

WMCA Board

Date	15 July 2022
Report title	Review of Governance Arrangements - Update
Portfolio Lead	Deputy Mayor Councillor Bob Sleigh
Accountable Chief Executive	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
Accountable Employee	Satish Mistry, Interim Director of Law & Governance email: satish.mistry@wmca.org.uk
Report has been considered by	Programme Board - 1 July 2022

The WMCA Board is recommended to:

- (1) Note the update on the Governance Review
- (2) Note the progress on the Transport Governance Review
- (3) Note the Review of Midland Metro Limited (MML) and Midland Metro Alliance (MMA) arrangements and the proposed actions

1. Purpose

- 1.1 The purpose of this report is to update the Board on the progress of the overall Governance Review, to provide an update on the progress of the Transport Governance Review and to advise Members on the outcome of the Midland Metro Limited (MML) and Midland Metro Alliance (MMA) Review and the actions being taken.

2. Background

- 2.1 Following a proposal put forward at the Mayor and Leaders liaison Meeting on 11 June 2021 an initial review of the governance of the WMCA was undertaken by a Governance Review Working Group made up of:

- Councillor Bob Sleight, WMCA Deputy Mayor – (Chair)
- Councillor Ian Brookfield, WMCA Portfolio Lead for Economy & Innovation
- Dan Essex, WMCA Governance Manager
- David Pattison, City of Wolverhampton Council
- Charlotte Johns, City of Wolverhampton Council
- Kevin Dicks, Redditch Borough Council
- Kevin O’Keefe, Dudley Metropolitan Council

2.2 The Governance Review Working Group developed a series of Recommendations:

2.3 **Recommendation 1:**

Further process of rationalisation of decision-making and advisory bodies within service areas takes place. This should be led by Directors and Portfolio Leads;

Recommendation 2:

Further improvement and refinement of reporting and engagement processes is undertaken (particular focus on quality assurance and aligning decisions to the corporate priorities);

Recommendation 3:

Engagement of a professional support officer to work between the Mayor and individual Leaders;

Recommendation 4:

Further engagement of Constituent Authorities is undertaken by SLT (opportunity to discuss upcoming items and opportunities and improve engagement and understanding);

Recommendation 5:

Further opportunities for a space to discuss policy issues (e.g. finance, levelling up, future devolution etc); and

Recommendation 6:

Further review be undertaken of engagement and inclusion of Non-Constituents.

3. Update on the Governance Review

3.1 These recommendations are now being progressed, both through the Governance Review, and through the work of individual directorates. In particular, the decision making and governance arrangements for Economic Development have been reviewed and at its meeting on the 19 November 2021 the Economic Growth Board was established to be chaired by the Portfolio Leader, providing strong democratically accountable economic leadership with decision making powers. A similar review of Transport Governance is now being undertaken, more details on this can be found in section 4 below.

3.2 With regard to reporting and engagement, this has been improved with the development of the Forward Plan to provide greater information of future proposals. Board Reports have been re-designed with a view to reports being shorter and more succinct. Work has been undertaken to develop the Single Assurance Framework and to embed the procedures designed to provide quality assurance.

- 3.3 As part of the overall governance review a Review has been undertaken with regard to Members Allowances. At its meeting on 18 March 2022 the WMCA Board agreed to convene an Independent Remuneration Panel to review and make recommendations in relation to the allowances that should be paid to the Mayor, Deputy Mayor and other members of WMCA's Boards and Committees. The Independent Remuneration Panel has now concluded its Review and its Recommendations are the subject of another report on your Agenda.
- 3.4 In order to develop more effective engagement and liaison arrangements between the Mayor and individual leaders, as well as further engagement of non-constituent authorities, the Combined Authority has also devised a role for a Head of Governance to take forward this work as well as streamlining and improving governance more generally within the organisation. This role is currently out to advert, and it is hoped that an appointment can be made in the summer.
- 3.5 Members should also be aware that work has taken place to improve governance in relation to major investment and funding arrangements. Since October, the Programme Assurance team have been working with each Directorate to strengthen the Single Assurance Framework, and to guide them through the approvals process. Documentation and proforma have been reviewed and updated to reflect feedback from the Directorates and other stakeholders, including tailoring the proforma to the requirements of specific funding streams, for example, CRSTS. The Centre of Excellence has worked with a nominated Directorate representative to create an Activity Register, to have clear sight of the programmes and projects in development, and to advise on the route to approval. Regular follow up meetings are held with the Directorates.
- 3.6 The Single Assurance Framework is applied to major/ riskier projects to provide additional assurance to support WMCA's delegated authority understand the risk exposures before approvals are made. A draft updated Single Assurance Framework guidance document is being prepared with support of the Governance team to share with Central Government in order to ensure it remains as streamlined and easy to use as possible within the Government parameters we must work to.
- 3.7 In March 2022, WMCA Board approved to extend the role and remit of the Investment Board to cover all Transport projects allowing investment decisions to be made for values between £5m and £20m in line with the Single Assurance Framework. In June 2022, WMCA Board approved this remit to be expanded to non-transport projects also.
- 3.8 Amendments to the Contractual Standing Orders were also approved in March 2022 to enable improvements to the efficiency and effectiveness of procurement activity. These increased the threshold requirements in the Standing Orders but are intended to be supported by other improvements to ensure that WMCA can continue to demonstrate value for money in procurement.

4. Progress on the Transport Governance Review

- 4.1 As the next step in the overall Governance Review it was decided that the governance arrangements for transport functions should be reviewed. The Terms of Reference were agreed at the Mayor and Portfolio Leads Liaison meeting on 28 January 2022.
- 4.2 The Terms of Reference of the Review previously agreed are as follows:

- To review the formal and informal decision making at member level on transport issues;
- To make recommendations to streamline and improve the arrangements taking into account best practice elsewhere; and
- To ensure decision making and governance arrangements are clearly understood and are communicated effectively by those who are a part of the Governance structure for transport.

4.3 The work is now underway and has been jointly commissioned by the Interim Director of Law and Governance and the Executive Director of Transport for West Midlands. The detailed work on the Review is being carried out by a combination of external and internal resource

4.4 The Review seeks to build upon the key themes identified in stage 1 of the Governance Review and deliver the governance principles that have already been agreed. The process of the Review involves a consideration of current key documentation, ways of working, practices and existing governance structure and process. The initial aim of the review is to accurately produce a full governance map of Transport as well as to make recommendation for further streamlining and improvements in decision making on Transport.

4.5 The Review is being conducted through specific interviews with key witnesses designed to build an informed picture of current effectiveness and identify key barriers and opportunities. Due to the unavailability of some key people in the lead up to elections, it has not been possible to interview all the relevant members.

To date the following interviews have been undertaken:

- Portfolio Lead for Transport
- Chief Executive WMCA
- Chair of Transport Scrutiny Sub Committee (at the time)
- TfWM Leadership Team Members

Outstanding interviews that will take place as part of the review are as follows:

- The Mayor
- West Midlands Bus Alliance
- Chair of the Transport Delivery Committee
- New Chair of the Transport Scrutiny Sub-Committee

4.6 A desk top best practice review has been undertaken across other comparable Combined Authorities with particular reference to Greater Manchester Combined Authority (GMCA) and West Yorkshire Combined Authority (WYCA) and lessons learned from a similar transport governance review undertaken by WYCA will feed into the current governance review.

- 4.7 In the course of the initial stages of the review a number of key lines of enquiry associated with key themes are emerging, these key themes have emerged as a result of interviews undertaken to date and are areas that the review will seek to investigate further and develop view on.
- 4.8 The Review is intending to complete the mapping exercise and interviews during the summer before developing a provisional report for discussion for the review sponsors. It is envisaged that the outcome of the Transport Review will be reported to Board in November.
- 4.9 Some amendments are proposed to this review and are set out in 5.6-5.8 in this report.

5. Review of Metro Arrangements

5.1 In January 2022 as instructed by the Mayor, the WMCA asked an independent industry expert to review the relationship between the WMCA, MML and MMA following the cessation of the Metro service due to safety critical cracks in the trams. While the bodywork cracks in the trams were very clearly a structural issue being addressed by the manufacturer, it was considered important that going forward the WMCA should be in the strongest possible position to ensure a safe and reliable service.

5.2 The Terms of Reference of the Review were:

To review the roles and responsibilities of each of the parties WMCA, MML and MMA under the Public Service Contract (PSC) and the Programme Alliance Agreement (PAA) and how those roles and responsibilities have been undertaken in relation to the day-to-day operation and maintenance of the Metro system and the procurement of new infrastructure.

5.3 The Review was expected to cover the following issues:

- a. Responsibility for day-to-day operations;
- b. How performance and risk under the contract are monitored;
- c. How operational and financial decisions in relation to the contract are made;
- d. How issues are escalated;
- e. Where responsibility for health and safety lies;
- f. Statutory responsibilities of both parties;
- g. Whether there are clearly defined roles and responsibilities with differentiation between those acting for WMCA and those involved in the management of MML;
- h. Whether officers have the technical capacity necessary;
- i. The role of WMCA Board;
- j. The roles and responsibilities of the Board Members of MML and the Shareholder representative and of the Authority Representative under the Public Service Agreement; and
- k. Whether there is the appropriate level of separation between these roles.

5.4 The work reported detailed findings in relation to the arrangements that are in place between WMCA and MML and the contractual arrangements between WMCA and MMA. The recommendations are set out in the table below.

- 5.5 Officers have considered these recommendations and developed a series of actions to implement the recommendations. The below action plan sets out how it is proposed the WMCA will proceed with the recommendations:
- 5.6 Although the review identified strengthening of reporting to the TDC committee as the current relevant political body on the performance of both delivery and operations, it is noted that the reviewer was not party to the wider governance review for transport that is also underway as reported in sections 4.
- 5.7 It is therefore recommended that the transport governance review also incorporates a review of the political oversight of the whole metro programme to further strengthen this part of the WMCA governance. This will be incorporated into the wider transport governance review and will look at how political oversight of delivery of infrastructure, methods, managing impacts of construction, and delivery performance can be improved.
- 5.8 The portfolio lead for transport, the chair of TDC and of the Transport Sub Scrutiny chair amongst others will be consulted on any further political governance requirements specifically around metro including the possibility of a senior political oversight forum that is embedded in the governance of the WMCA.

Recommendations and Action Plan

	Recommendations	Action Plan
a	the appointment of an engineering team within the WMCA 'owners team' who will have responsibility for 'overseeing' all WMCA assets	<p>WMCA will appoint technical roles within TfWM to improve the management of metro assets including vehicles. This will include holding to account the delivery of new infrastructure and handover to MML for operations. It will also ensure robust asset management of the existing and new assets with appropriate planned maintenance and management of the vehicles.</p> <p>In addition to this a role will be recruited to improve the management of the Public Service Contract with MML on behalf of WMCA as the Owner.</p> <p>TfWM management has identified the roles and technical expertise required drawing on similar models within other tram systems owned and operated by other transport authorities and will commence recruitment shortly.</p>
b	the introduction of the role of 'contract manager' with responsibility for managing the PSC on a daily basis on behalf of WMCA (and similarly the introduction of such a role on behalf of MML).	This will be a role in the Owner's team as per (a) above

c	a review of the Board membership of MML with particular consideration being given to the appointment of an independent Chair and Non-Executive Directors	A report will be brought to the September meeting of the Board recommending changes to the Directors appointed to the MML Board
d	the introduction of improved reporting to the TDC on the performance of MML and its compliance with the PSC to ensure additional transparency at political level	This will be carried out by the appointed Owner's Representative so that MML are not reporting on our behalf. We will work with TDC to design the level of appropriate reporting to ensure transparency. This recommendation will also feed into the wider governance review on Transport.
e	a review of the structure of the WMCA 'owners' team' to enable the Project Director to provide a more focused and strategic oversight of the PSC and PAA.	TfWM is introducing a Director of Delivery for the transport portfolio to improve the performance of delivery, manage costs and risks. This will provide greater performance management of the infrastructure delivery and hold the MMA and TfWM metro team to account.
f	to lead on a 'refresh' to all participants of the PAA of the requirements in relation to collaboration and the need to ensure commitment to achieving VFM, meeting the Alliance Charter and the Alliance Business Plan	A first step in the inclusion of Earned Value monitoring in the monthly reporting by MMA. This is currently being defined and put in place. We will take the opportunity of the MMA moving into Summer Lane to organise an event later this year to re-fresh the principles.
g	a review of the structure of the MMA team to ensure additional representation on behalf of WMCA, with particular emphasis on the inclusion of financial and commercial roles.	Metro Finance Manager now sits on MMA Leadership team. We are reviewing with our MMA partners how to improve the commercial visibility in addition to the financial oversight, with roles and responsibilities to be redefined and agreed.

6. Financial Implications

- 6.1 There are no finance arising directly from the updates on the wider governance and transport governance review updates. As these progress any financial implications that arise will be quantified and informed to Board in future updates.
- 6.2 The Metro governance review has outlined the need for additional roles within Transport for West Midlands to strengthen the owner's team. These roles are currently being reviewed which includes identifying funding sources within existing resources. The remit of these roles is to challenge which should help manage costs to ensure delivery is efficient and robustly managed.

7. Legal Implications

7.1 There are no further legal implications in addition to those contained in the Report.

8. Equalities Implications

8.1 There are no further equalities implications flowing from the contents of this report.

9. Inclusive Growth Implications

9.1 There are no inclusive growth implications flowing from the contents of this report.

10. Geographical Area of Report's Implications

10.1 None specifically

11. Schedule of Background Papers

11.1 West Midlands Combined Authority Governance Review 2021