

Wednesbury to Brierley Hill Extension

Transport and Works Act 1992

The Transport and Works

(Applications and Objections Procedure)

(England and Wales) Rules 2006



Funding Statement

Transport and Works Act 1992

Transport and Works (Applications and Objections Procedure) (England and Wales) Rules 2006 – Rule 10(3)(a)

The Midland Metro (Wednesbury to Brierley Hill Land Acquisition) Order

FUNDING STATEMENT

1. The proposed Midland Metro (Wednesbury to Brierley Hill Land Acquisition) Order would confer further powers of compulsory acquisition on the West Midlands Combined Authority (“WMCA”) for the purposes of the construction, operation and maintenance of the Wednesbury to Brierley Hill Extension (“WBHE”) scheme as authorised under the Midland Metro (Wednesbury to Brierley Hill and Miscellaneous Amendments) Order 2005 (“the 2005 Order”). Powers of compulsory acquisition under the 2005 Order expired on 22 March 2010.
2. The WBHE scheme is estimated to cost £318.1 million in 2016 prices, which includes a contingency for risks, including blight. The outturn cost, which adds forecast inflation to this figure, is estimated to be £343.6 million, and represents the amount that will need to be funded. This assumes construction of the WBHE scheme is completed by October 2023.
3. The WBHE is proposed to be funded from the following sources:-
 - Black Country Local Enterprise Board Local Growth Funding
 - Central Government Grant
 - Developers Contribution from third parties
 - WMCA Contribution (HS2 Connectivity Package)
4. The funding of the WBHE scheme is shown in Table 1 below.

Table 1

	2016/17 & Prior	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Estimated Capital Cost (QCE)	2.0	5.6	12.0	12.2	39.0	126.1	117.1	29.6	343.6
Funded By:									
BCLGF	0.4								0.4
Government Funding					70.4	126.1	10.5		207.0
WMCA Contribution	1.6	5.6	12.0	12.2	-31.4	0.0	103.0		103.0
Other Contribution							3.6	29.6	33.2
Total	2.0	5.6	12.0	12.2	39.0	126.1	117.1	29.6	343.6

5. In the Black Country Growth Deal announcement on 7 July 2014 the Government placed great importance on maximising the benefits of HS2.
6. The Growth Deal noted that the Black Country benefits from excellent regional and national transport links but in key areas this infrastructure has not kept up with the pace of growth. The Growth Deal confirmed investment in a package

of projects which began to address these challenges and improve transport connections within the Black Country, enabling better access to employment opportunities, new homes and revitalised town centres for local people. Projects announced in that funding package, such as the Wolverhampton Interchange will also prepare the Black Country for the arrival of HS2 and the opportunities for national and international growth it will create.

7. The first West Midlands Devolution Deal published on 17 November 2015¹ and the HS2 Connectivity Package² identified the WBHE scheme as a high priority and subsequently included it as a named scheme within this £8bn package of investment as described in paragraph 10 below. Funding of £250 million from the new Transforming Cities Fund was allocated to WMCA by the Government on 20 November 2017, including the Government funding requested in the Outline Business Case³. This was confirmed within the second West Midlands Devolution Deal announced on 23 November⁴. The WMCA Board approved the allocation of £207 million of this funding to the WBHE project on 8 December 2017.
8. The Black Country Local Enterprise funding of £400,000 has already been provided and expended on early stage scheme development.
9. The £33.2 million of “Other Funding” in Table 1 is expected to be provided by third party funding. Funding discussions will be held with the Brierley Hill Enterprise Zone and contributions will be sought from third parties. Such contributions will be confirmed prior to a Final Business Case submission, anticipated to be made in 2020
10. The WMCA contribution of £103.0m is funded as part of the HS2 Connectivity Package included in the WMCA devolution Investment Programme of £8bn. The WMCA Board approved this funding on 30 April 2017. Should any funding gap need to be met from additional resources, options may include the re-prioritisation of existing project commitments or additional developer / Enterprise Zone contributions.
11. The WMCA Transport Budget is funded by a Levy from the seven metropolitan councils. An option of last resort would be WMCA prudential borrowing which would require an additional increase in the Levy to fund the costs of the interest and principal on the loan if the scheme is not able to make a positive contribution through operating or other revenues.
12. Where the WMCA prudentially borrows it is important to set out the implications of that borrowing on the Authority. For example, were WMCA required to fund the full £33.2m, the impact of the borrowing on the Authority

¹ <https://www.gov.uk/government/publications/west-midlands-devolution-deal>

² <https://www.tfwm.org.uk/media/1102/hs2-connectivity-package.pdf>

³ <https://www.gov.uk/government/news/record-boost-to-rd-and-new-transport-fund-to-help-build-economy-fit-for-the-future>

⁴

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/662138/A_Second_Devolution_Deal_for_the_West_Midlands.pdf

would result in an £1.7m annuity loan payment over 40 years at an interest rate of 4%.

13. The Metro cash flows are a primary revenue source against which WMCA can secure borrowing, thus reducing any potential burden or impact on the WMCA budget. The borrowing will be funded from a combination of devolution grant and local taxation uplifts and it is anticipated by bringing operations in house the cost of this debt can be funded through the increase in operating revenue accruing to the authority after financing required capital renewals.

Blight Expenditure

14. Blight expenditure is not anticipated to arise as a consequence of this application, however any such costs will be met from contingency provisions made in scheme cost.