



Investment Board

Monday 13 December 2021 at 11.00am

Minutes

Present

Councillor Bob Sleigh (Chair)
Councillor Tristan Chatfield
Councillor Karen Grinsell
Sue Summers

Portfolio Lead for Finance
Birmingham City Council
Solihull Metropolitan Borough Council
West Midlands Development Capital

In Attendance on Microsoft Teams

Nick Abell

Councillor Cathy Bayton
Councillor Mike Bird
Henrietta Bruekelaar

Paul Brown

Councillor Steve Clark
Councillor Gurdev Hayre
Councillor Matt Jennings
Councillor Stephen Simkins
Mark Smith

Coventry & Warwickshire Local
Enterprise Partnership
Overview & Scrutiny Committee
Walsall Metropolitan Borough Council
Greater Birmingham & Solihull Local
Enterprise Partnership
Black Country Local Enterprise
Partnership
Dudley Metropolitan Borough Council
Coventry City Council
Non-Constituent Authorities
City of Wolverhampton Council
Audit, Risk & Assurance Committee

**Item Title
No.**

82. Apologies for Absence

Apologies for absence were received from Councillor Maria Crompton (Sandwell), Councillor Tony Jefferson (Non-Constituent Authorities), Councillor Jim O'Boyle (Coventry) and Gary Taylor (Greater Birmingham & Solihull LEP).

83. Minutes - 18 October 2021

The minutes of the meeting held on 18 October 2021 were agreed as a correct record.

84. Investment Programme Update

The board considered a report of the Director of Investment & Commercial Activity on the status of the Investment Programme to help set the context for any investment decisions being made by the board.

Approved grant funding awarded and administered by the WMCA to programmes within the Investment Programme totalled £858.5m as at 31 November 2021. These commitment values excluded the provisional 'ear-marked' allocations agreed by the WMCA Board in March 2021. Commitments for some of these ear-marked items would be confirmed via the approval of further reports to the WMCA Board. Investment Programme funding actually drawn/incurred by projects against these funding commitments as at 31 October 2021 totalled £373.6m.

In respect of potential programme cost overruns due to COVID-19, the Director of Finance confirmed that none had yet been reported, and this was being checked on a regular basis. However, WMCA contributions to these schemes were capped with scheme Sponsors responsible for meeting any cost increases if they arose. Any programme slippage would continue to be reported via the dashboard and noted at each Investment Board.

Resolved:

- (1) The approval under delegated authority by WMCA officers of the two business case submissions relating to HS2 Jobs & Skills and Smart Resilient Assets be noted.
- (2) The Investment Programme funding status and current affordable limit be noted.
- (3) The status of the City Region Sustainable Transport Settlement be noted.
- (4) The Investment Programme delivery update (including the project-level summary within the Investment Programme dashboard) be noted.

85. Collective Investment Fund - Dashboard

The board considered a report setting out dashboard reporting for the Collective Investment Fund.

Resolved:

That the report be noted.

86. Brownfield Land & Property Development Fund - Dashboard

The board considered a report setting out dashboard reporting for the Brownfield Land & Property Development Fund.

Resolved:

The report be noted.

87. Revolving Investment Fund - Dashboard

The board considered a report setting out dashboard reporting for the Revolving Investment Fund.

Resolved:

The report be noted.

88. Enhancing the Collective Investment Fund and Revolving Investment Fund

The board considered a report of the Director of Investment & Commercial Activity outlining proposed measures to increase the efficiency and effectiveness of the Collective Investment Fund and the Revolving Investment Fund.

The key focus of the Collective Investment Fund had been to accelerate commercial development within the West Midlands region. Initially a revolving loan fund of £70m, the primary objectives were a brownfield-first approach driving regional investment, with strong economic outputs of job creation, new commercial floorspace and economic wealth generation. The Revolving Investment Fund was launched to accelerate overall housing supply, with a minimum of 20% on-site affordable housing on each project on brownfield land only amongst other examples of best practice, including design and construction methodology.

The funds invested had been a clear success, however a review by the WMCA had resulted in West Midlands Development Capital, as fund manager, recommending some changes and enhancements to the fund guidelines to increase deployment and value to the region, developers and the WMCA. The report set out in detail these proposed changes.

Councillor Stephen Simkins stressed the importance of ensuring that investment decisions aligned with the WMCA's environmental strategies, especially in respect of house building and employment. Councillor Tristan Chatfield supported the proposals, but highlighted the importance of ensuring that there was a clear financial assessment made of the companies submitting bids to these funds. Nick Oakley confirmed that West Midlands Development Capital undertook due diligence on all developers and that no money had yet been lost on these funds. Nick Abell confirmed that he had been content with the degree of security that the WMCA had sought on the schemes funded to date.

Recommended:

- (1) The success of Collective Investment Fund and the Revolving Investment Fund to date be noted.
- (2) The Collective Investment Fund and Revolving Investment Fund be allowed to flexibly expand beyond their respective funding ceilings of £140m and £70m, provided that at no time the combined commitments exceeded the existing £210m limit.

- (3) An increase in the delegated authority of the Investment Board to approve individual loans, or the sum of loans to companies in the same control, up to £20m (from £10m) be approved, provided that these were endorsed by the WMCA and the Investment Panel and with the proviso that the Investment Board may always refer loan applications to the WMCA Board for guidance, and that the WMCA Board would receive notification of decisions contained within the minutes of Investment Board meetings.
- (4) It be approved that loans could be made to borrowers with investment properties where they sought to improve the environmental credentials of the building(s) over a period of up to five years.
- (5) It be approved that loans could be made to borrowers seeking finance for 'green industry' projects such as solar farms, where this was asset backed lending that shared similar characteristics to the real estate sector.
- (6) An increase in loan term to up to five years to allow developers to build in the confidence that they had a stabilisation period to generate income and sell the asset be approved.
- (7) Revolving Credit Facilities, that were not currently explicitly recognised as available within the Collective Investment Fund or the Revolving Investment Fund, be now explicitly approved as available.
- (8) Loans to owner occupiers, not currently explicitly recognised as available within the Collective Investment Fund, be now explicitly approved as available.
- (9) Participation with other lenders to fund large projects, not currently explicitly recognised within the Collective Investment Fund or the Revolving Investment Fund, be now explicitly approved as available.
- (10) The small number of technical amendments proposed for the timely processing of loan applications, whilst still applying the principles of the Single Commissioning Framework, be approved.

89. Exclusion of the Public and Press

Resolved:

In accordance with s100A4 of the Local Government Act 1972, the press and public be excluded from the meeting during the consideration of the following items of business as they involved the likely disclosure of exempt information relating to the business affairs of a particular person (including the authority holding that information).

90. West Midlands Co-Investment Fund Full Business Case

The board considered a report of the Director of Investment & Commercial Activity providing outline information regarding proposals for a new business friendly investment fund, aligned to the specific strategy and needs of the West Midlands region and designed to promote economic growth post-COVID-19.

At its meeting on 23 July 2021, the WMCA Board approved the setting up of the proposed West Midlands Co-Investment Fund, a co-invest equity fund designed to facilitate investment into growth SMEs to aid the recovery of the West Midlands economy. Following this approval, the business case had been developed, finalising the funding structure and delivery options. The West Midlands Pension Fund had indicated that it would provide funding, subject to its own approvals process. The delivery vehicle options had now been revisited and appraised, with the preferred option being to utilise West Midlands Development Capital as an existing vehicle, sub-contracting investment management services to a third-party fund manager.

Councillor Tristan Chatfield welcomed the report, but sought assurances that the fund would not support projects that did not align with the values of the WMCA or its constituent authority members. The Director of Investment & Commercial Activity confirmed that officers were alert to these concerns and that the fund would not be required to support applications that the WMCA was not able to endorse. He also confirmed that the proposed fund would not launch as planned if West Midlands Pension Fund ultimately decided not to join.

Resolved:

- (1) It be noted that on 23 July 2021, the WMCA Board approved the Outline Business Case for the West Midlands Co-Invest Fund, which allocated £12.5m from the Investment Programme, and that these principles had not altered and that no further funding was being requested from the WMCA.
- (2) It be noted that the West Midlands Pension Fund had indicated they would provide, as a minimum, the remaining £12.5m required to launch the West Midlands Co-Invest Fund, subject to its own approvals process, and that the West Midlands Co-Invest Fund would not launch until funding was in place for the full £25m.
- (3) It be noted that the risks and rewards arising from the fund between the WMCA and the West Midlands Pension Fund were intended to be split equally, and that any deviation from this principle would need to be agreed by the Director of Finance, in consultation with the seven constituent authority Directors of Finance.
- (4) It be noted that a delivery vehicle options appraisal had been undertaken, with the preferred option being to utilise West Midlands Development Capital, sub-contracting investment management services to a third-party fund manager (subject to a procurement process).

- (5) Approval be delegated to the Director of Finance (supported with adequate advice and in consultation with the seven constituent authority Directors of Finance) for the fund to flex its equity/debt investment ratio based on market evidence from the Ecosystem, noting that such approval might be desirable during the life of the fund.
- (6) The request for the potential increase to the investment size of the fund post-launch be approved, subject to:
 - The WMCA's investment of £12.5m not increasing (ie. no further funds being required from WMCA sources, this being as a result of third-party investor interest).
 - There being no detriment to the benefits the WMCA was expected to achieve.
 - The expansion resulting in no increased risk and delivering the objectives and target outputs indicated in the Full Business Case.
 - WMCA Statutory Officers agreeing to the amendments (supported by expert advice and in consultation with the seven constituent authority Directors of Finance) following an appropriate level of due diligence on potential investors.
- (7) The negotiation and approval of commercial terms with the funding partner and fund manager be delegated to the Director of Finance.
- (8) It be noted that the WMCA had the potential to recycle the majority of its £12.5m grant contribution (subject to fund performance).

[NB. Councillor Stephen Simkins declared a non-prejudicial interest in this item as he was a member of the West Midlands Pension Fund Board, who were proposing to contribute financially to this fund.]

91. Update on Help to Own Scheme

The board received a presentation from Sue Summers and Chrissy Hince (Operations Director, Help to Own), on recent developments with the scheme, including one hundred units that had recently been allocated at The Marches in Wednesfield as part of a pilot project. Work was now being undertaken with the Director of Housing & Regeneration to see how the scheme could be rolled out to other sites in the region.

Councillor Stephen Simkins welcomed the work undertaken to date, and stressed the importance of factoring in availability for local key workers, who might otherwise be unable to secure a property of their own. The Chair enquired as to how construction costs were being met. Sue Summers explained that the WMCA and the City of Wolverhampton Council had funded the cost of the Wednesfield development. West Midlands Pension Fund had provided debt finance. , Work was now being undertaken as to how this would be funded as it rolled out across other locations.

Resolved:

Sue Summers and Chrissy Hince be thanked for their informative presentation.

- 92. Murdock & Pitman Aparthotel, 153 - 161 Corporation Street, Birmingham**
The board considered a report from the Director of Housing & Regeneration seeking approval of funding from the Brownfield Land & Property Development Fund to enable the redevelopment of the Murdoch & Pitman Aparthotel. Approval would enable MP Devco Ltd to unlock the equivalent of 45 new homes, 8,132m² of commercial floorspace and a total of 72 full time equivalent jobs.

In response to a question from Councillor Stephen Simkins, the Director of Housing & Regeneration confirmed that Birmingham City Council had supported the progression of this particular project and considered it to be the best development for the site. The WMCA was the funder of last resort in this instance and the project would not be able to be progressed if it were needed to rely on the commercial sector.

Resolved:

- (1) A WMCA grant up to the amount specified within the report, to support the re-development of the Murdoch & Pitman Aparthotel in Birmingham city centre as an exemplar heritage regeneration project, be approved, unlocking the equivalent of 45 new homes (136 aparthotel rooms), 8,132m² of commercial floorspace and a total of 72 fulltime equivalent jobs.
- (2) It be noted that the funding was fully compliant with the WMCA's Single Commissioning Framework previously approved by this board, the Housing & Land Delivery Board and the WMCA Board in March 2019.
- (3) It be noted that the grant funding ask from the WMCA was on the basis of 'funder of last resort', based on all third-party grant funding avenues being exhausted.
- (4) It be noted that Birmingham City Council was fully supportive of this application.
- (5) It be noted that the funding allocation represented an absolute maximum, and that further negotiation would take place that would seek to reduce the allocation, it being considered to represent a maximum scenario for Single Commissioning Framework grant funding.

[NB. Councillor Tristan Chatfield declared a non-prejudicial interest in this item as Birmingham City Council was the landowner of the site that this application related to.]

93. Build Fifty5, Housing 21 Golden Brick Facility

The board considered a report from West Midlands Development Capital seeking approval of funding from the Revolving Investment Fund to enable the delivery of Housing 21 affordable units across multiple sites throughout the West Midlands. The scheme would delivery housing across sites in Bilston, Broseley, Coventry and Hednesford.

Resolved:

The provision of a development loan for the amount set out in the report via the Revolving Investment Fund to fund the delivery of multiple brownfield sites to Golden Brick to facilitate the development of Housing 21 affordable units, including co-housing, social rent and shared ownership be approved.

[NB. Nick Abell declared a non-prejudicial interest in this item as Housing 21 was a client of his employer. Councillor Stephen Simkins declared a non-prejudicial interest in this item due to his involvement with the Bradley Arm Canal Development, near one of the sites proposed for development.]

94. Collective Investment Fund - Dashboard

The board considered a report setting out dashboard reporting for the Collective Investment Fund.

Resolved:

That the report be noted.

95. Brownfield Land & Property Development Fund - Dashboard

The board considered a report setting out dashboard reporting for the Brownfield Land & Property Development Fund.

Resolved:

The report be noted.

96. Revolving Investment Fund - Dashboard

The board considered a report setting out dashboard reporting for the Revolving Investment Fund.

Resolved:

The report be noted.

97. Black Country Land & Property Investment Fund - Dashboard

The board considered a report setting out dashboard reporting for the Black Country Land & Property Investment Fund.

Resolved:

That the report be noted.

- 98. Date of Next Meeting**
Monday 10 January 2022 at 11.00am.

[The meeting ended at 12.40pm]

CHAIR