



Audit, Risk & Assurance Committee

Date: Monday 14 January 2019

Time: 10.00 am **Public meeting** Yes

Venue: Room 116, West Midlands Combined Authority, 16 Summer Lane, Birmingham, B19 3SD

Membership

David Lane (Chair)

Councillor Adam Aston

Councillor Tom Baker-Price

Councillor Richard Brown

Councillor Kerrie Carmichael

Councillor Craig Collingswood

Councillor Stephen Craddock

Sean Farnell

Councillor Michael Gough

Councillor John Kraujalis

Councillor John O'Shea

Councillor Alexander Phillips

Councillor June Tandy

Councillor Vera Waters

Dudley Metropolitan Borough Council

Worcestershire Non-Constituent Authorities

Coventry City Council

Sandwell Metropolitan Borough Council

City of Wolverhampton Council

Walsall Metropolitan Borough Council

Coventry & Warwickshire LEP

Solihull Metropolitan Borough Council

Staffordshire Non-Constituent Authorities

Birmingham City Council

Shropshire Council

Nuneaton & Bedworth Borough Council

Walsall Metropolitan Borough Council

Quorum for this meeting shall be nine members.

If you have any queries about this meeting, please contact:

Contact Tanya Patel, Governance Services Officer

Telephone 0121 214 7689

Email Tanya.Patel@wmca.org.uk

AGENDA

No.	Item	Presenting	Pages	Time
Meeting Business Items				
1.	Apologies for Absence	Chair	None	10:00
2.	Declarations of Interest Members are reminded of the need to declare any disclosable pecuniary interests they have in an item being discussed during the course of the meeting. In addition, the receipt of any gift or hospitality should be declared where the value of it was thought to have exceeded £25 (gifts) or £40 (hospitality).	Chair	None	
3.	Chair's Remarks	Chair	None	
4.	Minutes of the meeting held on 12 November 2018	Chair	1 - 8	
5.	Matters Arising	Tanya Patel	None	
6.	Forward Plan	Tanya Patel	9 - 10	
Business Items for Noting/Approval				
7.	Internal Audit Update	Peter Farrow	11 - 26	10:15
8.	Draft Internal Audit Plan 2019 - 2020	Peter Farrow	27 - 44	10:35
9.	Health & Safety Internal Audit Update	Ben Gittings	45 - 56	10:50
10.	Assurance Report - Arm's Length Companies: Assurance & Governance Arrangements	Joti Sharma	57 - 62	11:00
11.	WMCA Strategic Risk Register	Joti Sharma	63 - 74	11:10
12.	External Audit Plan	Grant Patterson	75 - 94	11:20
13.	Investment Portfolio Governance Audit Update 2018	Sukhy Dhanoa	95 - 104	11:30
14.	Update on the consultation from the Transfer of West Midlands Police & Crime Commissioner Functions	Tim Martin	105 - 110	11:40
15.	Update on the Transfer of West Midlands Fire Service Governance	Tim Martin	111 - 114	11:45

16.	Financial Monitoring Report 2018/19	Linda Horne	115 - 132	11:50
Date of Next Meeting				
17.	Monday 15 April 2019 at 2.00pm	Chair	None	12:00

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Audit, Risk & Assurance Committee

Monday 12 November 2018 at 10.00 am

Minutes

Present

David Lane (Chair)

Councillor Tom Baker-Price

Councillor Kerrie Carmichael
Councillor Craig Collingswood

Sean Farnell

Councillor Michael Gough

Councillor Alexander Phillips

Councillor June Tandy

Worcestershire
Authorities

Non-Constituent

Sandwell Metropolitan Borough Council

City of Wolverhampton Council

Coventry & Warwickshire LEP

Solihull Metropolitan Borough Council

Shropshire Council

Nuneaton & Bedworth Borough Council

In Attendance

Councillor Jackie Taylor

Sandwell Metropolitan Borough Council

Item Title No.

103. Apologies for Absence

Apologies for absence were received from Councillor Adam Aston (Dudley), Councillor Stephen Craddock (Walsall) and Councillor John O'Shea (Birmingham).

104. Chair's Remarks

- Chair welcomed Hannah Begum from West Midlands Fire Service.
- Sean Pearce, Director of Finance will be leaving WMCA towards the end of December 2018. Process of recruitment to this post is currently being reviewed.

105. Minutes of the meeting held on 21 September 2018

The minutes of the meeting held on 21 September 2018 confirmed as a correct record subject to amendments minute No. 95. whereby the minutes should reference 'Unfortunately, there had been one recent death at a bus station, and an inquest had recorded this as accidental death'.

106. Matters Arising

a) Inquorate meeting

In accordance with the WMCA's constitution, the meeting was inquorate. The recommendations contained within the minutes would be submitted to the WMCA Board on 11 January 2019 for formal approval and adoption.

b) Health and Safety Update

The monitoring Officer informed members that there were no health and safety issues requiring the attention of this Committee.

c) Police & Crime Commissioner Update

The Monitoring Officer shared that following the West Midlands Combined Authority Board meeting held on Friday 9 November 2018 a unanimous decision was made to agree the two-stage consultation process. The Overview & Scrutiny Committee will scrutinise and assure the process. It was also noted that BECG have been appointed as the agency responsible for supporting the design and analysis of the consultation.

d) Whistleblowing

The Monitoring Officer informed the Committee that there were no matters to be brought to the attention of the Committee.

e) Report template

It was agreed that The Monitoring Officer would amend the standard board paper template to include a Legal / Governance implication section to provoke writers to consider and report on Governance issues for future board papers.

107. Forward Plan

A forward plan of items to be reported to future meetings of the Committee were noted.

- Chief Executive of West Midlands Combined Authority to be invited to the Committee to answer questions on the effects on resources for the Combined Authority's plan / objectives in relation to the work undertake for the Police & Crime Commissioner merger and other resourcing pressures.
- Update of the Governance of subsidiaries; with a particular focus upon 5G.
- Proposal on Governance for the absorption of Fire and Rescue to be presented to the Committee in January 2019 for approval.
- An update from Health and Safety to address as to whether or not the commitments had been achieved by the 31 December 2018 deadline.

108. Mayor of the West Midlands

The Mayor attended Committee to give a briefing on the progress and risks for the Combined Authority. The Mayor focused upon the follow key topics:

• **Highs and lows for the last 12 months**

The Mayor shared his view on the highs / successes for the region of the last 12 months: Commonwealth Games, Coventry City of Culture, 5G and the start of work towards HS2. The Mayor stated a major low was the unsuccessful bid for Channel 4's new location. The Mayor highlighted the ongoing cohesiveness of the Combined Authority Leaders as a major strength.

• **Key plans / objectives for 2019 / 2020**

The Mayor stated the following as his priorities:

- Lead the development of the emerging Combined Authority and ensure it is in a strong in preparation for the next Mayoral

- election.
- Continue with the development of the transport infrastructure and particularly the new links.
- A critical moment for the Combined Authority is around finances / viability when the Chancellor undertakes the next Comprehensive Spending Review thus preparation for this will be key.
- Ensuring the Combined Authority has the capacity and capability to achieve all its objectives.
- The Mayor acknowledged that the Brexit for the automotive industry and overall economy in the West Midlands represented the biggest risk and uncertainty facing the Combined Authority, the impact is constantly being assessed.

Councillor Jackie Taylor raised concerns around the limited information around the equal pay agenda and this not being on the raised widely. The Mayor welcomed Committees interest in monitoring this issues. The Mayor went on to discuss the pay gap at a senior level and the work being undertaken to address this.

Councillor Alexander Philips asked as to what preparations are being considered in regards to the May 2020 Mayoral elections. The Mayor replied that the Chief Executive of WMCA would be a better person to respond to this.

Councillor Craig Collingswood asked as to whether any learning has been identified from the unsuccessful bid for Channel 4's new location and as to whether the investment in the bid was appropriate. The Mayor felt the cost of the bid was broadly appropriate and that the bid was strong. However Channel 4 feedback suggested that Leeds were stronger in offering to enhance creative opportunities, which the Mayor admitted was not something originally asked for by Channel 4.

Councillor Michael Gough asked what the benefits were to the transfer of the PCC to WMCA. The Mayor highlighted that WMCA Board agreed to start the consultation period and that he urged Committee members to read the detailed WMCA Board papers on the consultation. The benefits highlighted by the Mayor were around providing improved accountability for people, businesses and government.

Members of the Committee thanked the Mayor for attending.

109. Internal Audit Update

The Committee considered a report from the Chief Audit Executive setting out the work completed by internal audit during the currently financial year.

The audits completed during this quarter were, Health and Safety Arrangements, Asset Management Arrangements and a follow-up review into Expenses, Gifts and Hospitality. None of these audits required a red recommendation.

It was also noted that under the Health and Safety Arrangements two further actions had been agreed relating to the CA Board being asked to specifically approve the Health and Safety governance arrangements being led by TfWM for the West Midlands Fire Service post 1 April 2019 and that Human Resource monitored stress and long-term sickness absence should be added to the oversight of the new Health & Safety Committee's terms of reference. The Health & Safety paper identified a number of critical delivery actions due 31 December 2018 and progress should be confirmed to Committee in January 2019 in order for the Committee to be content that the proposals and progress were adequate for Committee to no longer need to have Health & Safety as a regular item on its agenda.

Sean Farnell highlighted the importance of returning to the completed internal audits and review their current position and as to whether progress was being made or not. It is expected that the update in January 2019 will report on many more of the ongoing 2018/19 audits which seem to be too back end loaded in the financial year.

The Chief Audit Executive felt there was adequate resources to ensure the delivery of the 2018/19 Internal Audit Plan and would raise any issue with the Chair if required.

Councillor Craig Collingswood queried the management of assets relating to the Commonwealth Games. The Monitoring Officer stated that majority of WMCA's assets were transport based, alongside 16 Summer Lane (Head Office) and some areas of land that will potentially be used for future development opportunities, with current uncertainties around assets relating to the Commonwealth Games. A paper describing the capital investment programme with details on the governance and monitoring arrangements was requested by the Committee for April 2019.

The Chair welcomed the assurances on the current work being undertaken however stressed the importance of ensuring that the Committee were not overloaded with audit reports towards the end of the year and that an even spread of work is conducted for future years.

It was recommended to the WMCA Board that the report be noted with no further action being required.

110. WMCA Assurance Overview November 2018

The Committee considered a report outlining the assurance reviews and activities undertaken since the last reporting period. The Corporate Assurance Manager provided a brief overview of WMCA's systems for Project & Programme, Business and Performance Assurance.

The Chair asked that any potential slippages should be raised with the Committee at its future meetings as a regular report, and no await the full Assurance Report to be made.

Councillor Jackie Taylor queried as to where performance was managed. The Corporate Assurance Manager reported that it is managed by the Director of Strategy who has the lead role of ensuring that the organisation is delivering against its priorities and the business plan objectives.

Councillor Craig Collingswood enquired what contingency plans were in place in regard to Directors leaving WMCA. The Monitoring Officer shared that the arrangements are currently being reviewed and plans are in place with regard to the Director of Finance leaving the organisation.

Chair requested that the follow up in regards to recruitment and retention review to be brought to Committee in January 2019 and not April 2019.

It was recommended to the WMCA Board:

- (1) That the report provided to the Committee be noted.
- (2) That the Committee were satisfied with the assurance activity undertaken between April 2018 – October 2018 with the caveat that Assurance requirements will have a step change rise over the next 12 – 24 months.
- (3) That regular updates on major programme slippage be reported at Committee.

111. Health and Safety Audit Report

Further to the Committee considering the earlier report regarding the audit conducted for Health and Safety the Manager for Health and Safety attended Committee to answer any questions.

Councillor Jackie Taylor asked as to how long-term sickness was managed. The Health & Safety Manager shared that this is now a standing item for the Safety, Health and Environment Strategic Committee.

Councillor Craig Collingswood highlighted that many of the actions outlined in the report were due for completion by December 2018 and asked whether this would be achievable due to the short timescale. The Health & Safety Manager acknowledged that there were many actions for completion but felt that this would be achieved by the end of the year. A further update regarding the completion of actions or any slippages will be an item for the next Committee.

The Monitoring Officer was not in a position to confirm Health and Safety arrangement in regard to West Midlands Fire Service as details are still to be determined but these should be part of a planned paper for the Committee in January 2019.

112. WMCA Strategic Risk Register Report - November 2018

The Committee considered a report on the Strategic Risk Register. The report summaries the current work undertaken in regards to a review of operational risk registers being initiated will all existing and emerging directorates.

The Corporate Assurance Manager highlighted that some slippage is expected but was not currently in a position to estimate by how much.

It was requested that the register should provide evidence for the reduction in risk/impact scores as the current improved scores showed a possible optimum bias. If the evidence to support the score improvements could not be provided then the scoring should be modified appropriately. It was also requested that the delivery section of the register is broken down with the large projects being referenced separately.

Councillor Alexander Phillips queried Appendix 2 of the report and highlighted the similar wording used for both operations emerging and financial risks. The Corporate Assurance Manager will revisit the terminology with the Senior Leadership Team.

It was recommended to the WMCA Board that the contents of the Strategic Risk Register be noted with concerns over optimum bias being referenced.

113. Conflict of Interest Policy for Non-Elected Participants in Combined Authority Governance

The Committee considered a report presented by the Monitoring Officer in regards to propose a policy covering conflicts of interest for non-elected participants in the Combined Authority and the appointment of a Designated Independent Person.

Councillor Alexander Phillips made reference to page 67 of the report pack (Conflict of Interest Policy for Non-Elected Participants in Combined Authority Governance) bullet point 4 and asked that a full list of individuals this policy is expected to apply be advised to Committee to avoid the policy being too vague.

Councillor Craig Collingswood asked that an up to date list of relevant persons is maintained as a publicly available record as per paragraph 3 reference 3.3 of the report, but also requested that this list is prepared and shared with the Committee. The Monitoring Officer agreed to this change.

Members felt further information was required in regards to the proposal to use Solihull Independent Person Panel to meet the Combined Authorities Designated Independent Person obligation. The Monitoring Officer will consult with the Chair on the arrangements however in principal the Committee were supportive of this proposal.

It was recommended to the WMCA Board that:

- (1) The Conflict of Interest Policy for non-elected participants in WMCA governance processes was agreed.
- (2) Solihull Independent Person Panel to be appointed as the Designated Independent Person for dealing with any complains under the Code of Conduct for Elected Members.
- (3) The Monitoring Officer consults with the Chair on behalf of the Committee around the arrangement of appointing Solihull Independent Person Panel and the Terms of Reference.
- (4) The Committee to be provided with a regularly updated list of those individuals that the policy applies to.

114. Transfer of Fire Service Governance - General Update and Outline of Proposed Audit Arrangements

The Committee considered a report from The Monitoring Officer outlining the process towards the transfer of governance from the West Midlands Fire Authority to the WMCA and the emerging proposals with regard to the handling of audit, risk and assurance arrangements.

Detailed planning and engagement with the West Midlands Fire Service is underway with a joint implementation team being established with Officers from both the Fire Service and the WMCA. It is expected that the Order will be confirmed early in the New Year. Communication between the Chair of this Committee, The Monitoring Officer and the Fire Service Audit Chair has been started.

Further to proposals it was highlighted that the Mayoral Fire Committee will not have any executive decisions-making powers but will have the role of advising the Mayor.

Councillor Craig Collingswood expressed concern about the increase workload and length of Committee meetings if the Fire Service Audit was just combined with Committee.

Chair relayed that he was reluctant to increase the size of this Committee and supported the proposal to consider an ARAC Fire Sub-Committee with the Chair and a current member of Committee sitting on with some existing membership from the Fire and Rescue Audit Committee for continuity and experience. This approach could then be reviewed after 12 months.

It was recommended to the WMCA Board:

- (1) That the update of progress towards the transfer of governance from West Midlands Fire Authority to the WMCA be noted.
- (2) The Chair to be consulted upon the proposed Governance Arrangements.
- (3) That the emerging proposals with regard to the handling of Audit, Risk & Assurance arrangements be noted and to be reported back to the Committee in January 2019.

115. Monday 14 January 2019 at 10.00am

The meeting ended at 11.45 am.

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WMCA Audit, Risk & Assurance Committee - Forward Plan

Title of Report	Description of Purpose	Date of Meeting	Lead Officer
Strategic Risk Register	To receive an update on the Strategic Risk Register	15 April 2019	Loraine Quibell
Annual Internal Audit Report	To note progress on audits	15 April 2019	Peter Farrow
Outturn Report 18/19	To approve the Outturn Report	15 April 2019	Tim Martin
Provisional Value for Money Report	To consider a report on value for money considerations	15 April 2019	Grant Patterson
WMCA Annual Governance Statement	To approve the Annual Governance Statement	15 April 2019	Tim Martin
 			
Strategic Risk Register	To receive an update on the Strategic Risk Register	21 June 2019	Joti Sharma
WMCA Annual Accounts	To approve the WMCA Annual Accounts	21 June 2019	Linda Horne
WMCA Audit Findings	To receive an update from external audit	21 June 2019	Grant Patterson
WMITA Pension Fund - Audit Findings	To receive an update from external audit	21 June 2019	Grant Patterson/ Terry Tobin

Title of Report	Description of Purpose	Date of Meeting	Lead Officer
Contingency Meeting - Accounts		15 July 2019	Linda Horne
WMCA Constitution	To receive an update on the reviewed Constitution.	TBC	Tim Martin



Audit, Risk & Assurance Committee

Date	14 January 2019
Report title	Internal Audit Update
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive of the WMCA Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Tim Martin Head of Governance, Clerk and Monitoring Officer Email: Tim.Martin@wmca.org.uk Tel: (0121) 214 7435
Report has been considered by	Not Applicable

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee is recommended to:

(1) Note the contents of the latest Internal Audit Update Report.

1. Purpose

1.1 The purpose of this report is to present the Committee with an update on the work completed by internal audit so far, this financial year.

2. Background

2.1 In accordance with the agreed work programme for internal audit, the reports provide an independent and objective opinion on the Combined Authority's effectiveness in managing their risk management, governance and control environment.

2.2 The reports will also feed into the Annual Internal Audit Report that will be prepared at the end of the financial year. The Annual Report will provide an overall audit opinion on the adequacy and effectiveness of the governance, risk management and internal control processes, based upon the outcome of the reviews completed during the year. This opinion can then be used to feed into the Combined Authority's Annual Governance Statement that accompanies the Annual Statement of Accounts.

3. Wider WMCA Implications

3.1 There are no implications.

4. Financial Implications

4.1 There are no implications.

5. Legal Implications

5.1 There are no implications.

6. Equalities Implications

6.1 There are no implications.

7. Other Implications

7.1 There are no implications.

8. Schedule of Background Papers

8.1 There are no implications.

9. Appendices

This report is PUBLIC [NOT PROTECTIVELY MARKED]



Internal Audit Update Report Quarter 3 2018-2019

Delivered by City of Wolverhampton Council – Audit Services

1 Introduction

The purpose of this report is to bring the Audit and Risk Assurance Committee up to date with the progress made against the delivery of the 2018 - 2019 internal audit plan.

The Audit, Risk and Assurance Committee has a responsibility to review the effectiveness of the system of internal controls and to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance. This work update provides the committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.

The information included in this progress report will feed into and inform our overall opinion in our internal audit annual report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

Year on year comparison

Nine pieces of audit work have been completed so far in the current year, where an audit opinion has been provided. A summary of the audit opinions given, with a comparison over previous years, is set out below:

Opinion	2018/19 (@ Q3)	2017/18	2016/17
Substantial	6	6	5
Satisfactory	3	7	4
Limited	0	2	2

2 *Summary of progress at quarter three*

The following audit reviews were completed by the end of the second quarter of the current year. Reports containing amber or above rated recommendations are appended to this report at Appendix 1 and Appendix 2.

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
2018-2019 Audits Completed in previous quarter:							
Health and Safety Arrangements	High	-	2	5	7	7	Satisfactory
Asset Management Arrangements	Medium	-	1	2	3	3	Satisfactory
Expenses, Gifts and Hospitality (2017/18) follow-up review	Medium	-	1	3	4	4	Recommendations implemented
2018-2019 Audits Completed in this quarter:							
Accounts Payable	High	-	-	1	1	1	Substantial
Accounts Receivable	High	-	-	1	1	1	Substantial
Payroll	High	-	-	-	-	-	Substantial
Budgetary Control	High	-	-	-	-	-	Substantial
General Ledger	High	-	-	-	-	-	Substantial
Treasury Management	High	-	-	-	-	-	Substantial
Human Resources Workforce Planning (Appendix 1)	High	-	1	-	1	1	Satisfactory
Data Security Arrangements (2017/18) follow-up review	High	1	3	-	4	4	Recommendations implemented

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Cyber Security Arrangements (2016/17) follow-up review	High	1	6	-	7	7	One red and four amber recommendations implemented. Progress noted for remaining two amber recommendations.
Human Resources Recruitment and Retention (2016/17) follow-up review	High	6	2	1	9	9	Recommendations implemented
Transport Capital Programme Prioritisation (2017/18) follow-up review	High	-	2	1	3	3	Two amber recommendations implemented. Progress noted for remaining green recommendation.

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3 Forward Plan for scheduled audits

Auditable area	Rating	Start Date	ARAC Report Date
Business Continuity (originally due January 2019)	High	Draft report issued	April 2019
Budget Management Role and Responsibilities (originally due January 2019)	Medium	Draft report issued	April 2019
TfWM Network Emergency Plan (originally due January 2019)	High	In progress	April 2019

Auditable area	Rating	Start Date	ARAC Report Date
Joint Data Team Initiative (originally due in January 2019)	High	In progress	April 2019
Birmingham Eastside Extension Project	High	In progress	April 2019
Business Planning Arrangements	High	January 2019	April 2019
Devolution Deal Objectives and Financial Assumptions	High	January 2019	April 2019
WMCA Governance Arrangements	High	February 2019	April 2019
Midland Metro Operational Transfer	High	February 2019	April 2019

Follow-up of previous recommendations

We continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit, Risk and Assurance Committee.

Auditable area	Level of assurance	Recommendations				Start Date	ARAC Report Date
		Red	Amber	Green	Total		
Establishment of the Mayoral Office (2017/18) follow-up review (originally January 2019)	High	1	6	-	7	In progress	April 2019
Programme Management Office Project Appraisal and Support Functions	Satisfactory	-	4	2	6	January 2018	April 2019
Investment Programme - Governance Arrangements for Project Appraisal and Approval	Satisfactory	-	8	-	8	January 2019	April 2019
Management of IR35	Satisfactory	-	4	3	7	February 2019	April 2019

Auditable area	Level of assurance	Recommendations				Start Date	ARAC Report Date
		Red	Amber	Green	Total		
National Fraud Initiative	Satisfactory	-	2	4	-	February 2019	April 2019

Appendix 1



West Midlands Combined Authority

**Internal Audit Report
Workforce Planning Arrangements 2018 - 2019
20 December 2018**

Delivered by City of Wolverhampton Council – Audit Services

1. Executive summary

Introduction

An audit of the WMCA's workforce planning arrangements in support of resource planning, capacity and capability strategy was undertaken as part of the approved internal audit plan for 2018–2019.

Workforce planning as defined by the Chartered Institute of Personnel and Development is a core business process to align changing organisation needs with people strategy and involves a process of analysing the current workforce, determining future workforce needs, identifying the gap between the present and the future, and implementing solutions so that an organisation can accomplish its mission, goals, and strategic plan. In addition, best practice includes alignment between workforce planning and organisational strategy as well as core business processes.

In recent time the WMCA had a total number of vacancies to be recruited during the 2018-2019 period of 105.48 full time equivalent posts. However, taking account of turnover from the previous year, the number increased to potential vacancy management of 158 posts.

Consequently, the WMCA has been through a fairly rapid recruitment process, particularly at a senior level, to ensure that it has the right appointments in place to take the WMCA forward in line with its strategic aims and objectives.

This audit reviewed the strategic and operational arrangements that contribute to workforce planning activities that help inform strategic management regarding current and future workforce requirements, issues and risks within the complex delivery and funding model and environment that the WMCA currently operates as well as recognition of future delivery and funding requirements as far these can be foreseen.

Scope and objectives of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following objectives, and the potential risks to the achievement of those objectives:

- To seek assurance that appropriate arrangements are in place for effective workforce planning that supports and aligns with organisational strategy and business planning to ensure appropriate skills and capacity are developed to achieve organisational success in delivering services in the future.

Scope	Potential risks
<p>The scope of the review included the following area regarding workforce planning:</p> <ul style="list-style-type: none"> • Workforce planning strategy. • Strategic and organisational alignment. • Understanding the organisation and its environment. • Analysis of current and potential workforce. • Determination of future workforce requirements. 	<ul style="list-style-type: none"> • Workforce planning may not align with successful delivery of strategic objectives and business planning. • Critical resource risks may not be appropriately addressed because of ineffective workforce planning as a key mitigating action. • Poor organisational and employee performance as well as productivity

- Identification of workforce gaps against future needs.
- Development of action plans to address shortages, surpluses or skills mismatches.
- Monitoring, evaluation and reporting arrangements regarding action plans and solutions.
- Risk management arrangements.

As part of the above areas reference was made to relevant strategies, governance, roles and responsibilities, and management information utilised to support workforce planning arrangements.

levels may undermine achievement of strategic objectives.

Limitations to the scope of our audit

The review was limited to the above areas.

Overall conclusion

Taking account of the issues identified in this report, in our opinion the controls operating within the system, provide **satisfactory assurance** as part of the process to mitigate risks to an acceptable level.

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

Key issues identified

We have identified one **amber** issue where improvements could be made. Current strategic and organisational mechanisms that contribute to and underpin strategic workforce planning could be improved through greater formalisation within a clear strategic and operational framework, and clearer alignment between Human Resource workforce planning activities and the rest of the organisation.

We recognise that a fundamental part of workforce planning consists of operational activities by service areas to consider their immediate and future workforce needs and ensure that these are encompassed within the WMCA Business Planning and Budget Setting processes.

We acknowledge that Human Resource and Organisation Development have recently taken action to align workforce planning with the WMCA Business Planning and Budget Setting process as well as starting to develop mechanisms to support strategic workforce planning in accordance with best practice as defined by the Chartered Institute of Personnel and Development.

However, the above mechanisms and approach which were being developed at the time of review could be now translated into a clearly defined strategic and operational workforce planning

framework to support strategic level consideration of workforce planning implications for the achievement of the WMCA's strategic and organisational aims and objectives.

The findings from this report will be presented to the Audit, Risk and Assurance Committee.

Examples of good practice identified

During our work we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

Risk Management

- As the WMCA continues to develop as an organisation, workforce issues regarding resourcing, capacity and capability issues have been identified as a strategic risk and currently has been rated as an amber risk on the Strategic Risk Register. This risk has been reviewed by the Audit, Risk and Assurance Committee at its meeting on 12 November 2018.

Operational workforce planning arrangements

- Discussion with a sample of budget managers confirmed that suitable approaches were undertaken to consider and identify potential workforce requirements in the context of current and future service delivery requirements as well as external funding implications where delivery was dependent on securing future funding schemes. Approaches taken were consummate with their service area or service delivery model i.e. a well-established service area or a newer service area.
- Budget managers advised that workforce requirements were fed into budget setting processes and where in-year requirements occurred, the business case process was utilised, as well as their own strategic and operational management and reporting arrangements.
- Budget Managers within service areas looked to undertake a medium to longer term view wherever possible over and above an annual budget setting view.

Strategic workforce planning arrangements

- Development of more accurate and complete management information regarding the WMCA employee establishment including current and proposed vacancies, was being undertaken.
- Monthly monitoring dashboards were generated for presentation to senior management which included information regarding capacity i.e. establishment figures including current vacancies, turnover, lost hours and toil utilisation as indicators of current workforce issues.
- Greater alignment between workforce planning activities and the WMCA's Business Planning and Budget Setting processes was also being undertaken to ensure budget managers clearly considered workforce issues and reflected these within budget requirements.
- The Business Planning and Budget Guidance for 2019-2020 included some reference to the need to ensure employees are suitably equipped with the right skills to address achievement of strategic objectives.
- Service area workforce planning activities were supported by Human Resource Business Partners meeting with Directors and Heads of Service to review and manage resourcing requirements as well as address current establishment vacancies, feeding into the recently developed management information, establishment data and dashboards reported to senior management.

- Development was being undertaken of a workforce planning methodology with clear workflows that looked to mirror the professional best practice model for workforce planning recommended by the Chartered Institute of Personnel and Development. This was due for roll out to the Human Resource Business Partners to support their workforce planning role in liaison with service areas during the audit, as well as their role in capturing information to feed into management information.
- A Skills Mapping mechanism had been developed and piloted within the Human Resource and Organisation Team which could be extended to the wider organisation and could facilitate capture of key information and intelligence as part of a best practice workforce planning model.
- Consideration within the current workforce planning approach was given to alternatives means of meeting capacity and capabilities requirements including secondments, consultants, partnering support, agency engagements, talent management and succession planning. A report was recently presented to the Strategic Leadership Team to outline progress with development of new resourcing streams as well as measures to attract different groups of people as part of the WMCA's offer to the region.

Acknowledgement

Several employees gave their time and co-operation during this review. We would like to record our thanks to all the individuals concerned.

2. Issues arising

Priority rating for issues identified:

Red

Action is imperative to ensure that the objectives for the area under review are met

Amber

Action is required to avoid exposure to significant risks in achieving objectives

Green

Action is advised to enhance risk control or operational efficiency

Action is required to avoid exposure to significant risks in achieving objectives
Amber

No	Issue arising	Recommendation	Agreed action including responsibility and target date
1	<p>Workforce planning strategy and framework.</p> <p>We found that current strategic and organisational mechanisms that contribute to and underpin strategic workforce planning could be improved through greater formalisation within a clearly defined and documented strategic approach and operating framework, with clearer alignment and integration between strategic and operational service area workforce planning activity</p> <p>Consequently, formalisation of a clearer strategic approach and operational framework is required to help integrate and align the above arrangements, activities (operational and strategic) and best practice approach.</p>	<p>Current and developing strategic and organisational mechanisms that contribute to and underpin strategic workforce planning should be formalised within a clearly defined and documented strategic approach and supporting operating framework, with explicit alignment and integration between strategic and operational service area workforce planning activity.</p> <p>The above strategic approach and operating framework should look to clearly incorporate the mechanisms currently being developed (Workforce Planning Workflow Model and Skills Mapping mechanism and associated record keeping) that mirror professional best practice guidance.</p> <p>Once established, a communications strategy and programme should be developed to</p>	<p>As agreed we will undertake to develop a plan of action to address those areas highlighted by the Audit which need to be further embedded into the WMCA.</p> <p>The Head of Human Resource and Organisation Development leads the Workforce planning process for Human Resource and Organisation Development with support from Organisation Development and Engagement Manager, Management Information and Analytics Partner and the Human Resource Business Partners.</p> <p>Responsibility: Tracy Walters – Head of Human Resource and Organisation Development</p> <p>Target date: 30 June 2019</p>

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Action is required to avoid exposure to significant risks in achieving objectives
Amber

No	Issue arising	Recommendation	Agreed action including responsibility and target date
Page 25	<p>In addition, communication to the wider organisation regarding how their role and responsibilities for workforce planning activities align with and inform strategic workforce planning through their budget setting and business planning and liaison with Human Resource Business Partners may support this further.</p> <p>Implication: Lack of strategic and operational framework may lead to weaknesses in overall workforce planning arrangements.</p>	<p>ensure the wider organisation understands their role within the workforce planning strategy and operating framework.</p> <p>Considering the above, current management information and reporting arrangements should be revisited to ensure align with the strategic approach and operating framework developed.</p>	

Limitations inherent to the internal auditor's work

This report has been prepared solely for the Combined Authority in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

Internal control

- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Responsibilities of management and auditors

- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist.

Report distribution:

Julie Nugent – Director of Productivity and Skills
 Tracy Walters – Head of Human Resource and Organisation Development
 Rita Rais – Human Resource Manager
 Linda Horne – Head of Finance and Business Planning

Date Issued:

20 December 2018



**West Midlands
Combined Authority**

Audit, Risk & Assurance Committee

Date	14 January 2019
Report title	Draft Internal Audit Plan 2019 – 2020
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive of the WMCA Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Tim Martin Head of Governance, Clerk and Monitoring Officer Email: Tim.Martin@wmca.org.uk Tel: (0121) 214 7435
Report has been considered by	Leadership Team

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee is recommended to:

- (1) Review and note the current draft internal audit plan for 2019-2020.
- (2) Note that the final draft internal audit plan will be submitted for approval at the meeting of this Committee on 15 April 2019.

1. Purpose

- 1.1 The purpose of internal audit is to provide the WMCA with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the WMCA's agreed objectives.
- 1.2 The purpose of this document is to provide the WMCA with a draft risk-based internal audit plan, incorporating a strategic statement for internal audit, and based upon an assessment of assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the WMCA which are assessed as generating the greatest risk to the achievement of its objectives.
- 1.3 In addition, all Directors of the WMCA have been consulted as part of development of the draft risk-based internal audit plan. The draft plan has also been presented to the WMCA Leadership Team for review prior to presentation to the Audit, Risk and Assurance Committee.
- 1.4 The draft plan has been developed to achieve a balance between setting out planned audit work and being flexible and responsive to changes in business needs, priorities and risks during the year. This recognises the environment within which the Combined Authority operates at this moment in time, due to the pace of change and high level of uncertainty affecting the risk environment. This approach should hopefully result in a more realistic and flexible plan.
- 1.5 As the draft internal audit plan does not take account of any potential implications from audits to be completed in quarter four of 2018-2019, formal approval of the final draft internal audit plan will be sought at the 15 April 2019 meeting of the Audit, Risk and Assurance Committee.

2. Background

- 2.1 Internal audit is a statutory requirement for all Local Authorities. The audit service provided to the WMCA is in accordance with the Local Government Act (1972), the Accounts and Audit Regulations Act and the Public Sector Internal Audit Standards.

3. Wider WMCA Implications

- 3.1 There are no implications.

4. Financial Implications

- 4.1 There are no implications.

5. Legal Implications

- 5.1 There are no implications.

6. Equalities Implications

6.1 There are no implications.

7. Other Implications

7.1 There are no implications.

8. Schedule of Background Papers

8.1 None.

9. Appendices

9.1 None



West Midlands Combined Authority

Draft Internal Audit Plan – 2019-2020

Delivered by City of Wolverhampton Council - Audit Services

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The assessment of assurance needs
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Considerations required of the Audit, Risk and Assurance Committee and senior WMCA management
How the internal audit service will be delivered
The internal audit plan

A quick guide to the audit and assurance planning process

Step 1- Audit universe/auditable areas

Identify the audit universe (i.e. a list of themes and areas within them that may require assurance) using a variety of methods:

- Areas of potential risk identified through a variety of sources (including the strategic risk register) as having the potential to impact upon the WMCA's ability to deliver its objectives. Then, identify if we can gain assurance that any of these risks are being managed adequately from other sources of assurance.
- Key Financial Systems - work undertaken in close liaison with the external auditors, to help inform and support the work they are required to undertake.
- Areas where we use auditor's knowledge, management requests and experience etc.



Step 2 – Ranking

Where appropriate score each auditable area as a high, medium or low assurance need using the CIPFA scoring methodology of materiality/business impact/audit experience/risk/ potential for fraud.



Step 3 - Next Year's Plan

List the themes and where appropriate the types of work that will be undertaken in the 2019-20 internal audit plan.

A glossary of terms

Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Governance

The arrangements in place to ensure that the WMCA fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

Control environment

Comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the WMCA's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded

- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the WMCA and the reporting of financial management
- the performance management of the WMCA and the reporting of performance management.

System of internal control

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

Risk Management

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

Risk based audit and assurance reviews

A review that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide if they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- tests the effectiveness of controls i.e. through compliance and/or substantive testing
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

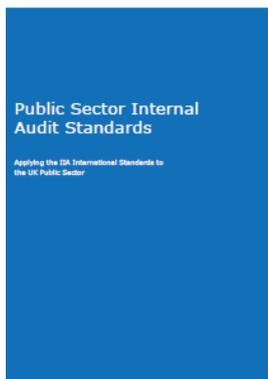
Audit, Risk and Assurance Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The Head of Audit may be unable to give an assurance if arrangements are unsatisfactory. Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the WMCA's policies, processes and controls and the second being managers' own checks of this first line.

Internal Audit standards



The internal audit team comply with the standards as laid out in the Public Sector Internal Audit Standards.

Introduction

- The purpose of internal audit is to provide the Chief Executive, Director of Finance and Audit, Risk and Assurance Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the WMCA's agreed objectives. To provide this opinion, we are required to review annually the risk management and governance processes within the WMCA.
- We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The WMCA has an Internal Audit Charter which was last reviewed and approved by the Audit, Risk and Assurance Committee in November 2017 and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the WMCA. This document sits alongside the charter, and helps determine how the internal audit service will be developed.
- The purpose of this document is to provide the WMCA with an internal audit plan, based upon an assessment of its assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the WMCA which are assessed as generating the greatest risk to the achievement of its objectives.

Assessing the effectiveness of risk management and governance

The effectiveness of risk management and governance will be reviewed annually, to gather evidence to support our opinion to the Chief Executive, Director of Finance and Audit, Risk and Assurance Committee. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance.

Assessing the effectiveness of the system of control

- To be adequate and effective, management should:
 - Establish and monitor the achievement of the WMCA's objectives and facilitate policy and decision making.
 - Identify, assess and manage the risks to achieving the WMCA's objectives.
 - Ensure the economical, effective and efficient use of resources.
 - Ensure compliance with established policies, procedures, laws and regulations.
 - Safeguard the WMCA's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
 - Ensure the integrity and reliability of information, accounts and data.
- These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control. The annual reviews of risk management and governance will cover the control environment and risk assessment elements, at a high level. The programme of work developed as the outcome of the assessment of assurance need exercise will cover the system level control activities.
- The plan contained within this report is our assessment of the audit work required to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

Assessment of assurance needs methodology

- Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the WMCA and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the WMCA's objectives.
- Activities that contribute significantly to the WMCA's internal control system, and to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative assurance need value. The purpose of this approach is to enable the delivery of assurance to the WMCA over the reliability of its system of control in an effective and efficient manner.
- We have undertaken our assessment using the following process:
 - We identified the core objectives of the WMCA and, where available, the specific key risks associated with the achievement of those objectives.
 - We then identified auditable themes and areas that impact significantly on the achievement of the control objectives.
 - We assigned assurance need values to the auditable themes and areas, based on the evidence we obtained
- The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2019-2020 financial year and is detailed at the end of this document.

The assessment of assurance needs - identifying the WMCA's priorities and the associated risks

- The following are the WMCA's key priorities:
 - Drive economic growth
 - Create more efficient and faster transport
 - Provide better skills training
 - Build more and better homes
 - Deliver public sector reform
 - Develop sustainable cross sector partnerships
- Supported by the WMCA's values:
 - Be collaborative
 - Be innovative
 - Be driven
 - Be inclusive
- The WMCA has identified the following strategic risks as potentially impacting upon its ability to achieve its key priorities:
 - Financial assumptions for existing programmes
 - Delivery of programmes and devolution commitments
 - WMCA resilience
 - Governance arrangements
 - Leadership Team capacity
 - Stakeholder and political relations
 - Impact of external challenges and policy changes on WMCA plans

Identifying the “audit universe”

To undertake the assessment of assurance need, it is first necessary to define the audit universe for the WMCA. The audit universe describes all the systems, functions, operations and activities undertaken by the WMCA. Given that the key risk to the WMCA is that it fails to achieve its objectives, we have identified the audit universe by determining which systems and operations impact upon the achievement of the core objectives of the WMCA, as identified above. These auditable areas include the control processes put in place to address the key risks.

In addition to this, there are also common systems and functions which are generic to all areas, along with several mandatory reviews. Where deemed appropriate they may also be included in the audit universe set out in detail at the end of this document.

Assessing the risk of auditable areas within the assurance framework

- Risk is defined as “The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies.”

Source: Economist Intelligence Unit - Executive Briefing.

- There are several key factors for assessing the degree of assurance need within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:
 - Materiality
 - Business impact
 - Audit experience
 - Risk
 - Potential for fraud
- In this model, the assignment of the relative values is translated into an assessment of assurance need. These ratings used are high, medium or low to establish the frequency of coverage of internal audit.

Developing an internal audit plan

- The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the WMCA's own risk analysis/assessment. The plan has been designed to, wherever possible, cover the key risks identified by such risk analysis.
- In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.
- It is recognised that a good internal audit plan should achieve a balance between setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. Traditionally Audit Services produced quite detailed internal audit annual plans identifying all the individual audits planned for the year, and this approach does have the advantage of providing a clear route map to the end of year opinion. However, as the year progresses it is likely that the risks and organisational priorities will change, resulting in changes to the plan. This is an issue within the Combined Authority environment at this moment in time, due to the pace of change and high level of uncertainty affecting the risk environment. Therefore, for this year we are keeping the audit plan relatively open. More detailed working plans will be maintained operationally within Audit Services. This approach should hopefully result in a more realistic and flexible plan.
- Auditor's judgement will be applied in assessing the number of days required for each audit identified in the plan.
- The assessment of assurance need's purpose is to:
 - determine priorities and establish the most cost-effective means of achieving audit objectives;
 - assist in the direction and control of all audit work.
- This exercise builds on and supersedes previous internal audit plans.
- Included within the plan, in addition to audit days for field assignments are:

- a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
- an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various member meetings and Audit, Risk and Assurance Committee etc.

Considerations required of the Audit, Risk and Assurance Committee and the WMCA's Senior Management Team

- Are the objectives and key risks identified consistent with those recognised by the WMCA?
- Does the plan include all the themes which would be expected to be subject to internal audit?
- Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?
- Does the plan cover the key risks as they are recognised?

How the internal audit service will be delivered

Staffing

The audit team follow the City of Wolverhampton Council's core behaviours. They are recruited, trained and provided with opportunities for continuing professional development. Employees are also sponsored to undertake relevant professional qualifications. All employees are subject to the Council's appraisal scheme, which leads to an identification of training needs. In this way, we ensure that employees are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

Resources required

It is estimated that approximately 185 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

Quality assurance

All audit work undertaken is subject to robust quality assurance procedures as required by the Public Sector Internal Audit Standard and reports are subject to thorough review by professionally qualified accountancy staff

The internal audit plan 2019-2020

Auditable area	Purpose	Rating
Cross Service		
Programme and Project Management Framework	A high-level review of the programme and project management framework in operation for the effective governance, risk management, project management and application of project controls for programmes and projects delivered by the WMCA.	High
ICT Strategy	A review to seek assurance that a clearly defined ICT strategic plan has been developed for the WMCA covering development, maintenance (including disaster recovery) and enhancement of information systems, and clearly aligns to the organisational aims and objectives, and enables efficient and effective achievement of wider business objectives.	High
Employee Performance Management	A review of performance management and support arrangements at strategic and operational levels for maintaining and improving employee performance ensuring alignment with the WMCA's objectives.	High
Investment Programme	The Investment Programme continues to underpin several of the WMCA's strategic risks and therefore merits annual audit coverage. Where appropriate we will take account of ongoing development and improvement work being undertaken by the WMCA as well as any sources of external and internal assurance to determine the focus of any in-year audit review.	High
Key Financial Systems Focused Reviews	Focused reviews of the WMCA's key financial systems to be determined in-year.	High

Auditable area	Purpose	Rating
Housing and Regeneration		
Single Commissioning Framework	A review of the systems and controls established for the Single Commissioning Framework to ensure that the Framework effectively supports achievement of the strategic objectives of the WMCA, Housing and Land Fund and the Housing Deal.	High
Housing and Regeneration Programme and Project management arrangements	A high-level review of the arrangements in place for overall programme governance, risk management and control including monitoring and reporting to inform achievement of the strategic objectives for the Housing and Regeneration Programme.	High
Commissioning and funding arrangements for externally led projects	A review of the systems and operational arrangements in place for the commissioning and funding of projects led by external organisations on behalf of the WMCA including project bid appraisal, prioritisation and approval, funding allocation, compliance with funding agreements, and subsequent monitoring and evaluation to ensure projects achieve strategic delivery.	High
Productivity and Skills		
Adult Education Budget	A review of the governance, management, funding and operational arrangements established and proposed for the effective management of devolved monies and achievement of relevant strategic objectives.	High
Construction and Digital Retraining Funds	A review of the strategy, governance, management, funding and operational arrangements for delivery of the strategic objectives and outcomes of the Construction and Digital Retraining scheme.	Medium
Employment Support Pilot	A review of the mechanisms established to deliver achievement of the strategic aims and objectives of the Pilot including performance monitoring and reporting.	Medium

Auditable area	Purpose	Rating
Public Service Reform		
West Midlands 5G Programme	A high-level review of governance, management and funding arrangements including the application of robust systems and controls, to ensure that they effectively support the WMCA's role and responsibilities regarding the Joint Venture and Delivery Entity and achievement of the WMCA's strategic objectives and benefits.	High
Homelessness Taskforce	A high-level review of the governance, risk, management and partnership arrangements established to contribute to and support effective delivery of the five key objectives that underline the Mayor's mainstream strategies for the WMCA through the work of the Homelessness Taskforce.	High
Strategy		
Local Industrial Strategy	A high-level review of the systems established to support programme delivery for the Local Industrial Strategy including governance, risk, performance management, monitoring and reporting arrangements.	High
Bid Management Framework	A high-level review of the bid management framework to ensure effective governance, risk and support arrangements are established at the outset for major bids to facilitate effective, efficient and consistent transition to service delivery.	High
West Midlands Fire Service	A high-level review of the governance, risk management, assurance and reporting arrangements established by the WMCA for the West Midlands Fire Service, post integration.	High

Auditable area	Purpose	Rating
Transport for West Midlands		
Third Generation Tram Procurement Project	A review of the governance, project management, risk management and control systems in operation for the Third Generation Tram Procurement Project.	High
West Midlands Rail	A review of the governance and relationship management in operation between the WMCA and the wholly owned West Midlands Rail company to ensure effective governance, risk management, monitoring and reporting arrangements have been established to provide assurance that the company continues to contribute to and supports the strategic aims of the WMCA.	High
Swift Managed Services Data and Payment Arrangements	A review of the financial and operational processes in operation for the delivery of the managed services to external operators regarding processing and payment of contract fees and ticketing income as well as supporting data processing arrangements.	Medium

The following reviews and associated services will be delivered corporately across the WMCA:

Auditable Area	Purpose
Consultancy and advice	<p>Special projects, advice and assistance, unplanned and ad-hoc work as and when requested. This could include coverage of the following areas:</p> <ul style="list-style-type: none"> • Mayoral Election 2020 – a review of the plans and preparations proposed for the forthcoming Mayoral election including reference to lessons learnt from the previous election. The outcome of this review to be reported to the Audit, Risk and Assurance Committee in quarter four of 2019-2020.
Counter Fraud	<p>Where required:</p> <ul style="list-style-type: none"> • the carrying out of investigations into areas of suspected or reported fraudulent activity across the WMCA. • Undertaking a series of pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity • The development of a fraud risk register • Organising raising fraud awareness seminars fraud surgeries. • Assisting in the Cabinet Offices NFI data matching exercise. • Representing WMCA at national and local fraud related events.
Recommendation follow up	<p>The follow up of key internal audit recommendations made in 2018/19 including continued oversight of limited opinion audit reports.</p>
Audit Management	<p>Day to day management of the internal audit service, quality control, client and external audit liaison and preparation for, and attendance at various meetings. Preparation and presentation of papers for the Audit, Risk and Assurance Committee, and providing advice and training to committee members as and when required.</p>
Risk Management	<p>We will review the scoring and evidence based methodology that underpins the Strategic Risk Register.</p>

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Audit, Risk & Assurance Committee

Date	14 January 2019
Report title	Health and Safety Internal Audit Update
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive of the WMCA Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Pete Bond Director of Integrated Services Email: Pete.Bond@tfwm.org.uk Tel: (0121) 214 7388
Report has been considered by	Not Applicable

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee is recommended to:

- (1) Note the update on progress made against recommendations identified during the Internal Audit of Health and Safety Arrangements conducted by City of Wolverhampton Council Audit Services.

1. Purpose

- 1.1 The purpose of this report is to present the Committee with an update on progress against recommendations identified within the Internal Audit Report in relation to Health and Safety Arrangements for the West Midlands Combined Authority (WMCA) issued on 8 October 2018.

2. Background

- 2.1 An audit of the Health and Safety Arrangements in operation for the WMCA has been undertaken by City of Wolverhampton Council Audit Services as part of the approved internal audit plan for 2018-2019.
- 2.2 The audit sought assurance that a robust health and safety management system is in operation for the WMCA to effectively manage health and safety risks.
- 2.3 The audit identified that suitable operational health and safety management arrangements were evident, supported by regular reporting and an effective management system.
- 2.4 It was also noted that revised governance and reporting arrangements were being consulted upon prior to approval with supporting mechanisms being developed by the Health and Safety Team in the meantime.
- 2.5 Recommendations were made to further support and build upon the current and proposed arrangements going forward, as well as develop greater visibility across the WMCA regarding the role of the Health and Safety Team as an organisational wide function.
- 2.6 These recommendations consisted of two amber issues and five green issues where improvements could be made.
- 2.7 Further to the agreed actions within the audit report, the Director of Integrated Network Services and Health and Safety Manager have advised that two additional actions will also be taken in relation to (i) governance arrangements for West Midlands Fire Service and (ii) stress and long-term sickness absence.
- 2.8 An action log detailing the issues arising, recommendations, current progress and action status is contained within Appendix 1 attached to this report.
- 2.9 It is acknowledged that the original target completion dates for many of the actions was overly ambitious given the wider challenges currently faced by the organisation and as such revised target dates have been provided where applicable.

3. Wider WMCA Implications

- 3.1 Failure to implement the recommendations may result in threats to delivery of policy due to the reduced effectiveness of management structures and arrangements, lack of effective planning and a structured approach to risk management, lack of clear organisational direction, and a reduced ability to respond to lessons learnt and implement any identified enhancements.

4. Financial Implications

- 4.1 There are no specific financial implications arising from this report, however as the remit and responsibilities of the WMCA evolve, additional resources and budgetary allocation may be required to ensure effective delivery of the aims and objective set out within the Health and Safety Policy and associated Strategy.

5. Legal Implications

- 5.1 Although there are no current legal implications, cognisance should be given to all applicable Health and Safety legislation that places duties upon the organisation.

6. Other Implications

- 6.1 There are no other implications arising from this report.

7. Other Implications

- 7.1 There are no other implications arising from this report.

8. Schedule of background papers

- 8.1 Final Internal Audit Report Health and Safety Arrangements 2018-2019
(8 October 2018) – Delivered by City of Wolverhampton Council Audit Services

9. Appendices

Appendix 1 Health and Safety Internal Audit Action Log

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No.	Issue Arising	Recommendation	Agreed Action	Responsible Person(s)	Target Date	Progress Update	Status / Target Date
2.1 (a)	<p>Safety, Health and Environment Committees</p> <p>As part of the proposed reporting arrangements, we note that a new Safety, Health and Environment (SHE) Strategic Committee will be established. Currently, the supporting diagram shows the SHE Strategic Committee as accountable and reporting to the Health and Safety Lead Director Integrated Network Services responsible for WMCA wide health and safety and the operational Health and Safety Team.</p> <p>Whilst the membership and terms of reference were yet to be established, the current proposed reporting structure for the SHE Strategic Committee may not facilitate an appropriate level of challenge or support delivery of strategic direction if not aligned or made directly accountable to the TfWM Managing Director as WMCA Executive Health and Safety Lead or to the WMCA Leadership Board.</p>	As part of the consultation process for the proposed health and safety arrangements, review should be included to determine at which level of the organisation the SHE Strategic Committee and SHE Committee should sit to facilitate the appropriate level of challenge, effective escalation of issues where required, and support delivery of strategic direction i.e. through alignment and accountability to the TfWM Managing Director as WMCA Executive Health and Safety Lead or directly to the WMCA Leadership Board.	The consultation process is ongoing. Supporting diagram in relation to the proposed reporting arrangements has been updated to show alignment and accountability of SHE Strategic Committee (SHESC) to the WMCA Leadership Board via the TfWM Managing Director as WMCA Executive Health and Safety Lead as per recommendation.	Ben Gittings - Health and Safety Manager Pete Bond - Health and Safety Lead, Director of Integrated Network Services	31/12/2018	The consultation process is now complete. Supporting diagram in relation to the reporting arrangements has been updated to show alignment and accountability of SHE Strategic Committee to the WMCA Strategic Leadership Team (SLT). The existing SHE Committee is retained at its current level.	Complete 10/12/2018
2.1 (b)	<p>Environment Committee (SHE Committee) will report into the new SHE Strategic Committee. However, the proposed reporting structure did not clearly reflect lines of reporting and accountability between the SHE Strategic Committee and the SHE Committee.</p> <p>Considering the regulatory requirement to constitute a SHE Committee, there is a need to ensure accountability for the effective operation of the SHE Committee is clearly assigned within governance arrangements.</p> <p>We noted that not all current members of the SHE Committee had attained an appropriate level of training as required by the terms of reference (i.e. within a one-year time frame of becoming a Committee member) However, the newly appointed Health and Safety Manager had confirmed that in addition to himself, several of the current members held relevant professional qualifications. We were further advised that SHE Committee members will be required to attain Institute of Occupational Safety and Health Managing Safely training as a minimum, and that training will be introduced once the review of the SHE Committee membership had been completed and all new members have been appointed.</p>	Once the proposed arrangements have been approved, appropriate terms of reference should be established for the SHE Strategic Committee and the SHE Committee that clearly reflect revised lines of reporting and accountability between the two Committees as well as to other governance boards.	Terms of Reference for the SHESC to be established. Terms of Reference for SHEC to be reviewed and updated to reflect revised reporting lines and accountabilities.	Ben Gittings - Health and Safety Manager	31/12/2018	Terms of Reference are currently being finalised in preparation for the inaugural meeting of the SHE Strategic Committee on 17th January 2019.	In Progress 17/01/2019
2.1 (c)	<p>The status of the SHE Committee as a regulatory requirement should be clearly communicated and evidenced as such within governance and policy documentation.</p> <p>Further review of applicable governance documentation to be undertaken and revised as necessary.</p>	The status of the SHE Committee as a regulatory requirement should be clearly communicated and evidenced as such within governance and policy documentation.	Draft WMCA Safety Management System (Section SMS 4.0) and associated policies and documentation clearly outline the statutory requirements in relation to Committees, namely: - Safety Representatives and Safety Committees Regulations 1977 (as amended); - Health and Safety (Consultation with Employees) Regulations 1996 (as amended).	Ben Gittings – Health and Safety Manager and Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance	31/12/2018	Draft WMCA Safety Management System (Section SMS 4.0) and associated policies and documentation outlining the statutory requirements in relation to Committees to be made live and issued as part of wider roll-out of new SMS in Q4 2018/19. Review of applicable governance documentation to be undertaken by Governance Services during Q4 2018/19.	In Progress 31/03/2019
2.1 (d)	<p>The lines of independent reporting and accountability between the WMCA Health and Safety Team and the SHE Strategic Committee (as distinct from its line management reporting within TfWM) should be clearly documented within terms of reference.</p>	The lines of independent reporting and accountability between the WMCA Health and Safety Team and the SHE Strategic Committee (as distinct from its line management reporting within TfWM) should be clearly documented within terms of reference.	Lines of independent reporting and accountability between WMCA Health and Safety Team and SHESC to be clearly defined within SHESC Terms of Reference.	Ben Gittings – Health and Safety Manager	31/12/2018	Terms of Reference are currently being finalised in preparation for the inaugural meeting of the SHE Strategic Committee on 17th January 2019. These will clearly define lines of independent reporting and accountability between WMCA Health and Safety Team and SHE Strategic Committee.	In Progress 17/01/2019
2.1 (e)	<p>Specific responsibility for ensuring that the SHE Committee operates effectively and in accordance with all relevant Regulations should be clearly assigned to a Senior Responsible Officer.</p>	Specific responsibility for ensuring that the SHE Committee operates effectively and in accordance with all relevant Regulations should be clearly assigned to a Senior Responsible Officer.	Senior Responsible Officer to be identified and appointed to ensure ongoing compliance and effective operation of SHESC/SHEC.	Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance	31/12/2018	Process for identification of Senior Responsible Officer to be agenda item at inaugural SHE Strategic Committee on 17th January 2019.	In Progress 31/01/2019

No.	Issue Arising	Recommendation	Agreed Action	Responsible Person(s)	Target Date	Progress Update	Status / Target Date
2.1 (f)	<p>Implication: Governance arrangements may not be fully effective in achievement of objectives if not clearly defined and established.</p>	Once the proposed reporting arrangements have been approved and new membership appointed, action should be taken to ensure that all members of the SHE Committee have or will attain the appropriate level of training in accordance with Regulation and within one year of becoming a member.	It will be ensured that all members of the revised SHE Committee membership have or will attain the appropriate level of training within one year of becoming a member.	Ben Gittings – Health and Safety Manager	31/12/2018	<p>A full review of the membership of the existing SHE Committee to ensure sufficient coverage from employee representatives from across the organisations activities has been undertaken and completed in December 2018.</p> <p>Training provider has been contacted to establish potential training dates for IOSH Managing Safely courses within the next 6 months to ensure all members of the SHE Committee have attained the appropriate level of training.</p>	In Progress 30/06/2019
2.2 (a)	<p>Directors' roles and responsibilities Whilst the current and proposed Health and Safety Policy included the roles and responsibilities of Directors, we found that contracts of employment may not make specific reference to Health and Safety.</p> <p>We further understand that a Health and Safety Overview to provide a level of Health and Safety knowledge commensurate to the roles and responsibilities of Directors had been scheduled but that this training had not been made mandatory.</p>	Contracts of employment should include reference to Health and Safety responsibilities where the post holder (i.e. Executive and Non-Executive Directors) has overall responsibility for ensuring compliance with Health and Safety legislation and policy.	To be reviewed in liaison with Human Resources and Organisation Development.	Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tracy Walters – Head of Human Resources and Organisation Development	31/12/2018	Review of applicable contracts of employment is to be undertaken with assistance of HR & OD in Q4 2018/19.	Scheduled 31/03/2019
2.2 (b)	<p>Implication: Roles and responsibilities may not be fully undertaken if appropriate training has not been undertaken.</p>	Considering the above and in accordance with the proposed Health and Safety policy, training should be made mandatory for all Directors of the WMCA.	Health and Safety Overview for Directors training scheduled for 20th & 25th September 2018. Attendance strongly encouraged and subject to monitoring by Head of Human Resource & Organisation Development. Directors who fail to attend are to be provided with training later within the next six months.	Ben Gittings – Health and Safety Manager in liaison with Tracy Walters - Head of Human Resources and Organisation Development	31/12/2018	<p>QSS delivered <i>H&S Overview for Directors</i> to TfWM Directors on 20th September 2018.</p> <p>Steve Sumner OBE CFIOSH scheduled to deliver H&S Overview for Directors course to the WMCA Senior Leadership Team on 9th January 2019.</p> <p>Pete Bond (Nominated Director Responsible for H&S) to attend NEBOSH National General Certificate in OSH course in March 2019.</p>	In Progress 09/01/2019 March 2019
2.3 (a)	<p>Governance Arrangements We noted that whilst roles and responsibilities across the organisation were detailed within existing and proposed policy, and current delegations were stipulated within the proposed policy, these had not been clearly referenced to date within the WMCA Constitution or the terms of reference for the various boards including the WMCA Board.</p> <p>Whilst it was clear that WMCA wide reporting was presented to the TfWM Board, the terms of reference for the TfWM Board only referred to responsibility for “oversight of transport related health & safety requirements and network resilience issues”. The dual role of the TfWM Board had not been explicitly</p>	<p>All terms of reference should be reviewed to ensure include clear reference to roles and responsibilities as stipulated within the proposed Health and Safety Policy (once ratified), including (but not limited to):</p> <ul style="list-style-type: none"> - WMCA Board - WMCA Leadership Board - All Portfolio boards (i.e. Executive Director level boards equivalent to the TfWM Board for example) - All Portfolio operational boards (i.e. equivalent to Transport Operations Board for example). 	Governance Services to assist in a review of all Terms of Reference ensuring that they are aligned to the responsibilities as stipulated within the Health and Safety Policy.	Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance	31/12/2018	<p>Review of applicable TORs to be undertaken with assistance of Governance Services during Q4 2018/19.</p> <p>A more accurate timescale for any updates to TORs to ensure they contain H&S, taking into account associated approval processes, will be established following the review.</p>	Scheduled 31/03/2019

No.	Issue Arising	Recommendation	Agreed Action	Responsible Person(s)	Target Date	Progress Update	Status / Target Date
2.3 (b)	<p>reflected within the terms of reference.</p> <p>We also noted that the proposed reporting structure whilst refers to the Executive and Non-Executive Health and Safety Lead roles, these could be made more explicit as distinct roles separate to their specific TfWM Roles both within the proposed reporting structure and TfWM Board terms of reference.</p> <p>Implication: Governance documents may not clearly reflect the Health and Safety arrangements in operation or proposed.</p>	Action should be taken to ensure reference to Health and Safety responsibilities and any delegations under the Health and Safety policy are included in the WMCA Constitution in liaison with Governance Services.	Governance Services to ensure reference to H&S responsibilities and any delegations under the Health and Safety policy are included in the WMCA Constitution.	Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance Services	31/12/2018	<p>Governance Services will ensure that responsibilities and any delegations under the Health and Safety policy will be included in the WMCA Constitution once the updated H&S Policy has been ratified. Pete Bond is to submit the Policy to Deborah Cadman OBE for review and sign-off prior to 31/12/18.</p> <p>Governance Services have confirmed that the constitution is regularly updated in line with significant changes to WMCA. An update is currently being prepared to include WMFS. If it is not possible to include reference to H&S within this update it will be held and incorporated into the next revision.</p>	Scheduled 31/03/2019
2.3 (c)		The terms of reference for the TfWM Board should clearly refer to the dual role and responsibilities undertaken with specific reference to the Executive and Non-Executive Safety Lead roles, regarding both TfWM specific health and safety issues and wider organisational issues as well as any specific issues relating to other WMCA portfolios.	Governance Services to assist TfWM Board in update of Terms of Reference to ensure the dual roles of Executive Director and Director Health and Safety Lead roles are clearly defined.	Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance	31/12/2018	<p>Review of TfWM Board and Transport Ops Board TORs to be undertaken with assistance of Governance Services during Q4 2018/19.</p> <p>Since the internal audit a Corporate Management Team (CMT) has been established which will now also receive monthly Health & Safety reporting and updates.</p>	Scheduled 31/03/2019
2.4 (a)	<p>Health and Safety reporting and action tracking</p> <p>We found that whilst regular reporting was undertaken and presented to the relevant TfWM Boards for their consideration and noting, review of TfWM Board minutes for the period January 2018 to June 2018 identified that the minutes required enhancement to more explicitly reflect the Board's wider remit for WMCA Health and Safety, consideration of wider WMCA issues contained within Health and Safety reports and progression of actions relating to non-TfWM matters.</p> <p>We noted that the report recommended noting of TfWM dashboards only, although non-TfWM areas were covered in the report.</p> <p>We also found that a formal action plan to support the Health and Safety report was yet to be established. However, it was clear that TfWM related actions and issues which made up most of the report were minuted and captured as actions where required by the Transport Operations Board</p> <p>Implication:</p> <ul style="list-style-type: none"> - Records may not clearly evidence the governance and scrutiny undertaken and may be difficult to demonstrate in the event of query or challenge. - Actions required by specific portfolios or by the organisation may not be progressed or completed. 	Minutes or other records of meetings should clearly evidence the governance, scrutiny undertaken and review of Health and Safety reporting as demonstration that assigned roles and responsibilities are being undertaken. This should be undertaken at all relevant Board meetings throughout and at all levels of the governance arrangements for Health and Safety.	Governance Services (or those responsible for the records of each forum) to ensure minutes and other records of meetings provide sufficient documentary evidence of consideration and scrutiny of Health and Safety reporting.	Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin – Head of Governance	31/12/2018	<p>It is confirmed that minutes of the following forums contain evidence of consideration and scrutiny of Health & Safety matters:</p> <ul style="list-style-type: none"> - WMCA SLT Board - TfWM Board - Metro Board - Transport Operations Board - SHE Committee - Audit, Risk and Assurance Committee <p>Review of minutes and other records for other forums is to be undertaken by Governance Services in Q4 2018/19.</p>	In Progress 31/03/2019
2.4 (b)		The current format of and recommendations made within the monthly and quarterly Health and Safety reports should be reviewed to ensure that they fully support the WMCA wide Health and Safety role and can be presented to each operational and director level portfolio Board as currently undertaken for TfWM.	Options for the structure, format, recommendations and associated action plan for monthly and quarterly Health and Safety reports are currently under review by the H&S Manager. It is intended the revised report and action format will successfully implement the criteria set out in the recommendation.	Ben Gittings – Health and Safety Manager	31/12/2018	<p>WMCA Health & Safety Board report structure revised to better identify the issues relevant to the various areas of the organisation. Structure as below:</p> <p>Section A: West Midlands Combined Authority</p> <p>Section B: Transport for West Midlands</p> <p>Section C: Corporate Services (incorporating 16 Summer Lane)</p> <p>Section D: Audit and Inspection Programme</p> <p>Section E: Health and Safety Board Report Action Log</p>	Complete 03/09/2018

No.	Issue Arising	Recommendation	Agreed Action	Responsible Person(s)	Target Date	Progress Update	Status / Target Date
2.4 (c)		<p>As part of current development of engagement with all portfolios within the WMCA, the Health and Safety report should be submitted to the operational and director level boards for each portfolio to support Executive and Non-Executive Directors in fulfilling their responsibility for ensuring compliance with Health and Safety legislation and policy as specified in the proposed Health and Safety Policy.</p> <p>The reporting mechanism should be used as a vehicle to engage with new portfolios and initiate discussions of any potential Health and Safety implications of new programmes, initiatives and service development.</p>				<p>Efforts to further develop engagement and effective communication on Health and Safety matters across all areas of the WMCA being undertaken.</p> <p>Quarterly Health & Safety Board Report provided to WMCA SLT and presented by Pete Bond, Director Responsible for H&S.</p> <p>Monthly Health & Safety Board Report now issued to all members of the WMCA SLT and presented by Ben Gittings, Health & Safety Manager to TfWM Board and Transport Ops Board. Where other applicable Boards are established, the report will also be provided and presented.</p>	Complete 08/10/2018
2.4 (d)		<p>An action plan should be developed to accompany the Health and Safety reporting to capture:</p> <ul style="list-style-type: none"> - Actions for specific portfolios with responsible officers and target dates. - Actions relating to Health and Safety guidance or advice that all portfolios (including TfWM) across the organisation should address. 				<p>WMCA Health & Safety Board report now incorporates an Action Log (Section E) as per recommendation highlighting any action pertaining to the report, responsible officers and target dates.</p>	Complete 03/09/2018
2.5 (a)	<p>Escalation routes and exception reporting</p> <p>We found that regular reporting by the Health and Safety Team included details of specific incidents, actions taken to date as part of their standard operational processes and any further actions required as well as any engagement with external organisations where relevant.</p> <p>Whilst these reports were presented at Transport Operations Board through to TfWM Board and more recently to WMCA Leadership, criteria or thresholds for escalating incidents required formalising</p>	<p>Escalation routes for specific incident and issues as part of exception reporting outside of regular reporting should be clearly defined and established within the proposed Health and Safety arrangements. This could include a framework of criteria or thresholds against which assessment is made to determine the reporting route for specific incidents and issues.</p>	<p>Draft SMS supporting document <i>SMS 04.5 Health and Safety Reporting</i> provides guidance and sets out the arrangements for Health and Safety reporting within the WMCA including annual, quarterly, monthly and exception reporting, along with the audience and methods of delivery. The draft document will be expanded to include a framework of criteria for exception reporting as recommended.</p>	Ben Gittings – Health and Safety Manager	31/12/2018	<p>Draft SMS supporting document <i>SMS 04.6 Health and Safety Reporting</i> to be expanded to include a framework of criteria for exception reporting and made live and issued as part of wider roll-out of new SMS in Q4 2018/19.</p>	In Progress 31/03/2019

No.	Issue Arising	Recommendation	Agreed Action	Responsible Person(s)	Target Date	Progress Update	Status / Target Date
2.5 (b)	<p>for escalating incidents required for raising.</p> <p>The Health and Safety Manager advised that escalation of specific incidents outside the regular reporting undertaken would be based on an assessment of risks impacting on the WMCA and whether that required escalation as far as the WMCA Board.</p> <p>We also note that the proposed reporting arrangements required clearer definition of escalation routes between operational and strategic levels of governance. The current terms of reference for the SHE Committee stated that it could make recommendations to relevant Boards and Committees on areas within its remit and determine any issues that need escalating to the Chief Executive. However, the proposed reporting structure and the proposed Health and Safety policy stated that their route for escalation of issues will be to the SHE Strategic Committee.</p> <p>Implication: It may be difficult to demonstrate the basis for reporting and escalation in the event of query or challenge regarding specific incidents.</p>	Clarity regarding the routes of escalation for the Health and Safety Team, SHE Committee and SHE Strategic Committee should be sought and reflected within relevant terms of reference	Further clarity regarding routes of escalation to be incorporated into wider review and update of relevant Terms of Reference.	Ben Gittings – Health and Safety Manager	31/12/2018	Terms of Reference are currently being finalised in preparation for the inaugural meeting of the SHE Strategic Committee on 17th January 2019 and will detail routes for escalation.	In Progress 17/01/2019
2.6 (a)	<p>Communication, training and induction</p> <p>We understand that Health and Safety information was included within the mandatory induction training for new starters. Whilst Health and Safety training was available, testing found that of the 36 new starters in the last six months, only 10 had attended this training. We note that it is the responsibility of the new starter to arrangement attendance.</p> <p>However, we understand that during the audit Health and Safety training had been made mandatory for all employees.</p>	In accordance with the proposed Health and Safety Policy, all existing and new employees should be required to undertake the mandatory Health and Safety Training.	Monthly Health and Safety Induction courses are conducted by the Health and Safety Team. Further discussions between Health and Safety Manager and Head of Human Resources & Organisation Development to be undertaken to identify route of escalation for repeated non-attendance by employees.	Ben Gittings – Health and Safety Manager	31/12/2018	All new employees enrolled onto Health & Safety Induction Course as part of new starter process undertaken by HR. Those who do not attend initial session are enrolled on to the next available session. HR to address any issues of repeated non-attendance.	Complete 01/10/2018
2.6 (b)	<p>We also found that training records were kept in several places with no central record maintained.</p> <p>We noted that although the Health and Safety Policy was displayed and was available via the WMCA intranet, there was no evidence that the current policy had been communicated to all employees. As</p>	A single centrally held training record should be maintained.	The majority of Health and Safety related training records are held by the Health and Safety Team. However, it is acknowledged that there are improvements which could be made and will hopefully be addressed via the introduction of an online e-learning platform which incorporates a training record function.	Ben Gittings – Health and Safety Manager	31/12/2018	Online e-learning platform which incorporates a training record function to be introduced in Q1 2019/20 and all H&S records held centrally.	In Progress 01/04/2019

No.	Issue Arising	Recommendation	Agreed Action	Responsible Person(s)	Target Date	Progress Update	Status / Target Date
2.6 (c)	<p>Health and Safety regulations require that employees be able to raise concerns and be consulted in health and safety issues, it is imperative that employees are made aware of policy and routes for advice and assistance.</p> <p>Implication: Employees may not be fully aware of their roles and responsibilities regarding health and safety.</p>	A WMCA wide communications plan should be developed to support wider engagement within the WMCA, implementation of the proposed governance and reporting arrangements and the introduction of the new Health and Safety Policy as well as increasing the visibility of the Health and Safety Team as a WMCA wide function.	Health and Safety Manager to liaise with Internal Communications to develop communications plan to support wider engagement within the WMCA and enhance delivery of new policy, reporting arrangements and overall visibility.	Ben Gittings – Health and Safety Manager	31/12/2018	<p>Current Health & Safety Policy available on all Statutory H&S Noticeboards, available on intranet and all new starters advised of where to obtain a copy as part of the H&S Induction Course.</p> <p>Once the Health & Safety Policy is ratified, this will be communicated as part of a wider communications plan currently being developed in collaboration with Internal Communications and which incorporates a new H&S intranet and improved statutory H&S noticeboards.</p>	In Progress 31/03/2019
2.7 (a)	<p>Events We understand that a process had been in operation for the Health and Safety Team to be consulted and engaged within risk assessments for external events, largely planned through the Marketing Team.</p> <p>However, the process was yet to be formalised and documented, and required further action to ensure</p>	Processes to ensure all WMCA events (external and internal) are suitably risk assessed by Health and Safety prior to being undertaken should be formalised and documented.	SMS supporting guidance document to be produced to formalise and document procedure for Events to supplement existing draft SMS supporting documents SMS 8.2 Event Management – Pre-Event Checklist and SMS 8.3 Event Management – Emergency Action Plan.	Ben Gittings – Health and Safety Manager	31/12/2018	Draft SMS supporting document SMS 08.1 <i>Event Management</i> outlining the requirements in relation to Event Management to be made live and issued as part of wider roll-out of new SMS in Q4 2018/19.	In Progress 31/03/2019
2.7 (b)	<p>process clearly extended and communicated to cover the newer areas of the WMCA.</p> <p>Implication: The wider organisation may not be clearly aware of the need to engage the Health and Safety Team during event planning.</p>	The necessity to ensure the Health and Safety Team are consulted within events planning should be communicated to all areas of the organisation.	Process to be communicated to all areas of the organisation by most appropriate means e.g. PING.	Ben Gittings – Health and Safety Manager	31/12/2018	<p>Regular communication with Marketing Team and Mayoral Events Manager established to ensure H&S Team consulted on planned events.</p> <p>Event Management process to be communicated to all areas of the organisation once made live as part of wider roll-out of new SMS in Q4 2018/19.</p>	In Progress 31/03/2019
(i)	Health and Safety governance arrangements for the West Midlands Fire Service post 1 April 2019	Presentation of proposals for review and approval by the WMCA Board, to include a specific decision to review retention of WMCA Health and Safety responsibility within TfWM.		Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance	N/A	<p>Health & Safety Manager held initial meeting with WMFS to discuss existing H&S Governance Arrangements on 14th December 2018.</p> <p>Transition team continue to work on wider transfer of WMFS Governance to WMCA.</p> <p>Paper with proposal for H&S Governance arrangements for WMFS post transfer to be prepared for presentation, review and approval by the WMCA SLT / WMCA Board as appropriate.</p> <p>Please note: Transition date for WMFS is subject to statutory order by Government and may be delayed. It may be necessary to extend the date beyond 31/03/19 to accommodate any external delays.</p>	In Progress 31/03/2019

No.	Issue Arising	Recommendation	Agreed Action	Responsible Person(s)	Target Date	Progress Update	Status / Target Date
(ii)	Human Resource stress and long-term sickness absence	Establishment of mechanisms to facilitate monitoring, review and trend analysis as well as risk identification by the Health and Safety Team through receipt of regular updates from Human Resource and Organisation Development regarding work-related health issues. Stress and long-term absence monitoring to be a standing agenda item for the Safety, Health and Environment Strategic Committee.		Ben Gittings - Health and Safety Manager Pete Bond - Health and Safety Lead, Director of Integrated Network Services	N/A	Stress and long-term absence monitoring is to be a standing agenda item for the SHE Strategic Committee, inaugural meeting 17th January 2019, with HR & OD providing regular updates.	In Progress 17/01/2019

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Audit, Risk & Assurance Committee

Date	14 January 2019
Report title	Assurance Report – Arm’s Length Companies: Assurance & Governance Arrangements
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive of the WMCA Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Linda Horne Interim Director of Finance Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Report has been considered by	Not Applicable

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee is recommended to:

- (1) Consider and confirm that ARAC are satisfied with the assurance arrangements that have been established to confirm the governance and assurance established for all WMCA’s Arm’s Length Companies.
- (2) To note that the WMCA Growth Company is an Investment in which WMCA has a 5.3% stake. The WMCA Senior Leadership Team is currently reviewing the performance information from the Growth Company and after this point the updated governance and assurance arrangements will be shared with ARAC.
- (3) WMCA have secured a bid to host a pilot of testing 5G technology. WMCA are currently in discussions with Department of Culture, Media and Sport to look at delivery options and potential operating structures. As these have not yet been confirmed and no company has been established. The company assurance and governance arrangements will be shared with ARAC at an appropriate time.

(4) To note that each of the companies, is registered on Companies House and have adhered to the requirements specified

1. Purpose

- 1.1 The focus of this Assurance Report is to summarise the governance and assurance arrangements of the West Midlands Combined Authority's Arm's Length Companies. This is to provide internal assurance that appropriate lead officers are satisfied with the governance and assurance arrangements are in place.

2. Background

The WMCA currently has 4 active Arm's Length Company relationships, namely;

No.	Company Name	Stake	Accounting Treatment
a.	West Midlands Rail Ltd	50%	Associate
b.	West Midlands Development Capital Ltd	100%	Subsidiary
c.	Midland Metro Ltd	100%	Subsidiary
d.	West Midlands Growth Company Ltd	5.3%	Investment

- 2.1 This report focuses on confirming the arrangements with the first 3 companies listed a-c. These are the companies that the West Midlands Combined Authority has the largest shareholding interest and therefore could have greater impact on operational and strategic risk.
- 2.2 Further detail regarding the West Midlands Growth Company and 5G will be presented to a future ARAC meeting. 5G is a new company that is being developed but ongoing discussions with Department of Culture, Media and Sports (DCMS) are currently taking place to discuss the potential operating model and company structure options and interface to WMCA.
- 2.3 For additional assurance, the WMCA Senior Leadership Team have requested that assurance and governance arrangements for Arm's Length Companies should be audited – included in the WMCA Audit Plan 2019/20 – 5G and WMR are to be audited next year.

West Midlands Growth Company:

- 2.4 The West Midlands Growth Company (WMGC) was excluded from the review because it is an investment and not a subsidiary and at this present time due to agreements, the investment is currently under review by the WMCA Senior Leadership Team. Once these arrangements are confirmed an updated Assurance Report will be provided to Audit, Risk & Assurance Committee. The Legal Team are currently working in a Service Level Agreement and WMGC are due to provide performance monitoring reports to the Senior Leadership Team imminently.
- 2.5 The WMCA Chief Executive is on the WMGC Board. The WMCA Housing Director (Gareth Bradford) will be the lead WMCA Director following WMCA Finance Director's (Sean Pearce) departure.

West Midlands Rail Ltd:

- 2.6 West Midlands Rail (WMR) is the Manager of West Midlands Rail franchise, it is 50% owned by WMCA. The company does have a legal agreement in place with WMCA and all the shareholders. The company has been operating since March 2017. The Board

consists of 14 Full Member authorities appoint Directors to the Board – normally council leader or cabinet lead for transport. There are no non-executive members, 2 Affiliate authorities have observer status. West Midlands Rail are based in 16 Summer Lane and under a Service Level Agreement, their head office support for finance, procurement, legal, risk management and business continuity is provided by the West Midlands Combined Authority. There are no internal auditors appointed for the company, however WMCA has specified that an external audit will be required for the current financial year onwards.

West Midlands Development Capital Ltd

- 2.7 The remit of the West Midlands Development Capital (WMDC) is to act as a fund manager for 2 WMCA investment funds. The first year's accounts are being prepared and the turnover is £485k. Legal agreements are in place between the two organisations. Both WMCA and non-WMCA directors sit on the board with an independent member as well, Terms of Reference for the Board are in place. WMDC provide a fund monitoring dashboard into Investment Advisory Group and Investment Board every month and actual company performance is managed through the board that the WMCA Strategy Director WMCA Finance Director attend.
- 2.8 Property Land Development Fund which are managed and monitored by the WMCA Investment Board. This fund is made of £70m Collective Investment Fund and £50m Brownfield Fund). Interim Finance Director has confirmed that these are satisfactory assurance arrangements for this company.

Midland Metro Ltd

- 2.9 Midland Metro Ltd (MML) was established on 24 June 2018 and operates the current Metro operations in the West Midlands. MML is a 100% subsidiary of WMCA. Midland Metro Ltd. Key legal agreements exist to formalise the relationship between WMCA and MML. Three directors with operational and financial experience; they are the Director, West Midlands Metro; Managing Director Transport for West Midlands; WMCA Head of Finance. One executive board member and two non-executive board members. WMCA Board approve MML Board arrangements at its meeting on 09/02/18, appointment is ongoing. Internal Audit is only a statutory function for public bodies – most large companies have an Internal Audit function but it is not legally required. Midland Metro Ltd would not be classified as a 'large company definition'. However, Midland Metro Ltd have confirmed that an Audit Committee will be appointed in early 2019, draft TOR have been established and MML are now in the process of sourcing suitable candidates. MML will be externally audited for the 2018/19 financial year.
- 2.10 Business Continuity and insurance arrangements are in place. The Midland Metro Ltd Procurement lead operates to the WMCA procurement processes and systems. Under a Service Level Agree with Corporate Services, Finance services for MML are also provided by WMCA, so the WMCA Interim Director of Finance confirms that the WMCA relies on the WMCA's Internal Audit Key Financial Systems annual audits. Risks related to MML are escalated from the MML Board to TfWM Board and then to the corporate/strategic risk register if requested.
- 2.11 The Shareholding Agreement has specified the performance reporting requirements that Midland Metro Ltd are required to adhere to as specified by the West Midland Combined Authority.

3. Financial Implications

- 3.1 The Interim Finance Director has confirmed that all arm's length companies will be required to be audited by external audit. West Midlands Combined Authority provides financial services support to both West Midlands Rail and Midland Metro Ltd. The West Midlands Combined Authority systems and processes are annually audited by the WMCA Internal Audit team. The WMCA can rely on these internal audits of the key financial systems.

4. Legal Implications

- 4.1 All the companies are registered on Companies House by the WMCA Legal Team. The Head of Governance has confirmed that from a legal perspective that he is satisfied that all necessary legal due diligence requirements have been adhered to comply with Companies House procedures. WMCA legal team have had and will respond to any queries received from Companies House regarding any of WMCA's companies.

5. Equalities Implications

Not applicable.

6. Inclusive Growth Implications

Not applicable.

7. Geographical Area of Report's Implications

Not applicable.

8. Other Implications

Not applicable.

9. Schedule of Background Papers

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Audit, Risk & Assurance Committee

Date	14 January 2019
Report title	WMCA Strategic Risk Register
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive of the WMCA Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Julia Goldsworthy Director of Strategy Email: Julia.Goldsworthy@wmca.org.uk Tel: (0121) 214 7941
Report has been considered by	Senior Leadership Team

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee is recommended to:

(1) Consider and note the top 3 Strategic Risks included within the Strategic risk register.

(2) Note the status of Directorate Risk Registers.

1. Purpose

Further to previous risk discussion at Audit, Risk and Assurance Committee in November 2018, Senior Leadership Team (SLT) has undertaken a further review of the key risks captured on the Strategic Risk Register to re-assess their risk status and to establish details of key risks contained within Directorate risk registers.

This report provides a summary on the current status of the top 3 strategic risks as confirmed by Senior Leadership Team at its meeting on 12th December 2018.

2. Background

Top 3 Strategic Risks.

2.1 Risk ID: S01 – Financial Assumptions for Existing Programmes

There continues to be a funding shortfall in the Investment Programme for which a prioritisation exercise is to be undertaken. It is anticipated the exercise will be completed and presented to the Investment Board by March 2019. Until this exercise has been completed and the findings can be considered, this remains the primary strategic risk and Senior Leadership Team have confirmed the inherent risk status should be increased to the highest level available at the present time.

2.2 Risk ID: S02 – Human Resources

It has been confirmed this risk is to be reviewed from the current setting. The risk was identified in 2017 at the time when senior management roles were not fully established and now requires a review to consider the risk exposure of capability and capacity across the organisation rather than that of Leadership team alone.

All roles within the Senior Leadership Team have been fulfilled with the recent appointment of a Communications Director. The departure of the Finance Director in December 2018 will result in further recruitment activity for this role, however interim arrangements have been established to ensure continuing senior management cover is in place in the intervening period.

Risks surrounding capacity and capability are mostly focussed within the Corporate Services teams. This is due to corporate priorities not being clear, organisational change, and new initiatives requiring unplanned Corporate Services intervention are adding to the pressure around these areas. Mitigations for this risk will be established as part of the 2019/20 Annual Business Plan preparatory works and the embedding of organisational performance management processes to agree and track priorities.

Recruitment remains at a high level within the organisation to support delivery of WMCA's new initiatives, particularly within Housing and Regeneration, 5G and Productivity and Skills. The recruitment process is indicating no difficulties in attracting prospective employees to the organisation however recruiting officers are finding the availability of individuals with the necessary skillset for these pioneering initiatives challenging. These vacant posts are being covered by consultancy resource from framework agreements wherever possible to ease pressures.

2.3 Risk ID: S07 – Delivery

It has been recognised programmes highlighted within the delivery risk warranted separate coverage on the strategic risk register and these are to be presented as five individual risks in the future. Details of the key risks for each programme is detailed below:

2.3.1 Transfer of West Midlands Fire Service Governance

The Statutory Order has been delayed and the Home Office are now advising that the Order can be laid on the 14th January 2019. Legal checks by the relevant central government bodies are still being completed as at 12th December 2018. The Order must be laid by mid-January in order to achieve the 1st April 2019 target date. Political instability could still affect these timings hence our ability to deliver by the target date is currently set as a high risk (red).

2.3.2 Police and Crime Commissioner

The project plan for the transfer of the role of the Police and Crime Commissioner to the West Midlands Mayor in May 2020 remains on target with the Consultation Stage 1 (Principles) commencing on 16th November 2018. The consultation period remains open until 11th January 2019 followed by Stage 2 (Governance) between 14th January and 11th March 2019.

The initiative is therefore on-track however the outcome is subject to other associated risks, such as political risk and it is therefore considered the risk of delivery is to currently be set as a medium risk (amber).

2.3.3 Devolvement of Adult Education Budget (AEB)

The transfer of the Adult Education budget will take effect on 1st August 2019 and will result in WMCA being responsible for the management and oversight of Adult Education services, currently maintained by Local Authorities.

Detailed work plans have been established to deliver the preparatory works and achieve the necessary approvals from the Department for Education, all of which have been achieved. The remaining preparedness activities require supplier contracts to be in place by April 2019, creating a key dependency on specialist procurement resource to deliver.

Initial plans for delivery of this activity had been drawn up through a specialist third party however due to a conflict of interest being identified, alternative arrangements have had to be established at short notice, and has resulted in the identification of a threat to the delivery due to the limited availability of specialist resource to support this work.

The tender process is expected to commence on 14th January 2019 in order to fulfil procurement rules and achieve delivery by April 2019, and is dependent upon robust tender documentation in place prior to this date. A recruitment exercise has been undertaken and this key role has been fulfilled, however the individual is unable to join the team until 14th January, causing greater pressure on the AEB and Procurement teams in their ability to fully prepare and meet the deadlines due to lack of lack of experience in this field. This risk is currently been set with an amber (medium) risk rating.

2.3.4 5G Pilot

Development of this project is still at an early stage and the programme still has a number of uncertainties and complexities due to the number of stakeholders involved. Further discussions are ongoing with the Department of Culture, Media & Sports (DCMS) regarding the structure of the joint venture to ensure that all legal, commercial and financial interests are safeguarded.

The team is developing a governance structure that meets all requirements and allows the delivery entity to be agile in funding and deploying proof of concept trials within 3 to 6 months in most cases, with supporting business cases focussing on potential rather than achievable benefits. There is a risk that slower than anticipated progress will create some frustration in the market place. Risks to delivery of this programme are currently considered to be high (red) due to the ongoing discussions however they will be mitigated by continuing dialogue with all stakeholders and a reliance on expert professional advice.

2.3.5 Commonwealth Games (CWG) – WMCA led Initiatives

The most significant risk regarding the Commonwealth Games is in relation to funding. Budgets are not confirmed and are unlikely to be established before May 2019 due to its budget requiring processing via the Governments Major Projects Review Group (MPRG). Transport for West Midlands (TfWM) is expending significant monies in advancing the transport planning for the Games, however there is a financial risk that these will not be fully reimbursed and a reputational risk that any agreed budget will be inadequate to fulfil national, regional and local expectations of transport services.

Spend currently requires approval in advance of expenditure by the Joint Transport Group (JTG) and the Chief Executive Officers Group (CEOG) for which TfWM is chairing the multi-agency Joint Transport Group, and WMCA is also represented at CEOG. A review of transport budgets was undertaken by JTG in Summer 2018 and is due to be reviewed again in early 2019. All budget and planning assumptions are being tracked to ensure control of budgetary expenditure is maintained. This risk is currently considered a high risk (red) on the strategic risk register.

WMCA's obligations to the delivery of the CWG relate to 4 distinct workstreams:

- a. Capital Infrastructure Programme – the majority of this funding is coming from the investment programme, this consists of the sprint and new stations projects.
- b. Athletes village most investment, £165m – confirmation is required how this funding is going to come to WMCA.
- c. Games Time Operations – transport plan for the games. TfWM will need to support travel to organising committee – Birmingham City Council are leading on this with TfWM supporting the transport plan arrangements. WMCA's Director of Network Resilience is leading on this with BCC.
- d. WMCA is making a £25m contribution to the games from the Investment Programme. BCC have stated that they will use this to support Alexander Stadium refurbishment.

Monitoring arrangements for the above are in place with the CWG governance arrangements. WMCA are being represented on the various groups by Mayor of West

Midlands, WMCA Chief Executive, and Managing Director Transport for West Midlands and Director of Development & Delivery, TfWM - Programme Development.

2.3.6 Housing

The Housing and Land Board on 20th December 2018 reviewed progress across the whole suite of activities under the WMCA housing and regeneration programme and objectives agreed with HM Government in March 2018. Solid progress was recognised in delivering across the programme, particularly on housing starts, net additions, and unlocking key regeneration sites and securing the funding needed for success; most notably £165m for the regeneration of Perry Barr and a new £100m land acquisition fund in a landmark housing deal with Government.

A detailed work plan for 2019 was signed off by the Housing and Land Board including WMCA role and mission, its key work programmes, milestones and Key Performance Indicators, and a discussion was held regarding some of the risks to delivery. These include complexities arising from national and international economic uncertainty on investor confidence and the property market; the potential for skills shortages and increased construction costs in the event of the UK exiting the EU in March 2019; and potential issues arising from a lack of progress with local plans at a local authority level.

Each of these risks are being assessed as part of the emerging risk register for the Housing and Regeneration directorate and will be incorporated into the Strategic Risk Register once the risk exposure has been fully established.

3. Directorate Risk registers

The Corporate Assurance Team works closely with all WMCA Directorates to support the establishment and ongoing management of Directorate risk registers.

Comprehensive registers are in place for Corporate Services and TfWM. Key risks noted on these registers reflect similar themes to those recorded on the strategic risk register regarding funding streams to deliver transport related initiatives, and capacity and capability.

Registers continue to be developed for the more recently formed departments, some of which are yet to be fully established and is being undertaken with the support of the Corporate Assurance Team to ensure a consistent approach is maintained in the recording and measurement of risk throughout the organisation. These risk registers will form part of operational Performance Monitoring Framework being developed and will be reviewed by the Performance Management Group.

4. Financial Implications

Not applicable.

5 Legal Implications

Not applicable.

6. Equalities Implications

Not applicable.

7. Inclusive Growth Implications

Not applicable.

8. Geographical Area of Report's Implications

Not applicable.

9. Other Implications

Not applicable.

10. Schedule of Background Papers

Appendix 1 – WMCA Strategic Risk Register (December 2018)

WMCA Strategic Risk Register - December 2018

STRATEGIC RISK REGISTER				Inherent Risk Score			Predicted Residual Risk Score					
Risk ID	Risk Owner	Category	Status & Risk Trend	Risk Description	Likelihood	Impact	Inherent Score	Controls and measures already in place	Likelihood	Impact	Residual Risk	Further actions required to mitigate risk
S01	Director of Finance	Financial	OPEN ↑	<p>Financial Assumptions for Existing Programmes</p> <p>The risk that assumptions of the Devolution deal, that have been made against expected economic growth, local precepts, business rate retention and interest rate levels, do not prove to be achievable (they have not to date).</p> <p>If these assumptions are not regularly monitored and reviewed to ensure assumptions and budgets remain valid, then should these prove to be incorrect, insufficient funds will be available to meet the Investment Programme funding requirements or the model will not meet financial expectations and a number of delivery schemes will not be achievable, or members of the Combined Authority will be liable for outstanding financial commitments.</p> <p>The accumulation of multiple funding regimes and gateway/ assurance requirements to different government departments are also adding pressures to internal resources to support this.</p>	5	5	25	<p>Close working with Government to understand the ongoing financial position and its effects on the region including the:</p> <ul style="list-style-type: none"> Ownership and accountability of funding sources Borrowing powers of the WMCA and/or mayor for regeneration Ownership of Local Growth funds <p>Risks and implications of any existing Enterprise Zone business rate income commitments</p> <p>Streamlining conversations are required with government to reduce duplication of different performance requirements and different timetables for different funding streams.</p>	4	4	16	<p>Continuation of working with Government and constituent authorities regarding the assumptions relating to business rates. Mayoral rights to levy supplementary business rates has been incorporated into 2017 Devolution deal together with some capacity funding.</p> <p>Funding for Growth programme set up to look at alternative funding streams.</p> <p>Agreement required between all constituent and non-constituent members on a response strategy in the event of financial expectations not being achieved.</p> <p>Preparation for 2019/20 budget includes the alignment of the powers, budgets and the processes to ensure there is an accurate budget. Due to the funding gap in the programme, a ranking and sequencing exercise is going to be undertaken by Q4 of 2019</p>
S02	Senior Leadership Team	Operations Core Functions	OPEN ↔	<p>Human Resources</p> <p>There is a risk that capacity and skills amongst managers and officers are insufficient, or conflicts with other priorities, which will impact on the ability to deliver the WMCA Strategic Economic plan or the Mayor's Renewal plan and impinge on the organisation's ability to secure future funding opportunities.</p> <p>There is currently a great deal of change in WMCA with new projects and initiatives. This is placing additional pressure on existing staff, while vacancies remain unfilled, potentially impacting staff morale and stress levels.</p>	4	5	20	<p>Recruitment and retention of high quality resources is a focus of WMCA Board and resource structures are regularly monitored at departmental, Leadership and board level. With a growing remit of new and additional priorities, the pressures on staff requirements needs close monitoring and planning to deliver these new ambitions.</p> <p>Governance structure and monitoring provides for early warning of possible pressures and required interventions to be sourced.</p> <p>Regular communications in place with all staff to maintain engagement across all levels of the organisation.</p> <p>Regular monitoring of the Annual Business Plan provides early warning of non-achievement in expected deliverables.</p> <p>Utilisation of consultants to manage delivery where specialist skills cannot be recruited to a permanent post.</p>	3	3	9	<p>Leadership team is reviewing the structure of Corporate Services in light of senior management changes to ensure its capability continues to meet the future aspirations of the organisation.</p> <p>Through the Head of HR and a new Organisational Development Manager, the focus with the Director of Strategy and Head of Finance will be to align the business planning process with organisational resources and budgets to meet existing and emerging priorities. Corporate Risk Management will also be embedded into the Performance Management Framework to ensure early indicators on changing risk profiles so that risk mitigation plans can be put into place.</p> <p>Staff Personal Objectives and Development Plans will be aligned to organisational business plan requirements.</p>
S07	Senior Leadership Team	Programme Delivery & Devolution Commitments	OPEN Updated 24/10/18 ↑	<p>Delivery</p> <p>The risk that the WMCA will come into disrepute if the organisation is unable to effectively deliver its obligations and aspirations as detailed in the Devolution programmes, the Strategic Economic and Mayoral Renewal plans or the Transport Act 2000, Housing Deal, AEB, 5G, Commonwealth Games Transport Programme. Failure to deliver these commitments will also impact confidence in the Mayor</p> <p>(a) WMFS (b) PCC (c) AEB (d) 5G (e) Commonwealth Games (WMCA led programme only) (f) Housing</p>	4	5	20	<p>WMCA Board undertakes overall responsibility for delivery of the Strategic Economic Plan, future devolution deal development, investment decisions and for allocating resources.</p> <p>The Devolution Agreement Strategic Implementation Plan (DASIP) has been agreed by DCLG and provides regular KPI reporting to Government.</p> <p>Robust assurance arrangements in place to ensure delivery meets all governance requirements including the DCLG Assurance Framework. There is an issue with numerous non-aligned assurance and performance requirements specified by Central Government that causes additional pressures on Delivery timeframes. Newly initiated programme would also add additional resource pressure to deliver all commitments.</p>	3	4	12	<p>WMCA Board and Leadership team providing oversight of any shortfalls in Investment Programme funding and opportunities for investment from stakeholders.</p> <p>The availability of sufficient capacity and appropriate skills in the marketplace to deliver the forward agenda is key to delivery and is on the Leadership agenda.</p> <p>A review of investment programme governance and appraisal processes has been commissioned to ensure effective arrangements are in place to support the delivery of the Investment Programme</p> <p>Aligned business planning and performance reporting will provide greater earlier insights into deliver areas at risk so mitigations can be developed.</p>
S07a	Senior Leadership Team	Programme Delivery & Devolution Commitments	New	<p>Delivery - West Midlands Fire Service</p> <p>Due to other political priorities within Government, there is a risk the statutory order required to formally transfer WMFS services to WMCA will be delayed beyond the expected delivery of 1st April 2019.</p>	5	3	15	<p>The Statutory Order has been delayed and the Home Office are now advising that the Order can be laid on the 14th January 2019. Legal checks by the relevant central government bodies are still being completed as at 12th Dec. The Order must be laid by mid-January to achieve the 1st April target date.</p>				<p>Operational arrangements continue to be established for implementation upon delivery.</p> <p>Output of an independent Impact Assessment on non delivery by 1st April to be considered and actioned as appropriate.</p>

WMCA Strategic Risk Register - December 2018

Risk ID	Risk Owner	Category	Status & Risk Trend	Risk Description	Likelihood	Impact	Inherent Score	Controls and measures already in place	Likelihood	Impact	Residual Risk	Further actions required to mitigate risk
S07b	Senior Leadership Team	Political	New	Delivery - Police & Crime Commissioner There is a risk the transfer of the role of Police and Crime Commissioner to the West Midlands Mayor in May 2020 will be unachievable due to lack of public engagement and political sensitivities.	4	3	12	Discussions progressing with all stakeholders including approval by WMCA Board to undertake the Consultation stages. Stage 1 is progressing and will continue with Stage 2 between 14/01/19 - 11/03/19. Active engagement with members of the public via roadshows within the 7 metropolitan districts.				
S07c	Director of Productivity and Skills	Programme Delivery & Devolution Commitments	New	Delivery - Adult Education Budget There is a risk to the delivery of the Adult Education budget within the set timescales of 1st August 2019 due to delays in the procurement of Adult education suppliers in line with tendering regulations.	3	4	12	Approval received by the Department of Education for all preparatory works completed and required to meet 1st August delivery Supplier engagement day undertaken providing insight into the supplier assessment process in preparation for launch on 14th January				Recruitment of specialist resource to undertake procurement activity is progressing
S07d	Director of Public Service Reform	Programme Delivery & Devolution Commitments	New	Delivery - 5G There continues to be a high level of uncertainty surrounding the 5G programme, this stems from the numbers of stakeholders involved, which is adding to the complexity of getting the joint venture off the ground. Agreeing a governance structure that not only meets all requirements and allows the delivery entity to be agile in funding and deploying proof of concept trials 3 to 6 months in most cases, with supporting business cases focused on potential rather than achievable benefits. These complexities are slowing progress and frustrating the market place and potential suppliers who want to progress quickly.								
S07e	Managing Director, TfWM	Financial	New	Delivery - Commonwealth Games (CWG) There is a risk the Commonwealth Games budgets will not be confirmed before May 2019 due to CWG requiring to be processed via Governments Major Projects Review Group (MPRG). Financial processes remain uncertain and draw down of funds from Government is ill-defined. TfWM is expending significant monies in advancing the transport planning for the Games. There is a financial risk that all monies will not be reimbursed, current budget estimates are 50% higher than original bid budgets. There is also a reputational risk that budgets when agreed are inadequate to fulfil national/regional and local expectations of transport service levels potentially leading to long queues, transport delay and negative media coverage.	4	4	16	TfWM is chairing a multi-agency Joint Transport Group which involves relevant Government departments, Local Authorities and Organising Committee. WMCA CEO and TfWM MD are also members of the Chief Executive Officers Group (CEOG) for the Games. All current spend is approved in advance by the JTG and also by CEOG. TfWM, through JTG, led a review of transport budgets in Summer 2018 and is due to review again in early 2019. All budget and planning assumptions are being recorded and tracked to ensure no budget surprises. TfWM has established a Transport Programme Office for the Games and staff are participating in the Cross Partner Programme Group led by the Organising Committee and DCMS.	4	4	16	The case continues to be made via CEOG, JTG and CPPG for the appropriate level of funding.
S07f	Director of Housing and Regeneration		New	Delivery - Housing Gareth Bradford to provide								
S13	Director of Finance & Managing Director TfWM	Operations Core Functions	NEW 24/10/18	WMCA Resilience The risk that WMCA cannot respond in an effective and timely manner to events that disrupt operations and activities, which could lead to financial loss (or failure to realise expected benefits or funding) reputational damage, legal/regulatory breach etc.	4	5	20	A business Continuity framework and programme exists and continues to be developed to ensure that WMCA can respond to any business disruption. An incident management team and out of hours on call arrangements are in place with alternative work space identified at other WMCA locations.	3	5	15	Raising business continuity awareness and embedding the programme continues. A separate ICT disaster recovery plan should be documented and differences/gaps between ICT deliverables and business/operational requirements need to be identified for consideration/resolution.

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WMCA Strategic Risk Register - December 2018

Risk ID	Risk Owner	Category	Status & Risk Trend	Risk Description	Likelihood	Impact	Inherent Score	Controls and measures already in place	Likelihood	Impact	Residual Risk	Further actions required to mitigate risk
S03	Director of Finance	Operations Core Functions	OPEN ↕	<p>Data Protection & Information Security</p> <p>The risk that data protection requirements and/or ICT system security are not maintained, causing the loss or misuse of personal data and ICT systems including opportunities for cyber crime and will result in legal challenges and an inability to maintain operations.</p> <p>The WMCA's remit is also increasing and we will become a more data rich organisation working more closely with varied stakeholders/delivery partners and other 3rd parties. There is a growing risk that WMCA will be unable to ensure compliance with regulations.</p>	4	4	16	<p>An Information Assurance framework is in place supported by a suite of information protection policies.</p> <p>Information governance roles have been created, and responsibilities defined. The Data Protection Officer and Cyber Security Specialist lead a rolling programme of information governance</p> <p>Governance activities are managed centrally to ensure robust arrangements are in place and conform to all legal requirements.</p> <p>Comprehensive suite of ICT security systems and monitoring in place to maintain secure ICT systems and protect against potential cybercrime structured in line with the 10 Steps to Cyber Security' as set by the National Cyber Security Centre.</p> <p>Issues identified by a gap analysis of WMCA compliance with GDPR have been addressed to ensure compliance with new legislation</p> <p>Further assurances will be sought to confirm the data management arrangements with WMCA Stakeholders.</p>	3	3	9	Increasing organisational and staff awareness of data protection by embedding newly established policies, Information Assurance Framework, and principles of new GDPR across WMCA
S04	Senior Leadership Team	Political	OPEN ↕ Updated 8/10/18	<p>Stakeholder & Political Relations</p> <p>The risk that as WMCA continues to expand and absorb new remits & accountabilities that WMCA's stakeholder & political relations become more pressured, threatening WMCA's ambitions. WMCA is dependent on positive stakeholder & political relations to deliver the ambitions of the organisation.</p> <p>The devolution of new powers and budgets from government to the Authority under a reformed governance model will increase pressures on financial, operational, governance and scrutiny functions. There may be challenges in maintaining the relationships across the Region which helped to deliver the WMCA.</p> <p>Additional political pressure is also likely due to the impending changes associated with WMFS, PCC and Mayoral elections.</p>	4	4	16	<p>Ongoing close working with LEP's, Constituent and non-constituent members with regular communications in place to ensure all parties are fully engaged.</p> <p>Collaborative working to be maintained and extended where opportunities allow.</p> <p>The expectations of all members is to be clearly understood and shared with ongoing engagement with all partners and businesses at all stages of the Portfolio delivery.</p> <p>WMCA are developing more regular stakeholder and political liaison and engagement to discuss both inflight and emerging opportunities for the wider benefit of the region.</p>	3	4	12	<p>Regular communication exists and is maintained at various levels.</p> <p>Wide representation at Governance Boards are to be maintained.</p> <p>New opportunities being identified by Leadership Team to maintain and improve relations.</p>
S05	Director of Finance	Operations Core Functions	OPEN ↕	<p>Governance Arrangements</p> <p>The risk that a lack of, or non-adherence to, formal governance arrangements will result in a risk of ineffective or unsuccessful delivery of WMCA objectives and possible legal challenge, impacting on the WMCA's ability to meet its obligations and future aspirations.</p> <p>As the WMCA is going through a period of growth with absorption of new and emerging priorities there is a risk that existing governance arrangements to not support the delivery of the organisation's objectives. With new devolved budgets, different government departments have specified different assurance requirements which are adding to pressures to develop bespoke governance arrangements being required.</p>	4	4	16	<p>Comprehensive governance arrangements are in place and contained in the WMCA constitution, approved by the Board.</p> <p>The Head of Governance and Monitoring officer has direct access to the Leadership Team and WMCA Board, and responsibility for oversight of all assurance activities, including Audit.</p> <p>WMCA assurance framework developed in conjunction with, and approved by DCLG, this is currently under review. Governance requirements for Adult Education Budget, Police Crime Commission, West Midlands Fire Service, Housing and 5G are all being reviewed to ensure adoption streamlined approaches wherever possible. Currently this is consuming a lot of internal resource and is disruptive to delivering business as usual operations.</p> <p>Governance activities are managed centrally to ensure robust arrangements are in place and conform to all legal requirements.</p>	3	4	12	<p>Ongoing programme of Internal audits undertaken to provide an independent review that governance arrangements and internal policies are adhered to and remain effective.</p> <p>Corporate Assurance Team and Governance are liaising with the various new teams to develop appropriate assurance frameworks and governance arrangements.</p> <p>Resource requirements will need to be assessed to support the more complex areas.</p>

WMCA Strategic Risk Register - December 2018

Risk ID	Risk Owner	Category	Status & Risk Trend	Risk Description	Likelihood	Impact	Inherent Score	Controls and measures already in place	Likelihood	Impact	Residual Risk	Further actions required to mitigate risk
S09	Chief Executive	Operations Core Functions	OPEN Updated 8/10/18 ↑	<p>Leadership Team</p> <p>The risk that the capacity of the Leadership team is not sufficient to enable business decisions to be made in a timely manner, for instance due to difficulties in recruitment or excessive workloads. This risk is heightened as not all teams/ directorates have recruited to vacant posts to deliver priorities. Finances are constraining budget availability for all required resources.</p>	4	4	16	<p>Leadership team has been established with key individuals who have an expertise in their specific field and have established relations with key stakeholders to support the continued delivery of WMCA agenda.</p> <p>Continued oversight of all functions is maintained by the CEO with weekly review meetings to enable early intervention.</p> <p>Business Planning/ Resourcing Planning is being undertaken to confirm resources required by SLT. This has become more pressured lately due to expanding priorities.</p>	3	4	12	<p>Close working arrangements in place with member authorities in order for all parties to provide mutual support as required.</p> <p>Business Planning/ Priorities/ Resource Requirements and budget availability all requires alignment. Director of Strategy is developing a integrated performance management framework to support this.</p>
S11	Senior Leadership Team	Economic	OPEN Updated 8/10/18 ↔	<p>External Factors</p> <p>The risk that external challenges or changes in policy from global, EU or government / political or financial change are not factored into WMCA plans, which could make delivery ambitions unachievable.</p> <p>There is a lot of external uncertainty - there is a risk that instability in the external economic environment could adversely impact WMCA.</p>	3	5	15	<p>All parties remaining cognisant of external factors including the short, medium and long term effects of the exit from Europe.</p> <p>Maintaining awareness of existing and new legal and environmental regulations to ensure compliance at all times.</p> <p>Innovative programme delivery mechanisms to be sourced, working towards joint venture modelling (similar to the Metro Alliance) working collectively with the private sector on sharing of risk and costs with partners.</p> <p>Close liaison with HS2 Board to deliver synergies across programmes and providing a collective investment vehicle for growth to local residents and businesses.</p> <p>WMCA is part of wider regional brexit discussions to understand how this can impact our commitments.</p>	3	4	12	<p>Working continually with the Department for Business, Energy and Industry Strategy (BEIS) to ensure the government agenda is met</p> <p>Brexit implications continue to be monitored and the organisation remains cognisant of it's developments and the emerging risks.</p>
S12	Senior Leadership Team	Programme Delivery & Devolution Commitments	NEW 24/10/18	<p>Project/Programme Appraisal & Assurance</p> <p>The risk that new project and programme proposals are not effectively appraised or assured. This will lead to poor investment decisions and failure to realise anticipated benefits or value for money, hence it will have adverse financial and reputational impact.</p>	3	5	15	<p>A WMCA Assurance framework is in place. An improvement is being developed to further enhance the supporting processes.</p>	2	5	10	<p>Implement:</p> <ul style="list-style-type: none"> - Clear governance framework and evidence based assurance processes - Clear appraisal - Learning & embedding knowledge & lessons learned from other projects
S08	Senior Leadership Team	Programme Delivery & Devolution Commitments	OPEN Updated 8/10/18 ↑	<p>Reputation</p> <p>The risk that the reputation of the WMCA will be compromised if the organisation does not present itself as, or deliver an effective and efficient organisation resulting in negative media coverage and an inability to deliver expectations.</p> <p>Where the WMCA has significant monetary investment and/or where the Mayor is heavily involved in projects/proposals run by partners, for example the Commonwealth Games, the operation of Arms Length Companies or high profile sporting or cultural events in the region; the WMCA needs to manage the additional indirect reputational risks that are posed by association with these projects/proposals.</p> <p>There is reputational risk involved in that there is a wider perception that the WMCA is accountable for more than it is, i.e. Delivery of the Commonwealth Games.</p>	3	4	12	<p>Communications engaged in all business activity, providing regular liaison with the Mayor's office to ensure a pro-active and consistent message is delivered by all, at all times.</p> <p>WMCA spokespersons provided with media training.</p> <p>Regional Communications Group established ensuring access to media facilities for all WMCA members and stakeholders have access to media facilities.</p> <p>Progress of financial contributions monitored to enable coverage of all WMCA successes or early intervention of possible challenges.</p> <p>Close engagement with wider organisations.</p> <p>WMCA is heavily dependent of a positive relationship with all partners, stakeholders and the government. WMCA will be impacted by external factors that it has no control over (Brexit). All of these result in reputational risk and being able to demonstrate WMCA's value</p>	2	4	8	<p>Ensure regular review of Communication issues including forward planning Communications Grid.</p> <p>Ensure that major Regional initiatives e.g. Commonwealth Games have clear and transparent governance arrangements in place.</p>

WMCA Strategic Risk Register - December 2018

Risk ID	Risk Owner	Category	Status & Risk Trend	Risk Description	Likelihood	Impact	Inherent Score	Controls and measures already in place	Likelihood	Impact	Residual Risk	Further actions required to mitigate risk
S06	Director of Finance	Financial	OPEN ↔	<p>Commerciality</p> <p>The risk that, having chosen to use commercial company delivery models in some areas, challenging economic conditions and/or material loss of revenue from investments may result in commercial income streams not being able to deliver commercial revenue targets and/or the services which are contracted to be provided.</p>	2	4	8	<p>Formal governance structures in place between WMCA and commercial bodies.</p> <p>CA directors appointed to companies providing regular interface between parties.</p> <p>Compliance of all financial accounting arrangements.</p> <p>Assurance & Governance checklist in place to review and confirm satisfactory arrangements are in place for all 'Arms Length companies'</p>	2	4	8	Adopting commercial models will allow the WMCA to become less dependent on government as it can diversify funding income.
S10	Director of Finance & Strategic Director of Transport	Operations Core Functions	OPEN Updated 8/10/18 ↑	<p>Health & Safety</p> <p>The risk that Health & Safety procedures to ensure safe working conditions exist for staff, visitors and users of all WMCA facilities are absent or inadequate. Failure to provide a safe environment for all users will result in potential legal challenges and reputational damage due to unsafe, or unreliable infrastructure particularly on the transport network.</p> <p>The WMCA is now accountable for the delivery of Metro Operations & a number of project construction sites with the growing number of infrastructure projects in delivery.</p>	2	4	8	<p>Health & safety duties are delivered to ISO18001 standard with ongoing compliance externally assessed 6 monthly.</p> <p>Quarterly inspections of all assets undertaken to ensure H&S compliance is maintained including review of accident reports.</p> <p>Monthly H&S position statement provided to satisfy Boards of the Organisation's Corporate responsibilities.</p> <p>Health & safety obligations are considered in the development of all projects and programmes.</p>	2	3	6	<p>Ongoing engagement with all WMCA departments to ensure adherence of H&S policies by all.</p> <p>Immediate engagement with emergency services and /or HSE to provide proactive management of H&S incidents.</p> <p>Further plans will need to be developed to ensure all H&S requirements are developed for the governance transfer of WMFS.</p>
S14	Senior Leadership Team	Operations Core Functions	NEW 24/10/18	<p>Media intrusion</p> <p>The risk that an event attracts high profile media attention which the Authority fails to manage or influence, which could result in significant reputational damage and subsequent adverse financial impact.</p>								<p>New Director of Communications is due to commence role imminently and these controls need to be developed:</p> <p>Establish and implement an approved Media Strategy to ensure an effective, professional and timely response. The strategy will cover aspects such as media training, nominated spokesperson(s), strategy owner, media statements etc.</p> <p>The business continuity programme also refers to media and seeks to ensure adequate training, awareness and planning are in place.</p>

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External Audit Plan

Year ending 31 March 2019

West Midlands Combined Authority
West Midlands ITA Pension Fund
14 January 2018

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority and Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

Our Team



Grant Patterson, Engagement Lead

As your engagement lead, Grant will have the ultimate responsibility for the delivery of your audit service. He will lead our relationship with the Authority and Pension Fund and take overall responsibility for delivering high quality audits, which meet the highest professional standards while adding value.



Nicola Coombe, Audit Manager for West Midlands Combined Authority

As the engagement manager, Nic is responsible for overseeing the delivery of our service and managing the audit process in respect of the West Midlands Combined Authority.



Terry Tobin, Audit Manager for West Midlands ITA Pension Fund

As the engagement manager, Terry is responsible for overseeing the delivery of our service and managing the audit process in respect of the West Midlands ITA Pension Fund.

Both Terry and Nic will work with relevant officers and our on-site teams to ensure the smooth planning and delivery of the audits. They will oversee the on-site teams and discuss any issues with you during the audit process as well as any questions you may have throughout the year.

Purpose

This document provides an overview of the planned scope and timing of the statutory audits of West Midlands Combined Authority ('the Authority') and West Midlands ITA Pension Fund ('the Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Authority and the Fund. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audits

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority, group and Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Risk and Assurance Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit, Risk and Assurance Committee of your responsibilities.

Our audit approach is based on a thorough understanding of the Authority and Fund's business and is risk based.

Headlines

Group Accounts	The Authority has determined it is required to prepare group financial statements that consolidate the financial information of Midland Metro Limited.
Significant risks	<p>Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <p>West Midlands Combined Authority</p> <ul style="list-style-type: none">• Management override of controls• Valuation of the pension fund net pension liability• Group accounts <p>West Midlands ITA Pension Fund</p> <ul style="list-style-type: none">• Management override of controls• Valuation of Level 3 investments (primarily the insurance buy-in) <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
Materiality - Authority	We have determined planning materiality to be £4.6m (PY £4.6m) for the group and Authority, which equates to approximately 1.8% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.2m (PY £0.2m).
Materiality – Pension Fund	<p>We have determined materiality at the planning stage of our audit to be £4.9m (PY £4.9m) for the Fund, which equates to approximately 1% of your net assets as at 31 March 2018.</p> <p>We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.246m (PY £0.246m).</p>
Value for Money arrangements (Authority Only)	<p>Our risk assessment regarding the Authority's arrangements to secure value for money have identified the following VFM significant risks:</p> <ul style="list-style-type: none">• Developing the capability and capacity of the Authority to support delivery of its strategic objectives• Preparedness for the West Midlands Fire Authority to come within the Combined Authority's remit
Audit logistics	<p>Our interim visit will take place in February and March and our final visit will take place in May and June. Our key deliverables are this Audit Plan and our Audit Findings Report.</p> <p>The scale fee for the Authority's audit as set by PSAA is £35,805, but we are proposing a fee of £46,500 (PY: £46,500) for reasons set out on page 16. This has been discussed with the Authority's section 151 Officer but is subject to approval by PSAA.</p> <p>Our proposed fee for the Pension Fund is £16,170 (PY: £21,000) for the Fund.</p> <p>Both fees are subject to management meeting our requirements set out on page 17.</p>
Independence	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Key matters impacting our audit of the Authority

External Factors

The wider economy and political uncertainty

The scale of change at the Authority is significant. The permanent leadership team are now all in place, although there are vacancies and turnover.

Assuming the order is agreed by Parliament it is anticipated that as of 1 April 2019 the West Midlands Fire Authority will be integrated with the West Midlands Combined Authority.

A further development being considered (and currently out for public consultation) is the integration of the Police and Crime Commissioner so that it too, will come under the remit of the Mayor.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

Internal Factors

New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

Consolidation

In prior years the accounts of Centro Properties Limited, Midlands Development Capital Limited, Midland Metro Limited, Midland Metro (Two) Limited, Network West Midlands Limited, West Midlands Development Capital Limited which are subsidiaries of the WMCA and its associate, West Midlands Rail Limited have not been consolidated with those of the Authority because the companies were either dormant and do not hold any assets or liabilities or are not material.

While we have not yet had the formal group boundary consideration from the Authority, we are aware from discussions that consolidation of Midland Metro Limited is likely due to the level of expenditure expected as at 31 March 2019.

Our response

We will consider:

- the arrangements the Combined Authority has in place to develop the capacity and capabilities to help it deliver its strategic objectives and the preparedness of the Combined Authority to receive the West Midlands Fire Authority within its governance structure as part of our work in reaching our Value for Money conclusion.
- your arrangements for managing and reporting your financial resources and whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- You will see changes in the terminology we use in our reports that will align more closely with the ISAs
- We will ensure that our resources and testing are best directed to address your risks in an effective way.

- For the purposes of audit plan, we are assuming that Midland Metro Limited will be consolidated into the group accounts, based on anticipated levels of expenditure. Our proposed approach to this component as part of the group structure is set out on page 9.
- We will maintain a watching brief and continue to liaise with the finance team to ensure that if further changes to the group boundary are identified that the consolidation is extended to include further entities as necessary.

Key matters impacting our audit of the Fund

Factors

SI 493/2018 – LGPS (Amendment) Regulations 2018

Introduces a new provision for employers to receive credit for any surplus assets in a fund upon ceasing to be a Scheme employer. This could potentially lead to material impacts on funding arrangements and the need for updated of Funding Strategy Statements.

Guaranteed Minimum Pension (GMP)

- Pension funds are continuing to work through the GMP reconciliation process.
- In January 2018 the government extended its “interim solution” for indexation and equalisation for public service pension schemes until April 2021. Currently the view is that the October 2018 High Court ruling in respect of GMP equalisation is therefore not likely to have an impact upon the LGPS.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of IFRS 9 Financial Instruments. In practice, IFRS 9 is anticipated to have limited impact for pension funds as most assets and liabilities held are already classed as fair value through profit and loss. However, we will obtain management’s assessment of the impact of these new standards as part of our audit work.

The Pensions Regulator (tPR)

tPRs Corporate Plan for 2018-2021 includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes and tPR has chosen the LGPS as a cohort for proactive engagement throughout 2018 and 2019.

GAD recommendation

The GAD Section 13 Report published on 27 September 2018 included a specific recommendation in respect of the WMITA PF. The report referred to the ITA Pension Fund retaining a risk from the majority of fund liabilities being backed by a single private sector employer and being closed to new entrants GAD acknowledged that the Authority and employer had made substantial efforts by paying significant contributions to mitigate this risk but noted that there was not currently a plan in place which would achieve the solvency aim of Section 13. We have been having on-going discussions in respect of guarantees and employee covenants for some time. We do not consider the issue raised in the GAD report to currently provide a significant risk to the going concern assumption in the Fund’s or Authority’s accounts. The Authority, via the West Midlands Pension Fund, is currently preparing a response to GAD’s recommendation.

Our response

- We will continue to monitor the position in respect of GMP equalisation and reconciliation. For pension funds the immediate impact is expected to be largely administrative rather than financial.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.
- We will keep under review any interaction the Fund has with tPR and tailor our audit approach where necessary.
- We will continue to monitor progress being taken by the Authority to respond to GAD’s recommendation for having a plan in place to ensure that the Fund continues to meet pension obligations in the event of no future employer contributions being available.

Audit approach

Use of audit, data interrogation and analytics software

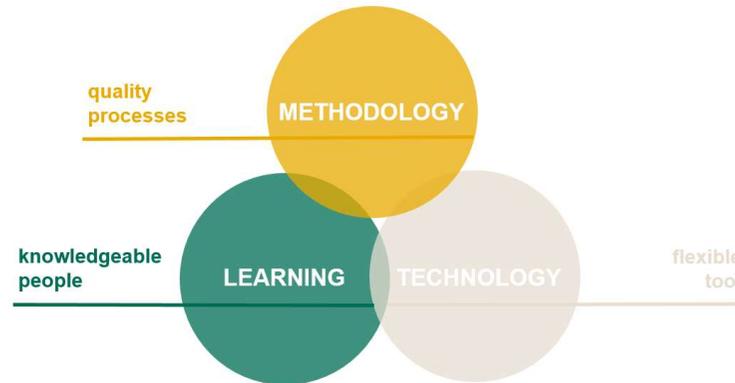
LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft

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Appian



Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also use other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor of West Midlands Combined Authority we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The group audit does not include West Midlands ITA Pension Fund.

Group considerations

- There are 8 components considered within the group boundary associated with the West Midlands Combined Authority

Wholly-owned subsidiaries

- Midland Metro Limited is a company limited by shares and runs the metro operations. It is anticipated that this subsidiary will be consolidated within the financial statements of the Combined Authority for the first time for the year ending 31 March 2019
- West Midlands Development Capital Limited is a company limited by shares and is the manager of Land Remediation & Collective Investment funds

The risk assessment of these subsidiaries as they pertain to the group audit are set out overleaf and on pages 10 to 12.

Associates

- West Midlands Rail limited is a company limited by guarantee and is the manager of the West Midlands rail franchise. The Combined Authority has only 50% of the voting rights. The Authority has determined it does not have control but does have significant influence.

The risk assessment of the company as it pertains to the group audit is set out overleaf and on pages 10 to 12.

Investment

- The Combined Authority has a 5.3% stake in West Midlands Growth Company Limited. This is accounted for under the equity method and as such does not form part of the consolidation considerations.

Currently dormant interests

- Midland Metro (TWO) Limited, Network West Midlands Limited and Midlands Development Capital Limited are all wholly-owned subsidiaries of the Combined Authority but are all currently dormant (ie not trading) and therefore will not be consolidated.

Discontinued interests

- Centro Properties Limited was dormant at the beginning of the financial year but was dissolved on 3 April 2018 and therefore will not be consolidated.

Group audit scope and risk assessment

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
West Midlands Combined Authority	Yes	Full	<ul style="list-style-type: none"> See pages 10 to 12 where the identified risks pertaining to the Authority are detailed 	Full scope UK statutory audit performed by Grant Thornton UK LLP.
Midland Metro Limited	No	Specified	<ul style="list-style-type: none"> See pages 10 to 12 where the identified risks pertaining to the Group are detailed 	<p>While we have not yet had the formal group boundary consideration from the Authority it is anticipated that the accounts for the year ending 31 March 2019 of Midland Metro Limited will be consolidated within the Combined Authority's group accounts.</p> <p>The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditor audit documentation and meeting with appropriate members of management.</p>
West Midlands Development Capital Limited	No	AP	None	While we have not yet had the formal group boundary consideration from the Authority, we are aware from discussions with officers that consolidation of these components are unlikely on the grounds of materiality. We will perform analytical review procedures to ensure this continues to be appropriate.
West Midlands Rail Limited	No	AP	None	

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>Group, Authority and Fund</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority and the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including West Midlands Combined Authority and West Midlands ITA Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for West Midlands Combined Authority and West Midlands ITA Pension Fund.</p> <p>In terms of this risk and how it relates to the Group we have also determined that the risk of fraud arising from revenue recognition can be rebutted because we do not consider there to be a risk of material misstatement in the accounts of Midland Metro Limited due to fraud in revenue recognition. We also believe, given the subsidiary's close relationship with the Authority, that the the above bullet points also apply from a Group perspective.</p>	<p>Response not required as risk rebutted.</p>

Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group, Authority and Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. .</p> <p>The Group/Authority and Fund faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as one of the most significant assessed risks of material misstatement for both the Group/Authority and Fund.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Group accounts	Authority	<p>The Authority will be preparing group accounts for the first time as at 31 March 2019, as it will be incorporating the results of Midland Metro Limited into its group.</p>	<p>We will:</p> <ul style="list-style-type: none"> • carry out sufficient work to assure ourselves over the material accuracy of Midland Metro Limited's financial statements as reflected in the group financial statements, liaising with the component auditor as appropriate, as set out on page 8. • identify the controls put in place by management over the consolidation process. We will also assess whether these controls are implemented as expected and whether they are sufficient to mitigate the risk of misstatement and ensure that all required disclosure are made. • review and test the consolidation working papers and agree to supporting evidence.

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Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Group and Authority	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£50 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management (including those under delegated arrangements) to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in June 2019.

Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The valuation of Level 3 investments is incorrect</p>	<p>Fund</p>	<p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>We have identified the valuation of Level 3 investments as a risk requiring special audit consideration. The Prudential buy-in is the only material, directly held, 'hard to value' investment held by WM ITA Pension Fund and this will be valued by the Fund's actuary (Barnett Waddingham).</p>	<p>We will:</p> <ul style="list-style-type: none"> gain an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided by these types of investments. We will use our in-house experts, the Grant Thornton valuation team, to assist us in doing this. We will review the assumptions and calculations to provide assurance that the valuation is reasonable. consideration the competence, expertise and objectivity of any management experts used. review the qualifications of the expert (Barnett Waddingham) to value Level 3 investments at year end and gain an understanding of how the valuation of these investment has been reached.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in June 2019.

Other matters

Other work

The Fund is administered by the Authority, and the Fund's financial statements form part of the Authority's financial statements.

Therefore, in addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities in respect of the Authority and the Fund, as follows:

- We read the Authority's Narrative Report and Annual Governance Statement and any other information published alongside the Authority's financial statements to check that they are consistent with the financial statements of the Authority and the Fund on which we give an opinion, and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in the Authority's Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on the Authority's consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about the Authority or Fund's 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority or Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit of the Authority.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group or the Fund's 's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Matter	Description	Planned audit response
1	<p>Calculation and determination</p> <p>We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgment in the context of our knowledge of the Authority and the Fund, including consideration of factors such as stakeholder expectations, financial stability and reporting requirements for the financial statements.</p> <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – estimate the tolerable level of misstatement in the financial statements – assist in establishing the scope of our audit engagement and audit tests – calculate sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements 	<ul style="list-style-type: none"> • For the Authority, we have determined financial statement materiality benchmarked on a proportion of the gross expenditure of the group and Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £4.6m (PY £4.6m) for the Group and £4.6m (PY £4.6m) for the Authority, which equates to approximately 1.8% of your prior year gross expenditure for the year. • For the Fund, we have determined financial statement materiality benchmarked on a proportion of the Fund's net assets. In the prior year we used the same benchmark. Our materiality at the planning stage is £4.9m (PY £4.9m) which equates to approximately 1% of your actual net assets for the year ended 31 March 2018.
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements. We design our procedures to detect errors in specific accounts at a lower level of precision which we deem to be relevant to stakeholders.</p>	<ul style="list-style-type: none"> • For the Authority, we have determined a lower specific materiality level of £25k of the figures within the remuneration disclosure, on the grounds that we deem senior officer remuneration to be a sensitive area for the user of the accounts. • We have determined no lower specific materiality levels for the Fund.
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<ul style="list-style-type: none"> • We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of materiality
4	<p>Matters we will report to the Audit, Risk and Assurance Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Risk and Assurance Committee any unadjusted misstatements of lesser amounts, other than those which are 'clearly trivial', to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<ul style="list-style-type: none"> • In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.232m (PY £0.232m). • In the context of the Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.246m (PY £0.246m). • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Risk & Assurance Committee to assist it in fulfilling its governance responsibilities.

Value for Money arrangements

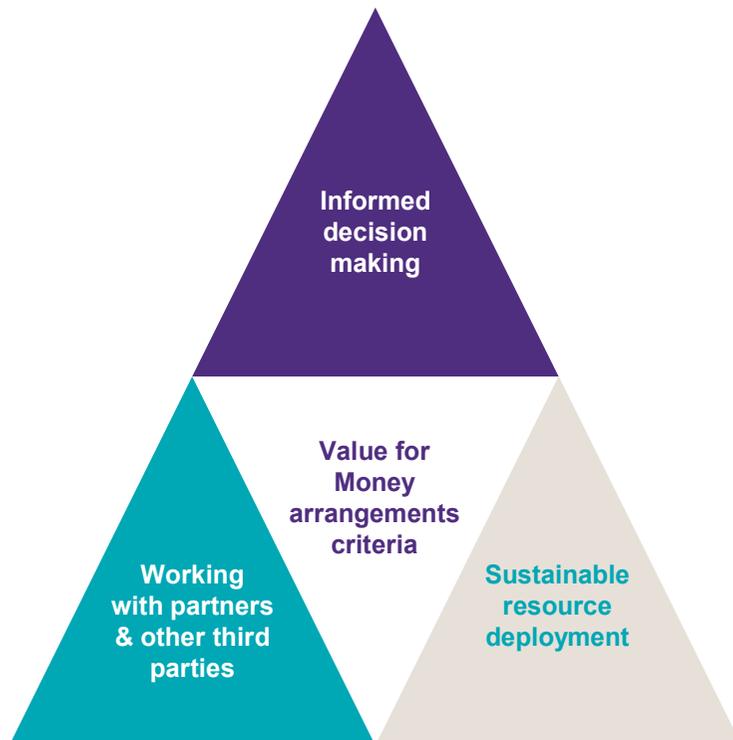
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, excluding Pension Funds, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Preparedness of the Combined Authority to receive the West Midlands Fire Authority within its governance structure

Further to the outcome of the Governance of the West Midlands Fire Service Public Consultation, the Combined Authority submitted the Governance Review, Scheme and consultation outcomes to the Home Office. Subject to the Order being approved in Parliament, the West Midlands Fire Service could come within the governance structure of the West Midlands Combined Authority from as early as 1 April 2019.

This represents a significant change both to the remit of the West Midlands Combined Authority as well as to its governance arrangements. There is a risk that arrangements may not appropriately reflect changing responsibilities of the Authority and heighten the risk of actual or perceived instances of inadequate governance.

We will review relevant Board and Combined Authority papers and hold regular discussions with management and key officers about any changes to the governance structure as well as to understand how decisions are made and reported to the Board.



Developing Capacity and Capability

Given the evolution of the Combined Authority, as exemplified by the potential extended remit to include the Fire Authority (as well the Police and Crime Commissioner in future years), there is a risk that the Authority does not have the capacity or capability to continue to manage and absorb the increased levels of activity that are expected.

We will review relevant Board and Combined Authority papers and hold regular discussions with management and key officers to gain assurance that the Authority has an appropriate framework in place to assess its capacity and capability and ensure its establishment is fit for purpose.

We will continue our review of your arrangements throughout the course of our audit, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Audit logistics, team & fees



Audit fees

The planned audit fees are £46,500 (PY: £46,50) for the financial statements audit of the Authority including its group accounts, and £16,170 (PY: £21,000) for the financial statements audit of the Fund, completed under the Code.

The latter of these is in line with the scale fees published by PSAA. In setting your fee, we have assumed that the scope of the audits, and the Authority and Fund and its activities, do not significantly change.

Where we are required to respond to requests received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.

Combined Authority – additional fees proposed

Through our planning work and risk assessment of the Combined Authority in respect of the year ending 31 March 2019 we have identified the following:

- the Authority has grown, and will continue to grow, since its “Centro” days and is now much bigger and more complex
- The Authority is preparing for the Fire Authority to come under the Authority’s remit potentially from 1 April 2019, and also potentially the Police and Crime Commissioner in the year after

- the Authority’s wholly owned subsidiaries are now of such a size and/or importance that the finance team are preparing to consolidate at least one of the entities this year (MML), and potentially more from next year, which requires us to perform and audit of the group accounts and therefore constitutes additional work.

Because of the increased scope and associated risk, and the additional challenge that the Authority will no doubt be seeking from its external auditors, our view would be that a fee reduction at this time would not be commensurate with the current risks. The scale fee proposed by PSAA for 2018/19 is £35,805, which is a reduction on the prior year fee. The fee in respect of the 2017/18 audit was £46,500.

Our proposal would therefore be to maintain the fee at the current 2017/18 level.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section ‘Early Close’. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

* The date of the ARAC is to be confirmed as it is probable it will also need to authorise publication of the West Midland FRA’s 2018-19 accounts and that audit is planned to complete by July – see page 18

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

Your finance team worked well with us in order to complete our work and report the detailed findings from our audit work to the Authority's Audit, Risk & Assurance Committee as those charged with governance in our Audit Findings Reports on 21 June 2018 in anticipation of the financial statements being approved and signed at that time.

However, due to quoracy issues formal authorisation and approval to publish the financial statements (before which we cannot issue our opinion and which had been delegated to the Committee) had to be deferred to the WMCA Board at its meeting on 20 July 2018.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the deadline.

We would note that if the West Midlands Fire Authority is integrated into the WMCA from 1 April 2019 then the WMCA (and therefore the Audit, Risk and Assurance Committee) will be responsible for authorising its financial statements for publishing. The current audit timetable for the Fire Authority is slightly later than that for the WMCA therefore it is probable that all three audits will be reported to the July meeting of ARAC.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 17). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority and the Fund. No other services were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.



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Audit, Risk & Assurance Committee

Date	14 January 2019
Report title	Investment Portfolio Governance Audit Update 2018
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive of the WMCA Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Julia Goldsworthy Director of Strategy Email: Julia.Goldsworthy@wmca.org.uk Tel: (0121) 214 7941
Report to be considered by	Audit, Risk & Assurance Committee

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee is recommended to:

- (1) Note the progress made to date against the original actions in the Internal Audit Report [section 3].
- (2) Note timescales for implementation of the enhanced Governance & Assurance Framework [section 2.4].

1. Purpose of Report

- 1.1 This report has been produced to provide in flight assurance to the Audit, Risk & Assurance Committee that progress has been made against the original recommendations in the Internal Audit review of Investment Portfolio Governance Arrangements for Programme Approval & Appraisal.

2. Update of Governance and Assurance Framework Review and Timeframes

- 2.1 The development of actions to address key audit findings as well as the internal process to strengthen assurance on the Investment Programme has been supported by the commissioning of Arcadis to support development of the Governance and Assurance Framework.
- 2.2 Engagement with internal and external stakeholders, has identified WMCA's requirement to provide a greater focus on portfolio delivery and benefits realisation with processes and systems that make sure there is:
- Smooth facilitation of Delivery Organisation (Local Authorities, LEPs, TFWM etc.) projects as they progress through the governance and assurance process
 - Clarity on business case development and how these progress through approval boards
 - A clear and consistent evidence based evaluation and approvals process
 - A supportive portfolio management office and performance management system
 - Increased efficiency through the process
 - Robust governance and assurance on approvals and delivery
 - Early visibility of progress, issues and problems.
- 2.3 Since the internal audit and the review and recommendations provided by Arcadis, WMCA PMO have developed a robust plan for an enhanced approach and methodology for governance and assurance of the Investment Portfolio. These enhancements build and expand on the existing assurance framework with the intention of demonstrating that the benefits and outcomes of investments are planned, managed, monitored and realised, and evidenced to the UK government.
- 2.4 The WMCA PMO plan to develop and implement an enhanced Governance and Assurance Framework was endorsed by the Investment Board on 10th December 2018. The enhanced framework will require approval at Investment Board level before being presented to MHCLG for final sign off in August 2019.
- 2.5 The tables provided in Section 3 of this report provide a summary of progress against the Internal Audit actions in February 2018.

3. Summary of Progress against Internal Audit Actions

Quick Wins

Ref.	Audit Action	Owner	Completion Date	Quick Win Objectives	Status	RAG / Complete
2.1	Assurance Framework Project Appraisal	Director of Finance - Sean Pearce	March 2018	Quick Win <ol style="list-style-type: none"> 1. Implementation of Investment Programme Risk Register 2. Investment Programme governance services support 3. PMO will be accountable for Investment Programme records 4. PMO accountable for monitoring/ tracking risks/ change control requests 	The Actions referenced as Quick Wins have been implemented with the Investment Programme Risk Register having been developed internally and being reported to the Investment Board since July 2018. Governance Services support the democratic processes that include the Investment Board and WMCA Board with the West Midlands Development Capital Ltd supporting the Investment Advisory Group. PMO have fully adopted accountability for Investment Programme document management, portfolio level risk management and the change control procedure.	COMPLETE
2.2	Governance of Technical Appraisal Panel	Director of Finance - Sean Pearce	March 2018	Quick Win <ol style="list-style-type: none"> 1. TAP Attendance recorded 2. Investment Programme governance services support 3. TAP revised roles, sign off due diligence process for business case appraisal 4. ACD document development for action tracking 	Quick Win actions are implemented and Governance Services is specifically referenced in support of the objectives. Specifically, the ACD document, now known as the Assurance Checklist, has been revised to better support decision making.	COMPLETE

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Ref.	Audit Action	Owner	Completion Date	Quick Win Objectives	Status	RAG / Complete
2.3	Pre-Project Lifecycle	Director of Finance - Sean Pearce	March 2018	Quick Win 1. Performance management group confirm process for evaluating change control requests and alignment to SEP priorities (prior to implementation of scheduling exercise)	Quick Win action 1 has been implemented. Governance arrangements had been developed to consider current Change Requests and they were reviewed by CA representatives on the Investment Performance Management Group and required sign off by the Investment Board dependent on value. This has since been superseded by the approved Change Control Process (see Longer Term Objective ref 2.3).	COMPLETE
2.4	Project Appraisal, Scoring & Evaluation	Director of Finance - Sean Pearce	March 2018	Quick Win 1. Development of TAP checklist 2. Operational improvements for TAP meetings to strengthen due diligence	Quick Win actions 1 & 2 have been implemented. Appraisal documentation is now utilised for all projects which ensures that consideration is given to projects alignment to SEP and this is scored accordingly.	COMPLETE
2.5	Business Case Governance	Director of Finance - Sean Pearce	February 2018	Quick Win 1. Effective mechanisms for business case and recommendations tracking to be implemented.	An Assurance Checklist detailing a full audit trail of all endorsement and approval board decisions has now been implemented.	COMPLETE
2.6	Local Assurance Process	Director of Finance - Sean Pearce	March 2018	Quick win 1. PMO to ensure that documentary evidence is obtained in all instances	Quick Win action 1 has been implemented. Process has been updated to request documentary evidence. Details of evidence are provided in the individual Assurance Covering Documents for each project.	COMPLETE

Ref.	Audit Action	Owner	Completion Date	Quick Win Objectives	Status	RAG / Complete
2.7	SEP Board	Director of Finance - Sean Pearce	July 2018	Quick Win 1. Establishment of benefits realisation role 2. Economic Intelligent Unit to support scheduling exercise	Quick Win actions have been implemented. The WMCA Benefits Manager was appointed in March 2018. In establishing appraisal process for the Framework it has been agreed that members of the Black Country Consortium Economic Intelligence Unit are actively involved to appraise alignment to the SEP. It should be noted that the SEP Board has now been replaced with Strategic Economic Development (SED) Board.	COMPLETE
2.8	Monitoring & Evaluation Plan	Director of Finance - Sean Pearce	March 2018	Quick Win 1. Need to confirm that all FBC have submitted their monitoring and evaluation plans	Quick Win action 1 has been implemented. The PMO now checks to ensure that all documentation required as part of FBC, including monitoring & evaluation (M&E) plans, is provided. Review of M&E plans now form part of the appraisal process.	COMPLETE

Medium to Longer Term Objectives

Ref.	Audit Action	Owner	Proposed Timescale / Completion Date	Objective	Status	RAG / Complete
2.1	Assurance Framework and Project Approval	Director of Finance - Sean Pearce	August 2019	Longer term objective 1. Governance, Roles & Responsibilities and Assurance Framework Review	A plan to develop and implement an enhanced Governance and Assurance Framework was endorsed by the Investment Board on 10th December 2018. The enhanced framework is scheduled for approval at Investment Board and by MHCLG in August 2019.	AMBER
2.2	Governance of Technical Appraisal Panel (TAP)	Director of Finance - Sean Pearce	August 2019	Longer term objective 1. Review membership, Review interface with performance group and embed green book best practice 2. How is CA gaining technical assurance?	As part of the development of the Enhanced Framework, a detailed review is to be undertaken to assess membership of TAP, a fit for purpose Terms of Reference, and detailed appraisal guidance to inform reviews and decision making. All is aligned to Green Book best practice.	AMBER
2.3	Pre-Project Lifecycle	Director of Finance - Sean Pearce	April 2019	Longer term objective 1. Define mechanism for introducing projects	WMCA PMO have developed proposals for Investment Portfolio Change Control and Prioritisation Ranking. Both were approved at Investment Board in October 2018 and November 2018 respectively. The introduction of new projects will follow the agreed processes at implementation in April 2019.	AMBER

Ref.	Audit Action	Owner	Proposed Timescale / Completion Date	Objective	Status	RAG / Complete
2.4	Project Appraisal, Scoring & Evaluation	Director of Finance - Sean Pearce	August 2019	Longer term objective 1. Develop project appraisal, scoring and evaluation mechanisms.	The Enhanced Framework will detail the scoring and evaluation process and criteria. This will be aligned to the Green Book and consulted upon with Subject Matter Experts within the WMCA and wider stakeholders. Draft appraisers have been identified and consultation will begin December 2018. Review of DEIM has been considered as part of wider Governance Review. It has since been confirmed that DEIM is not a viable tool for implementation within the WMCA.	AMBER
			June 2018	Medium term objective 1. review of DEIM (Dynamic Economic Impact Model)		COMPLETE

Ref.	Audit Action	Owner	Proposed Timescale / Completion Date	Objective	Status	RAG / Complete
2.7	SEP Board	Director of Finance - Sean Pearce	July 2018	Longer term objective – part of wider governance review to understand the role of SEP Board	In enhancing the appraisal process for the Framework it has been agreed that members of the Black Country Consortium are actively involved to appraise alignment to the SEP through the Technical Appraisal Panel (TAP). TAP remain as a consistent panel for appraisal of every business case and change request. This supersedes the requirement to include the SEP Board under the enhanced governance procedures. A review of the SEP Board has been undertaken and as a result has now been replaced with Strategic Economic Development (SED) Board, although this is not part of the Assurance Framework.	COMPLETE
2.8	Monitoring & Evaluation Plan	Director of Finance - Sean Pearce	August 2019	Longer term objective – review of monitoring and evaluation requirements	WMCA PMO, in liaison with BEIS, are working to develop key criteria to assess monitoring and evaluation plans via a framework. Alongside this, through review of best practice and Green Book guidance, monitoring and evaluation tools and processes are being developed for implementation as part of the Enhanced Framework.	AMBER

4. Assurance Provision to ARAC

4.1 The longer term actions from the Internal Audit date were given a target date of implementation of December 2018. In undertaking a thorough review of the requirements to satisfy the recommendations identified under the audit, an implementation plan has been developed with revised proposed timescales. A number of issues surrounding the need to delay implementation beyond December 2018 are detailed below.

- WMCA PMO efforts have previously been diverted toward Prioritisation to lead in combating concerns over the Investment Portfolio funding shortfall. Work on the Enhanced Framework therefore commenced in November 2018.
- The Head of Strategic Programme Delivery was appointed in July 2018. Time was required to fully understand the key challenges surrounding the Governance and Assurance Framework to help inform a more detailed plan.
- WMCA PMO have been working with HMT to identify best practice. This consultation with HMT has added time to the Enhanced Framework plan, but has helped in developing additional activities to inform a more rounded plan.
- Approval timescales have now been identified for Investment Board and MHCLG. This has been detailed on the plan. It should be noted that the approvals process accounts for a large amount of time within the plan. Furthermore, it has been confirmed by MHCLG that the plan cannot go live until every aspect has been agreed in full, therefore business cases and appraisal templates cannot be implemented until the Framework is approved in full.

4.2 It is understood that a follow-up internal audit would be independently undertaken by the internal audit team to confirm that the actions from the internal audit have been implemented. The findings of the audit would be shared with Audit, Risk & Assurance Committee.

4.3 It is recognised that during the period between the original timescale for completion (December 2018) and the proposed timescale for sign off of the enhanced framework (August 2019), investment commitments are forecast to be circa £329m. This equates to:

- 6nr FBCs totalling £292m
- 11nr OBCs totalling £29m
- 3nr SOC's totalling £8m

Following implementation of the Quick Wins as detailed in this report, the governance and assurance arrangements surrounding the Investment Programme have fundamentally improved. The longer term objectives allow WMCA to further enhance and improve the framework to address the key findings of the internal audit and minimise the risk of investment without full and robust assurance.

5. Conclusion

5.1 Significant progress has been made against the Internal Audit Report. Whilst the set timescales for implementation have been delayed beyond that identified in the Internal Audit Report, it is trusted that the content of this report demonstrates that key work is currently underway to deliver a Governance and Assurance Framework that is robust, well considered and aligns with best practice. The delivery plan, endorsed by Investment Board in December 2018, is realistic and WMCA PMO have confidence that the proposed timescales can and will be met. The appointment of the new Head of Strategic

Programme Delivery has reinforced the leadership in this area and working together with the WMCA PMO, he will ensure the plan continues to deliver the improvement programme in full to support the Investment Portfolio Internal Audit Review and wider aspirations of the Combined Authority for the Programme.



Audit, Risk & Assurance Committee

Date	14 January 2019
Report title	Update on the consultation from the Transfer of West Midlands Police & Crime Commissioner Functions
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive of the WMCA Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Henry Kippin Director of Public Service Reform Email: Henry.Kippin@wmca.org.uk Tel: (0121) 214 7880
Report has been considered by	Not Applicable

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee is recommended to:

- (1) Note the update provided on the consultation for the transfer of West Midlands Police & Crime Commissioner Functions.

1. Purpose

- 1.1 The purpose of this report is to provide an update on the process for the transfer of West Midlands Police & Crime Commissioner Functions and to provide an opportunity to answer any relevant questions that the Committee has on the process.

2. Background

- 2.1 The legislative and policy background to this proposed governance transfer are outlined in some detail within the reports considered at the September and November 2018 WMCA Board meetings – with the overall mandate of effecting a transfer of governance to enable the election of a Mayor with PCC responsibilities for the West Midlands in 2020 in line with the region's second Devolution Deal.
- 2.2 At the September Board meeting, WMCA members and the PCC agreed to take the Governance Review and Scheme back for consideration within their authorities – and to send feedback to WMCA officers for consideration. The Governance Review outlined the current and proposed PCC model, with specific reference to areas where clarity on governance, accountabilities and operational detail were required. The Scheme provided for the underlying legislative basis for the transfer. The WMCA Board also requested that more work be carried out on an appropriate consultation design.
- 2.3 At the November Board meeting, WMCA Members noted the feedback received to date on the Governance Review and Scheme, agreed to a 2 stage consultation process and timetable, agreed on a revised Governance Review and Scheme to be consulted upon and agreed to receive a further report in March 2019 detailing the outcome of the consultation.

3. The Agreed Process

- 3.1 The process agreed by the WMCA Board on 9 November 2018 is detailed in the table below:

Action	Who	Date
Consultation Proposals	Programme Board	26 October 2018
Seek Approval to Consult	CA Board	9 Nov 2018
Public Consultation Stage 1	CA, Constituents and PCC	16 Nov - 11 Jan 2019
Police & Crime Panel	PCP Members, PCC & WMCA Officers	26 November 2018
WMCA Overview & Scrutiny Committee	Ctee membership & WMCA Officers	26 November 2018
Public Consultation Stage 2	Constituent Authorities/PCC	14 Jan – 11 March 2019
Police & Crime Panel	PCP Members, PCC & WMCA Officers	4 February 2018
WMCA Overview & Scrutiny Committee	Ctee membership & WMCA Officers	25 February 2018
Early consultation outcomes	Programme Board	8 March 2019
Consideration of Consultation Outcomes and Approval to submit	CA Board/PCC	22 March 2019
Scheme to Home Secretary	CA	11 April 2019
Preparation of Order	Home Office	May - July 2019
Delegated Consents	CA and Constituent Councils	June – July 2019
Consent to Order	CA and Constituent Councils	End of August 2019

Lay in Parliament	Home Office	Oct/Nov 2019
Confirmation of Order	Home Office	December 2019
Election of Mayor with PCC Powers		May 2020

The Consultation Process

- 3.2 Stage 1 of the consultation began on the 16 November 2018 and will last until 11 January 2019, this consultation exercise is focused upon the principle of the proposed transfer and whether or not the public supports this principle. Details of stage 1 of the consultation can be viewed at www.wmca.org.uk/policeconsultation
- 3.3 The proposed content for stage 2 of the consultation is in development, stage 2 will focus on how the strategic leadership and direction (governance) of policing would operate within the WMCA and who would be responsible for decisions.
- 3.4 Both stages of the consultation involve attending meetings of the WMCA Overview and Scrutiny Committee and the West Midlands Police and Crime Panel. Stage 2 of the consultation process will be undertaken between 14 January and 11 March 2019.

WMCA Board 22 March 2019

35. WMCA Board are scheduled to meet on 22 March 2019, at that meeting they will receive a report that provides results and analysis of both stages of the public consultation exercise for them to consider.
- 3.6 If they are in agreement that they wish to continue with the process then the WMCA Board will be asked to:
- 1) Agree to take the consultation analysis and results report by BECG to each Constituent Council to consider;
 - 2) Approve the Scheme for submission to the Home Office
 - 3) Agree to seek delegated Consent to the Order being laid in Parliament at the June/July Constituent Council Cabinet Meetings
- 3.7 If the decision is taken to proceed and the Secretary of State agrees with the proposals planning for practical implementation will commence. The details of governance changes will be brought before relevant committees/Boards in Autumn 2019, including ARAC.

Preparation of the Order

- 3.8 The Home Office have provided a deadline of 12 April 2019 for the Scheme and comments on the scheme to be provided by WMCA. Following this deadline the Home Office will develop a statutory instrument which is a form of legislation which allows the provisions of an Act of Parliament to be subsequently brought into force or altered without Parliament having to pass a new Act.

Delegated Consents

- 3.9 Subject to agreement to continue at WMCA Board in March 2019 the Constituent Councils will be asked to individually consider whether or not they support the proposal to transfer the powers and responsibilities of a PCC. Each Constituent Council will be asked to delegate final consent to the Leader and Chief Executive of each respective

Constituent Authority when the Home Secretary formally requests that consent subject to the WMCA Board agreeing to continue the process on 22 March 2019.

- 3.10 In addition and subject to agreement to continue with the process the WMCA Board will meet on 26 July 2019 and will be asked to delegate its consent to the Mayor.

Final Consent

- 3.11 The Home Secretary will write to each Constituent Council and the Mayor in late August 2019 to formally request their consent for the Order to be laid before Parliament. This is the stage where the Mayor and Constituent Councils provide their final consent to the process.

4. Financial Implications

- 4.1 The Financial implications of progression of governance arrangements and the statutory order are being met through internal resources of the WMCA, with support from the Home Office and OPCC as appropriate.
- 4.2 Wider costs of transition are being developed with a view to resources for transition planning being earmarked with the WMCA's annual budgeting and Medium-Term Financial Planning processes.

5. Legal Implications

- 5.1 The legal implications in terms of legislation are outlined in previous reports. Further legal implications are reported through the Governance Review and Scheme for consideration.

6. Equalities Implications

- 6.1 There are no direct equalities implications arising out this report.

7. Inclusive Growth Implications

- 7.1 The WMCA Board has asked for the inclusive growth implications of each board paper to be outlined in this section. We are developing a set of materials that will allow officers and partners to do this robustly, which will be reflected in WMCA Board reports from January 2019 onwards.

8. Geographical Area of Report's Implications

- 8.1 In regards to Geographical implications these proposals only have effect within the Constituent Council areas, ie the WM metropolitan area.

9. Other Implications

- 9.1 There are no other implications identified within this report.

10. Schedule of Background Papers

- 10.1 Governance Review and Scheme
10.2 Report to WMCA Board 14 September 2018
10.3 Report to WMCA Board 9 November 2019

11. Appendices

11.1 There are no appendices to this report.

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Audit, Risk & Assurance Committee

Date	14 January 2019
Report title	Update on the Transfer of West Midlands Fire Service Governance
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive of the WMCA Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Henry Kippin Director of Public Service Reform Email: Henry.Kippin@wmca.org.uk Tel: (0121) 214 7880 Tim Martin Head of Governance, Clerk and Monitoring Officer Email: Tim.Martin@wmca.org.uk Tel: (0121) 214 7435
Report has been considered by	Not Applicable

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee is recommended to:

- (1) Note the update provided in this report and endorse the progress made to date.
- (2) Delegate that any final arrangements are agreed with the Chair and Vice Chair before they are presented to CA Board.

1. Purpose

- 1.1 This report follows up on the report presented to ARAC on 12th November 2018. Progress and planning for the implementation of the transfer of governance has continued since the Committee considered these issues in November. Proposals around structures are now firming up however there is still a degree of uncertainty as outlined below.

2. Background

- 2.1 West Midlands Fire Service (WMFS) have been engaged in a governance review over the last two years looking at options for the future of the service. This has been instigated partly as a result of Government Policy towards greater collaboration between blue light services and the continuing need to respond to funding pressures and the need for efficiencies.
- 2.2 WMFS are already an efficient and well governed service and they can already demonstrate many areas of good practice. The review process was initiated by looking at a number of options for future governance which were eventually narrowed down to the preferred option of joining with the Combined Authority with the Mayor taking responsibility for the Fire Service as a Mayoral function. The process and the various decisions leading up to the current position have been reported through the WMCA Board.
- 2.3 In May 2018 the Combined Authority Board agreed to submit the proposals to the Home Secretary to commence the Parliamentary process leading to an Order being made. In September, Board considered a further report regarding the progress of the Order and the issues arising from process of drafting and it is expected that the Order will be confirmed early in the New Year.
- 2.4 The process of transferring governance will involve the winding up of the existing Fire Authority as an entity and the transfer of all responsibility for governance and accountability to the Mayor of the Combined Authority. Property, assets and liabilities will transfer to the WMCA which will also become the employer of all staff currently employed by the Fire Authority. The Mayor will be responsible for the Fire Service as a Mayoral function and the Chief Fire Officer will have operational accountability for the service on an independent basis in a similar way to the way the relationship operates between the PCC and the Chief Constable.
- 2.5 Detailed planning is underway for the transfer as set out above and a joint implementation team has been established with Officers from both the Fire Service and the WMCA. Meetings have been taking place with the implementation team and a detailed project plan with risk register, communications plan and other milestones has been produced.

3. Current Timetable

- 3.1 In discussions with the Home Office we were expecting the Order giving effect to the change in governance to be laid before Parliament before the end of November. This was designed to comfortably allow for completion of the 40 day parliamentary process for secondary legislation. We were subsequently advised that there was a backlog of work in both the department undertaking the legal checks and in the business committee that considers draft legislation before it is laid before Parliament. It is also probable that the current political situation at Westminster is contributing to this degree of uncertainty.

- 3.2 We have now been informed that the Home Office expect the Order to be laid during the week commencing 14th January 2019. On current estimates this does still provide enough time for the Order to have completed its legislative progress in time for the transfer of governance to take place on 1st April 2019.
- 3.3 An impact assessment has been prepared looking at the impact of various scenarios on the proposed transfer and this is being monitored closely by the Joint Implementation Team of WMFS and WMCA lead officers. Planning for implementation has continued despite the legislative delay so in theory there should be little impact on the ability to meet the projected go live date should everything fall into place. Because the transfer has been designed initially to provide operational continuity there would be no impact on the delivery of the public protection services provided by WMFS even if implementation were delayed.
- 3.2 The issues that arise in the event of any delay will principally be around potential delay to the transfer of staff and the financial accounting arrangements for WMFS. As currently planned the transfer will take place at the same time as the end of the financial year. From that point on the Fire Service will become part of the financial accounts of the WMCA however if the transfer is delayed there will have to be interim financial accounting arrangements put in place to cover the period of time before the transfer takes place. Some discussions have already taken place with Grant Thornton who provide external audit services to both organisations, to identify issues and solutions.

4. Proposed Governance Arrangements

- 4.1 As highlighted at the last meeting, the proposal is that the functions of ARAC be extended to cover the Fire Service work streams. The proposal is that an ARAC (Fire) sub-committee be formed to both manage the workload and to retain and build on the existing expertise of certain members on fire service matters. The duties of the sub-committee would be to be responsible for the work undertaken by an audit committee in relation to the Fire Service function subject to any necessary escalation in relation to matters of concern or corporate significance.
- 4.2 The Sub-committee would be formed of ARAC Members and a number of members of the Mayors Fire Committee would be co-opted as non-voting members to provide some expert input on fire governance. Exact numbers are still to be determined but the sub-committee will need to be agile and able to discharge its role at the same time as delivering on the aspiration in the Governance Review of providing swifter, smoother and less bureaucratic decision-making for the Fire Service. It is proposed that the sub-committee would be chaired by the current Independent Chair of ARAC to provide continuity with the main committee. No allowances will be paid in relation to attendance at the sub-committee.
- 4.3 It is proposed that the sub-committee also have responsibility for the Scheme Manager role under the Fire Fighters Pension Scheme. Whilst the Fire Fighters Pension scheme is a national statutory scheme, local devolved administration was introduced a few years ago. The sub-committee would provide the oversight for the local administration of the scheme. This is an administrative role rather than one of financial management. Further details are being sought and will be reported to the Committee. A Pensions Appeals Board would also be necessary to deal with any appeals regarding entitlements under the scheme. For information there have only been 4 appeals in the last 3 years.

5. Financial Implications

- 5.1 WMFS and WMCA are working closely on the financial implications of the transfer and to understand the financial implications. Accounting practices and financial arrangements are already closely aligned in the sense that all local authorities work within a common framework of rules and procedures. The operational continuity principle mentioned above will mean that the service retains experienced staff who will support the financial arrangements of Fire as we go forward.

6. Legal Implications

- 6.1 The Fire and Rescue services provided by WMFS are enabled by the Fire and Rescue Services Act 2004 and the Civil Contingencies Act 2004. If the Order is made transferring the governance to the WMCA these powers will be exercisable by the Mayor and the WMCA as appropriate. The Local Democracy Economic Development and Construction Act 2009 allows for an Order to be made by the Secretary of State to transfer the powers of a public authority to another authority. The route that has been followed in this case is the preparation of a Governance Review and Scheme which has been agreed by the WMFRA and the WMCA and which has also been the subject of public consultation.
- 6.2 The exercise of these powers in the future will become a Mayoral function albeit that the Chief Fire Officer will retain full operational independence and accountability for the provision of the service.

7. Equalities Implications

- 7.1 There are no specific equalities implications arising from this report.

8. Inclusive Growth Implications

- 8.1 The opportunities for further collaborative working between the Fire Service and the WMCA are one of the drivers for these proposals. These will be explored further as the service develops subject to appropriate discussions and agreement.

9. Geographical Area of Report's Implications

- 9.1 The services referred to in this report are only delivered within the area of the Constituent Authorities. The areas of the Non Constituent Authorities are covered by other Fire and Rescue services depending on location.

10. Other Implications

Not applicable.

11. Schedule of Background Papers

Not applicable.



Audit, Risk & Assurance Committee

Date	14 January 2019
Report title	Financial Monitoring Report 2018/19
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive of the WMCA Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Linda Horne Interim Director of Finance Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7505
Report has been considered by	WMCA Board 11 January 2019 WMCA Programme Board 21 December 2018

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee is recommended to:

- (1) Note the consolidated revenue budget monitoring position as at 30 November 2018, as set out in the attached Financial Monitoring Report for November 2018.

1. Purpose

- 1.1 In recognition of Audit, Risk & Assurance Committee's role in approving West Midlands Combined Authority's statutory accounts, the Statement of Accounts, the report attached as an Appendix provides an update on West Midlands Combined Authority's consolidated revenue budget monitoring position as at 30 November 2018.

2. Background

- 2.1 The statutory Statement of Accounts for 2018/19 will be formally considered by members of the committee at its meeting in June 2019. It is therefore intended to provide the committee with regular updates throughout the remainder of the financial year to enable a greater understanding of West Midlands Combined Authority's finances prior to the formal consideration of the authority's Statement of Accounts in June of each year in line with the statutory timetable that is set out in the Accounts and Audit Regulations.
- 2.2 Members will recall that the consolidated revenue budget monitoring position for September 2018 was presented to the Committee at its meeting on 12 November 2018.
- 2.3 The report attached as an Appendix is due to be considered by West Midlands Combined Authority Board on 11 January 2019 and represents the next regular update for members of the Audit, Risk and Assurance Committee in respect of West Midlands Combined Authority's consolidated in year revenue budget monitoring position for November 2018.
- 2.4 The next update will be provided at meeting of the Audit, Risk & Assurance Committee on 15 April 2019.

3. Legal Implications

- 3.1 There are no legal implications arising from this report.

4. Equalities Implications

- 4.1 There are no equalities implications arising from this report.

5. Inclusive Growth Implications

- 5.1 West Midlands Combined Authority will continue to have due regard to proactively delivering inclusive growth in the West Midlands region. The authority's 2018/19 budget reflects that commitment.

6. Geographical Area of Report's Implications

- 6.1 The authority's 2018/19 budget encompasses the West Midlands region.

7. Appendices

Appendix – Financial Monitoring Report 2018/19.



WMCA Board

Date	11 January 2019
Report title	Financial Monitoring Report 2018/19
Portfolio Lead	Finance & Investments - Councillor Bob Sleigh
Accountable Chief Executive	Deborah Cadman, West Midlands Combined Authority email: deborah.cadman@wmca.org.uk tel: (0121) 214 7552
Accountable Employee	Linda Horne, Head of Finance & Business Planning email: linda.horne@wmca.org.uk tel: 0121 214 7508
Report to be / has been considered by	WMCA Leadership Team - 19 December 2018 Programme Board – 21 December 2018

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Note the financial position as at the end of November 2018.
- (2) Note the Business Rates Growth allocation to the Combined Authority for 2018/19.

1.0 Purpose

- 1.1 To provide an update on West Midlands Combined Authority finances as at the end of November 2018 and outline the agreement reached on Business Rates Growth for 2018/19.

2.0 Background - Financial Monitoring

- 2.1 A summary of the revenue and capital financial positions against the approved budget are attached at appendices 1-5. A summary of the Investment Programme along with current commitments is included in appendices 6 and 7 and the balance sheet position in appendix 8.
- 2.2 Appendix 1 shows the overall consolidated revenue position for the West Midlands Combined Authority. The year to date position at the end of November shows a £1.034m (£0.863m Oct18) favourable variance from budget largely owing to revised delivery schedules for various work streams including the Productivity and Skills and the Health and Wellbeing portfolios as well as a favourable variance within the Transport delivery budget. Further details are provided in sections 3 and 4 below.
- 2.3 Following the second forecast of the year the full year position shows a favourable variance of £0.024m, this reflects a favourable movement of £0.074m.

3.0 Transport

- 3.1 Appendix 2 sets out the position on the Transport revenue budget as at the end of November 2018, showing a favourable variance of £0.384m (£0.159m Oct 18) against budget to date. The full year forecast position shows an overall saving of £0.047m (£0.039m Oct).
- 3.2 The year to date position shows that expenditure on travel concessions is £1.021m (£0.897m Oct 18) under budget and the full year position shows a favourable variance of £1.721m (£1.718m Oct 18) due to lower bus patronage than budgeted. The majority of these savings will be used to fund the income foregone as a result of the (12 month) departure charge and roadside information holiday commencing from 1st Oct 2018 within Bus Services of £1.448m (£1.448m Oct 18) full year.
- 3.3 Other key variances in the year to date position are favourable variances within Tendering and Monitoring budget of £0.070m due to the timing of activity. Strategic development has a favourable variance to date of £0.081m which reflects some in year phasing on external advice activity, which has been re-profiled to later in the year. These services are broadly expected to be in line with budget by year end.
- 3.4 Areas of pressure incorporated into the full year position largely reflect lower rental income than anticipated for 16 Summer Lane (£0.101m) and upward pressures within various infrastructure budgets such as cleaning and maintenance contracts.
- 3.5 Further details are set out in appendix 2.

4.0 West Midlands Combined Authority Operational Budget

- 4.1 Appendix 3 sets out the position on the West Midlands Combined Authority Operational budget as at the end of November 2018.

- 4.2 There is a favourable year to date variance of £0.650m (£0.704m Oct18) which is primarily as a result of revised delivery schedules for the Productivity and Skills and Health and Wellbeing portfolios.
- 4.3 The full year position shows a minor adverse variance from budget of £0.023m representing a favourable movement of £0.116m from that previously reported.

Within this position there are favourable variances within the Mental Health and Wellbeing portfolios totalling £0.267m where planned recruitment and support will not now take place in year.

These savings are offset by unbudgeted costs within the Environment portfolio of £0.141m and unbudgeted costs of £0.194m associated with the transition of the West Midlands Fire Service. Increased Corporate Support of £0.108m largely reflects recruitment and IT costs and lower rental income which are fully offset by additional investment income received in year due to favourable cash balances.

- 4.4 The key elements of the £0.650m favourable variance to date are as follows:

There is a favourable variance within Health and Wellbeing of £0.309m (£0.300m Oct18). This is largely due to vacant posts within the Mental Health team. The portfolio reflects revised delivery schedules for providing intensive mental health support for those with complex needs or who are homeless and supporting people with mental health as they prepare to leave prison.

There is a favourable variance against the Productivity and Skills budget of £0.226m (£0.187m Oct 18), with recruitment activity underway to support delivery of the portfolio's objectives over its 3 year planning period. The Employment Support Pilot is now being delivered and spend has been re-profiled across the 3 year programme to accommodate the revised delivery timetable. There is also a favourable variance on construction skills due to the rescheduling of construction training activities that will now take place later in the year. After an initial delay HS2 skills delivery is now also underway.

There is a favourable variance of £0.102m (£0.214m Oct18) within Corporate Support, primarily owing to the timing of marketing campaigns and events supporting activity across WMCA which are planned to take place later in the year.

5.0 Mayor's Office

- 5.1 The Mayoral office full year forecast remains in line with budget, reflecting minor favourable variances on staffing costs.

6.0 Funding and Priorities

- 6.1 WMCA's overall favourable year to date variance of £1.034m (£0.863m Oct 18) primarily comprises £0.650m (£0.704m Oct 18) within the Operational Budget and £0.384m (£0.159m Oct 18) relating to Transport Delivery. As activity within both the Transport and Operational budgets is expected to pick up pace in the final quarter of the year and it is currently anticipated that the consolidated full year position will be in line with annual budget.
- 6.2 The 2% pay award for 2018/19 has been accommodated within the revised full year position.

7.0 Transport Delivery Capital Programme

7.1 Appendix 5 sets out the position on the Capital Programme as at the end of November 2018. Overall there is a favourable variance of £41.4m (£33.6m Oct 18) against budget. This is primarily contained within the TfWM Investment Programme (£36.2m) and predominantly relates to Metro extension schemes.

There is a favourable variance on the Wednesbury to Brierley Hill Metro Extension (£12.0m) which reflects the re-phasing of early start activities within the project to accommodate the refresh of statutory powers and finalisation of the business case. In addition the Edgbaston Metro Extension (£5.8m) is under spent owing to a rescheduling of complimentary highway measures to combine works with Hagley Road Sprint scheme. Construction costs have been rescheduled following the decision to re-strengthen (rather than reconstruct) the canal bridge. The favourable variance on the Wolverhampton City Centre Metro Extension scheme (£4.5m) reflects re-profiling of the project to align with the Wolverhampton Interchange Programme station reconstruction works, and the purchase of the NCP Car Park (£0.8m) which is in progress, but will not conclude until late February or March 2019. Other favourable variances are attributable to the Metro Birmingham Eastside scheme which is below budget (£4.1m), as a result of the impacts of the delay in confirmation of the Transport & Works Act Order on the programme and re-profiling in response to ongoing design options appraisal. The Rail Investment Programme is £3.7m below budget, owing mainly to a deferral of Land acquisition with respect to local enhancements on the Walsall to Wolverhampton Rail scheme, and Camp Hill local rail enhancements. The Metro East Birmingham to Solihull Extension (£2.6m) due to a rescheduling of survey and modelling works, impacting on the submission of an application for a Transport & Works Act Order from December 2018 to June 2019.

7.2 The other Major Schemes Programme is underspent by £1.9m (£1.2m Oct 18) against budget, primarily due to Longbridge Connectivity Package (£1.7m). The planning application has been successful, however pre-construction ground investigation works is continuing, to assess the optimum foundations for the decked car park. As a consequence, the main construction of the decked car park has been rescheduled from September 2018 to Q4 2018/19.

7.3 The Minor Works programme shows a favourable variance of £1.9m (£1.7m Oct 18) to budget, spread across the wider Programme. The main underspends include Snow Hill 3rd Access (£0.8m), Clean Bus Technology Fund 2019-20 (£0.6m), Network Wide Bus Station Refurbishments (£0.4m), and the Managing Short Trips Programme (£0.1m).

7.4 Only the Snow Hill 3rd Access has an impact on Annual Forecast, owing to a delay in finalising the construction contract until assurances have been received from Network Rail around infrastructure, which were resolved in October 2018, allowing construction works to commence in January 2019.

7.5 The Annual Forecast shows a £58.1m (£53.9m Oct18) favourable movement against budget, primarily being a reflection of timing rather than project slippage. The main variance relates to Metro Wednesbury to Brierley Hill Metro Extension scheme (£22.6m), due to the re-phasing of early start activities within the project to accommodate the refresh of statutory powers, and finalisation of the business case. The transfer of the Network Rail corridor acquisition to WMCA which will allow initial site works to be progressed, has been agreed in principle allowing construction works to progress in 2019, with opening on schedule for 2023. In addition there is a favourable variance against the Birmingham Eastside Extension (£15.1m) due to the impacts of the delay in confirming the Transport & Works Act Order on the programme and re-profiling following further review of design options. The Edgbaston Metro Extension is also under spent (£4.7m) primarily as a result of the ongoing complementary highway works as identified previously, however the variance is not expected to influence the completion date for the scheme, which is on schedule to open in late 2021. The Rail Investment Programme (£4.5m) was reviewed in September 2018, and reduced following a re-profiling of land acquisition costs specific to the Walsall to Wolverhampton Local enhancements, and cost re-profiling of the Camp Hill Line. The East Birmingham to Solihull Metro Extension (£4.0m) reflects a reduction owing to ongoing modelling & survey work, resulting in a rescheduling of the Public consultation and the Transport & Works Order submission to late 2019, however this variance is not expected to influence the completion date for the scheme, which is on schedule to end of 2026.

7.6 Although there is only a minor under spend in 2018/19 (£0.9m), completion of the Wolverhampton City Centre Extension is now scheduled for the summer of 2020 due to the alignment with Wolverhampton Station works.

7.7 On the remaining schemes, the forecast changes represent re-profiling of commitments and have no adverse impact on the timescales for overall delivery of schemes.

7.8 Further details are set out in appendix 5.

8.0 Investment Programme

8.1 The financial results for the Investment Programme run one month behind the regular management accounts due to the requirement to consolidate outputs across the Metropolitan area. The October results are shown in Appendix 6.

8.2 The year to date cash spend to October 2018 is £65m behind the initial forecast (£53m October 2018). For the full year 2018/19 the programmes are forecast to be £48m behind initial forecasts. Both the year-to-date and full year variances are primarily due to the Metro programme (for the full year being £39m). Offsetting the full year reprofile is an expected over spend regarding Land Reclamation (£8m), which relates to the timing of grant payments ahead of original assumptions, and Collective Investment Vehicle advances now forecast to be significantly ahead of original estimates (£16m).

8.3 The financial summary continues to highlight an increased forecast against the Wednesbury to Brierley Hill and Birmingham to Solihull Interchange Metro extensions. An exercise is ongoing via the Metro Delivery Board to review and verify the costs to completion for the Metro Programme.

8.4 The cost to completion against UK Central Interchange remain red status due to the funding gap of c.£205m relating to the Birmingham International Station redevelopment project. Funding sources are being progressed by Solihull MBC/Urban Growth Company.

8.5 Appendix 7 details the commitments made against the Investment Programme which totalled £514m to the end of November 2018 (£511m October 2018) and therefore based on the sequencing of further business cases through the Assurance Process, the West Midlands Combined Authority expects to fully exhaust the buying power of the Devolution Deal Grant during 2019/20, having made ‘commitments to fund’ over £750 million of Investment Programme schemes which will be delivered over the next circa 8 years. In order to continue making commitments to fund schemes after this point, sustainable, long term revenue sources need to be identified to allow all the scheduled business cases to pass through the assurance process. Work was undertaken throughout autumn to agree a strategy with Leaders to identify viable solutions which consist of both income generation and cost avoidance / reduction. Regular updates against these strategies will continue to be provided to Investment Board and West Midlands Combined Authority Board throughout 2019/20.

Business Rates Growth

8.6 Business Rates Growth is one of the four pillars of income which supports the borrowing necessary to fund the Investment Programme. The Combined Authority and Local Authority Finance Directors are working together to define and deliver a long term sustainable Business Rates Growth mechanism to fund the Investment Programme in light of the national changes to the business rates retention system from 2020/21. Initial conversations between Finance Directors, the Combined Authority and Central Government have already commenced in this regard.

8.7 Whilst a more permanent solution is being developed, local agreement has been provisionally obtained to a continuation of the existing formula which incrementally increases the amount due to the Combined Authority each year by £1.5 million. This is considered to be the most pragmatic solution and is fully supported by Finance Directors.

8.8 On this basis, the business rates share due to the Combined Authority for 2018/19 totals £4.5 million and will be shared across the Constituent Authorities pro-rata to the rateable value of each district, giving the following values:

Local Authority	2018/19 BR Growth Attributable to the Combined Authority
Birmingham	£1,953,450
Coventry	£543,150
Dudley	£406,350
Sandwell	£452,250
Solihull	£469,350
Walsall	£333,900
Wolverhampton	£341,550
Total	£4,500,000

9.0 Balance Sheet

9.1 Appendix 8 presents The West Midlands Combined Authority Balance Sheet which shows a good financial position at the end of November 2018. Main changes reflect Transport for West Midlands capital spend and work-in-progress mainly funded by grants in advance, resulting in the increase in long-term assets.

9.2 The increase in debtors is largely due to the insurance prepayment and VAT due from HMRC. In contrast, the decrease in short term creditors is largely due to capital accruals for the various Metro extension schemes and HS2/UK Central.

9.3 The decrease in long-term liabilities and short-term deposits and cash is mainly due to cash outflows in respect of Metro extension schemes, settlement with Network Rail in respect of Bromsgrove Station and payment for the Collective Investment Fund portfolio.

10.0 Administered Funds

Funding Stream	2018/19 Latest Forecast Grant Award £'000	2018/19 Spend to date £'000	Purpose
Midlands Connect	9,230	5,281	Work is continuing on delivering the Midlands Engine 'Vision for Growth'.
Housing First Pilot	9,600	-	WMCA are the accountable body for this grant award that has now been paid to Birmingham City Council to develop work streams to help rough sleepers off the streets
One Public Estate	490	-	It was agreed by WMCA Board that WMCA would assume accountable body status for this grant award, that is delivering various projects that secure more from public sector assets through collective action. Sandwell MBC are in the process of transferring the funds to WMCA.
Highways Maintenance Block	13,112	13,112	Distributed to the 7 Mets. excluding Birmingham City Council which has separate PFI arrangements, to deliver programmed highways maintenance works in line with the conditions of the grant award
Integrated Transport Block	17,618	15,678	Supporting delivery of the 7 Mets. Capital Programmes & WMCA's Minor Works Capital Programme
Total	50,050	34,071	

11.0 Financial Implications

11.1 The Financial Implications are set out in the report.

12.0 Legal implications

12.1 There are no legal implications.

13.0 Equalities implications

13.1 There are no equalities implications. Page 123

14.0 Inclusive Growth Implications

14.1 The WMCA budget includes implications of inclusive growth in the region.

15.0 Geographical Area of Report's Implications

15.1 The report encompasses the West Midlands region.

16.0 Other Implications

16.1 There are no other implications

17.0 Schedule of Background Papers

- Appendix 1 – WMCA Consolidated Summary – November 2018
- Appendix 2 – WMCA Transport Revenue Summary - November 2018
- Appendix 3 – WMCA Operational Revenue Summary – November 2018
- Appendix 4 – WMCA Mayor Revenue Summary – November 2018
- Appendix 5 – WMCA Capital Transport Delivery Programme – November 2018
- Appendix 6 – WMCA Investment Programme Summary – October 2018
- Appendix 7 – WMCA Investment Programme Commitments – November 2018
- Appendix 8 – WMCA Balance Sheet – November 2018

Appendix 1

WMCA Consolidated Summary – November 2018

	November 2018 YEAR TO DATE			FULL YEAR 2018/19		
	ACTUAL £'000	BUDGET £'000	VARIANCE £'000	FORECAST £'000	BUDGET £'000	VARIANCE £'000
INCOME						
1 - Transport Levy	76,480	76,480	0	114,720	114,720	0
2 - Devolution Deal grant (IP)	36,500	36,500	0	36,500	36,500	0
3a Devolution Deal grants - Operational	1,904	2,883	(979)	5,165	5,558	(393)
3b Devolution Deal grants - Mayoral	263	287	(24)	558	558	0
4 - Adult Education Funding	189	133	56	320	200	120
5 - Business rates growth	3,000	3,000	0	4,500	4,500	0
6 - Grants from Constituent members	3,096	3,096	0	4,644	4,644	0
7 - Grants from Non Constituent members	283	283	0	425	425	0
8 - Investment Income	665	329	336	1,492	494	998
9 - Use of Reserves	265	362	(97)	1,530	1,767	(237)
Total income	122,645	123,353	(708)	169,854	169,366	488
EXPENDITURE						
Operating expenditure:						
10 - Transport delivery	76,273	76,657	384	115,674	115,721	47
11 - Operational budget	5,406	7,008	1,602	11,608	11,822	214
12 - Investment Programme	1,055	2,370	1,315	3,096	4,659	1,563
13 - Mayoral Office	528	552	24	823	823	0
14 - Financing Costs	38,712	37,130	(1,582)	38,630	36,341	(2,289)
Total expenditure	121,974	123,717	1,743	169,831	169,366	(465)
Net	671	(363)	1,035	23	0	23
Made up as follows:						
Transport Delivery	208	(176)	384	46	0	46
Operational Budget	463	(187)	650	(23)	0	(23)
Investment Programme	0	0	0	0	0	0
Mayoral Office	0	0	0	0	0	0
Net	671	(363)	1,034	23	0	23

The year to date position at the end of November shows a favourable variance of £1.034m (£0.863m Oct18) against budget. This is largely due to the timing of recruitment and activity within the Transport Delivery and Operational budgets, where there are net favourable variances of £0.384m (£0.159m Oct18) and £0.650m (£0.704m Oct18) respectively.

The overall consolidated position shows a minor favourable movement in the full year position reflecting the expected increase in activity as we move through the year.

Within the Investment Programme (12) there is a favourable variance to date of £1.315m (£0.814m Oct 18) owing to planned borrowing not being necessary due to higher cash balances than anticipated, which also results in Investment Income (8) being higher than budget by £0.288m (£0.268m Oct18).

The variance against Financing Costs (14) is as a result of the Investment Programme savings detailed above being transferred to the Investment Programme reserve to meet the costs of future Investment Programme borrowing. This approach is consistent with the financial principles of the original Investment Programme financial model and effectively results in a neutral effect across the Investment Programme income and expenditure account.

Appendix 3

West Midlands Combined Authority Operational Budget – November 2018

FINANCIAL SUMMARY AS AT NOVEMBER 2018	NOVEMBER 2018 YEAR TO DATE			FULL YEAR 2018/19			As at the end of November 2018, there is a favourable year to date variance of £650k within the Operational Budget. Following the second forecast of the year there is an adverse variance of £23k within the full year position. Key variances are explained below:
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000	
Contribution - 7 Met Council's	3,096	3,096	0	4,644	4,644	0	Favourable variance due to positive cash balances
Non-Constituent Members	250	250	0	375	375	0	
Associate Members / Official Observers	33	33	0	50	50	0	
Investment Income	377	329	48	688	494	194	
Total Income	3,756	3,708	48	5,757	5,563	194	
Economic Growth							The favourable year to date variance within culture and tourism reflects a slow start to activity, which will take place by year end.
Mayoral Capacity Funding	231	285	(54)	354	388	(34)	Funding for growth largely reflects an in year and full year favourable variance due to a vacant senior policy advisor post.
Devo Office of Data Analytics	115	124	(9)	190	200	(10)	
Total Income	346	409	(63)	544	588	(44)	Industrial Strategy year to date and full year adverse variance is due to additional consultancy work being commissioned to support the local industrial strategy development.
Culture and Tourism Commission	0	(30)	30	(60)	(60)	0	
Funding for Growth	(552)	(587)	35	(786)	(880)	94	
Office of Data Analytics	(115)	(125)	10	(190)	(201)	11	
Black Country Economic Intelligence Unit	(146)	(160)	14	(240)	(240)	0	
Industrial Strategy	(255)	(215)	(40)	(430)	(308)	(122)	
Environmental	(36)	0	(36)	(141)	0	(141)	
Total Expenditure	(1,104)	(1,117)	13	(1,847)	(1,689)	(158)	Environment is a new unbudgeted area which shows a year to date and full year variance due to work being commissioned for air quality strategy and costs for an interim appointment of a resource to take the work of this portfolio forward.
Economic Growth Net Total	(758)	(708)	(50)	(1,303)	(1,101)	(202)	
Public Services Reform							Inclusive growth shows a favourable in year and full year variance reflecting a vacant lead economist post.
Revenue Contributions to / from Third Parties	7	67	(60)	7	100	(93)	
Mayoral Capacity Funding	34	67	(33)	100	100	0	
Third Party Income	160	0	160	160	0	160	
Total Income	201	134	67	267	200	67	
Public Sector Reform	(282)	(327)	45	(487)	(490)	3	
Inclusive growth	(44)	(133)	89	(110)	(200)	90	
5G Network	(160)	0	(160)	(160)	0	(160)	
WM Fire Service Transition	(48)	0	(48)	(194)	0	(194)	
Total Expenditure	(534)	(460)	(74)	(951)	(690)	(261)	Costs associated with the transition of the West Midlands fire service are unbudgeted but can be accommodated within the overall position.
Public Service Reform Net Total	(333)	(326)	(7)	(684)	(490)	(194)	
Health & Wellbeing							The favourable in year variance reflects vacant posts within the Health and wellbeing team, as well as workstreams that are being commissioned later than planned.
Revenue Contributions to / from Third Parties	33	0	33	33	0	33	
Total Income	33	0	33	33	0	33	
Mental Health Commission	(65)	(290)	225	(253)	(435)	182	The full year position shows a favourable variance of £267k due to vacant posts and mental health and wellbeing activity which will not take place this financial year.
Well Being	(102)	(153)	51	(190)	(242)	52	
Total Expenditure	(167)	(443)	276	(443)	(677)	234	
Health & Wellbeing Net Total	(134)	(443)	309	(410)	(677)	267	
Housing & Land							Housing and Land shows a favourable variance due to vacant posts which are currently being recruited to in year.
Devolution Housing & Land	409	639	(230)	803	1,000	(197)	
Total Income	409	639	(230)	803	1,000	(197)	
Housing and Land Commission	(504)	(739)	235	(945)	(1,150)	205	The full year position has an adverse variance due to vacant posts.
Total Expenditure	(504)	(739)	235	(945)	(1,150)	205	
Housing & Land Net Total	(95)	(100)	5	(142)	(150)	8	
Skills & Productivity							The favourable in year variance reflects revised delivery timetables in respect of the portfolios key objectives including the Employment Support Pilot scheme and Construction skills.
Devolution Productivity & Skills	1,033	1,701	(668)	3,637	3,770	(133)	
Investment Programme Revenue funding contribution	21	0	21	78	0	78	
Devolution Productivity & Skills			0			0	
Adult Education Funding	189	133	56	320	200	120	
Devolution Productivity & Skills			0			0	
Total Income	1,243	1,834	(591)	4,035	3,970	65	
Productivity and Skills Commission	(291)	(531)	240	(464)	(464)	0	
Employment Support Pilot Skills	(155)	(596)	441	(780)	(1,829)	1,049	
HS2 Skills	(21)	(97)	76	(78)	(175)	97	
Gatsby Skills	(44)	(67)	23	(61)	(100)	39	
Construction Skills	(612)	(941)	329	(2,087)	(1,666)	(421)	
Adult Education	(190)	(119)	(71)	(299)	(179)	(120)	
Career Learning Pilot	(215)	0	(215)	(656)	0	(656)	
Digital Skills	(6)	0	(6)	(54)	0	(54)	
Total Expenditure	(1,534)	(2,351)	817	(4,479)	(4,413)	(66)	
Skills & Productivity Net Total	(291)	(517)	226	(444)	(443)	(1)	
Leadership							
Revenue Contributions to / from Third Parties	41	0	41	41	0	41	
Total Income	41	0	41	41	0	41	
Leadership	(278)	(254)	(24)	(410)	(381)	(29)	
Total Expenditure	(278)	(254)	(24)	(410)	(381)	(29)	
Leadership Net Total	(237)	(254)	17	(369)	(381)	12	
Corporate Support							The favourable in year variances relates primarily to scheduling of communications spend relating to marketing campaigns, digital development and events which are anticipated to take place later in the year and a vacant post within support that will be recruited to later in the year. The full year adverse variance is primarily due to corporate services costs which comprise of rent, recruitment and ICT equipment.
Total Income	0	0	0	0	0	0	
Programme, Policy and Support	(1,326)	(1,275)	(51)	(2,060)	(1,913)	(147)	
Communications	(118)	(271)	153	(367)	(407)	40	
Total Expenditure	(1,444)	(1,546)	102	(2,427)	(2,320)	(107)	
Corporate Support Net Total	(1,444)	(1,546)	102	(2,427)	(2,320)	(107)	
TOTAL NET EXPENDITURE	(3,292)	(3,894)	602	(5,779)	(5,562)	(217)	
NET RETURN	464	(186)	650	(22)	1	(23)	
Devolution grants	(1,904)	(2,883)	979	(5,165)	(5,558)	393	
AEB Funding	(189)	(133)	(56)	(320)	(200)	(120)	
Use of reserves	0	(97)	97	(265)	(502)	237	
NET RETURN PRESENTED IN CONSOLIDATED SUMMARY	(1,629)	(3,299)	1,670	(5,772)	(6,259)	487	

Appendix 4

West Midlands Combined Authority Mayoral Budget – November 2018

	NOVEMBER 2018 YEAR TO DATE				FULL YEAR 2018/19				
	ACTUAL £000	BUDGET £000	VARIANCE £000		FORECAST £000	BUDGET £000	VARIANCE £000		
MAYORAL OFFICE									
Other Grants	263	287	(24)	8%	558	558	0	0%	As at the end of November 2018 the Mayoral budget has a favourable variance of £0.024m against budgeted expenditure, reflecting minor variances in staffing costs. The full year position remains in line with budget.
Use of Reserves	265	265	0	0%	265	265	0	0%	
TOTAL INCOME	528	552	(24)	4%	823	823	0	0%	
Staff Costs	(456)	(464)	8	2%	(667)	(692)	25	4%	
Agency Staff	(1)	0	(1)	0%	(26)	0	(26)	0%	
IT	(7)	(7)	0	0%	(10)	(10)	0	0%	
Promotions, Information and Initiatives	(2)	0	(2)	0%	(1)	0	(1)	0%	
Travel & Subsistence	(8)	(27)	19	70%	(38)	(40)	2	5%	
Other	(1)	(1)	0	0%	(2)	(2)	0	0%	
Indirect Recharges	(53)	(53)	0	0%	(79)	(79)	0	0%	
TOTAL EXPENDITURE	(528)	(552)	24	4%	(823)	(823)	0	0%	
NET	0	0	0	0%	0	0	0	0%	

Appendix 5 West Midlands Combined Authority Transport Delivery Capital Programme – November 2018

Financial Summary Month Ending November	YEAR TO DATE			FULL YEAR 2018/19			
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000	
TFWM Directly Delivered Investment Programme Schemes							
<u>HS2 Connectivity Programme:</u>							<p>Year to Date Variances</p> <p>At the end of November 2018, actual expenditure was £36.2m (Oct £30.3m) lower than the budget with the overall variances relating to cost reprofiling. An explanation of the main variances is as follows:</p> <p>The favourable cashflow variance on the Metro Edgbaston Extension (£5.8m) is mostly due to re-profiling of activity plus some smaller savings due to complimentary highway measures not required for utility diversions, and Centenary Square (£1.3m) due to utility re-profiling, mitigated by the acceleration of works following the closure of Paradise Circus which will bring forward the completion date of the scheme.</p> <p>The favourable cashflow variance for the Wolverhampton City Centre (£4.5m) scheme accommodates changes within the programme plan that are intended to be recovered over the remaining life of the project as they are not on the critical path.</p> <p>The Metro Birmingham Eastside Extension (£4.1m) variance is reflective of design option reappraisal at the Delta Junction, Bull Street, rescheduling the preliminary design submission back to Q4 18/19 following a solution being agreed in November 2018.</p> <p>The Metro East Birmingham to Solihull Metro Extension (£2.6m) variance is reflective of ongoing surveys and modelling works, requiring the reprofiling of the Transport Works Order request from December 2018 to June 2019.</p> <p>The Metro Wednesbury to Brierley Hill Extension (£12.0m) reflects ongoing investigation work on retaining walls and structures and survey input data, impacting on preliminary design progression.</p> <p>The Annual Forecast Variances</p> <p>Changes have been made since April 2018 to the forecast out-turn which again relate to timing of expenditure rather than being indicative of project slippage. The overall reduction in November (£2.7m) is mainly contained within the Edgbaston Extension (£1.5m) and East Birmingham to Solihull Extension (£0.8m) explained below</p> <p>The main variances are as follows:</p> <p>The Edgbaston and Centenary Square Metro Extension forecasts have been reduced by £4.5m owing to the complimentary highway works and the 2018/19 impact of the Traffic Regulation Orders as detailed above.</p> <p>The Birmingham Eastside Extension (£15.1m) and East Birmingham to Solihull Extension forecast revisions (£4.0m) are representative of the full year effect of the cash flow variations to the end of November. In addition, within the Birmingham Eastside Extension, 3G Tram contract negotiations and award have been reprofiled to May 2019.</p> <p>The main variation within the Metro Wednesbury to Brierley Hill Extension (£22.6m) follows the Network rail corridor acquisition which has been reprofiled to December 2018 and rescheduling of survey input data impacting preliminary design progression.</p> <p>The variances against these Metro extensions represent re-profiling of commitments and have no adverse impact on the timescales for overall delivery.</p> <p>The Investment Programme (£4.5m) under spend is primarily due to reprofiling of Land acquisition on the Rail-Walsall to Wolverhampton Local Enhancements (£1.7m), and reprofiling of costs on the Rail-Camp Hill Line (£1.2m).</p>
Bilston Road Track Replacement Phase 2	(34)	(250)	216	(282)	(250)	(32)	
Sprint Network	(1,269)	(3,248)	1,979	(3,078)	(5,227)	2,149	
Investment Programme Rail Programme	(3,013)	(6,751)	3,738	(4,645)	(9,184)	4,539	
Metro Centenary Square Extension	(9,880)	(11,153)	1,273	(17,571)	(17,422)	(149)	
Metro Wolverhampton City Centre Extension	(8,810)	(13,286)	4,476	(12,721)	(13,593)	872	
Metro Edgbaston Extension	(7,375)	(13,209)	5,834	(12,625)	(17,289)	4,664	
<u>Other TFWM Investment Programme Schemes</u>							
Metro Birmingham Eastside Extension	(3,728)	(7,807)	4,079	(7,794)	(22,859)	15,065	
Metro East Birmingham to Solihull Extension	(6,078)	(8,700)	2,622	(9,252)	(13,273)	4,021	
Metro Wednesbury to Brierley Hill Extension	(7,124)	(19,081)	11,957	(11,956)	(34,510)	22,554	
TOTAL TFWM INVESTMENT PROGRAMME	(47,311)	(83,485)	36,174	(79,924)	(133,607)	53,683	
			4.3%			40%	
TFWM Other Major Schemes							
Regional Transport Coordination Centre (RTCC) development	(12)	(12)	0	(172)	(172)	0	<p>At the end of November 2018, there was an underspend of £1.9m (Oct £1.7m), the main variance being the Longbridge Connectivity Package. It was originally envisaged that construction of the Decked Car park at Longbridge would have commenced in September 2018, however further ground investigative work is continuing to assess whether piled foundations are required. Planning approval was concluded in November 2018, with the main construction rescheduled to commence in January 2019.</p> <p>The Annual Forecast is £2.3m below the Budget, primarily due to the rescheduling of the main construction works at Longbridge into Q4 18/19 and 19/20 as identified above. The CAV project is also below Budget, being cash-flow related following the decision to procure the Highway and Road Traffic control equipment towards the end of Q1 19/20. This has no impact on the delivery of the 2 year programme.</p>
Birmingham City Centre Metro Extension	1	0	1	(72)	0	(72)	
Bromsgrove Station	3	0	3	3	0	3	
Longbridge Connectivity Package	(77)	(1,795)	1,718	(1,810)	(3,557)	1,747	
Connected and Autonomous Vehicles	(151)	(331)	180	(468)	(1,100)	632	
TOTAL TFWM INVESTMENT PROGRAMME	(236)	(2,138)	1,902	(2,519)	(4,829)	2,310	
			89%			48%	
TFWM Minor Works Programme							
TFWM Minor Works Programme	(5,702)	(8,529)	2,827	(12,664)	(14,760)	2,096	<p>At the end of November 2018, there was an underspend of £2.8m (Oct £1.7m) against budget. The main variances relate to Snow Hill 3rd Access (£0.8m), the Clean Bus Technology Fund (£0.6m), Network Wide Bus Station Refurbishments (£0.4m), TBT Platinum RTI Equipment (£0.3m) and the construction of walking and cycling routes (£0.1m). Development funding for the University Station has been secured from Greater Birmingham & Solihull LEP funding.</p> <p>The Annual Forecast is £2.1m (Oct £0.5m) below Budget, primarily reflective of the full year impact of construction rescheduling with regards to Snow Hill 3rd Access (£1.6m) reported in September. As indicated above, the Development funding for the University Station project has now been confirmed which will facilitate draw down against all of the costs.</p>
TOTAL TFWM INVESTMENT PROGRAMME	(5,702)	(8,529)	2,827	(12,664)	(14,760)	2,096	
			3.3%			1.4%	
TFWM Administered Programme							
TFWM Administered Programme	(627)	(1,136)	509	(3,130)	(3,141)	11	<p>The main variance relates to rescheduling of Transport Modelling Strategy (£0.2m). Mobilisation commenced in July 2018 with some reprofiling into the remaining quarters. There is also some minor re-profiling of National Productivity Investment Fund (NPIF) £0.2m expenditure into Q4 18/19.</p>
TOTAL TFWM INVESTMENT PROGRAMME	(627)	(1,136)	509	(3,130)	(3,141)	11	
			4.5%			0%	
GRAND TOTAL TFWM CAPITAL PROGRAMME	(53,876)	(95,288)	41,412	(98,237)	(156,337)	58,100	
			4.3%			37%	

Appendix 6

WMCA Investment Programme Financial Summary period ending 31st October 2018

	2018 / 2019 YEAR TO DATE			2018 / 2019 FULL YEAR			COST TO COMPLETION					
	ACTUAL	BUDGET	VARIANCE	BUDGET	FORECAST	VARIANCE	PRIOR PERIOD SPEND	2018/19 FORECAST	FUTURE YEARS FORECAST	TOTAL FORECAST OUTTURN	TOTAL BUDGET	VARIANCE
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
COVENTRY UKC PLUS	3,239	18,206	14,967	42,051	25,514	16,537	12,588	25,514	617,103	655,204	655,204	0
SPRINT PROGRAMME	978	2,756	1,778	5,227	3,155	2,072	2,436	3,155	273,739	279,330	279,330	0
RAIL PROGRAMME	2,653	3,968	1,316	8,852	4,506	4,346	248	4,506	420,346	425,100	425,100	(0)
METRO	48,168	74,240	26,072	135,632	96,513	39,119	111,749	96,513	1,258,377	1,466,640	1,373,000	(93,640)
UK CENTRAL INFRASTRUCTURE	1,383	7,579	6,196	16,494	14,227	2,267	2,155	14,227	1,370,246	1,386,627	1,386,543	(84)
UK CENTRAL HS2 INTERCHANGE	3,458	8,119	4,661	12,718	10,019	2,699	3,947	10,019	590,450	604,416	604,612	196
HS2 PROGRAMME GOVERNANCE	147	139	(8)	239	249	(10)	619	249	2,170	3,038	3,032	(6)
CURZON STREET STATION MASTERPLAN	-	1,648	1,648	4,406	4,406	-	-	4,406	551,894	556,300	556,300	-
NATIONAL COLLEGE FOR HIGH SPEED RAIL	122	78	(44)	78	122	(44)	25,431	122	-	25,553	25,509	(44)
HIGH SPEED SUPPLY CHAIN & BUSINESS SUPPORT	-	-	-	-	-	-	11,270	-	338,730	350,000	350,000	-
HS2 GROWTH STRATEGY TOTAL	60,148	116,734	56,587	225,696	158,710	66,986	170,442	158,710	5,423,055	5,752,207	5,658,629	(93,579)
COVENTRY CITY CENTRE REGENERATION	856	1,192	336	25,394	25,452	(58)	5,821	25,452	330,498	361,771	357,770	(4,001)
INNOVATION	262	-	(262)	5,000	2,447	2,553	25	2,447	192,528	195,000	50,000	(145,000)
LAND RECLAMATION AND REMEDIATION	231	8,105	7,874	20,000	28,072	(8,072)	84	28,072	171,845	200,000	200,000	(1)
COMMONWEALTH GAMES	-	-	-	-	-	-	-	-	25,000	25,000	25,000	-
EMPLOYMENT EDUCATION & SKILLS	-	-	-	2,000	308	1,692	-	308	19,692	20,000	20,000	(0)
COLLECTIVE INVESTMENT VEHICLE	6,637	6,637	0	20,000	35,523	(15,523)	20,306	35,523	944,170	999,999	1,000,000	1
DEVOLVED TRANSPORT INVESTMENT	-	-	-	-	-	-	-	-	1,299,000	1,299,000	1,299,000	-
EZ EXPANSION EXCLUDING CURZON	-	-	-	-	-	-	-	-	20,000	20,000	20,000	-
OTHER INVESTMENT PROGRAMME SCHEMES	7,985	15,934	7,949	72,394	91,801	(19,408)	26,236	91,801	3,002,733	3,120,770	2,971,770	(149,000)
GRAND TOTAL	68,133	132,668	64,535	298,090	250,511	47,579	196,678	250,511	8,425,788	8,872,977	8,630,398	(242,579)

The financial results for October 2018 are shown above.

In respect of full project costs to completion, the financial summary continues to highlight increased spend in the Metro programme regarding the Wednesbury to Brierley Hill and Birmingham to Solihull Interchange Metro extensions. An exercise is ongoing via the Metro Delivery Board to review and verify the costs to completion for the Metro Programme and the results will be reported in due course. The increase in the Innovation spend relates to the inclusion of the 5G project (£5.0m funding from the Investment Programme and £145m from DCMS, LEPs and private sector). This new investment increases the value of the Investment Programme overall further bolstering the £8bn Devolution Deal commitment.

For 2018/19, the YTD spend to October is £64.5m behind budget. This includes the significant variances set out below:

- * Metro programme underspend of £26.1m comprising- Edgbaston (£4.5m), Wolverhampton (£5.3m), Centenary Square (£1.5m), Birmingham Eastside (£3.0m), East Birmingham to Solihull (£2.9m) and Metro Wednesbury to Brierley Hill (£8.9m);
- * Coventry UKC Plus programme is £15.0m behind budget including- Coventry Station Masterplan (£9.5m) and VLR (£4.5m);
- * UK Central Infrastructure - £6.2m;
- * UK Central Interchange - £4.7m.

The main reasons for the YTD underspends are covered in the full year commentary below.

The 2018/19 full year forecast underspend of £67.0m for the HS2 Growth Strategy relates primarily to the following projects:

- * UKC HS2 Interchange (£2.7m) - delayed spend relating to the Birmingham International Station redevelopment project, FBC now scheduled for approval in 2020/21 and UGC's main focus is on the HS2 Hybrid Act changes;
- * Brierley Hill Metro Extension (£22.0m) - the Network Rail corridor acquisition has been rescheduled to December 2018, in tandem with the Target Cost, leading to a re-profiling of detailed design into 2019/20;
- * Birmingham Eastside Metro Extension (£11.1m) - the 3G Tram contract has gone out to tender, negotiations and contract award originally scheduled for February 2019 will now take place in May 2019;
- * East Birmingham to Solihull Metro Extension (£2.8m) - reflects a reduction owing to ongoing modelling & survey work, resulting in a rescheduling of the public consultation and the Transport & Works Order submission into Q1 2019/20;
- * Metro Edgbaston Extension (£2.8m) - primarily as a result of the ongoing complementary highway works;
- * Coventry City Centre First (£10.0m) - primarily delay to Ring Road improvements as a result of revised plans to deliver City of Culture;
- * Coventry VLR (£5.2m) - delayed vehicle development spend and Dudley retaining wall spend;
- * Rail Programme (£4.3m) - due to refinement of timescales for delivery and corresponding phasing of expenditure
- * Sprint Hagley Road (£2.0m) - delays in utilities work due to land acquisition.

The other major full year variance to forecast are:

- * timing of spend regarding Land Reclamation (£8.1m) relating to the timing of grant payments given the pipeline approved in 2017/18 currently awaiting developments progressing and contracts to be prepared;
- * Collective Investment Vehicle advances exceeding original estimate (by £15.5m).

The cost to completion against UK Central Interchange remains red due to the funding gap of c.£205m relating to the Birmingham International Station redevelopment project. Funding sources are being progressed by UGC.

Appendix 7

WMCA Investment Programme Commitment Profile November 2018

£m	Committed	2018 / 2019		2019 / 20				2020/21	2021/22	2022/23	2023/24	2024/25	Post 2025	TOTAL
		Q3	Q4	Q1	Q2	Q3	Q4							
UKC Interchange	29.8		0.2		175.3			141.7		10.0	41.0			398.0
UKC Infrastructure	26.9	2.5	2.7	2.0	1.5		2.2	43.7	33.3	76.3	96.9			288.0
Sprint Programme	4.1		23.5			10.0	48.9	34.8	60.6	30.7				212.7
Metro Programme	101.3													101.3
Rail Programme	5.2		2.4	0.5	34.7		1.0	21.1	16.4				104.8	186.1
City Centre First incl. CSMP	39.4		11.6											51.0
Coventry VLR	12.2						9.0	33.8						55.0
Coventry North	0.2								21.0					21.6
Coventry South	7.4			0.6	0.5		0.7	23.9	26.8		46.7		50.0	156.5
HS2 Programme Governance	0.7		2.3											3.0
Wednesbury Brierley Hill Metro				103.0										103.0
SUB TOTAL INVESTMENT PROGRAMME	227.2	2.5	42.7	106.1	211.9	10.0	62.2	299.1	158.0	117.0	184.6		154.8	1576.2
Coventry Regeneration	154.0													154.0
Land Remediation	103.0									97.0				200.0
Business Innovation	4.3	0.3	4.8		3.9			11.4	12.9	12.6				50.0
Employment Education & Skills	0.8						9.0	8.0	2.2					20.0
Commonwealth Games	25.0													25.0
OTHER INVESTMENT PROGRAMME	287.1	0.3	4.8		3.9		9.0	19.4	15.1	109.5				449.0

Approval commitment profile based on September 2018 PMO prioritisation exercise

CUMULATIVE APPROVALS	514.3	517.0	564.5	670.6	886.4	896.4	967.6	1286.1	1459.2	1685.7	1870.3	1870.3	2025.1
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WMCA Balance Sheet as at 30 November 2018

	30 November 2018 £'000	31 October 2018 £'000	Movement £'000
Property, plant and equipment	323,725	319,619	4,107
Investments	24,862	-	24,862
Long-term assets	348,587	319,619	4,107
Debtors	36,759	33,621	3,138
Short-term deposits	42,200	80,550	(38,350)
Cash and bank	255	356	(101)
Current assets	79,214	114,527	(35,312)
Loans - interest due	(1,574)	(1,400)	(174)
Short-term creditors/accruals	(47,297)	(50,635)	3,338
Current liabilities	(48,871)	(52,035)	3,164
Net current assets	30,343	62,492	(32,149)
Provisions	(3,810)	(6,050)	2,240
Finance lease liabilities	0	0	-
PWLB	(119,239)	(119,239)	-
Other loans - Barclays	(10,000)	(10,000)	-
Dudley MBC	(7,873)	(7,873)	-
Grants receipts in advance	(44,988)	(48,042)	3,054
Long-term liabilities	(185,910)	(191,204)	5,294
Net assets	193,020	190,906	(22,748)
General fund balance	2,966	2,970	(4)
Earmarked reserves	121,259	121,217	42
Capital grants unapplied reserve	247	247	-
Usable reserves	124,472	124,434	38
Revaluation reserve	6,941	6,942	(1)
Deferred capital grants account	316,783	312,675	4,108
Capital financing account	(254,871)	(252,840)	(2,030)
Accumulated absences account	(305)	(305)	0
Unusable reserves	68,548	66,472	2,076
Total reserves	193,020	190,906	2,114

The WMCA Balance Sheet reflects a healthy financial position. Main changes since October reflect TfWM capital spend and work-in-progress funded mainly by grants in advance, resulting in an increase of £4.1m net of depreciation in property, plant and equipment.

The increase in debtors is largely due to the insurance prepayment and VAT due from HMRC.

The decrease in short-term creditors/accruals and provisions is largely due to capital accrual for the various Metro extension schemes and HS2/UK Central amounting to £2.5m and the final settlement with Network Rail in respect of Bromsgrove station respectively.

The decrease in grants receipts in advance and short-term deposits and cash and bank are due to payments for the various Metro extension schemes and the transfer of the Collective Investment Fund portfolio from Birmingham City Council (£23m) and other CIF payments.