

Meeting date: 15th July 2021

Report to: Full Cabinet



Subject/report title: West Midlands Rail Collaboration Agreement 2021

Report from: Perry Wardle – Assistant Director – Growth & Development

Report author/lead contact officer: David Balme, Senior Transport Planner

Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege

Public/private report: Public

Exempt by virtue of paragraph:

1. Purpose of Report

- 1.1 To update Cabinet on changes to the West Midlands rail contract and to seek approval to the Collaboration Agreement covering the new regional rail contract.

2. Decision(s) recommended

- 2.1 That Cabinet agree that the Council's nominated member of the West Midlands Rail Limited Board votes in favour of the proposed Collaboration Agreement (Appendix A).

3. Matters for Consideration

- 3.1 West Midlands Rail Limited is a company limited by guarantee, owned by fourteen partner authorities, and created with the purpose of specifying and managing rail franchising for the West Midlands.
- 3.2 Through a legally binding Collaboration Agreement with the Department for Transport (DfT), West Midlands Rail Limited (WMRL) has responsibility for overseeing the delivery of the rail services in the West Midlands operated by the West Midlands rail franchise. It also undertakes rail activity on behalf of Transport for West Midlands.
- 3.3 The fourteen partner authorities are the seven West Midlands Metropolitan Boroughs, plus the seven Unitary and Shire local transport authorities that surround them. The

most senior layer of governance is the Board of Directors. The Board is made up of Leaders or senior cabinet members appointed by each of the Partner Authorities and provides strategic and policy guidance towards developing a new passenger rail franchise for the West Midlands, as well as gaining influence over other routes across the region.

- 3.4 The 2016 Collaboration Agreement (CA1) between WMRL and the DfT is the primary agreement by which WMRL's responsibilities for franchise management and government grant funding are set-out. CA1 was signed in April 2017 following Secretary of State approval.
- 3.5 CA1 includes provisions for:
- A Strategic Board between WMRL and DfT officials;
 - Sharing of franchise management responsibilities;
 - The ability of WMRL to make changes and retain the benefits for reinvestment in the local rail network. This includes the powers to make adjustments to rail fares in the region;
 - Funding of WMRL I with a £500,000 grant each year; and
 - An annual meeting between the Chair and Vice Chair of WMRL and the Secretary of State or a Minister.
- 3.6 The West Midlands Rail Franchise was suspended in March 2020 when the government moved it on to a new set of commercial terms known as an Emergency Measures Agreement (EMA). Had this not occurred, the operator would have become insolvent in a matter of weeks due to the impact of the Covid pandemic. In September 2020 the EMA was replaced by an Emergency Recovery Measures Agreements (ERMA). Both contracts involved the DfT paying the franchisee's costs with the operator receiving a management fee.
- 3.7 CA1 is coterminous with the West Midlands Franchise Agreement, originally intending to endure until March 2026. However, the changes to passenger rail contracting made by the DfT in response to COVID-19 means that the Franchise Agreement is expected to terminate on 19 September 2021 and will be replaced by a directly awarded National Rail Contract. As such, it is now necessary to negotiate and enter into a successor agreement with the DfT to take affect from the termination of the existing Franchise Agreement.
- 3.8 Discussions with DfT officials have concluded that in general CA1 has worked effectively and is a solid foundation on which to build. Consequently, the revised Collaboration Agreement (CA2), represents an evolution of its predecessor.
- 3.9 The main areas of amendment in CA2 reflect the changing landscape of rail franchising and the meeting structure. The latter was based on the model used by Transport for the North for the Northern and Trans Pennine franchises, but experience has shown that it is not as effective for the West Midlands franchise. The proposed meeting structure changes are designed to better align the governance of the new National Rail Contract with DfT's internal governance arrangements. This should improve decision making, build WMRL's profile within the DfT and grow WMRL's capability.

3.10 There are no proposed changes to the grant from the DfT, or to the arrangements in place for the savings account, held jointly between WMRL and DfT.

4. What options have been considered and what is the evidence telling us about them?

4.1 The Rail Executive had an option to do nothing – this would have left the West Midlands Rail Executive and the members such as Solihull MBC with a significantly reduced regional influence and input over areas such as rail service provision and fares. This option would also have led to a loss of funding from the DfT.

4.2 An alternative option would have been to press the DfT for greater devolution and control over rail services in the West Midlands than is allowed for under CA1 and this is a recognised aspiration in the region. However, the feedback from the DfT was that now was not a good time to make this change, due to the uncertainty in the rail industry resulting from the fall in demand and income following measures to reduce the spread of Covid-19.

4.3 The Rail Executive’s third option was to continue with an agreement similar to CA1 but strengthened in certain areas. This has resulted in CA2, negotiated with the DfT, and this is the preferred option.

5. Reasons for recommending preferred option

5.1 The preferred option is recommended as it maintains the WMRL’s current level of interest and influence in the new national rail contract for the West Midlands. CA2 also continues to bring in much needed DfT funding for use by the Rail Executive.

5.2 As CA2 is a progression of the existing agreement then the WMRL and member authorities will continue to enjoy the same franchise management powers as under CA1 and the same standing with national government. The strengthened in CA2 allow the Rail Executive to respond to situations in a more efficient and effective manner.

5.3 The new CA2 allows WMRL to have a degree of oversight and involvement in the new West Midlands National Rail Contract that is expected to commence in September 2021.

6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
Economy: 1. Revitalising our towns and local centres. 2. UK Central (UKC) and maximising the opportunities of HS2.	Directly relating to supporting our towns and local centres by improving rail based access to health, education, leisure, employment, retail and tourism sites within the borough. Bringing improved access will support steps to revive the economy from the pandemic.

<p>3. Increase the supply of housing, especially affordable and social housing.</p>	<p>Supporting the benefits of HS2 and UK Central development plans through ensuring that people are able to travel reliably and efficiently to the new services and the new employment sites within UK Central.</p>
<p>Environment:</p> <p>4. Enhance Solihull’s natural environment. 5. Improve Solihull’s air quality. 6. Reduce Solihull’s net carbon emissions.</p>	<p>A sustainable regional rail contract with local involvement will mean greater choice to people and businesses in our borough when making travel decisions. Additional rail travel will ease the pollution generated by road based travel.</p> <p>Improving air quality and reducing carbon emissions through encouraging residents and visitors to travel by rail rather than private car. An improved rail network delivers greater choice to people and businesses in our borough.</p>
<p>People and Communities:</p> <p>7. Take action to improve life chances in our most disadvantaged communities. 8. Enable communities to thrive. 9. Sustainable, quality, affordable provision for adults & children with complex needs.</p>	<p>An improved rail service that is responsive to people’s needs will better serve our residents strengthening connectivity and accessibility in the Solihull Borough area and to surrounding areas. This will enable communities to thrive and allow people without cars or who are unable to drive to better access services and opportunities.</p>

6.2 Consultation and Scrutiny:

6.2.1 This matter has not been considered by a scrutiny board.

6.3 Financial implications:

6.3.1 Not applicable for this report.

6.4 Legal implications:

6.4.1 None directly arising from this report.

6.5 Risk implications:

6.5.1 No significant risks directly arising from this report.

6.6 Equality implications:

6.6.1 None directly arising from this report

7. List of appendices referred to

7.1 Appendix A – The Draft West Midlands Collaboration Agreement

8. Background papers used to compile this report

8.1 Not applicable for this report.

9. List of other relevant documents

9.1 Not applicable for this report.