

WBHE/D4/B

Wednesbury to Brierley Hill



Final Business Case

West Midlands Metro Wednesbury to
Brierley Hill Extension

Financial Case

February 2019

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F1 – Cost Summary

Financial Case Compliance

The table below, taken from the Department for Transport's guidance on its approach to making major investment decisions, *The Transport Business Case* (April 2011), demonstrates the Financial Case's fit with requirements.

Element	Addressed in MCF Case	Section
Introduction	Setting out approach to assess the affordability of the scheme	Chapter F1
Costs	Cost breakdown by year, component and funding source	Chapter F2 – Cost Estimation & QRA: Table 3.2; Appendix F1
Budgets/Funding Cover	Funding cover for the project	Chapter F3 – Local Funding

F1. Introduction

Background

- 1.1 This Financial Case has been developed in accordance with the DfT's Transport Business Case guidance. It presents the affordability of the Midland Metro Wednesbury to Brierley Hill Extension scheme.

Outline of the Financial Case

- 1.2 The elements that describe the case are set out in two chapters. The chapters cover the following areas:
- Chapter F2 – Cost Estimation and QRA sets out the capital costs of the project
 - Chapter F3 – Funding describes the project funding arrangements

F2. Cost Estimation & QRA

Introduction

- 2.1 In preparing this business case, WMCA has carried out, through the Midland Metro Alliance, an estimate of the costs for implementing the project in order to ensure it provides a comprehensive, robust and reliable basis for the consideration of the Financial and Value for Money (Economic) Cases. This has considered all the major elements of the project, including trackwork and associated infrastructure, utilities diversions, land acquisition and tram purchase. The estimated cost is based upon a strong cost library using cost data from other Midland Metro Alliance schemes, informed by their recent experience in production of costs for the Centenary Square and Wolverhampton City Centre extensions as well as the out-turn costs of the Bilston Road Track Replacement Phase 2 project.
- 2.2 The estimated capital cost for the extension of Midland Metro Wednesbury to Brierley Hill Extension scheme is £449.5m including £[REDACTED] of additional trams required to run the service.
- 2.3 The current cost estimate is based upon the following:

Table F1.1: Basis of Current Cost Estimate – Metro

Cost element	Status
Preparatory Costs	Actual costs incurred to end March 2019.
Programme Management Costs	Forecast costs based upon the Programme Delivery team structure as set out in this Business Case
Utilities	C3/C4 cost estimates from utilities
Metro Infrastructure	Design and construction costs estimated by MMA commercial team based on preliminary design using established construction industry production and cost rates coupled with QRA approach to assessment of price risk.
Risk	Ongoing risk management embedded into the project development procedures
Trams	Market costs based on extensive market soundings and intelligence from declared UK and EU prices/contracts.
Value Engineering	Opportunities to reduce construction costs through value engineering and value management of the project have been identified and are being explored by MMA and TfWM but are excluded from the current estimates

Risk allowances

- 2.4 Transport projects are inherently risky and subject to uncertainties due to the long planning horizon and complex interfaces. Often the project scope or ambition level will change during project development and implementation due to uncertainty at the earlier project stages. Hence, a certain degree of budget uncertainty exists which will typically be reduced through the project cycle. Appropriate risk allowances have been included within the capital costs based upon the Quantified Risk Allowance undertaken as part of the Risk Management Strategy, which is set out in Chapter E-8 of the Management Case.

F3. Funding

Introduction

- 3.1 This chapter presents the proposed approach for funding the Midland Metro Wednesbury to Brierley Hill Extension. It is based upon the scheme costs described in Chapter F2 and set out below. The scheme is proposed to be funded from devolved Local Transport Growth Deal Funding, together with significant funding from Central government and WMCA Contribution.

Table 3.1: Outturn Scheme Cost Estimate (£m)

Scheme element	Base Scheme Costs	Risk	Total
Metro	██████	██████	396.3
Trams	██████		53.2
Total	404.9	44.6	449.5

Proposed Funding

- 3.2 In the GBSLEP Growth Deal announcement on 7 July 2014 the Government placed great importance on maximising the benefits of HS2.
- 3.3 The Growth Deal noted that HS2 is a game-changing opportunity for the West Midlands area, with two stations in Phase One: Birmingham Curzon in Birmingham city centre, and the Interchange in Solihull, adjacent to the NEC and Airport within the Hub of UK Central.
- 3.4 The Devolution Deal and HS2 Growth Strategy Implementation Plan identified the Wednesbury to Brierley Hill scheme as a high priority and subsequently included it as a named scheme costing £310m within the £8bn package of investment to provisionally be funded from two sources; £103m from WMCA contribution as part of the HS2 Connectivity Package and £207m from a separate ask to Government.

- 3.5 The Devolution Deal agreement made specific reference to this scheme in suggesting that as part of establishing a prioritised investment programme, the Combined Authority should bring forward business cases for individual transport projects for the government to consider, where required in line with existing agreements and processes, including the HS2 Interchange.
- 3.6 For WMCA to fully meet the maximum £449m current estimated cost, other funding contributions will be required to cover any expenditure above the £310m and therefore cover any risk expenditure incurred above that allowed for in the current cost estimate.
- 3.7 The funding package proposed and the cost phasing has been adjusted for the current delivery schedule.

Table 3.2: Annual Funding Requirements (£m)

	£m							
	Actuals to date	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Estimated Capital Cost (QCE)	7.4	13.4	37.1	92.0	105.0	114.4	80.2	449.5
Funded by:								
<i>BCLGF</i>	<i>0.4</i>							<i>0.4</i>
<i>Government funding</i>	<i>7.0</i>	<i>13.4</i>	<i>37.1</i>	<i>65.1</i>	<i>82.5</i>	<i>2.0</i>		<i>207.0</i>
<i>WMCA contribution</i>				<i>26.9</i>	<i>22.5</i>	<i>53.6</i>		<i>103.0</i>
<i>Prudential borrowing</i>						<i>58.9</i>	<i>80.2</i>	<i>139.1</i>
Total	7.0	13.4	37.1	92.0	105.0	114.5	80.2	449.5

- 3.8 Depending on the phasing of the DfT funding, WMCA funding could be drawn down first or in continuing to develop the scheme, WMCA will be required to cash-flow the early stage works until the Government funding is formally awarded allowing the scheme promoters to recover these sunk costs following the award of grant.
- 3.9 As set out in the Devolution deal a fixed contribution of £207m is confirmed from the Government with any upside cost risk borne locally.

Local Funding

- 3.10 Funding for the Midland Metro Wednesbury to Brierley Hill Extension project is a mix of devolved local funding and national funding aimed at making the most of the opportunity of HS2, with the BCLEP devolved Local Transport and DfT funding comprising 46 of the total costs.

- BCLGF Funding of £0.4m
- DfT provisional allocation of £207m.

The local funding comprises the following elements:

- WMCA Contribution of £103m is funded as part of the HS2 Connectivity Package included in the WMCA devolution Investment Programme of £8bn.

- 3.11 As there are no other sources of external funding become available to WMCA to fully meet the £449.5m estimate, local funding will be required to cover the expenditure above the £310m.

- 3.12



3.13

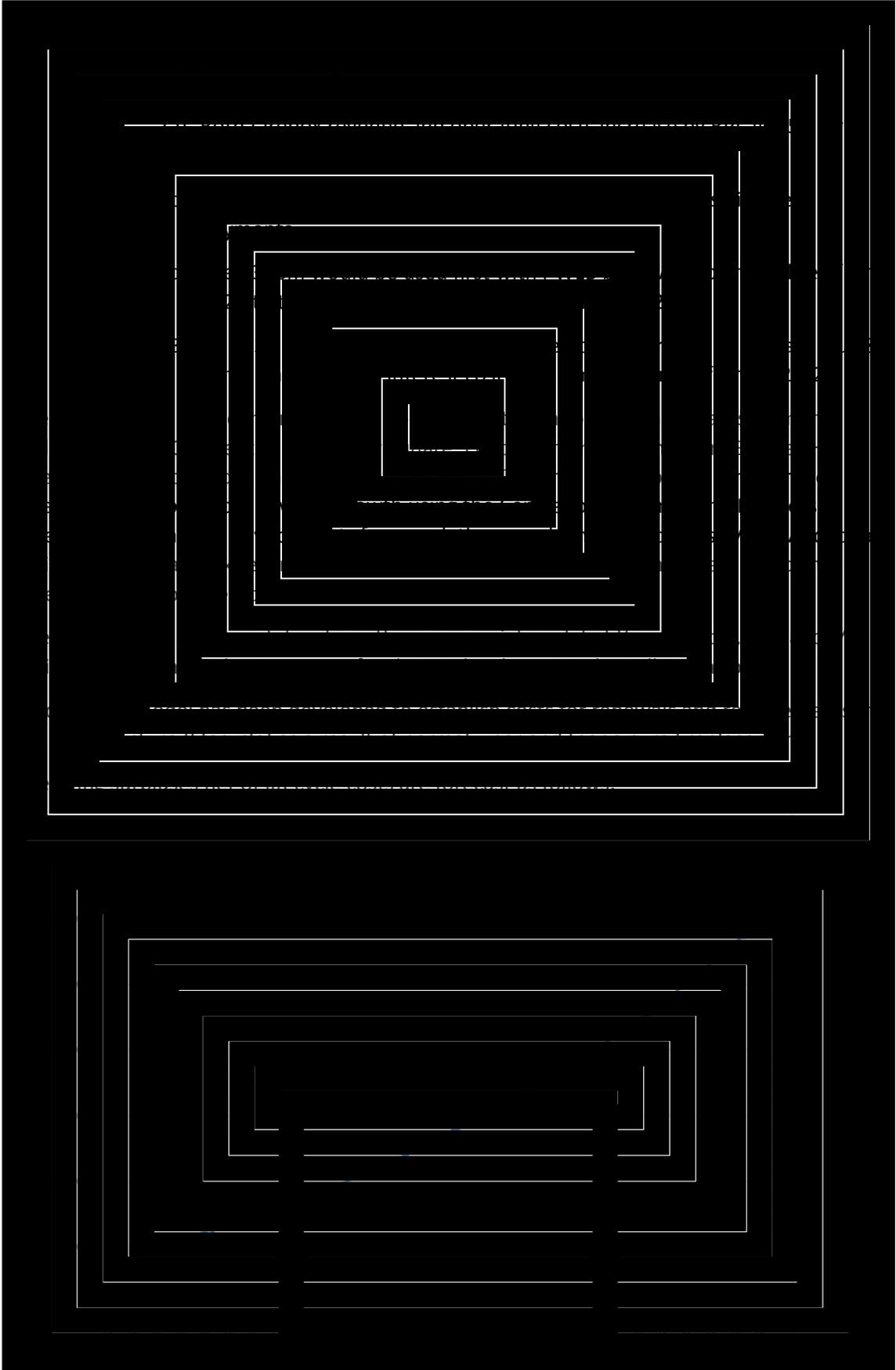
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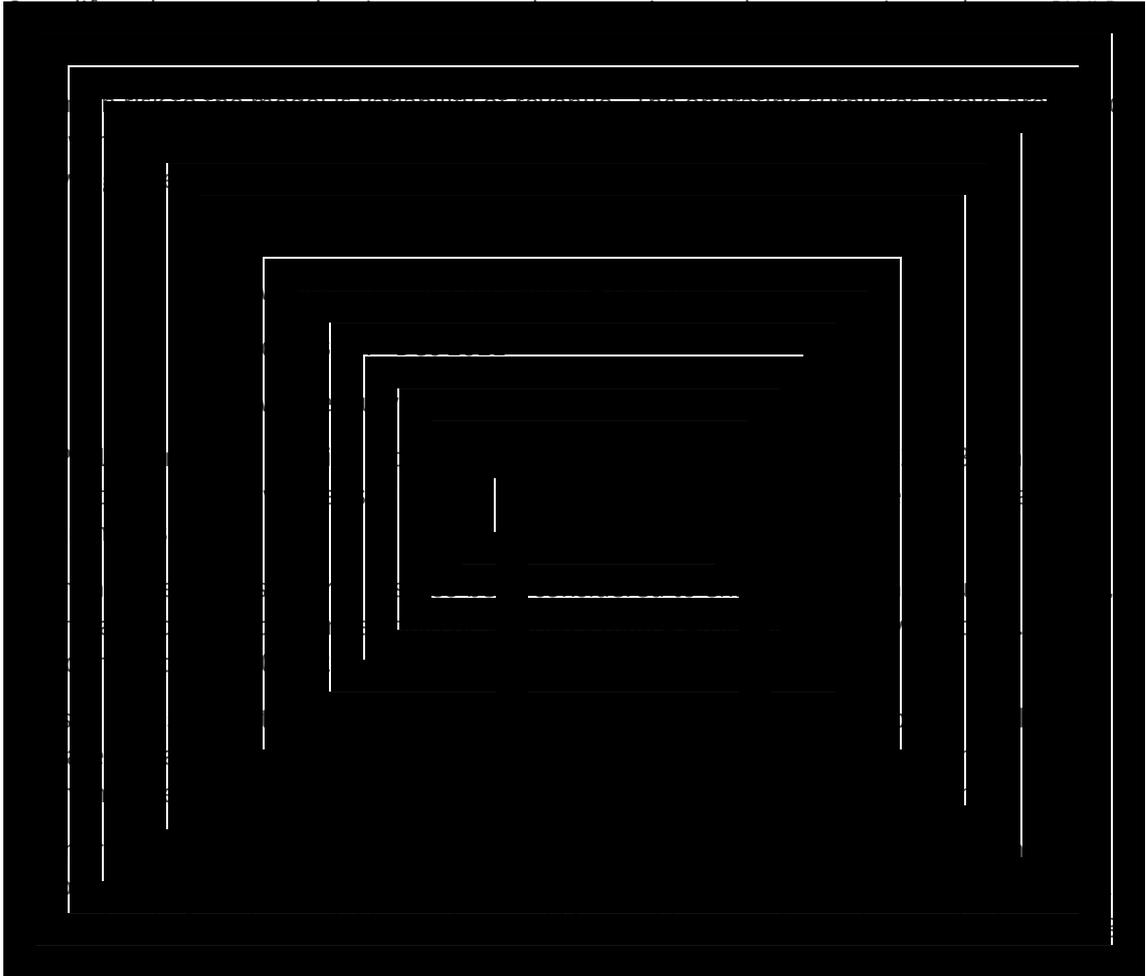
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