



Board Meeting

Date	30 September 2016
Report title	Investment Proposition and Process
Portfolio Lead	Cllr Izzi Seccombe – Finance and Investments
Accountable Chief Executive	Jan Britton Email jan_britton@sandwell.gov.uk Tel 0121 569 3501
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Report to be/has been considered by	Programme Board – 16 September 2016

Recommendation(s) for action or decision:

The Combined Authority Board is recommended to:

1. Approve that the remit for the Investment Board is extended to include assessment of major funding projects, as detailed in para 3.4
2. Agree the nominations to the board.
3. Approve the board delegations as outlined in para 3.10, and to agree that the assurance framework be changed to reflect the practical experiences of implementation as long as these changes are agreed by DCLG.
4. To delegate responsibility for agreeing these and any other changes with DCLG to the S151 officer (James Aspinall) and Chief Executive of the Black Country Consortium (Sarah Middleton)

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1.0 Purpose

- 1.1 To inform members of a Strategic Business case application from Coventry City Council for funding for their City centre regeneration project, and the expectation of a full business case submission for ultimate consideration by the board.
- 1.2 To extend the remit of the Investment board and ask for nominations.

2.0 Background

- 2.1 As part of the devolution requirements the WMCA submitted an Assurance Framework to DCLG to outline the process that would be undertaken when assessing and approving funding applications.
- 2.2 This framework was approved by DCLG in July and was the final requirement to enable payment of the £36.5M grant, which was received on 23rd August 2016.
- 2.3 The Assurance framework outlines that projects should first submit a Strategic Business case, followed by an Outline Business case and then a Final Business case. Where projects are already in progress it has been agreed that not all three business cases will be required, but that a project may move straight to the Full Business case application.

3.0 Investment Board

- 3.1 At the WMCA AGM the board approved the setting up of an investment board to make investment decisions for the collective Investment fund and land remediation funds. The full governance arrangements are set out in Appendix one.
- 3.2 The Assurance Framework outlined a process that included the creation of an Investment Committee to assess investment applications submitted to the WMCA.
- 3.3 Rather than create a new committee the proposal is to extend the remit of the Investment board to make decisions in relation to any funding submissions to the WMCA and not just the Collective Investment Vehicle and Land Remediation Fund and any other funds that the Combined Authority appoints Finance Birmingham to Fund Manage in the future.
- 3.4 The proposal is to extend the committee purpose as follows;

Make investment decisions for the Combined Authority relating to applications made in accordance with the investment program that underpinned the devolution agreement, and any other investment proposals; including the Collective Investment fund, and Land Remediation Fund and any other funds that the Combined Authority appoints Finance Birmingham to Fund Manage in the future.

Recommend these decisions to the Combined Authority Board for approval.

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- 3.5 The Assurance framework identified an approvals process that proposed that all three Business case stages (I.E. strategic business case, Outline business case and Full business case) are all approved by the Investment board and WMCA board.
- 3.6 It is proposed to change this such that the initial strategic business case is presented to the SEP board for approval, and only once approved by the SEP board, would the outline business case then go to the Investment board and if approved only the full business case be presented to the WMCA board.
- 3.7 The Assurance framework also identified that appraisal and evaluation of projects is done in a way that is proportional to the relative size of the investment. This is crucial so that project sponsors are not put off by an overly burdensome and costly application process when applying for a small amount of investment for a low value project. Similarly, it is crucial so that large investments are scrutinised and tested appropriately.
- 3.8 The Assurance framework had a working assumption of thresholds as follows:
- Small < £5m
 - Medium £5m to £20m; and
 - Large > £20m
- 3.9 All projects are however still expected to go through the same fundamental process of producing the three stage business cases.
- 3.10 The proposal is to adopt the Assurance framework assumption levels with delegation being given as follows:
- Small < £5m : Delegated to WMCA Management Board
 - Medium £5m to £20m; Delegated to WMCA Investment Board, and
 - Large > £20m retained by the WMCA board
- 3.11 The delegation to the management board relates only to projects that have already been included within an agreed Capital program E.G. The integrated transport block capital program.
- 3.12 The flowchart attached as Appendix 2 outlines this process and delegations
- 3.13 These proposed changes are supported by DCLG and they have agreed that any further changes that arise out of practical application of the framework can be made with their agreement.
- 4.0 Coventry Submission**
- 4.1 In order to inform the WMCA of their project Coventry City Council have submitted a Strategic Business case and will then move straight to the Full Business case application.
- 4.2 They are currently midway through a detailed procurement process which should culminate in December with the appointment of a developer for the project. The WMCA needs to be aware of this ongoing process as, Coventry City Council have requested that if possible they would like to have a WMCA decision before the end of November/early December.

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4.3 The review and approval process as set out in the Assurance framework requires a four phase assessment process in advance of presentation to the WMCA for final decision.

- Technical Approval Panel Review
- Investment Advisory Group Review
- WMCA Management Board recommendations
- WMCA Investment Board Appraisal and recommendation
- WMCA Board final decision

4.4 The Technical Approval Panel and Investment Advisory group have been established and will therefore advise the WMCA Management board and the Investment Board.

4.5 In order to assess the Coventry Submission the Investment Board needs to be established and meet in both October and November in order to be able to meet the December timetable that Coventry City Council have requested.

4.6 The provisional dates and timetable are as follows:

14 September	Technical Appraisal Panel (SBC review)
3 October	Investment Advisory Group (SBC review)
29 September	WMCA Management Board (SBC review)
Week commencing 10 October	Investment Board (SBC review)
Week commencing 3 October	Technical Appraisal Panel (FBC)
Week commencing 17 October	Investment Advisory Group (FBC)
10 November	WMCA Management Board (FBL)
Week commencing 14 November	Investment Board review and recommendation
2 December	WMCA Board

4.7 This timetable assumes the Coventry City Council will have a first draft of the Full Business case available by the end of September. It is acknowledged by all parties that this is likely to be an iterative process and therefore we shall all be as flexible as possible. Recent discussions with Coventry City council have indicated that they are unlikely to have the full business case available until the end of October and we are working with them to establish a revised timetable and what commitment they need for the end of November.

4.8 This will enable the Investment Board to bring a report and recommendation to the 2nd December WMCA Board which will be in time for the 6th December Coventry City Council Meeting.

5.0 Financial implications

5.1 The SBC indicates a contribution from the WMCA of £100m. The Investment Programme outlined within the devolution agreement included a total contribution for Coventry City Centre regeneration of up to £150m which would come from WMCA borrowing.

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5.2 The WMCA borrowing is to be funded by the annual £36.5m grant, Business rate supplements, Business rate growth and a Mayoral precept.

5.3 Negotiations are still to be had with DCLG regarding the Business rate growth assumptions; and the Mayoral precept, and Business rate supplements are dependent upon the future Mayor.

6.0 Legal implications

6.1 If the request is ultimately approved there will need to be a formal funding agreement drawn up between Coventry City Council and the WMCA incorporating any conditions that the board may wish to be included.

7.0 Equalities implications

7.1 There are no direct equalities implications arising from the paper.

8.0 Schedule of background papers

7.1 None

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Appendix 1

Investment Board	
Governance Type	Policy Development & Delivery
Purpose	Make investment decisions for the Collective Investment Fund and Land Remediation Fund and any other funds that the Combined Authority appoints Finance Birmingham to Fund Manage in the future.
Membership	<p>Members</p> <ul style="list-style-type: none"> • 1 Independent Chair of the Investment Board • 3 Councillors • 3 Local Enterprise Partnership (LEP) Chair • 1 Finance Birmingham representative (non-voting) <p>Advisers</p> <ul style="list-style-type: none"> • Finance Birmingham • Officers of the Combined Authority • Constituent Councils and Non-Constituent Councils.
Chair	An independent chair shall be appointed by the Combined Authority Board. A Vice Chair will be appointed by the Investment Board.
Voting	All Members of the Investment Board have one vote. The Combined Authority Board or funding organisation will have the power of veto.
Quorum	The quorum for the Investment Board shall be three members.
Frequency	The Investment Board will meet monthly.
Allowances	No allowances to be paid. Expenses to be paid by the Combined Authority. The Independent Chair will be remunerated if approved by the Combined Authority Board.
Servicing	Finance Birmingham will organise appropriate servicing for the Investment Board

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Functions

- I. Finance Birmingham (FB) will manage the Collective Investment Fund and Land Remediation Fund within its existing permissions and consistent with its existing fund management models
- II. Finance Birmingham will advise the Investment Board on investments and then drawdown from the respective councils via an accountable body
- III. The decision to proceed with an investment will be taken by the investment board
- IV. Finance Birmingham will report quarterly to the Combined Authority Board of its performance against the objectives in the Investment Strategy.

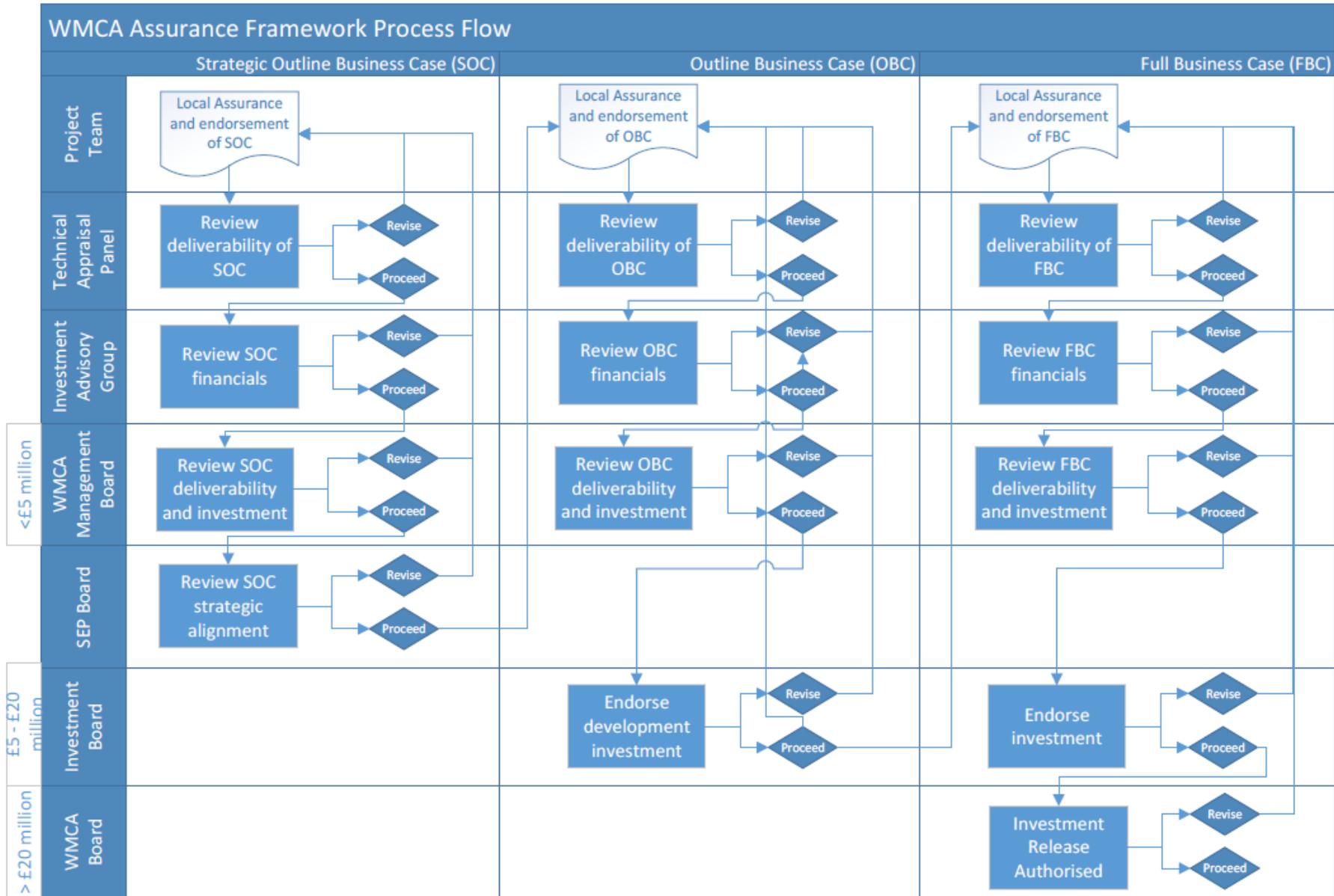
The Investment Board will:

- I. Discuss investment proposals
- II. Provide appropriate challenge to investment proposals
- III. Make investment decisions for the Collective Investment Fund (CIF) and Land Remediation Fund (LRF) and any other funds that the Combined Authority appoints Finance Birmingham to Fund Manage in the future
- IV. Approve sponsored applications to be awarded funding
- V. Approve and oversee investments made via the Collective Investment Fund (CIF) and the Land Remediation Fund (LRF)
- VI. Make appropriate decisions and share responsibility for and uphold all decisions made by the Board
- VII. Report to the Combined Authority as described above.

Review

To be reviewed June 2017

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