



WMCA Investment Board

Date	27 November 2017
Report title	Wolverhampton Interchange Project
Cabinet Member Portfolio Lead	Councillor Roger Lawrence – Transport
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Report to be/has been considered by	Strategic Transport Officers' Group 11/9 - Completed Technical Advisory Group (TAP) 4/10 - Completed Investment Advisory Group IAG 06/11 - Completed Programme Board 24/11 WMCA Investment Board 27/11 WMCA Board 08/12

Recommendation(s) for action or decision:

The WMCA Investment Board is recommended to:

1. Note progress on the Wolverhampton Interchange Project
2. Endorse the funding package for WIP as detailed in section 3 and the submission of a report to WMCA Board seeking authority to commit the funding of £49.3m of which £21.9m WMCA Contribution (borrowing) to be funded by the DfT deed was approved by the ITA.
3. Endorse the submission of a recommendation to WMCA Board to approve the delegation of powers from the WMCA to the Metro Programme Director and the Head of Governance to enter into the necessary legal agreements.

1.0 Purpose

- 1.1 To provide an update on the Wolverhampton Interchange Programme (WIP) and current funding package and the forthcoming reports to WMCA Governance.

2.0 Background

- 2.1 The Wolverhampton interchange Programme (WIP) is a key element of the Strategic Economic Plan for the City and the wider Black Country. It will deliver a multi-modal transport hub comprising a new train station, multi-story car park (MSCP) extension and an extended tram connecting to the railway station through a new stop at the bus station. It will enable the delivery of 30,000 sq.m of office, retail and leisure floor space, £80 million of private sector funding and 1,300 new jobs in the newly-created Commercial Gateway.
- 2.2 West Midlands Combined Authority (WMCA) are working with the partners Midland Metro Alliance, City of Wolverhampton Council, Network Rail, Canals and Rivers Trust (CRT), West Midlands Rail, London Midland, ION Property Developments and Virgin Trains in delivery of the programme.
- 2.3 The programme has made good progress to date with the completion of the Multi-Storey Car Park in Jan 2017 and the design work on Metro Extension, together with the undertaking of the bulk of the advance utility diversions. In August 2017 work commenced on the installation of the first part of the main works for the tram extension, being the switch and crossings on Bilston Street, carried out at the same time as the Bilston Road Track Replacement project in order to minimise disruption to tram passengers.
- 2.4 Tram costs have been established via the contractual mechanism of the Midland Metro Alliance and the costs are a “Target Cost 2” level at which the parties have thoroughly examined the costs and commit to the delivery within the Alliance’s contractually agreed risk-sharing approach to pain-gain share. This has followed a detailed value engineering exercise to drive down costs through, for example, more efficient traffic management arrangements. The previous project estimates were provided by Aecom, and validated by the Black Country LEP’s external auditor at the time the business case was approved, but delays to the programme, increasing construction price inflation and a longer programme duration have increased costs on both the station and the tram projects.
- 2.5 The station main construction contract is to be let in November 2017 with commencement on site in December 2017.
- 2.6 The WIP programme schedule has been included in Appendix 1.

3.0 Financial Considerations

- 3.1 The overall scheme WIP is now estimated to cost £81.8m which is £30m above the budgeted £51.8m and comprises of new station building, extension to the multi storey car park and tram extension. The Wolverhampton Interchange Partnership has carried out a thorough estimate of the costs for implementing the projects and is summarised in Table 1 below.

Table 1

Project Elements:	Current Outturn
Station and MSCP Delivery	34.5
Urban Realm Works	1.5
Metro Works	33.3
Programme Costs and Risk	12.5
Total	81.8

- 3.2 The cost estimate for the Station works included above are based on an estimated value and the contract value is currently being negotiated with the contractor.
- 3.3 The project has committed funding from various funding providers and is detailed in the table 2 below and further funding approval of £30m is required for delivery of the programme.

Table 2

Funded by:	Funding Committed	Funding Approval	Total
BCLGF	13.5		13.5
ITB	3.0		3.0
Wolverhampton City Council	1.0	15.0	16.0
WMCA Contribution (Investment Programme)	12.4	15.0	27.4
WMCA Contribution (DfT Deed)	21.9		21.9
Total	51.8	30.0	81.8

- 3.4 WMCA will be asked to approve the funding of £49.3m, which includes of the committed £21.9m WMCA contribution funded from the DfT deed. The £21.9m will be funded by way of a direct payment deed entered into with the DfT which allows repayment of the £21.9m debt and other charges, which will be repaid over 12 annual payments by the SFO to WMCA. Funding agreement with DfT has been signed by WMCA and is awaiting final signature from the DfT.
- 3.5 The remainder of the £27.4m consists of 12.4m which has been committed as part of the HS2 Connectivity Package which is included in the WMCA devolution Investment Programme of £8bn; and the additional £15m funding will be required for the WIP programme which will be funded from the WMCA investment programme. If the £15m Investment Programme funding is not available other funding sources would have to be considered
- 3.6 Business case was considered by Technical Advisory Group on the 4 October 2017 and IAG on the 6 November 2017.
- 3.7 It is proposed that the WMCA capital contribution of £15 million will be made available from within the existing Investment Programme and it is anticipated that any contribution from the Investment Programme will be accommodated from within existing resources without any impact on what was already planned to be funded from the annual gain share grant of £36.5 million. This is possible because the overall cost of interest associated with borrowing is now anticipated to be lower over the 30 year period, creating some headroom to fund additional capital investment. In addition to the lower interest charge, the profile of capital expenditure upon which the interest costs are based has been revised and shows a lower capital expenditure and borrowing requirement in the early years with the refinement of capital spend under continual review.

3.8 Funding of the other £15m will be provided by Wolverhampton City Council which will be funded by borrowing as approved by the Cabinet in September 2017.

3.9 The WIP programme will work to minimise costs and an equal proportion of any savings from the £30m will be returned back to the WMCA investment programme and Wolverhampton City Council.

4.0 Impact on the Delivery of the Strategic Transport Plan

4.1 The Wolverhampton Interchange Project is an important element in the expansion of Midland Metro, and in the development of the Strategic Transport Plan's Metropolitan Rail and Rapid Transit Network.

5.0 Wider WMCA Implications

5.1 The Metro Extension to Wolverhampton is a key part of the Midland Metro extensions programme. This expansion of Midland Metro, as part of an integrated Rail and Rapid Transit Network, will enable better connectivity of key centres and corridors in the Black Country with the wider Combined Authority area through effective interchange with suburban and regional rail services. Coupled with the Wednesbury to Brierley Hill Extension this will provide direct access by the Metro to West Coast Main Line services from a wide area of the Black Country.

6.0 Financial Implications

6.1 The financial implications have been covered in the main report section 3 above.

7.0 Legal implications

7.1 WMCA will be required to enter into grant and funding agreements with City of Wolverhampton Council and the DfT and any delays to the funding approvals would delay the programme delivery with potential financial implications.

8.0 Equalities implications

8.1 The Midland Metro extensions will facilitate fully accessible journeys and access to employment, leisure and education, and link to other transport modes (buses and rail services).

9.0 Other implications

9.1 None.

10.0 Schedule of background papers

10.1 Report to WMCA Board Midland Metro Update 30 September 2016

11.0 Appendices

[PROTECT]

11.1 Appendix A - WIP Programme Schedule