



West Midlands
Combined Authority

WMCA Investment Board

Date	19th April 2021
Report title	Investment Programme Update
Portfolio Lead	Councillor Bob Sleigh - Finance & Investments
Accountable Chief Executive	Deborah Cadman Email: Deborah.Cadman@wmca.org.uk Tel 0121 214 7200
Accountable Employee	Ian Martin Email: Ian.Martin@wmca.org.uk Tel 0121 214 7926
Report has been considered by	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 that WMCA Board approved an extension to the WMCA affordable limit at the meeting of 19 March 2021.
4. 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 £834.9 million as at 31st March 2021 (£795.3 million as at 28th February 2021).
- 3.3 Investment Programme funding actually drawn / incurred by projects against these funding commitments as at 28th February 2021 totals £276.6 million.
- 3.4 Since the last report, the following submissions have been approved:
- Coventry Electric Bus City – Full Business Case; and
 - WM2041 Five Year Plan.
- 3.5 Appendix 3 details the commitments made against the Investment Programme to the end of March 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 complementary 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 imminently. WMCA Officers will continue to keep Investment Board informed.

5 Investment Affordable Limit Review

- 5.1 In November 2019, WMCA Board agreed to hold the value of commitments WMCA was able to make against the Investment Programme at £801m. This was in the context of the other three pillars of the Investment Programme income (Business Rates Growth, Business Rates Supplement and Mayoral Precept) not being realised as originally intended.
- 5.2 The Investment Programme financial model works on the principle of borrowing in the initial years of the thirty year programme, with the debt being fully paid down by year 30 using the incomes available; which to date is the Gainshare Grant and an element of Business Rates Growth proxy contributions from Local Authorities.
- 5.3 The affordability created by the Investment Programme is influenced by the timing of expenditure and interest. Since 2019, both of these metrics have moved in the favour of the Investment Programme affordability, with drawdowns being re-profiled into later years and the global economic conditions reducing borrowing to historically low levels.
- 5.4 With respect to debt interest in particular, the £801m ceiling was calculated using a blended interest rate of between 3.5% and 4.0% over the borrowing term which is significantly above the interest which would be charged on debt taken out at the time of the review in February 2021.
- 5.5 The WMCA Finance Director and WM Finance Director Group considered a number of scenarios to revise the interest assumptions in light of the changing economic environment and agreed to revise the blended rate to between 2.5% and 3.0%. This change, together with the over-lay of the current drawdown forecast means that the affordable limit can be increased to £871m.
- 5.6 WMCA have taken on board both long term, market implied debt forecasts and independent treasury advisor forecasts in arriving at the recommendation and consider the risk of a material deviation to be low. Unexpected volatility cannot be completely ruled out however and in increasing the affordable limit, WMCA will carry a greater exposure towards interest rates increasing and the subsequent cost of servicing the debt underpinning the Investment Programme becoming unaffordable. In such instances, WMCA would look to the Constituent Local Authorities to support the deficits.

- 5.7 The WMCA Board of 19 March 2021 reviewed the proposal to extend the affordable limit by £70m to £871m and it was subsequently approved.
- 5.8 The process to allocate the additional funding was discussed with WM Mayor and Leaders, resulting in a recommendation to WMCA Board in March 2021 which was subsequently approved. The allocations are documented below. Where necessary, proposals to allocate funding to the £15.5m of other priorities will be reviewed by Investment Board as part of the WMCA Assurance Framework.

Area	Theme	Provisional Allocation £M	Notes	Final Approval Obtained
WMCA Budget Risks	WMCA Revenue Budget Risks	10.0	WMCA has a lack of financial resilience to absorb the potential risks in relation to (for example) the funding of Transport and the associated instability within the bus market. Whilst the unmitigated assessment is c£30m-£50m, a risk assessed value of £10m is considered prudent to provide appropriate financial resilience in the short term while the ongoing uncertainty continues and risks continue to emerge.	Financial Monitoring Report to WMCA Board throughout 2021/22 as risks emerge with standard governance and oversight via the WMFD group
	WMCA Capital Pressures	5.0	Potential to cover emerging, additional construction risks around WMCA Capital Programme due to Covid-19 pressures.	
	Perry Barr Station & Bus Interchange	9.5	WMCA Board approved the Final Business Case for this scheme on 15 January 2021. Contracts require letting imminently to meet the CWG target. This funding can be returned to the Investment Programme for re-allocation if WMCA are able to successfully lobby Government to fund the £9.5m via the Intra-city Funding settlement.	January 2021 WMCA Board (Approval of Final Business Case)
	WMCA Capital - 5 New Rail Stations	20.0	WMCA Board approved the Final Business Case for these stations on 15 January 2021. The report showed that following the award of £59m DfT RNEP funding (subsequently announced in the March 2021 budget), a local contribution of £20m will need to be secured to allow the stations to be delivered. As such, this allocation will complete the funding package for the five stations. This funding can be returned to the Investment Programme for re-allocation if WMCA are able to successfully lobby Government to fund the £20m via the Intra-city Funding settlement.	
	WMCA Electric Bus Town	5.0	The Electric Bus Town proposal will be reported to WMCA Board on 19 March 2021. For a £5m local contribution, WMCA will realise £50m of Government funding plus £84m of private sector match, representing excellent value for money for the region.	Subject to separate reports at March WMCA Board (Approved)
Regional Recovery Priorities	WM2041	5.0	This funding will allow for the development of the Net Zero Neighbourhood, Smart Hub, Energy & Environment Capacity and Natural Capital Programme as per the report to WMCA Board 19 March 2021.	Subject to future WMCA approvals.
	Other Priorities	15.5	Provisional allocation for regional recovery priorities potentially including WM Co-invest as referenced in the Economic Update Report (19 March 2021 WMCA Board).	
Funding Available		70.0		

6 Investment Programme Funding

6.1 Programmes that are funded from the Investment Programme beyond the current affordable limit of £871 million are amber status.

6.2 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.

6.3 The funding which underpins the Investment Programme is expected to support borrowing taken out for the delivery of the programmes.

7 Investment Programme Delivery and Expenditure

7.1 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 February results are shown at Appendix 2.

7.2 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.

7.3 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.

7.4 Prior period spend and current year forecasts for the UK Central Infrastructure programme have been revised based upon updates provided by Highways England in respect of the M42 Junction 6 Improvements project. This project is being delivered and funded as part of the National Highways England Programme.

7.5 The forecast spend for 2020/21 takes into account the re-profiling of expenditure in response to COVID-19, which is not considered to have an impact on the overall delivery of the projects.

8 Investment Programme Dashboard

- 8.1 As per the Investment Programme Dashboard is attached separately (Appendix 4).
- 8.2 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.
- 8.3 There are 75 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.
- 8.4 Eight 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.
 - 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. Draft extension of time requests have been received by Strategic Hub to pass through the Assurance Process. 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

9 Financial Implications

- 9.1 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.

10 Legal Implications

- 10.1 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.

11 Equalities Implications

- 11.1 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.

12 Inclusive Growth Implications

- 12.1 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.

13 Geographical Area of Report's Implications

- 13.1 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.

14 Other Implications

- 14.1 Not applicable

15 Schedule of Background Papers

Appendix 1: WMCA Investment Programme Funding Summary (as at 28th February 2021)

Appendix 2: WMCA Investment Programme Financial Summary (as at 28th February 2021)

Appendix 3: WMCA Investment Programme Spend Profile (as at 28th February 2021)

Appendix 4: Investment Programme Commitments (as at 31st March 2021)

Appendix 5: Investment Programme Dashboard Report (as at 28th February 2021 – separate attachment)

APPENDIX 1: WMCA Investment Programme Funding Summary (as at 28th February 2021)

Portfolio £000		WMCA (Grant)	WMCA (Prudential Borrowing)	DfT	EZ	Private Sector	DfT Block Grants	TBC	LGF	Private Leverage	LSTF / LGF / OLEV Additional Funding (Not Secure)	CIF	Local Authority	Other	Grand Total	
HS2 Growth Strategy	Coventry UKC Plus	287,950	-	149,648	-	71,117	-	-	40,548	-	-	-	13,188	148,834	711,285	
	Sprint Programme	217,406	-	35,000	-	23,037	-	41,494	6,696	-	-	-	322	10,300	334,254	
	Rail Programme	160,119	-	59,000	-	-	-	-	-	-	-	-	6,920	13,500	239,539	
	Metro Programme	222,831	195,600	397,040	203,724	3,858	-	540,802	31,600	-	-	-	56,483	11,898	1,663,836	
	UK Central Infrastructure Package	288,000	-	-	-	764,676	-	-	-	-	-	-	13,679	319,363	1,385,717	
	UK Central HS2 Interchange	398,000	-	-	-	97	-	130,650	460	-	-	-	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		1,574,305	195,600	640,688	757,572	862,785	-	712,946	86,360	350,000	-	-	90,772	523,028	5,794,056	
Other Investment Programme Schemes	Coventry City Centre South Regeneration	149,954	-	-	-	-	-	-	-	-	-	-	179,860	-	329,814	
	Innovation Programme	50,000	-	-	-	119,658	-	-	2,500	-	-	-	-	22,842	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	-	-	-	-	-	-	-	-	-	-	-	21,348	23,948	
	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		2,021,858	195,600	640,688	777,572	982,443	429,000	712,946	108,860	350,000	870,000	1,000,000	280,633	584,752	8,954,352	

APPENDIX 2: WMCA Investment Programme Financial Summary (as at 28th February 2021)

WMCA Investment Programme Financial Summary

Period Ending 28th February 2021

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 EXPECTED BUDGET	VARIANCE
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
COVENTRY UKC PLUS	57,356	101,252	43,896	113,191	69,005	44,186	61,277	69,005	581,003	711,285	704,851	(6,434)
SPRINT PROGRAMME	15,498	44,458	28,960	54,302	17,154	37,148	12,287	17,154	304,814	334,254	334,515	260
RAIL PROGRAMME	4,901	11,796	6,895	13,238	5,298	7,940	8,050	5,298	226,191	239,539	213,015	(26,524)
METRO PROGRAMME	71,321	108,892	37,571	123,634	83,581	40,053	275,815	83,581	1,304,441	1,663,836	1,664,639	803
UK CENTRAL INFRASTRUCTURE PACKAGE	9,065	107,969	98,904	117,784	36,620	81,164	44,299	36,620	1,304,798	1,385,717	1,386,688	970
UK CENTRAL HS2 INTERCHANGE	9,014	65,060	56,046	74,870	10,498	64,372	17,396	10,498	502,130	530,023	529,563	(461)
CURZON STREET STATION MASTERPLAN	4,491	4,738	248	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	-
HS2 GROWTH STRATEGY TOTAL	171,646	444,165	272,519	502,188	227,054	275,134	463,006	227,054	5,103,996	5,794,056	5,762,671	(31,385)
COVENTRY CITY CENTRE SOUTH REGENERATION	8,220	17,665	9,445	19,864	11,237	8,627	27,854	11,237	290,723	329,814	342,938	13,124
INNOVATION PROGRAMME	10,007	13,390	3,383	14,601	12,336	2,264	11,703	12,336	170,960	195,000	195,000	-
LAND RECLAMATION AND REMEDIATION	4,482	40,429	35,947	49,727	5,671	44,056	36,708	5,671	157,621	200,000	200,000	-
COMMONWEALTH GAMES 2022	23,657	34,322	10,665	37,442	37,442	-	-	37,442	35,092	72,534	72,534	-
EMPLOYMENT, EDUCATION & SKILLS	287	407	120	444	347	97	283	347	19,371	20,000	20,000	-
TOURISM, TRADE AND INVESTMENT PROGRAMME	639	-	(639)	-	1,573	(1,573)	-	1,573	22,375	23,948	-	(23,948)
COLLECTIVE INVESTMENT FUND	15,839	46,690	30,851	54,307	16,679	37,628	43,949	16,679	939,372	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	-
OTHER INVESTMENT PROGRAMME SCHEMES	63,132	152,904	89,772	176,384	85,285	91,100	120,496	85,285	2,954,514	3,160,296	3,149,472	(10,824)
GRAND TOTAL	234,778	597,069	362,291	678,573	312,339	366,234	583,503	312,339	8,058,511	8,954,352	8,912,143	(42,209)

WMCA Investment Programme Financial Commentary

Period Ending 28th February 2021

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.

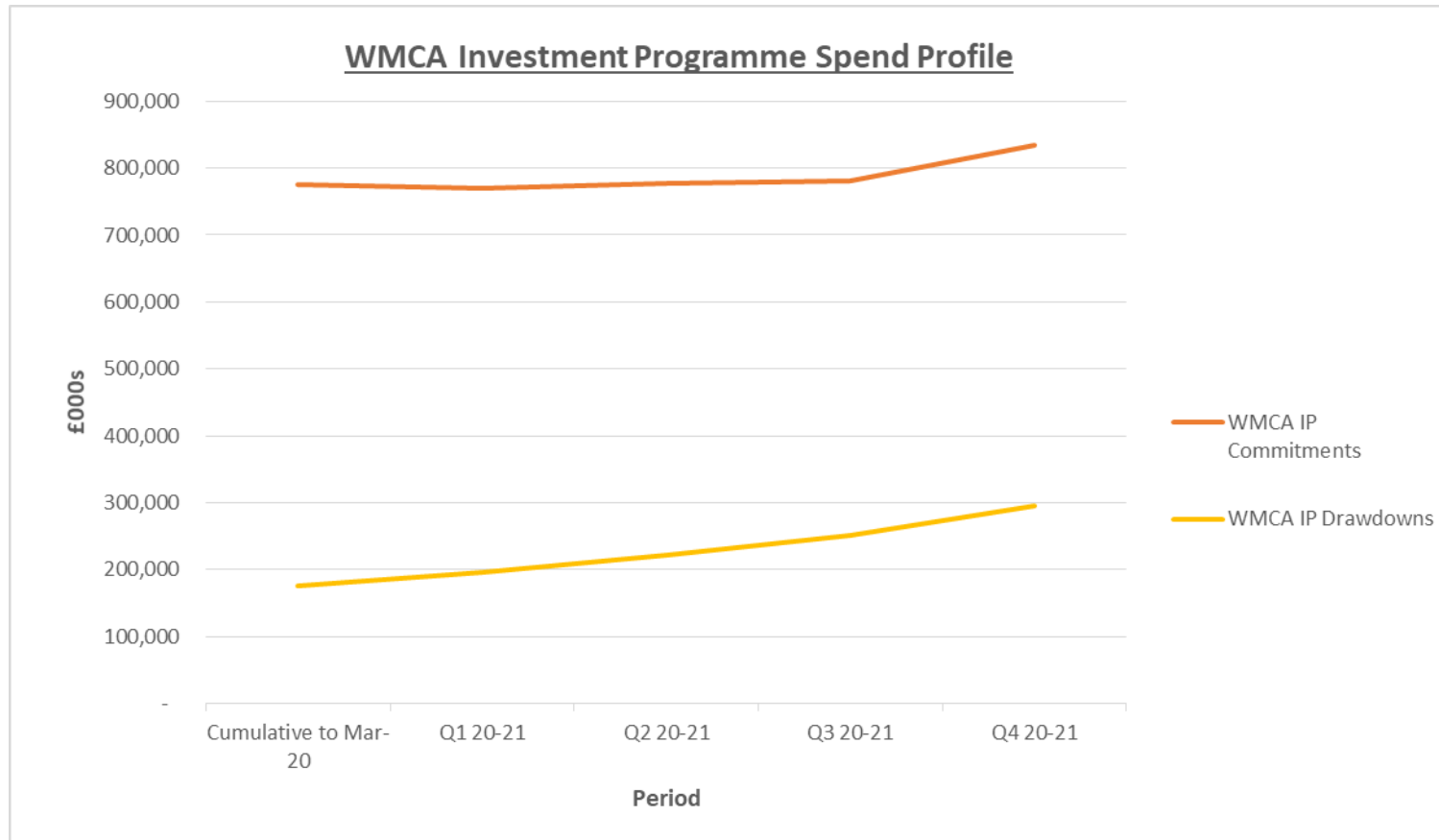
The Sprint programme is red status because of the A34 Walsall to Birmingham and A45 Birmingham to Airport & Solihull projects, for which discussions to confirm the funding package for the second delivery phase of these projects are continuing.

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.

Prior period spend and current year forecasts for the UK Central Infrastructure programme have been revised based upon updates provided by Highways England in respect of the M42 Junction 6 Improvements project. This project is being delivered and funded as part of the National Highways England Programme.

The forecast spend for 2020/21 takes into account the re-profiling of expenditure in response to COVID-19, which is not considered to have an impact on the overall delivery of the projects.

APPENDIX 3: WMCA Investment Programme Spend Profile (February 2021)



Appendix 4: Investment Programme Commitments (as at 31st March 2021)

£m	Total Expected Approvals	Approved Commitments	Actual Spend
UK Central HS2 Interchange	398.0	65.4	25.4
UK Central Infrastructure Package	288.0	34.2	16.4
Sprint Programme	217.4	47.0	11.9
Rail Programme	119.6	62.5	12.8
Metro Programme	119.8	119.8	94.3
Coventry Electric Bus City	5.0	5.0	0.0
Coventry Station Masterplan (CSMP)	39.4	39.4	14.7
Coventry City of Culture Trust (2021)	4.0	4.0	2.7
Coventry UKC Plus - Very Light Rail: 'Transforming Connectivity'	55.0	12.2	9.3
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	18.8
SUB TOTAL HS2 GROWTH STRATEGY	1,538.9	531.8	206.9
Coventry City Centre South Regeneration	150.0	150.0	19.7
Innovation Programme	50.0	16.1	8.1
Land Reclamation and Remediation	200.0	103.0	41.2
Commonwealth Games 2022	25.0	25.0	0.0
Employment, Education & Skills	20.0	1.3	0.6
Tourism, Trade and Investment Programme	2.6	2.6	0.0
Regional Recovery & Risks	35.5	5.1	0.0
OTHER INVESTMENT PROGRAMME	483.1	303.1	69.7
TOTAL	2,022.0	834.9	276.6