



West Midlands Combined Authority

WMCA Board

Friday 15 July 2022 at 11.00 am

Minutes

Constituent Members

Andy Street (Chair)	Mayor of the West Midlands
Councillor Mike Bird	Walsall Metropolitan Borough Council
Councillor Ian Brookfield	City of Wolverhampton Council
Councillor Ian Courts	Solihull Metropolitan Borough Council
Councillor George Duggins	Coventry City Council
Councillor Patrick Harley	Dudley Metropolitan Borough Council
Councillor Peter Hughes	Sandwell Metropolitan Borough Council
Councillor Brigid Jones	Birmingham City Council
Councillor Abdul Khan	Coventry City Council
Councillor Stephen Simkins	City of Wolverhampton Council
Councillor Bob Sleigh	Solihull Metropolitan Borough Council
Councillor Ian Ward	Birmingham City Council

Non-Constituent Members

Councillor Matthew Dormer	Redditch Borough Council
Councillor Tony Jefferson	Stratford-on-Avon District Council

In Attendance

Lee Barron	Midlands Trades Union Congress
Councillor Cathy Bayton	Overview & Scrutiny Committee
Councillor Greg Brackenridge	West Midlands Fire Authority
Khuram Mahmood	Young Combined Authority
Lana Saleh	Young Combined Authority
Yesmeen Singh	Young Combined Authority
Mark Smith	Audit, Risk & Assurance Committee
Councillor Richard Worrall	Transport Delivery Committee

23. Apologies for Absence

Apologies for absence were received from Anita Bhalla (Greater Birmingham & Solihull LEP), Councillor Kerrie Carmichael (Sandwell), Councillor Shaun Davies (Telford & Wrekin), Councillor Andrew Day (Warwick), Councillor Olivia Lyons (Cannock Chase), Councillor Bob Piper (Sandwell), Tom Westley (Black Country LEP), Councillor Kris Wilson (Nuneaton & Bedworth) and Sarah Windrum (Coventry & Warwickshire LEP)

24. Chair's Remarks

The Chair congratulated Telford & Wrekin Council on being awarded Local Authority of the Year at the recent MJ Achievement Awards 2022.

25. Chief Executive's Remarks

The Chief Executive highlighted recent activity of the WMCA, including the preparation of the UK Shared Prosperity Fund Investment Plan, progress with the West Midlands Virtual Forest, and the activity being undertaken to prepare the region's public transport provision to support the upcoming Commonwealth Games. The Chief Executive indicated that a full report on WMCA activity would be submitted to all future meetings of the board.

26. Minutes

The minutes of the meeting held on 10 June 2022 were agreed as a correct record.

27. Forward Plan

The forward plan of items to be reported to future meetings of the board was noted.

28. Financial Monitoring Report 2022/23

The board considered a report from the Executive Director for Finance & Business Hub providing an update on the WMCA's finances as at 31 May 2022.

The position at the end of May showed a surplus of £995,000 which was a favourable variance from budget of £764,000. Within transport, there was a surplus of £1.205m which represented a favourable variance from budget of £376,000. The most notable variance at this early stage of the year related to concessions, where there was lower than budgeted patronage and fare levels. The year to date Metro position was in line with budget, however as a result of increased operating costs due to the unprecedented rise in energy prices and reduced revenues and grant funding during the period of suspended operations, Midland Metro Ltd had informed the WMCA of an increase in operating costs for 2022/23 above the budgeted amount.

Resolved:

- (1) The financial position as at 31 May 2022 be noted.
- (2) The 2022/23 capital budget, which had been revised to reflect the 2021/22 outturn and the allocation of the City Regions Sustainable Transport Settlement funding, be approved.
- (3) The update on WMCA's Medium Term Financial Plan be noted.
- (4) The update on bus recovery within the region be noted.
- (5) The acceptance of £460,000 funding from the Department for Transport to fund loneliness initiatives be noted.
- (6) The acceptance of £725,000 funding from Arts Council to fund culture activities within the Black Country region be noted.
- (7) Authority be delegated to the s151 Officer, in consultation with applicable portfolio leads, to accept funds awarded to the WMCA ahead of the next WMCA Board meeting on 16 September 2022.

29. UK Shared Prosperity Fund Investment Plan

The board considered a report from the Executive Director for Economic Delivery, Skills & Communities seeking approval for the submission of an outline investment plan for the UK Shared Prosperity Fund by 1 August 2022, noting that this was a high level submission and that further work to develop the detail of priorities and proposals would be brought back to a future meeting of this board for full sign off in Autumn 2022.

The UK Shared Prosperity Fund was a central pillar of the Government's levelling up agenda. Its primary goal was to build pride in place and increase life chances across the UK, with three key investment priorities around 'community and place', 'supporting local businesses, and 'people and skills'. The WMCA was the lead authority for the West Midlands' metropolitan area, with responsibility for developing an investment plan for the Shared Prosperity Fund. This was an opportunity for the WMCA to work collectively with local partners to develop an approach that enabled strong, locally focused, delivery, embracing the principles of double devolution, whilst maintaining efficient systems and recognising the WMCA's overall accountability for the fund.

Councillor Ian Brookfield expressed his disappointment that the level of funding within the UK Shared Prosperity Fund had not matched that previously contained within the European Structural and Investment Programme, despite previous assurances from the Government that it would. He stressed that significant detailed work would be undertaken on the projects within the fund during the Summer, and that a further report would be submitted to a future meeting of this board to agree the split in the allocation of funding between the WMCA and constituent authorities. Councillor Ian Ward welcomed this further report, and considered that if Shared Prosperity funding was to be retained that the WMCA level, a demonstrable business case for this should be developed.

The Chair confirmed that he had spoken to the Department for Levelling Up, Housing & Communities earlier in the week to remind them that they had still not responded to the letter sent on 14 June regarding concerns with the parameters and processes associated with the Shared Prosperity Fund.

Resolved:

- (1) The submission of an outline initial investment plan to the Department for Levelling Up, Housing & Communities by 1 August 2022 to secure the West Midlands £88m allocation from the UK Shared Prosperity Fund for the next three years be approved, noting that this plan was deliberately very high-level and that the region had not yet agreed the detail of priorities and proposals to be funded.
- (2) Authority be delegated to the Executive Director for Economic Delivery, Skills & Communities and the s151 Officer, in consultation with the Portfolio Lead for Economy & Innovation, to submit the initial UK Shared Prosperity Fund Investment Plan and to accept any funding awarded as a result of this submission.

- (3) The implementation of the next steps for getting the final plan developed, to include details of priorities, local allocations, supporting administrative costs etc, including approving any necessary agreements related to this, be delegated to the Executive Director for Economic Delivery, Skills & Communities in consultation with the Portfolio Lead for Economy & Innovation, and that the final detailed plan would be submitted to a future meeting of this board for approval.
- (4) The next steps identified in resolution (3) above include the preparation of a business case for those funds that would be allocated to the WMCA in order for it to undertake business support work, and that until such a business case had been approved by this board, all submissions to the Government should indicate that the funding would be allocated to constituent authorities.

30. Update on Trailblazer Devolution Deal

The board considered a report from the Executive Director for Strategy, Integration & Net Zero providing an update on the progress being made in relation to the Trailblazer Devolution Deal.

The Trailblazer Devolution Deal process was continuing with devolution proposals being developed across a wide range of themes. Proposals were being developed in accordance with the principles and plans previously agreed by this board, in particular, proposals had a clear focus on drawing down powers and finance from Government. The roles and responsibilities held by local authorities would not be drawn away from them through this process. It was still expected that the process for the development of proposals and negotiations would run to the Autumn. This meant that there was more opportunity for members of this board to discuss draft proposals and for local areas to bring forward their own proposals.

The board also watched a video prepared by the Young Combined Authority that set out the thinking of its members regarding the needs of the region that could be addressed through a Trailblazer Devolution Deal.

Resolved:

That the report be noted.

31. Review of Governance Arrangements - Update

The board considered a report from the Interim Director of Law & Governance providing an update on the progress of the overall governance review, an update on the progress of the transport governance review and on the outcome of the Midland Metro Ltd and the Midland Metro Alliance review, along with the actions being taken.

Following the commissioning of a number of governance reviews, the report set out the progress made to date with the WMCA-wide governance review, the governance review of transport functions, and the independent industry expert appointed to review the relationship between the WMCA, Midland Metro Ltd and the Midland Metro Alliance following the cessation of the Metro service due to safety critical cracks in the trams.

Councillor Ian Ward had expressed his concern that the review of the Midland Metro Alliance and Midland Metro Ltd had not addressed his concerns regarding their ability to deliver and oversee capital projects. He requested that an independent person be appointed to provide assurance on the ability of the Midland Metro Alliance and Midland Metro Ltd to deliver such projects satisfactorily, and that a member board supported by constituent authority finance and transport officers be established to provide oversight of the work of this independent person. Councillor Bob Sleigh indicated that he supported this proposal. He also confirmed that a further update report on progress would be submitted to this board in six months' time.

Resolved:

- (1) The update on the governance review be noted.
- (2) The progress on the transport governance review be noted.
- (3) The review of Midland Metro Ltd and the Midland Metro Alliance arrangements and the proposed actions be noted.
- (4) An independent person be appointed to provide assurance on the ability of the Midland Metro Alliance and Midland Metro Ltd to deliver capital projects satisfactorily, and that a member board supported by constituent authority finance and transport officers be established to provide oversight of the work of this independent person.

32. Economic Growth Board - 4 July 2022

The board received the minutes of the Economic Growth Board meeting held on 4 July 2022.

Resolved:

The minutes of the meeting held on 4 July 2022 be noted.

33. Young Combined Authority: July Update

The board received an update from Lana Saleh and Yesmeen Singh setting out the activity of the Young Combined Authority during July 2022.

Lana Saleh indicated that the YCA would be looking to engage with the Mental Health Commission to highlight how young people in the region needed robust access to mental health support. Yesmeen Singh reported that the YCA was looking forward to holding a joint meeting with the country's other young combined authorities, which the corresponding elected mayors had also been invited to speak at.

Resolved:

The update be noted.

34. Exclusion of the Public and Press

Resolved:

In accordance with s100(A) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business as it was likely to involve the disclosure of exempt information as specified in the paragraphs of the Act.

35. Metro Affordability

The board considered a report from the Executive Director, Transport for West Midlands on the latest position of the Metro delivery programme with respect to capital costs and affordable levels of borrowing which were enabled through passenger receipts.

The creation of a comprehensive metro network was a key priority for the WMCA and formed a key part of the original devolution agreement at the time the WMCA was established. Significant investment was unlocked through the Investment Programme that accompanied the 2016 devolution deal, helping to fund the extensions to Centenary Square, Edgbaston, Brierley Hill and the HS2 station in Birmingham Eastside. In addition to the Investment Programme funding, the decision to bring the metro operations in-house in 2017 meant that the WMCA was able to use net (surplus) passenger receipts as a funding stream to repay debt taken out to accelerate investment in the network. However, at its meeting on 14 January 2022, the board was informed that a series of adverse movements in the economic and commercial landscape had placed pressure on delivery costs/programmes and also reduced the levels of certainty the WMCA had with respect to the levels of borrowing which would be affordable based on the latest income projections.

Councillor Ian Courts stressed the importance of the planned metro network to the region, but noted that this was only one of a number of transport projects that the WMCA would be asked to fund in the coming years, including the proposed Arden Cross multi-storey car park that formed part of the wider growth plans for the UK Central Hub. The Chair and the Executive Director for Finance & Business Hub both confirmed that the decisions taken at this meeting in respect of the affordability of the metro delivery programme did not impact in any way on the decision the board would be asked to take in respect of the Arden Cross multi-storey car park at a future meeting.

Councillor Patrick Harley thanked members of the board for the support they had given to the Wednesbury - Brierley Hill extension, but expressed his disappointment that the project had found itself in the financial uncertainty it was currently in. He stressed the reputational importance that the WMCA was seen to be able to deliver the metro extension programme that had featured in its founding devolution agreement with the Government.

Councillor Mike Bird requested that a further report be submitted to the board in six months setting out the work that had been undertaken to date in evaluating the potential mitigation options for addressing the funding gap identified for Wednesbury - Brierley Hill extension Phase 1. The Chair agreed to this request.

Resolved:

- (1) The delivery of the Birmingham Eastside extension in full and Wednesbury - Brierley Hill extension Phase 1 (to Dudley) be agreed at this time within the revised delivery timescale, acknowledging that delivery of the full Wednesbury - Brierley Hill extension route remained a priority scheme for WMCA, and that the decisions made at this board meeting reflected the current affordability rather than a scaling back of ambition.
- (2) It be agreed that officers take forward the development of the potential mitigation options for addressing the funding gap identified for Wednesbury - Brierley Hill extension Phase 1 and the continued commitment to close the funding gap for the full scheme.
- (3) It be agreed that, only in the event the revenue projections within the metro commercial model were borne out in the future and sufficient mitigations were not identified, there would be a regional commitment by the WMCA to financially underwrite the cost to finance the gap (currently estimated to be £92.3m) via an increase in the transport levy (estimated to be £4.8m pa. over 30 years) for the Birmingham Eastside extension (£17.3m) and the Wednesbury - Brierley Hill extension Phase 1 (£75m) required in two to five years.
- (4) As requested by the Portfolio Lead for Transport, WMCA officers immediately commence work on evaluating all of the potential mitigation options, including identifying the priority that should be given to assessing each of these options.
- (5) The current levels of borrowing achievable using the central case economic estimates within the metro commercial model be noted.
- (6) The latest capital cost estimate required to complete the full network, including the Birmingham Eastside and the Wednesbury - Brierley Hill extensions be noted.
- (7) It be noted that the decision to phase the construction of the Wednesbury - Brierley Hill extension would result in an increased overall delivery cost above the current Target Cost 2 full route cost estimate.
- (8) It be noted that whilst the City Regions Sustainable Transport Settlement had provided a budget of £30m to meet the costs of metro line one lifecycle works to March 2024, the residual funding gap for the full lifecycle programme (£31.9m from April 2024 to March 2027) continued to remain unresolved, and the programme would be prioritised to ensure resilient running of the network pending further funding identified at a later stage.
- (9) In the event the recommendations designed to guarantee the delivery of the first phase of the Wednesbury - Brierley Hill extension and the Birmingham Eastside extension schemes were not supported, the subsequent financial and non-financial consequences be noted.

36. Date of Next Meeting
Friday 16 September 2022 at 11.00am.

The meeting ended at 12.15pm.