



West Midlands
Combined Authority

Audit, Risk & Assurance Committee

Date	12 November 2019
Report title	Midland Metro Limited Governance update
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Report has been considered by	n/a

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- (1) Note the revised management arrangements following personnel changes in TfWM
- (2) Note the update to the actions as a result of the Internal Audit report presented in August 2019
- (3) Confirm that there is no requirement for a separate Audit and Risk Committee for Midland Metro Limited, and that the WMCA Audit and Risk Committee will carry out this function

1.0 Purpose

This report provides an update to the Audit and Risk Committee on the governance arrangements for the operator of the West Midlands Metro, Midland Metro Limited, with particular reference to recent changes in management and governance and the recommendations received from Internal Audit in August 2019.

2.0 Background

An Internal Audit paper was presented to the Audit and Risk Committee in August 2019 relating to the governance arrangements of Midland Metro Limited which contained several recommendations for implementation (Appendix 1).

The Director, West Midlands Metro, departed WMCA in September 2019 and revised management and governance arrangements have been put in place. These entail the TfWM Director of Customer Experience taking the role of Midland Metro Limited Chair. The new arrangements are outlined in Appendix 2. There will continue to be no independent director on the Board of MML.

In addition to these arrangements, there will be closer working between Midland Metro Limited and TfWM primarily in the area of marketing and communications in order to a) better utilise the resources available to TfWM and b) ensure a joined-up approach with wider transport initiatives e.g. region-wide ticketing enhancements, local partnerships.

3.0 Update on Internal Audit recommendations

The status of the Internal Audit recommendations are as follows:

- 2.1 Shareholder's Representative – The Head of Governance has been appointed as the Shareholder's Representative and a briefing is being arranged on the requirements of the Shareholders Agreement
- 2.2 Authority's Representative –
 - i. Under the new management structure the Authority's Representative is not a Director of MML in line with the recommendation
 - ii. Enhanced performance reporting will be developed with interim Director, West Midlands Metro
 - iii. Any conflicts will be raised as they occur

4.0 Implications of the closer relationship

Following the closer working relationship between TfWM and Midland Metro Limited, legal advice has been sought in order to ensure that there are no adverse implications for either Midland Metro Limited or WMCA.

The advice focused on potential implications for pensions and health and safety, and concluded that there were no adverse implications for either; there was no impact on employment arrangements, and the Public Services Contract between WMCA and Midland Metro Limited built in protections around health and safety requirements in regards to the Railways and Other Guided Transport Systems (Safety) Regulations 2006 (ROGS).

In addition, the legal advice noted that the rationale for the direct award to Midland Metro Limited was that as control was exercised over the entity as if it were a department of WMCA. Therefore it is questionable whether there is a requirement for an independent director on the Board or an independent Audit and Risk Committee.

5.0 Financial implications

N/A

6.0 Legal implications

Legal advice has been sought and the results outlined above.

7.0 Equalities implications

N/A

8.0 Other implications

N/A

9.0 Schedule of background papers

Appendix 1 – Internal Audit report on MML governance

Appendix 2 – revised MML governance arrangements