

Decision maker:	Cabinet member transport and roads
Decision date:	21 December 2017
Title of report:	West Midlands Rail- budget contribution 2018/19
Report by:	Transportation Strategy Manager

Classification

Open

Decision type

Non-key

Wards affected

(All Wards);

Purpose and summary

To approve the budget contribution of £14,200 to West Midlands Rail Ltd. (WMR) for 2018/19 and delegate approval of annual contributions in line with inflation to the Assistant Director of Environment and Place.

Recommendation(s)

That:

- (a) funding contributions of £6,085 (for the remaining 5 months of 2017/18) and £14,200 (for 2018/19) to West Midlands Rail Ltd be approved; and**
- (b) the Assistant Director for Place and Environment be authorised to make annual contributions in line with inflation for a period of 5 years.**

Alternative options

1. The budget contribution is not approved. This is not recommended as the contribution is required for membership to West Midlands Rail Ltd. and may result in termination of our membership.

Key considerations

2. In December 2015, WMR was formally established with the following objectives:
 - a. To promote the devolution of responsibility for rail passenger services and associated facilities in the West Midlands and Northamptonshire to local authorities or other bodies;
 - b. To manage, assist or to improve the performance and associated facilities of rail passenger services operating within the West Midlands and Northamptonshire pursuant to rail franchise agreements or other similar agreements; and
 - c. To develop and oversee the implementation of a long-term strategy for rail passenger services.
3. Herefordshire Council became a partner of WMR following agreement at Herefordshire Council cabinet on 3 December 2015, with the leader appointed as a director and the Cabinet Member for Transport and Roads appointed substitute director. The agreement included the financial obligation to contribute £13,200 in 2016/17 and £7,464 (for 7 months) in 2017/18. This was intended to cover the period to the commencement of the new West Midlands Rail Franchise in 2017, during which WMR Ltd and DfT would work collaboratively on the franchise design and procurement processes although the Secretary of State for Transport would retain responsibility for letting the franchise.
4. Following on from this, WMR Ltd. has begun development on a number of activities to enhance rail services within the West Midlands. These activities are carried over into the next financial year and are described in paragraph 6.
5. An additional contribution for the remaining five months of 2017/18 of £6,085, together with £14,200 for 2018/19 (representing an increase of £651 on the previous year) is now sought.
6. The development of the 2018/19 budget proposal takes account of the requirements of the WMR Business Plan 2016 – 2019, and the WMR assumptions of their requirements for the year ahead to allow WMR to deliver the objectives of the organisation. In particular, the focus for 2018/19 will be:
 - a. The continued development and promotion of the WMR partnership;
 - b. The management of the West Midlands Separable Business Unit of the West Midlands franchise;
 - c. Engaging with the DfT and bidders to implement the Franchise Engagement Strategy;
 - d. The further development and realising of the Single Network Vision;
 - e. Maximising opportunities for enhancing the reach of the brand, together with supporting promotional activities leading to increased usage of rail in the region;
 - f. Influencing competitions for other rail franchises that operate in the WMR area;

- g. Nurturing an effective alliance with Network Rail and the franchisee to enhance rail stations in the region, including the sourcing of capital funding; and
 - h. The finalisation and implementation of the West Midlands Rail Investment Strategy.
- 7. The current split for contributions is 75% from the metropolitan councils and 25% from shire/unitary councils. Herefordshire is one of 7 shire/unitary council members and is required to contribute 3% of the overall WMR budget.
- 8. The benefits that Herefordshire has received to date from membership to West Midlands Rail include:
 - a. Enhanced early, late and Sunday services between Hereford and Birmingham in the new franchise, due to commence on 10 December 2017;
 - b. The ability to promote our needs and policies on a regional level and feed into the Rail Investment Strategy, currently in development; and
 - c. An enhanced position to influence the rail services, frequency and the station enhancements within the county and region.
- 9. Future benefits for Herefordshire could comprise:
 - a. Extra funding opportunities to enhance our rail infrastructure and stations;
 - b. Additional support to develop our transport hub and station access;
 - c. Possibility of future capacity and frequency enhancements on the Hereford to Birmingham line; and,
 - d. Additional support when engaging with Welsh Government, Department for Transport and Train operating companies.
- 10. It is proposed that authority be delegated to the assistant director environment and place to pay future annual contributions provided that any annual increase remains in line with inflation.

Community impact

- 11. Membership to the WMR aids support of:
 - a. Core Strategy:
 - i. Policy SS4- Movement and Transportation;
 - ii. Policy HD2- Hereford City Centre; and,
 - iii. Policy HD3- Hereford Movement;
 - b. Local Transport Plan:
 - iv. Policy LTP PT 7- rail improvements, through continued engagement and partnership working.

c. Corporate Plan:

- v. Support the growth of our economy through continued engagement we can promote the needs for enhanced capacity and frequency on our rail network.

12. The council is committed to providing a healthy and safe environment for all individuals impacted by the council's funded activities. The council endeavours to ensure that the work they and their partners undertake, does not adversely affect the health, safety or welfare of members of the public especially visitors. Therefore council partners are expected to work to the same health and safety standards and codes of practice as the council, as far as is reasonably practicable.

Equality duty

13. Section 149 of the Equality Act imposes a duty on 'public authorities' and other bodies when exercising public functions to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

14. The duties undertaken by West Midlands Rail must comply with the duties set out above as the members are all bound by these duties.

Resource implications

15. A contribution of £14,200 will be paid to WMR Ltd for the financial year 2018/19.

16. A contribution of £6,085 will be paid to WMR Ltd for remaining 5 months of 2017/18.

17. A budget has been identified to accommodate these contributions.

18. The £14,200 contribution will feed into the budget breakdown below:

Item	Budgeted Total
Community and Stakeholder Engagement Officer A new post to support the franchisee and WMR Partner Authorities to create strong, meaningful links with stakeholders and communities (budgeted value includes employment costs)	£50,000

Item	Budgeted Total
Full Devolution Strategy Funds to begin the development of the longer-term devolution strategy	£50,000
Franchise Engagement Strategy Funds to enable meaningful engagement with the DfT over the specification of the WCP and Cross Country franchises including, if required, a post for secondment.	£100,000
Studies/Business Case Development General funds to enable studies to support WMRIS and other strategic development activity	£200,000
Contribution to Stations Alliance post One third contribution to a 'WMSA Manager' post. Cost expected to be shared with Network Rail and the West Midlands franchisee	£20,000
Marketing/Branding Funding to support brand development and local promotion activity	£50,000

19. Future contributions are not known. They are likely to depend on future WMR activity. A decision in respect of those contributions would be required in the autumn of the preceding financial year; any request for a contribution greater than the current level plus annual inflation would be subject to further governance.

Legal implications

20. The council has joined WMR Ltd and the Leader of the Council has been appointed as one of the directors to its board of directors. WMR is a company limited by guarantee (CLG) and CLGs are normally incorporated for non-profit making functions, have no share capital and members rather than shareholders.
21. The council's maximum liability as a member of WMR Ltd is limited to £1 which becomes due in the event that the company is wound up. The council will be subject to the articles of the company as a member. Additionally, directors of the company do have potential to be personally liable for actions taken in respect of their role as a director.
22. From the initial report to Cabinet in December 2015 it was envisaged that there was no intention to trade in the first two years, and that there would be a members' agreement (the equivalent of a shareholders agreement) between the partners to address those matters not in the articles such as capitalisation and funding (initial and ongoing), amongst other matters.
23. The articles of the company stipulate that members may terminate their membership of the company by giving seven days' notice to the company in writing.

Risk management

24. If future contribution levels rise there may be insufficient no budget to meet this contribution in future years. This risk can be mitigated through early discussion and following appropriate governance.
25. WMR have developed a risk register for the delivery of their objectives, this table is highlighted below:

Risk	Mitigation
There is a national policy change that directly limits WMR's ability to influence rail.	WMR has signed a collaboration agreement with DfT which gives legal footing to the partnership
The unions raise a campaign against WMR, specifically with staffing on trains.	WMR are actively monitoring industrial relations on other franchises and are working closely with West Midlands Trains on the issue.
Network Rail does not recognise WMR.	There is ongoing partnership working with Network Rail on the station alliance activity.
The budget does not cover the budgeted activities.	Officers' working group regularly review the budget.
Herefordshire no longer have resources to enable engagement with WMR.	Officers regularly review workloads to ensure that resources are made available.

Consultees

26. There has been no consultation on this matter.

Appendices

None

Background papers

None