 490,666               | 530,023                | 529,563          | (461)           |
| CURZON STREET STATION MASTERPLAN           | 3,674                    | 3,877          | 203            | 5,169                 | 4,899          | 270            | 7,059              | 4,899            | 541,890               | 553,848                | 553,848          | -               |
| NATIONAL COLLEGE FOR HIGH SPEED RAIL       | -                        | -              | -              | -                     | -              | -              | 25,553             | -                | -                     | 25,553                 | 25,553           | -               |
| HIGH SPEED SUPPLY CHAIN & BUSINESS SUPPORT | -                        | -              | -              | -                     | -              | -              | 11,270             | -                | 338,730               | 350,000                | 350,000          | -               |
| <b>HS2 GROWTH STRATEGY TOTAL</b>           | <b>137,670</b>           | <b>354,372</b> | <b>216,703</b> | <b>502,188</b>        | <b>261,365</b> | <b>240,824</b> | <b>436,975</b>     | <b>261,365</b>   | <b>5,133,472</b>      | <b>5,831,812</b>       | <b>5,762,671</b> | <b>(69,141)</b> |
| COVENTRY CITY CENTRE SOUTH REGENERATION    | 4,093                    | 13,268         | 9,174          | 19,864                | 12,759         | 7,104          | 27,854             | 12,759           | 288,312               | 328,925                | 342,938          | 14,013          |
| INNOVATION PROGRAMME                       | 7,651                    | 10,970         | 3,319          | 14,601                | 12,424         | 2,177          | 11,703             | 12,424           | 170,873               | 195,000                | 195,000          | -               |
| LAND RECLAMATION AND REMEDIATION           | 3,270                    | 34,924         | 31,654         | 49,727                | 5,883          | 43,844         | 36,708             | 5,883            | 157,409               | 200,000                | 200,000          | -               |
| COMMONWEALTH GAMES 2022                    | 14,772                   | 28,082         | 13,310         | 37,442                | 38,442         | (1,000)        | -                  | 38,442           | 34,092                | 72,534                 | 72,534           | -               |
| EMPLOYMENT, EDUCATION & SKILLS             | 262                      | 333            | 71             | 444                   | 441            | 3              | 283                | 441              | 19,276                | 20,000                 | 20,000           | -               |
| TOURISM, TRADE AND INVESTMENT PROGRAMME    | -                        | -              | -              | -                     | 957            | (957)          | -                  | 957              | 22,943                | 23,900                 | -                | (23,900)        |
| COLLECTIVE INVESTMENT FUND                 | 13,560                   | 32,388         | 18,828         | 54,307                | 23,625         | 30,682         | 43,949             | 23,625           | 932,426               | 1,000,000              | 1,000,000        | -               |
| DEVOLVED TRANSPORT INVESTMENT              | -                        | -              | -              | -                     | -              | -              | -                  | -                | 1,299,000             | 1,299,000              | 1,299,000        | -               |
| EZ EXPANSION EXCLUDING CURZON STREET       | -                        | -              | -              | -                     | -              | -              | -                  | -                | 20,000                | 20,000                 | 20,000           | -               |
| <b>OTHER INVESTMENT PROGRAMME SCHEMES</b>  | <b>43,609</b>            | <b>119,965</b> | <b>76,356</b>  | <b>176,384</b>        | <b>94,532</b>  | <b>81,853</b>  | <b>120,496</b>     | <b>94,532</b>    | <b>2,944,331</b>      | <b>3,159,359</b>       | <b>3,149,472</b> | <b>(9,887)</b>  |
| <b>GRAND TOTAL</b>                         | <b>181,279</b>           | <b>474,337</b> | <b>293,058</b> | <b>678,573</b>        | <b>355,896</b> | <b>322,676</b> | <b>557,472</b>     | <b>355,896</b>   | <b>8,077,803</b>      | <b>8,991,171</b>       | <b>8,912,143</b> | <b>(79,028)</b> |



## WMCA Investment Programme Financial Commentary

Period Ending 31st December 2020

In respect of full project costs to completion, the financial summary has been adjusted to reflect the revised budget based on the 2020/21 programme baseline. It should be noted that the impact of COVID-19 on projects within the WMCA Investment Programme is continuously being assessed by the accountable bodies, with each respective delivery organisation being required to manage the schemes within the funding available to them.

The cost to completion against UK Central Interchange remains red status due to the reduced funding gap of circa £131 million against the Birmingham International Station redevelopment project.

The Sprint programme is red status because of the A34 Walsall to Birmingham and A45 Birmingham to Airport & Solihull projects, for which discussions to confirm the funding package for the second delivery phase of these projects are continuing.

At the WMCA Board meeting on 8th November 2019, the WMCA Board agreed to hold Investment Programme approvals at the current affordable limit of £801 million. As a consequence, programmes that are funded from the Investment Programme beyond the current affordable limit are amber status.

For 2020/21, the year to date variance of £293.1 million compared with the 2020/21 programme baseline primarily comprises:

\*Coventry UKC Plus variance of £40.0 million, including Coventry Station Masterplan (£9.4 million) and Coventry City of Culture Regeneration (£10.3 million);

\*UK Central Infrastructure Package variance of £80.8 million, primarily in respect of major M42 Junction 6 improvements budgeted for 2020/21 now forecast for 2021/22 (project delivered and funded as part of the National Highways England Programme);

\*UK Central HS2 Interchange programme variance of £37.3m; and

\*Land reclamation and remediation variance of £31.65m, for which expenditure has been reprofiled.

The above variances are not considered to have an impact on the overall delivery of the projects.

### Appendix 3: Investment Programme Commitments (as at 31st January 2021)

| £m   | Total Expected Approvals | Approved Commitments | Actual Spend |
|--|--------------------------|----------------------|--------------|
| UK Central HS2 Interchange                                       | 398.0                    | 65.4                 | 24.6         |
| UK Central Infrastructure Package                                | 288.0                    | 34.2                 | 15.4         |
| Sprint Programme   | 217.4                    | 47.0                 | 11.3         |
| Rail Programme   | 160.1                    | 33.0                 | 12.1         |
| Metro Programme  | 119.8                    | 119.8                | 90.6         |
| Coventry Station Masterplan (CSMP)                               | 39.4                     | 39.4                 | 9.3          |
| Coventry City of Culture Trust (2021)                            | 4.0                      | 4.0                  | 2.5          |
| Coventry UKC Plus - Very Light Rail: 'Transforming Connectivity' | 55.0                     | 12.2                 | 8.5          |
| Coventry North Package   | 21.6                     | 0.2                  | 0.2          |
| Coventry South Package   | 136.5                    | 7.4                  | 0.3          |
| Wednesbury to Brierley Hill Metro Extension                      | 103.0                    | 103.0                | 0.0          |
| Coventry UKC Plus - UK City of Culture 2021 Regeneration         | 31.6                     | 31.6                 | 14.9         |
| <b>SUB TOTAL HS2 GROWTH STRATEGY</b>                             | <b>1,574.4</b>           | <b>497.3</b>         | <b>189.7</b> |
| Coventry City Centre South Regeneration                          | 150.0                    | 150.0                | 15.6         |
| Innovation Programme   | 50.0                     | 16.1                 | 6.6          |
| Land Reclamation and Remediation                                 | 200.0                    | 103.0                | 40.0         |
| Commonwealth Games 2022  | 25.0                     | 25.0                 | 0.0          |
| Employment, Education & Skills                                   | 20.0                     | 1.3                  | 0.5          |
| Tourism, Trade and Investment Programme                          | 2.6                      | 2.6                  | 0.0          |
| <b>OTHER INVESTMENT PROGRAMME</b>                                | <b>447.6</b>             | <b>298.0</b>         | <b>62.8</b>  |
| <b>TOTAL</b>   | <b>2,022.0</b>           | <b>795.3</b>         | <b>252.5</b> |