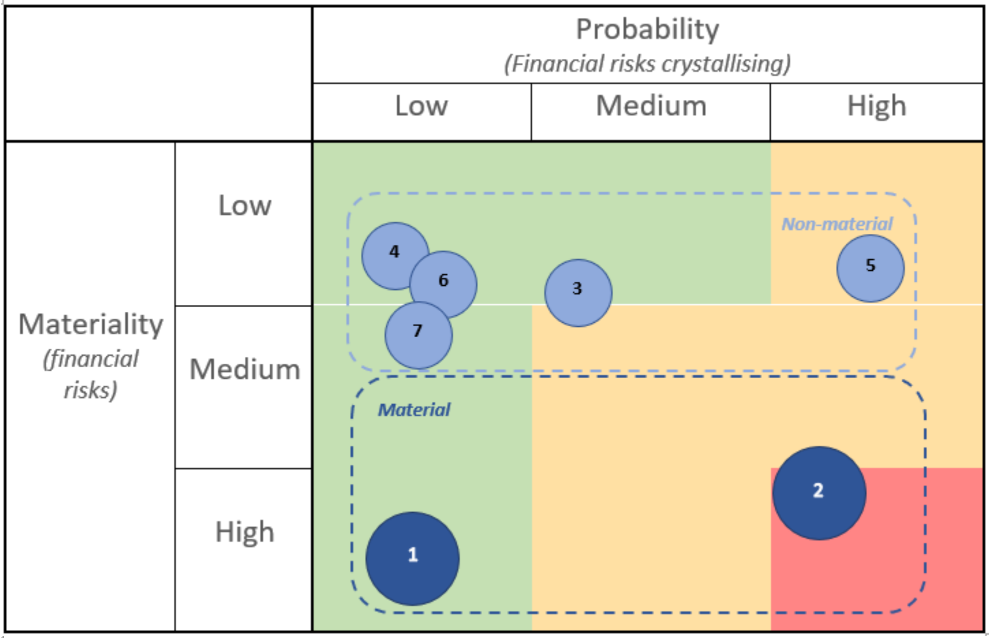
Appendix 15
Commercial Project Financial Risk Overview

This risk register documents the status of the commercial initiatives WMCA are undertaking , the majority of which have been considered by the WMFD group at a headline or in detail. It includes live commercial initiatives only. There are other risks WMCA will be exposed to (for example reductions in Government grants) which are not included on this register; but it is important to consider the risks detailed below in the context of the other financial risks WMCA are exposed to managing, and the low financial resilience of the organisation in general.



EXISTING PROJECTS & PROGRAMMES
1. Investment Programme
2. Metro Farebox Borrowing
3. CIF / RIF Loans
4. Help 2 Own
5. West Midlands Cycle Hire
6. Bromsgrove Rail Station
7. UKBIC Loan

Details on High Impact and / or High Probability Risks

Ref 1 : Investment Programme	Ref 2 : Metro Farebox Borrowing	Ref 5 : West Midlands Cycle Hire (WMCH)
The Investment Programme is underpinned by a 30 year £36.5m grant from Government which is subject to a Gateway review every 5 years. WMCA passed the first gateway review in 2021. However, almost the full value of the Gainshare over 30 years is now committed through project delivery, funding agreements with local authorities and agreements to repay financing. This means that Local Authorities effectively underwrite the risk of WMCA not passing a Gateway review (and the subsequent impact on the 30-year funding). Measures are in place through the Single Assurance Framework to ensure the necessary evidence can be collected to allow Gateway review points to be dealt with sufficiently. There is a risk however, WMCA could fail a gateway review. As such, this risk is considered high impact but low probability.	The Metro Farebox Model assumes a certain level of capital funding can be secured from future operating surpluses. Whilst the financial model remains balanced at present, there are a significant number of variables which could place pressure on the commercial model. These being the cost of borrowing, patronage assumptions not being in line with estimates, operating costs (i.e. power) exceeding estimates, timing of Buy Before You Board. WMCA continually assess the financial model to determine the impact of the latest projections. The farebox model currently assumes around £39m of borrowing is affordable which is the maximum downside should all the variables move against the current projections severely. In light of the number of variables and the current trends within, the risk is currently considered to be high impact and high probability. As a mitigation, the Metro and Finance Teams are continually reviewing options to negate the worst case impacts.	The commercial success of Cycle Hire is predicated upon users using the scheme. The commercial model was developed using the best information available but there are no examples of exactly equivalent schemes with which to form robust projections. As such, the WMCH schemes contains a degree of uncertainty and the initial stages of the project provide a useful point with which to forecast users on an ongoing basis, particularly as ridership demonstrates some seasonal trends. Overall, numbers are marginally lower than initial expectations, but this was recognised as a risk at the out-set of the project and funds set aside in the likelihood of a sub-optimal outcome. Given user numbers are lower than expected, the risk is high probability, but low impact.