



West Midlands
Combined Authority

WMCA Investment Board

Date	29th June 2021
Report title	Investment Programme Update
Portfolio Lead	Councillor Bob Sleigh - Finance & Investments
Accountable Chief Executive	Laura Shoaf Email: Laura.Shoaf@wmca.org.uk Tel 0121 214 7444
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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 successful completion of the first 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 £834.9 million as at 31st March 2021 (£795.3 million as at 28th February 2021).
- 3.3 These commitments exclude the following provisional 'ear-marked' allocations agreed by WMCA Board in March 2021. Commitments for some of these ear-marked items will be confirmed via the approval of further reports to WMCA Board.
- 3.4 Investment Programme funding actually drawn / incurred by projects against these funding commitments as at 31st March 2021 provisionally totals £294.3 million.
- 3.5 Since the last report, the following submissions have been approved:
 - Urban Growth Company Utilities and Car Parking Strategy change request under delegated authority; and
 - Wolverhampton Metro City Centre Extension change request approved for 13-month time delay but no additional risks in terms of funding or scope.

- 3.6 The Investment Board is asked to note that under item 171, resolution 4 of the Investment Board meeting 22nd March 2021, alongside the Director of Finance and Monitoring Officer, the Chair was given delegated authority to determine any urgent investment decisions intra-board to ensure that matters could be dealt with in the absence of a Board meeting in May. Acting accordingly the Chair approved that a proposed loan of £50m (£45m principle and £5m interest) to facilitate works to construct a Multi storey car Park and release development land at UK Central, should be presented for decision at WMCA Board in June. This matter was discussed at the March Board as the most likely urgent matter that would otherwise come before the Investment Board before being taken to WMCA Board. It should be noted that the loan does not represent a commitment from the Investment Programme as the intention is to provide this from WMCA borrowing with a repayment source identified as per the paper to be submitted at WMCA Board.
- 3.7 Appendix 4 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 Feedback from the review reflected well on the region's governance arrangements and progress to date.
- 4.6 In May 2021, WMCA received the sixth instalment of the Gainshare Grant, indicating that WMCA have successfully passed the first gateway review period.
- 4.7 The passing of the first gateway period now guarantees £36.5m payment to WMCA for the five years until the next HM Treasury Gateway review in 2026.

5 Investment Programme Funding

- 5.1 At the WMCA Board meeting on 19th March 2021, the WMCA Board approved an increase to the current Investment Programme affordable limit of £70 million, from £801 million to £871 million.
- 5.2 This is presently the limit whilst arrangements to secure additional funding into WMCA are developed and delivered.
- 5.3 Consequently, programmes that are funded from the Investment Programme beyond the current affordable limit of £871 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 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.

6.2 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.

6.3 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.

6.4 Prior period spends 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.

6.5 Commentary concerning specific programme level variances is provided below:

Coventry UKC Plus (£45.8m):

- Coventry Station Masterplan accounts for £15.5m of the variance. The variance represents project slippage in respect of onsite construction affected by COVID-19 restrictions (particularly within Q1 20-21). Spend was also briefly slowed as a Change Request was approved by WMCA Investment Board on 11 January 2021 in respect of funding for the Bay platform component of the scheme. Construction work is now continuing at pace and the outputs from the project are not expected to be materially affected.
- Very Light Rail comprises approximately £7.0m of the observed variance, primarily caused by a contractor closure during the first UK national lockdown in Q1 20-21 and material supply issues for the prototype vehicle. A compressed build schedule has been implemented and project outputs are not expected to be materially affected by the variance.
- Coventry City of Culture Regeneration - £9.6m. Variance primarily due to a closure of Coventry City Centre construction sites (Retail Quarter, Greyfriar Lane, and Pool Meadow/White Street) during the first national lockdown and work volume as a result of social distancing measures. The project completion date has been slightly deferred but all other outputs remain unchanged.

Metro Programme (£40.1m):

- Birmingham Eastside Extension (10.6m) - Variance due to deferred utility works whilst Development Agreement is finalised. These costs will now be incurred in 21/22.
- Wednesbury to Brierley Hill Extension (£18.3m) - Variance predominantly caused by COVID-19 disruption, as utility works did not commence as scheduled due to some utility undertakers responding only to emergency works in Q1 20-21. Construction work was also affected by the acquisition of the Railway Corridor, which was agreed on 10th July 2020.

UK Central Infrastructure Package (£81.2m):

- Gross spend variance has resulted from amendment to the prior period spend and current year forecasts 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.

UK Central HS2 Interchange (£64.4m):

- The UGC (100% subsidiary of SMBC) has undertaken a programme-wide rescope and review of the UKC HS2 Interchange programme.
- During the year 2020/21, UGC has submitted business cases applying for WMCA IP funding for the following projects to date:
 - Automated People Mover (APM) Route Realignment;
 - Hub Movement and Connectivity; and
 - Arden Cross Multi-Storey Car Park.
- HS2 Ltd is the main contractor for delivery of some of the projects within the programme. Spend on the UKC HS2 Interchange programme is somewhat dependent upon the progress of base case projects, which in some instances are pre-requisites to work on the UK Central HS2 Interchange programme being able to commence.

Land Reclamation and Remediation (£40.4m):

- Land and Property Investment Fund (£20.6m) - The project life forecast has been adjusted based on a Change Request submission approved by WMCA Investment Board on Monday 14th December 2020, which allowed the project costs and timeline to be re-profiled up to March 2025.
- There is no change to the gross nominal value of Investment Programme grant funding for the project, (£53.04m approved to date of an expected £150.00m).
- The Phoenix 10 manufacturing site scheme is the most significant scheme within the project to be deferred from 20/21. Additional match funding has been secured for Phoenix 10. Therefore, the WMCA LPIF contribution will be reduced for Phoenix 10 and applied to other schemes. This will result in slippage into 2021-22.
- Match funding has been secured and drawn within 20/21 against the i54 Western Extension and Dudley Brownfields schemes.

- The accountable body does not expect this variance to affect the end output of the project. 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.

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 76 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 Thirteen 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. Strategic Hub are awaiting an updated Change Request to extend the completion date to December 20225. 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 and now approved. The Developer is starting marketing to attract a Funder. Change Request expected in 2021 to deal with any necessary variations.
 - UKC Infrastructure – there are eleven schemes which are listed as RED status. The Project Sponsor has submitted a change request to WMCA Strategic Hub, requesting an extension of time. The project sponsor has indicated the schemes are facing delays due to COVID-19. No increase to financial commitment anticipated.
 - Solihull Town Centre Access Improvements
 - Birmingham Business Park Southern Access
 - Solihull Town Centre Public Realm Improvement scheme
 - Chelmsley Wood Town Centre
 - Walking, Cycling & Green Infrastructure Investment Programme
 - Solihull Station Integrated Transport Hub
 - UKC Hub Access and Transport Modelling Programme
 - Solihull Town Centre - Development & Investment
 - Accelerated Housing Delivery - Utilising Solihull Assets
 - Low Carbon Future Mobility
 - UK Central Infrastructure - Local Strategic Network Resilience: Connectivity and Enhancements Programme

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 March 2021)

Appendix 2: WMCA Investment Programme Financial Summary (as at 31st March 2021)

Appendix 3: WMCA Investment Programme Spend Profile (as at 31st March 2021)

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

Appendix 5: Investment Programme Dashboard Report (as at 31st May 2021 – separate attachment)

APPENDIX 1: WMCA Investment Programme Funding Summary (as at 31st March 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	287,952	-	149,898	-	70,867	-	-	40,548	-	-	-	13,188	148,834	711,288	
	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	222,830	195,600	397,040	203,899	3,838	-	540,802	31,600	-	-	-	56,483	11,898	1,663,990	
	UK Central Infrastructure Package	287,904	-	-	-	760,829	-	-	-	-	-	-	13,679	319,363	1,381,774	
	UK Central HS2 Interchange	398,000	-	-	-	97	-	130,650	460	-	-	-	180	736	530,123	
	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		1,574,210	195,600	640,938	757,747	858,668	-	712,946	86,360	350,000	-	-	90,772	523,128	5,790,369	
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		2,021,763	195,600	640,938	777,747	978,326	429,000	712,946	108,860	350,000	870,000	1,000,000	280,633	584,852	8,950,665	

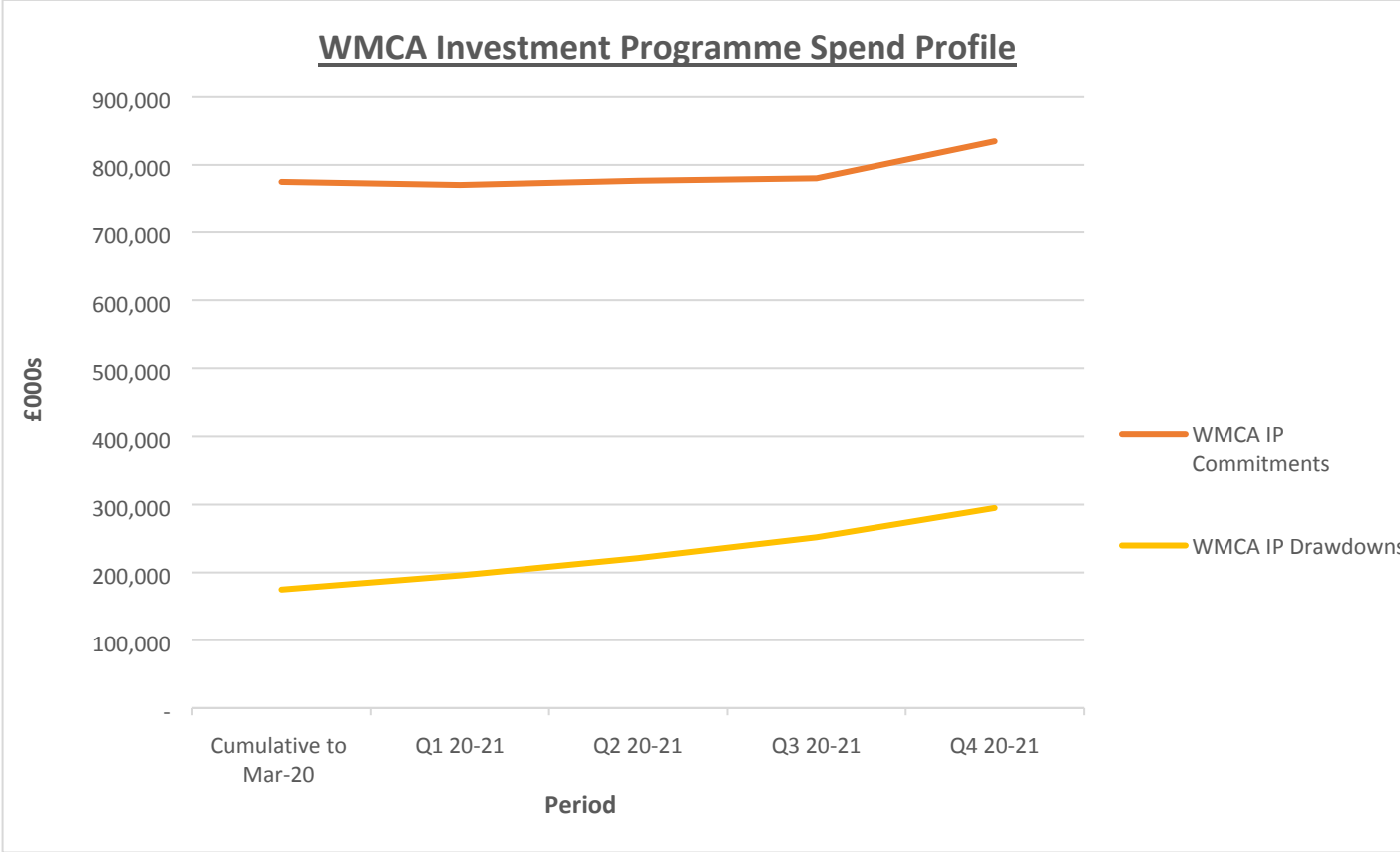
APPENDIX 2: WMCA Investment Programme Financial Summary (as at 31st March 2021)

WMCA Investment Programme Financial Summary

Period Ending 31st March 2021

PROGRAMME	2020 / 2021 FULL YEAR			COST TO COMPLETION						
	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	
COVENTRY UKC PLUS	113,191	67,382	45,810	61,277	67,382	582,629	711,288	704,851	(6,437)	
SPRINT PROGRAMME	54,302	17,154	37,148	12,287	17,154	304,814	334,254	334,515	260	
RAIL PROGRAMME	13,238	5,298	7,940	8,050	5,298	226,191	239,539	213,015	(26,524)	
METRO PROGRAMME	123,634	83,581	40,053	275,815	83,581	1,304,595	1,663,990	1,664,639	649	
UK CENTRAL INFRASTRUCTURE PACKAGE	117,784	36,524	81,260	44,299	36,524	1,300,951	1,381,774	1,386,688	4,913	
UK CENTRAL HS2 INTERCHANGE	74,870	10,498	64,372	17,396	10,498	502,230	530,123	529,563	(561)	
CURZON STREET STATION MASTERPLAN	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	502,188	225,335	276,854	463,006	225,335	5,102,029	5,790,369	5,762,671	(27,698)	
COVENTRY CITY CENTRE SOUTH REGENERATION	19,864	11,237	8,627	27,854	11,237	290,723	329,814	342,938	13,124	
INNOVATION PROGRAMME	14,601	12,259	2,341	11,703	12,259	171,037	195,000	195,000	-	
LAND RECLAMATION AND REMEDIATION	49,727	9,313	40,414	36,708	9,313	153,979	200,000	200,000	-	
COMMONWEALTH GAMES 2022	37,442	37,442	-	-	37,442	35,092	72,534	72,534	-	
EMPLOYMENT, EDUCATION & SKILLS	444	305	139	342	305	19,352	20,000	20,000	-	
TOURISM, TRADE AND INVESTMENT PROGRAMME	-	1,573	(1,573)	-	1,573	22,375	23,948	-	(23,948)	
COLLECTIVE INVESTMENT FUND	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	176,384	88,808	87,576	120,556	88,808	2,950,931	3,160,295	3,149,472	(10,824)	
GRAND TOTAL	678,573	314,143	364,430	583,562	314,143	8,052,960	8,950,665	8,912,143	(38,522)	

APPENDIX 3: WMCA Investment Programme Spend Profile (as at 31st March 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	26.3
UK Central Infrastructure Package	288.0	34.2	18.0
Sprint Programme	217.4	47.0	12.5
Rail Programme	119.6	62.5	13.2
Metro Programme	119.8	119.8	97.3
Coventry Electric Bus City	5.0	5.0	0.0
Coventry Station Masterplan (CSMP)	39.4	39.4	18.6
Coventry City of Culture Trust (2021)	4.0	4.0	2.9
Coventry UKC Plus - Very Light Rail: 'Transforming Connectivity'	55.0	12.2	9.7
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	21.9
SUB TOTAL HS2 GROWTH STRATEGY	1,538.9	531.8	220.9
Coventry City Centre South Regeneration	150.0	150.0	21.9
Innovation Programme	50.0	16.1	8.5
Land Reclamation and Remediation	200.0	103.0	42.4
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	73.4
TOTAL	2,022.0	834.9	294.3