

## Audit, Risk & Assurance Committee

<b>Date</b>	11 March 2024
<b>Report title</b>	Overview of WMCA Arm's Length Companies
<b>Portfolio Lead</b>	Councillor Bob Sleight, Finance
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<b>Report has been considered by</b>	Not applicable

### Recommendation(s) for action or decision:

#### Audit, Risk and Assurance Committee recommended to:

- (1) Consider and comment upon the information contained within the report in relation to the companies in which the WMCA has an interest.

#### 1. Purpose

- 1.1 To update ARAC on the companies in which WMCA has an interest.

## 2. Background

- 2.1 ARAC previously received a report summarising the WMCA's Arm's Length Companies.
- 2.2 There was ongoing work within the legal & governance and finance teams of the WMCA to review the arrangements for wholly owned companies, including review of shareholder agreements where necessary. This included consideration of appropriate reporting mechanisms and monitoring of the companies.
- 2.3 It was agreed that an annual report would be provided to ARAC at its final meeting of each municipal year.
- 2.4 The previous report to ARAC brought members' attention to issues within the Grant Thornton Report from September 2022 entitled "Lessons from Public Interest Reports and other interventions" which highlighted the importance of monitoring public owned companies and managing risks. <sup>1</sup>

## 3. Details of companies

3.1 The WMCA has a number of Arm's Length Companies as detailed below:

### 3.2 **WM5G Ltd – Company Limited by Guarantee (amount not exceeding £1)**

Type: Private company limited by guarantee.

Established: Incorporated 26 February 2019

Purpose: To accelerate the benefits and deployment of 5G throughout the region

Stake: 100% - it is a wholly owned subsidiary of the WMCA

Structure: Independent Chair – Mark Stansfeld

Non-Executive Directors – Nider Johal and Tracey Westall

Managing Director – Robert Franks

Investment and Commercial Activities Director – Ian Martin

Observers

2 x DCMS reps

Number of

Employees: Average monthly number of employees, including directors, during the year 2022 was 20.

Turnover: Year ending 31 March 2023 £3,057,969

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<sup>1</sup> [Grant Thornton Report from September 2022 entitled "Lessons from Public Interest Reports and other interventions" - Search \(bing.com\)](#)

Agreement: Members Agreement dated 23 May 2019 subsequently amended via a Deed of Amendment and Reinstatement dated 03 August 2022.

Meetings: Regular Shareholder Meetings

Delivery: Delivery against WM5G's initiatives included in the Plan for Growth (P4G) and is monitored through the WMCA's membership at the Urban Connected Communities Strategic Board (via the WMCA CEO) and the WM5g Board (via the Director of Public Service Reform and Managing Director of Wolverhampton City Council)

Support: Some support services are provided by WMCA through a Service Level Agreement (Legal, Data Protection, Business Continuity and Insurance)

WM5G manage their own financial risk, risk management and procurement activities directly through the utilisation of WMCA systems.

Regular reporting is maintained as defined within the Member Agreement which also contains measures enabling WMCA to maintain control over WM5G through reserved matters.

### 3.3 West Midlands Development Capital Limited

Type: Private limited company

Established: Incorporated May 2017

Purpose: To act as

- the fund manager for two WMCA investment funds
- an Investment Advisor for the Brownfield Land and Property Development Fund
- an Investment Advisor for the Collective Investment Fund

Stake: 100% - it is a wholly owned subsidiary of the WMCA

Structure: Director – Linda Horne (WMCA) – note WMCA have not yet appointed an additional director following the departure of Julie Nugent.

Director – John Handley

Director – Suzanne Summers

Number of Employees: The Company has no employees, other than directors, who receive no remuneration. This company is used as a vehicle for work due to the restrictions on the CA as a public body.

Net Assets: Year ending 31 March 2023

2023 (£)	2022 (£)
151,534	91,485

The company is a small company and is exempt from filing full accounts.

Agreements: None

Meetings: Direct liaison with the Housing, Property and Regeneration Directorate and with the Director of Commercial and Investment who is the SRO for CIF to provide a fund monitoring dashboard to the Investment Advisory Group and Investment Board each Month

Delivery: See meetings section above.

Support: Support is sought from the WMCA for Data Protection purposes including it being subject to the WMCA's policies and procedures for this area

Audit: An external auditor (Smith Cooper) has been appointed to audit the financial accounts

### 3.4 Midland Metro Limited

Type: Private limited company

Established: Incorporated 24 June 2018

Purpose: To operate the current metro operations within the West Midlands

Stake: 100% - it is a wholly owned subsidiary of the WMCA

Structure: 4 Directors (1 x Executive, 2 x non-executive and 1 independent non-executive director)

Linda Horne

Sophie Allison

Laura Shoaf

Philip Hewitt (independent non executive director who is also Chair of the Board)

There is also provision to appoint a second non-executive director.

Number of

Employees: The average monthly number of employees, including directors, during the year 2023 was 264 and in 2022 was 242. No directors received any remuneration in respect of their services to the company.

Turnover: Year ending 31 March 2023

2023 (£)	2022 (£)
10,008	10,312

Agreements: Public Service Contract

Shareholders Agreement with shareholder representative being the Director of Law & Governance

Meetings: Regular Board meetings attended by Directors and shareholder representative

Delivery: Business continuity and insurance arrangements are in place.

Support: A number of support services are provided by WMCA (Procurement, Legal and Finance) all of which follow WMCA procedures. Under a SLA with Corporate Services, financial services for MML are provided by WMCA.

Audit: The shareholding agreement has specified the performance reporting requirements that MML are required to adhere to as specified by the WMCA

MML has its own internal audit committee that meets quarterly.

Risks related to MML are escalated from the MML Board to the TfWM Board and then to the Corporate / Strategic risk register where appropriate.

### 3.5 West Midlands Growth Company Ltd

Type: Private company, limited by guarantee without share capital.

Established: Incorporated 26 April 1982

Purpose: To attract investment, jobs, visitors and businesses to the West Midlands in support the West Midlands Combined Authority’s strategic economic plan targets, working with a range of partners – public, private and higher education sectors - on projects and programmes that deliver for the region.

Stake: Owned by WMCA and the 7 Constituent Authorities

Structure: There are currently 20 Directors. There are Company Members and Directors of the Board. Company Members are split into A Members and B Members. A Members each appoint a Director to the Board and collectively, the B Members appoint 3 Directors. In addition, A Members are entitled to appoint further Directors (so the total number of A Directors is not exceeding 22):

<b>A Members</b>	WMCA Birmingham City Council Coventry City Council Dudley MBC Solihull MBC Sandwell MBC Walsall City of Wolverhampton Council
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<b>A Directors</b>	Cllr Patrick Harley (Dudley) Tim Johnson (Wolverhampton) Andy Williams (Coventry) Laura Shoaf (WMCA) Matt Hammond (PwC) Rob Valentine (Bruntwood) Sally Scott (Advanced) Paul Thandi (NEC Group) Andrew Lovett (Black County Living Museum) Tom Westley (The Westley Group) Jane Whitlock (Deloitte) Cllr Adrian Andrew Nicholas Barton John Cotton Ian Courts Monica Fogarty Shokat Lal David Uzochukwesi Neil Rami
<b>B Members</b>	Aston University Birmingham City University University of Birmingham University of Warwick University of Wolverhampton Stratford Upon Avon DC.
<b>B Directors</b>	Prof Adam Tickell (University of Birmingham)

Number of Employees: The average monthly number of employees during the year 2023 was 91.

Turnover: Year ending 31 March 2023

2023 (£)	2022 (£)
10,926,454	8,885,634

Agreements: Service Level Agreement

Meetings: Regular Board meetings and meetings with WMCA and other stakeholders.  
Also reports to Executive Board and Economic Growth Board quarterly, so there is visibility of their activity.

Delivery: Business Plan approved by WMCA Board

Support: Collaborative working

Audit: An external auditor (Dains Audit Limited) has been appointed to audit the financial accounts

### 3.6 West Midlands Rail Limited

Type: Private company limited by guarantee without share capital

Established: Incorporated 10 April 2014

Purpose: A not-for-profit company owned by local authorities in the region. It works with the Department for Transport, Network Rail and other organisations and its role is to:

- specify and manage the West Midlands Railway train service contract
- upgrade train stations and build new ones on behalf of Transport for West Midlands and other partners.
- support improvements for passenger and freight train services
- plan future network improvements in the region
- maximise the benefits of the rail network for local communities.

Stake: Owned by WMCA and the seven geographically located Local Transport Authorities.

Structure: Councillor Pervez Akhtar – Director  
Cllr Adrian Andrews – Director  
Cllr Michael Bird – Director  
Peter Butlin – Director  
Lee Carter – Director  
Cllr Elizabeth Clements – Director  
Craig Collingswood – Director  
John Cotton – Director  
Cllr Ian Courts - Director  
Andrea Goddard – Director  
Kenneth Hawkins – Director  
Peter Hughes – Director  
Phillip Larratt – Director  
Richard Marshall – Director  
Cllr James O’Boyle – Director  
Simon Phipps – Director  
Philip Price - Director  
Michael Rouse – Director  
Cllr Isabelle Seccombe – Director  
Stephen Simkins – Director  
Philip White – Director  
David Williams – Director

The Mayor of WMCA is the Chair and is entitled to speak at the meetings but not vote.

Number of Employees: Average monthly number of employees, including directors, during the year 2022 was 0. The Company has no employees, other than directors.

Turnover for the year ending 31 March 2023 £897,603

Agreements: Governance Note and SLA was approved by the WMR Board in March 2022. The SLA is for the provision of certain support services particularly in respect of governance, finance and legal services. WMCA will provide services for the arrangements and conduct of its WMR board meetings

Support: West Midlands Rail Executive are not registered with the ICO as a Data Controller. WMCA take full responsibility for WMRE Data Controller responsibilities. – For data protection they are subject to all WMCA policies, procedures and data protection assurance.

Audit: An external auditor (Williamson & Croft Audit Limited) has been appointed to audit the financial accounts

### **3.8 Black Country Innovative Manufacturing Organisation Ltd (BCIMO)**

Type: Private Company, limited by guarantee without share capital.

Established: Incorporated 23 May 2019

Purpose: BCIMO is the driving force behind a state-of-the-art research and development facility based in Dudley. This multi-purpose centre, situated at the heart of the Black Country, offers a host of unique facilities including a Rail Development and Test Site, Engineering Laboratories, Serviced Offices and an Events Suite.

Stake: 50% - it is jointly owned with Dudley Metropolitan Borough Council

Structure: 4 Directors – Jonathan Beasley, Philip Marsh, Neil Fulton and Robert Evans. Currently neither DMBC nor WMCA have a director on the Board.

Number of Employees: Average monthly number of employees for year ending 2021 was 3 and for 2022 was 7.

To Note: There are currently discussions underway with Dudley MBC (also listed as a person with significant control) and the company, about its future operating model with a report coming to WMCA Board on 15 March 2024.

### **3.7 Help to Own**

Type: Limited Liability Partnership.



Established: H2O1 Incorporated 3 March 2021 and H2O2 on 9 March 2021

Purpose: H2O1 LLP is “the Group”. A Limited Liability Partnership and H2O2 LLP is the vehicle that carries out the Marches development and investment in 100 homes at The Marches.

Stake: 50% - it is jointly owned with Wolverhampton City Council.

Structure: Ian Martin acts as Chair for the HTO meeting. Ian Martin and Carl Pearson are appointed as Member Representatives. The Members are Wolverhampton City Council and WMCA for each LLP, which is owned and run by its Members. Neither of the member representatives have any fiduciary duty to the LLP but rather there is an appointed manager who administers such activity and the Member representatives rely upon their reports.

Meetings: Regular reports from the LLP to the Members.

Delivery: It is reported on Housing and Land dashboards received by Investment Board on a monthly basis, and anything significantly outside the approved business plan is taken back to Investment Board for decision.

Audit An external auditor (Haines Watts Birmingham LLP) has been appointed to audit the financial accounts

### 3.8.1 **WMCA JV Ltd**

Type: WMCA JV Ltd is a private company limited by shares.

Established: Incorporated on 16 March 2023

Purpose: WMCA JV Ltd was established as a vehicle for the investments into WM Co-Investment Fund

Stake: 100% - it is a wholly owned subsidiary of the WMCA

Structure: 2 Directors – Ian Martin and Carl Pearson

Note: this is a newly established company and further information can be found in this press release: [Pioneering £25 million investment fund launched to help grow region’s industries of the future \(wmca.org.uk\)](https://www.wmca.org.uk)

3.9 WMCA also has dormant companies as follows. These are kept under review and will be wound up if considered that they are no longer needed or likely to be needed.

#### **Midlands Development Capital Ltd**

100% wholly owned company incorporated March 2017

#### **Network West Midlands Ltd**

100% wholly owned company incorporated July 2000

#### **4. Strategic Aims and Objectives**

4.1 Not applicable

#### **5. Financial Implications**

5.1 WMCA's Finance team are involved with the wholly owned companies, to differing levels as detailed in the report above and as appropriate in the circumstances. There are no specific financial asks or recommendations from this report.

#### **6. Legal Implications**

6.1 When companies have been established, legal advice has been provided whether by the WMCA internal legal team, or in some cases by external lawyers. Legal advice is sought and given on any matters affecting the companies or the WMCA in relation to the companies, as appropriate. Companies are established only when it is not possible to achieve the required outcomes through WMCA. There are no specific legal implications to this report.

#### **7. Single Assurance Framework Implications**

7.1 Not applicable

#### **8. Equalities Implications**

8.1 Not applicable

#### **9. Inclusive Growth Implications**

9.1 Not applicable

#### **10. Geographical Area of Report's Implications**

10.1 The companies identified in this report work across and relate to the whole of the geographic area of WMCA.

#### **11. Other Implications**

11.1 None

#### **12. Schedule of Background Papers**

12.1 None