



Audit, Risk & Assurance Committee

Date: Tuesday 8 September 2020

Time: 10.00 am **Public meeting** Yes

Venue: This meeting will take place virtually via Microsoft Teams
[Click here to view the meeting.](#)

Membership

David Lane (Chair)	
Councillor Ram Lakha OBE (Vice-Chair)	Coventry City Council
Councillor Ahmad Bostan	Sandwell Metropolitan Borough Council
Councillor Alan Butt	City of Wolverhampton Council
Sean Farnell	Coventry & Warwickshire LEP
Councillor Michael Gough	Solihull Metropolitan Borough Council
Councillor Fred Grindrod	Birmingham City Council
Councillor Christine Martin	Staffordshire Non-Constituent Authorities
Councillor Alexander Phillips	Shropshire Council
Councillor June Tandy	Nuneaton & Bedworth Borough Council
Councillor Alan Taylor	Dudley Metropolitan Borough Council
Councillor David Thain	Worcestershire Non-Constituent Local Authorities
Councillor Gurmeet Singh Sohal	Walsall Metropolitan Borough Council

Quorum for this meeting shall be nine members. Of those, at least one member must be in attendance from five different constituent councils.

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).		None	
3.	Minutes - 14 July 2020	Chair	1 - 6	
4.	Chair's Remarks	Chair	None	
5.	Matters Arising <ul style="list-style-type: none"> • Whistleblowing 	Tim Martin	None	
6.	Forward Plan	Tanya Patel	7 - 8	
Business Items for Noting/Approval				
7.	Review of Governance Procedures and Risk Impacts of the COVID 19 Pandemic <ul style="list-style-type: none"> • Strategic Risk Register • Facing sheet relating to Strategic Risk Register 	Tim Martin	9 - 28	10:15
8.	Data Protection & Data Processing	Gurmit Sangha	29 - 38	11:00
9.	Health and Safety Annual Update	Pete Bond	39 - 48	11:10
10.	WMCA Assurance Overview September 2020	Hardial Phull	49 - 56	11:20
11.	Treasury Management Strategy	Carl Pearson	57 - 68	11:35
12.	Internal Audit Update Quarter 2	Peter Farrow	69 - 74	11:45
Date of Next Meeting				
13.	Monday 26 October 2020 at 10.00am	Chair	None	



West Midlands
Combined Authority

Audit, Risk & Assurance Committee

Tuesday 14 July 2020 at 10.00 am

Minutes

Present

David Lane (Chair)	
Councillor Ram Lakha OBE (Vice-Chair)	Coventry City Council
Councillor Alan Butt	City of Wolverhampton Council
Sean Farnell	Coventry & Warwickshire LEP
Councillor Michael Gough	Solihull Metropolitan Borough Council
Councillor Fred Grindrod	Birmingham City Council
Councillor Christine Martin	Staffordshire Non-Constituent Authorities
Councillor Alexander Phillips	Shropshire Council
Councillor June Tandy	Nuneaton & Bedworth Borough Council
Councillor Alan Taylor	Dudley Metropolitan Borough Council

In Attendance

Fiona Bebbington	West Midlands Combined Authority
Louise Cowen	West Midlands Combined Authority
Peter Farrow	City of Wolverhampton Council
Julia Goldsworthy	West Midlands Combined Authority
Linda Horne	West Midlands Combined Authority
Sandra Kalyan	City of Wolverhampton Council
Helen Lillington	Grant Thornton
Tim Martin	West Midlands Combined Authority
Grant Patterson	Grant Thornton
Anna Sirmoglou	West Midlands Combined Authority
Rachel Teoh	West Midlands Combined Authority
Jodie Townsend	West Midlands Combined Authority

Item Title No.

- 1. Apologies for Absence**
Apologies for absence were received from Councillor Ahmad Boston (Sandwell Metropolitan Borough Council).
- 2. Declarations of Interest**
Councillor Alan Taylor reported that he was a member of Transport Delivery Committee.
- 3. Minutes - 13 January 2020**
The minutes of the meeting held on the 13 January 2020 were agreed as a correct record.

**4. Matters Arising
(a) Whistleblowing**

The Monitoring Officer informed the committee that there had been no active cases received since the last meeting.

5. Forward Plan

The committee considered the plan of items to be reported to future meetings of the committee.

Resolved:

- (1) The items of business to be reported at future meetings be noted.

6. Equal Pay Audit & General Equalities Update

The committee received a report from the Equalities & Diversity Manager which provided a breakdown of the latest workforce and gender pay gap statistics. It also outlined current initiatives and identified key areas of future focus to help bridge diversity gaps and promote inclusion.

It was recognised that there had been significant progress in the past year in terms of lowering the gender pay gap to levels below the national average. The WMCA had seen an increase in representation of younger people over the past few years through programmes such as Building Our Future Workforce.

Councillor Alexander Philips requested that the indicators and data provided in the report were produced in a dashboard format at future meetings which showed different trend analysis. The Equalities & Diversity Manager would look at how best to produce this as an annual update to the committee as requested.

Resolved:

- (1) The March 2020 WMCA Gender Pay Gap and workforce diversity data and the actions considered to bridge internal diversity gaps and promote inclusion be noted.
- (2) An annual update and a dashboard on Equal Pay Audit and general equalities be submitted to the committee.

7. Internal Audit Annual Report 2019/20

The committee received an overview of the annual internal audit opinion on the adequacy and effectiveness of the WMCA's governance, risk management and internal control processes. It was highlighted the impact of the COVID-19 pandemic had on the remaining 2019/20 audits and those had been reviewed through a prioritisation exercise in liaison with all Directors and the WMCA Leadership Team. Thirteen pieces of audit work had been completed in 2019/20; nine had been given a substantial opinion and four had been given a satisfactory opinion. It was agreed that in future the Chair of the committee be consulted on any changes to the internal audit plan.

Councillor Ram Lakha requested further information on the internal audit findings relating to the Homelessness Taskforce, particularly in respect of its effectiveness in tackling homelessness during the COVID-19 pandemic. The Head of Audit agreed to review the Homelessness Taskforce in light of the COVID-19 pandemic and would update the committee at its September meeting. Councillor Alexander Philips expressed concerned as to the overall opinion given to the WMCA's Programme and Project Management Framework audit. The Head of Strategic Hub provided the committee with assurances that progress was being made on the recommendations within recommended deadlines and would attend committee in January 2021 to provide a further update on the implementation of the recommendation before a follow up on the internal audit was due.

The Chair asked for confirmation that the recommendations with a target completion date of 30 June 2020 outlined within the 'West Midlands Rail Limited - WMCA Governance and Management Arrangements 2019/20' internal audit had been met. The Monitoring Officer highlighted that due to the COVID-19 pandemic, there had been some slippage on implementation of the recommendations. Discussions would now be held between officers on how best to progress the recommendations, which may result in information being resubmitted to committee outlining new target dates. The Chair requested that he be consulted on any changes relating to this audit.

Councillor Ram Lakha requested further information on the recent impact of Government announcements relating to the national rollout of 5G infrastructure and the Director of Strategy undertook to confirm any impact to the Chair before the next meeting. It was hoped that the internal audit for WM5G would be shared at the next meeting.

Resolved:

- (1) The contents of the Internal Audit Annual Report 2019-2020 be noted.

8. Annual Accounts 2019/20 for West Midlands Combined Authority

The committee considered a report on the Annual Accounts of the West Midlands Combined Authority for the financial year ended 31 March 2020. The committee also considered the audit findings presented by Grant Thornton for the WMCA.

The External Auditor presented the audit findings and shared his proposal to issue an unqualified audit opinion on the accounts. It was recognised that the outbreak of the COVID-19 pandemic had significant impact on the normal operations of the WMCA with a negative impact on income streams, in particular in relation to bus, rail and tram travel. It was noted that officers were working through the implications of this on the financial position in the evolving environment. The External Auditor confirmed that he was satisfied that the WMCA accounts, as audited, could be approved by the committee.

The Chair requested a summary position regarding concerns of the overall funding gap position for the WMCA be provided at its September meeting.

Resolved:

- (1) The annual governance statement be approved.
- (2) The WMCA annual accounts be approved.
- (3) The audit findings report presented by Grant Thornton be approved.
- (4) The proposal to issue an unqualified audit opinion for the accounts by Grant Thornton be noted.
- (5) The signing of the Letter of Representation by the Director of Finance be approved.
- (6) The updated audit findings report be shared with committee in September 2020 following receipt of the national technical team's conclusion in relation to the accounting treatment to Land Fund transactions.
- (7) The amendments required to the accounts, should a change to the accounting treatment of Land Fund transactions be confirmed by the national technical team be, noted and approved.
- (8) The Chair be authorised to sign off any changes required to the narrative report, Annual Governance Statement or accounts for 2019/20 taking into account any further updates until the end of July 2020.
- (9) Subject to no further issues being raised by Grant Thornton, the Mayor and Director of Finance be authorised to sign the account on behalf of the WMCA.

9. WMCA Strategic Risk Register

The committee received an update on the current status of the Strategic Risk Register. It was noted that the COVID-19 pandemic required a further review of the risks already identified and the response was reflected appropriately within the risk register. A new risk had been added to reflect the WMCA's resilience and response to the pandemic overall however further work was being undertaken to address the longer-term impacts on the organisation and the region. The Chair requested a further update be provided at its September meeting in relation to the organisational position post- COVID-19.

Resolved:

- (1) The strategic risks contained within the WMCA Strategic Risk Register be noted.
- (2) The additional consideration of COVID-19 risks shown in the register be noted.
- (3) A detailed review of the risks to be reported at the September meeting taking into account the post COVID-19 pandemic.

10. Adoption of a Revised Single Assurance Framework

The committee were provided with a report updating it on the progress in delivering the Single Assurance Framework project. An overview was provided on the governance model, its definitions and purpose. A number of key approaches, process and recommendations had been developed to support the delivery of the Single Assurance Framework and had been endorsed by the Senior Leadership Team. As previously discussed, the committee were taken through the different tranche stages and if approved by the WMCA Board on 24 July, a phased transition period would begin to implement the document and the associated governance improvements.

Resolved:

- (1) The work undertaken to date on developing the Single Assurance Framework and the decision-making process and the intent behind the proposed way forward be noted.
- (2) The Single Assurance Framework seeking approval by the WMCA Board be endorsed.
- (3) Committee be provided with an update in September 2021 on the implementation of the Single Assurance Framework and any lessons learnt.

11. Internal Audit Plan 2020/21

The committee received a report from the Head of Audit on an updated 2020/21 Internal Audit Plan. Changes to the plan were noted as a result of the COVID-19 pandemic which affected the audit resources and the priorities of the WMCA. The changes had been reviewed in liaison with Directors and the Senior Leadership Team.

Sean Farnell expressed his concerns relating to the auditable area 'Risk Management' and questioned as to why this audit would be undertaken in July 2021 when a high rating was provided. The Chair also sought assurance that enough resources were in place to ensure that there was no slippage. The Monitoring Officer confirmed that the level of resourcing was being looked at and would update the Chair accordingly outside of committee.

Resolved:

- (1) The changes to the Internal Audit Plan for 2020-21 made since its approval at committee in January 2020 be noted and approved subject to the Monitoring Officer returning to the Chair on the outstanding issue of internal audit resource.

12. Exclusion of the Public and Press

That in accordance with Section 100A (4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business as it involved the likely disclosure of exempt information relating to financial or business affairs of any particular person (including the authority holding the information).

13. Accessible Transport Services - Revised Final Internal Audit Report

The committee received an overview of the internal audit completed for WMCA Accessible Transport Services looking at the internal controls, governance and decision making undertaken regarding the WMCA's approach to addressing the issues and risks that materialised as a result of the Accessible Transport Group Holdings Limited going into Administration in March 2019.

The committee acknowledge that this audit was complex and that the recommendations were useful.

The Monitoring Officer also provided an overview of the completion of the administration process and the finalisation of assets being sold.

[NB: Councillor Ram Lakha declared a personal interest in this item in respect of him being in receipt of an older person's bus pass.]

14. Date of Next Meeting

Tuesday 8 September 2020 at 10.00am.

The meeting ended at 11.50 am.

WMCA Audit, Risk & Assurance Committee - Forward Plan

Title of Report	Date of Meeting	Lead Officer
Strategic Risk Register	26 October 2020	Tim Martin / Julia Goldsworthy
Internal Audit Report	26 October 2020	Peter Farrow
WMCA Annual Audit Letter	26 October 2020	Grant Thornton
West Midlands Pension Fund	26 October 2020	TBC
Strategic Planning Performance	26 October 2020	Andy Morgan
Consideration of revised LGA Model Code of Conduct	26 October 2020	Tim Martin
Conflict of Interest Policy for Non-Elected Participants in Combined Authority Governance	18 January 2021	Tim Martin
WMCA's Programme and Project Management Framework internal audit – update on recommendations	18 January 2021	Fiona Bebbington
Internal Audit Report	18 January 2021	Peter Farrow
Assurance report update	18 January 2021	Hardial Phull
External Audit Plan 2020/21	18 January 2021	Grant Thornton

Information the Risk Assessment	18 January 2021	Grant Thornton
Internal Audit Report	19 April 2021	Peter Farrow
Assurance report update	19 April 2021	Hardial Phull
Strategic Risk Register	28 June 2021	Tim Martin / Julia Goldsworthy
Internal Audit Report	28 June 2021	Peter Farrow
Internal Audit Plan 2021 – 2022	28 June 2021	Peter Farrow
WMCA Annual Accounts	28 June 2021	Linda Horne
WMCA Audit Findings	28 June 2021	Grant Thornton
Equal Pay Audit & General Equalities Update	28 June 2021	Anna Sirmoglou
Contingency – Approval of accounts	12 July 2021	Linda Horne
Equal Pay and General Equalities Update	12 July 2021	Anna Sirmoglou
An update on the implementation of the Single Assurance Framework and any lessons learnt	September 2021	Fiona Bebbington



West Midlands
Combined Authority

Audit, Risk & Assurance Committee

Date	8 September 2020
Report title	Review of Governance Procedures and Risk Impacts of the COVID 19 Pandemic
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive 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 Julia Goldsworthy, Director of Strategy Email: Julia.goldsworthy@wmca.org.uk Tel (0121) 214 7941
Report has been considered by	WMCA Senior Leadership Team

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- (a) Note the information in this Report.

1. Purpose

- 1.1 This report reviews the impact of Covid 19 on the corporate governance procedures of the Combined Authority and presents the revised Strategic Risk Register. The report also takes the opportunity to touch on progress with regard to the Authority's response to the Comprehensive Spending review anticipated for the Autumn and the submission in respect of the forthcoming Government White paper on Devolution and "levelling up".

2. Background

- 2.1 The Covid 19 pandemic has brought about unprecedented challenges to the continuance of normal activities to both individuals and organisations in the UK. Both the scale of the impacts and the speed at which hitherto unthinkable restrictions and changes have had to be introduced has been a significant challenge for all organisations.
- 2.2 For public authorities it has posed the twin challenges of being both swift and responsive in a time when normal employee practices have been severely disrupted and maintaining robust and transparent governance when the usual mechanisms for delivering that are not able to be followed.
- 2.3 Whilst it is becoming apparent that some form of restrictions on what was previously seen as normal life are likely to persist for the short to medium term, and although there are still many public health challenges facing society, there is a gradual normalisation in progress which makes this a good time to review where we are with regard to governance and risk.
- 2.4 **Decision-making processes.**

Following the initial decision to impose lockdown it was impossible to maintain the normal public meeting arrangements for WMCA Boards and Committees and a number of meetings were cancelled. Inevitably some decisions were simply postponed however in some cases reliance was placed on the Chief Executive's delegated power to take urgent action in the interests of the authority. A mechanism was put in place to ensure that any key decisions that had to be taken in this way had the informal approval of Board members.

Parliament subsequently enacted Regulations to enable local authorities (including WMCA) to hold formal meetings by remote attendance. This meant that we were able to re-start our normal meeting arrangement albeit through the medium of video conferencing.

There have now been a substantial number of meetings held in this way including two Board meetings, two Scrutiny Committees, one meeting of ARAC before today, and a number of thematic Boards and meetings of Investment Board. These meetings have been successful with few apparent obstacles to the transaction of business and the making of decisions. One side effect has been a more effective use of time for participants who would otherwise have had to travel from different parts of the region to be present. The meetings are subject to the same formalities as before in terms of freedom of information, the publication of agendas and the ability of the public to observe the meetings (via webcasting)

2.5 **Internal Decision-making**

The Authority's internal decision-making processes such as Senior leadership team and other meetings have all proceeded in the same way. As was highlighted in the report that was presented to Board on 5th June. the majority of WMCA staff remain working remotely however in the short to medium term this appears to be working well overall. At this stage there has been no anecdotal evidence of a reduction in productivity and the organisation has been able to meet its own internal and externally set deadlines and targets. Work continues to consider what the future workplace will look like however it seems premature to make any specific predictions for now.

2.6 **Regional Response**

The Authority has been a key participant in regional local resilience forum activity (LRF) It has been a key member of the Strategic Coordinating group chaired by WM Police and we have taken on the responsibility for organising and chairing the Recovery Coordinating group. Membership of these groups gives the Combined Authority the opportunity to be at the heart of the pandemic planning and decision-making and has afforded a number of important opportunities for added value where we can act and convene on a regional basis.

The RCG has in particular has led on the planning for the lifting of lockdown and the re-opening of the retail sector. The Transport Cell, part of the LRF structure and led by TfWM, has ensured a multi-agency coordinated response to managing transport through lockdown to the current recovery stages in order to provide a safe and secure network for those that needed it most. In the current stages the Cell is coordinating with partners the continued monitoring of the network through data and intelligence and the scale up of services to support the easing of lockdown and the return to work and school on bus, rail and tram. A particular example is the re-purposing of ring and ride services to provide shuttle services from key transport hubs to NHS facilities. The cell has maintained an operational order to direct the response to government guidance regarding transport.

A key contribution we have been able to make has been around planning the response of the public transport network through the scaling back and subsequent reinstatement of network services on both bus, rail and tram.

The Combined Authority has also played a substantial role in leading and convening the region's economic response to the pandemic, complementing and supporting activity a both a regional and national level. The Covid-19 economic impact was formed early in the crisis, bringing together over 40 of the region's business, political, university and trade union leaders who continue to meet weekly. They have acted to identify and lobby government to address gaps in support to mid-sized firms, self-employed people. More recently, they have helped share vital insight across major businesses from different sectors about how the transition from lockdown is supporting business recovery.

The Economic Impact Group, plus the Strategic Economic Development Board and Recovery Forum are guiding an approach to economic recovery that is agile, where the right interventions are delivered at the right moment to meet economic and social needs. This approach supported the development of the Recharge West Midlands submission to government ahead of the financial statement in July and continues to support ongoing work on a more substantial economic strategy refresh.

2.7 **Other Governance Implications**

The Authority was able to hold a quorate meeting of ARAC on 14th July by remote attendance which signed off the Annual Accounts under powers delegated from WMCA Board.

The Mayoral Elections which had been scheduled for May 2020 have been postponed until 6th May 2021 along with other local authority elections and elections for the police and Crime Commissioner. Contingency planning is ongoing with regard to the holding of a Covid-safe election based on the assumption that we may still be under some restrictions at that point. The Mayor's term of office is thereby extended, and other political appointments continue.

Apart from some minor consequential changes the appointments by Constituent and non-Constituent Authorities to the Combined Authority have been rolled forward for another year.

2.8 **Impacts on Future Governance Arrangements**

We will continue to monitor the effectiveness of the current governance procedures as the situation changes. The Constitution has allowed decision-making to go forward but we are reviewing arrangements to ensure they are fit for purpose in the light of the altered circumstances. As highlighted, no major issues have been disclosed during the period since the remote decision-making regulations were published and there have been no further delays with making key decisions. Over time of course it may be felt that remote meetings reduce the liveliness of debate and the ability to hold the Authority to account although this has not been suggested at this stage. There is some anecdotal evidence that remote meetings can facilitate higher attendance due to the lack of travelling time and making it easier to juggle diary commitments.

We are following the situation around guidance on the use of office and meeting space. At the moment it is unlikely that we would be able to accommodate larger meetings at Summer Lane whilst providing the required social distancing measures. We are remaining in contact with other local authorities in the region and are not aware of any who have restarted face to face democratic meetings at this point in time.

Whilst not wishing to trivialise the disruption to normal life and our normal processes, it is our assessment at the moment that the alternative arrangements put in place to facilitate governance have provided the requisite levels of control and assurance together and have not introduced a "chilling effect" on political debate and decision-making.

Revenue Budget Implication

2.9 The financial impact of the Covid-19 pandemic and lockdown measures continue to have a detrimental impact on the Combined Authority's finances. The day to day financial position has been and will continue to be closely monitored through the Executive team and in consultation with the Finance and Investments Portfolio Holder. The Chairs of Overview and Scrutiny Committee and Audit Risk and Assurance Committee will continue to be briefed on actions taken as a result of the crisis as necessary.

2.10 The most significant financial impact of the crisis is the loss of commercial revenue within the Transport Portfolio. It is important to note that TfWM is continuing to see drops in income and the commercial bus and metro network is still seeing extremely low levels of patronage, however, the Government has recently confirmed that the Combined Authority is able to access a package of funding to support a proportion of the loss of income from fees and charges for services. This intervention will help to mitigate losses of

transactional income from customer and client receipts such as car parking charges and bus station departure charges.

- 2.11 The Department for Transport has also indicated that short-term funding for Metro in the form of Light Rail Restart Grant, intended to provide financial support to enable services to continue whilst needing to implement social distancing measures will continue beyond the original award up to 3 August 2020 and will now continue until 31 October 2020, ensuring the short-term financial viability of Midland Metro Limited operations. We will continue to lobby government directly and nationally through the Combined Authority Network and the M9 group for financial assistance for Combined Authorities to mitigate the financial impact of the pandemic.
- 2.12 An initial high-level forecast of the anticipated position for the current year reported to WMCA Board on 24 July 2020 indicated a significant budget deficit for the year of £11.1m. The Finance Team worked with the business over the following weeks to refine the latest forecast taking into consideration the additional government grants awarded and reforecasting income streams based on the latest available information. This work has enabled an improved forecast budget deficit for the year of £2.0m. It is proposed that this deficit is met from existing earmarked reserves prudently set aside at the end of the 2019/20 financial year as the crisis began to unfold should further government support not be forthcoming.
- 2.13 The improved position would not have been possible to achieve without proactive action taken to generate significant in-year efficiency savings across the portfolios. Actions taken include a review of vacant posts and curtailment of discretionary spending on marketing and events and other non-essential overheads. A programme of productivity and efficiency savings has now been developed to deliver organisational operating savings along with a fundamental business transformation review also underway, to deliver efficiencies into the next financial year and beyond.
- 2.14 Whilst there is a significant gap in funding emerging in future years in the Medium-Term Financial Plan, this is being addressed corporately by reviewing transformation opportunities and potential efficiency savings. Discussions with Chief Executives and Leaders of Constituent Authorities are now taking place to begin to shape the Combined Authority's 5-year Medium-Term Financial Plan from 2021/22 onwards. The following actions are currently being developed:
- A fundamental rebase and reset of the MTFP position following an assessment of the financial impact of the mitigating actions aiming to bring the 2020/21 forecast within budget.
 - Review of existing funding mechanisms including the levels of Constituent and Non-Constituent member contributions.
 - Continue to lobby the government for a sustainable funding solution.
 - A portfolio policy review by Leaders to determine the region's priority options with which to target potentially limited resources.
- 2.15 An update on the emerging Medium-Term Financial Plan position will be provided to the committee in due course.
- 2.16 Given the inherent uncertainty around the significant number of constantly changing assumptions that underly the latest forecast position for 2020/21 and the medium-term position for 2021/22 onwards, it's important to note that current indications represent a best estimate at this point in time. The underlying assumptions are changing on a daily

basis, leading to movements in the forecast and medium-term position and will therefore be kept under constant review.

- 2.17 At this stage the Combined Authority's S151 Officer is content that the Authority has sufficient financial resilience not to trigger a requirement for a s114 notice where by law the Chief Finance Officer is required to suspend spending should expenditure be likely to exceed available resource in a given year.

Supply Chain Management

- 2.18 Additional assurance measures have been put in place to ensure procurement of contracts and supply of goods or services remain valid and viable, in terms of supplier resilience and capability and capacity to deliver and also in terms of value for money. The Combined Authority's capital investment programme continues to be delivered although delivery timescales may be impacted as programmes are rescheduled with a potential effect on the realisation of the project benefits for the West Midlands region.
- 2.19 In respect of supply chain risk, the Combined Authority is following guidance issued by the Cabinet Office in late March 2020: 'Procurement Policy Note - Supplier relief due to COVID-19'. This Procurement Policy Note sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current coronavirus, COVID-19, outbreak. The Authority acted immediately to ensure suppliers at risk are in a position to resume normal contract delivery once the crisis is over

Actions taken include:

- critical suppliers were informed they will continue to be paid as normal (even if service delivery is disrupted or temporarily suspended);
- the most appropriate payment measures have been put in place to support supplier cash flow including payment on profile (in respect of bus operators for example) or based on the average monthly payment over the previous three months (in respect of adult education providers for example). To qualify for this support, suppliers were required to agree to act on an 'open book' basis and make cost data available to the Authority during this period and they were also informed they should continue to pay employees and flow down funding to their subcontractors; and
- ensuring invoices submitted by suppliers are paid immediately on approval in order to maintain cash flow in the supply chain and protect jobs.

Cash Balances and Reserves

- 2.20 The Combined Authority's own cash position remains healthy as government grants come in at the start of the financial year and the treasury position is being monitored daily along with the financial markets to ensure our cash investments remain secure.
- 2.21 Continual cash-flow forecasting is undertaken at a short, medium and long term level to ensure that the Combined Authority is able to plan ahead and continually monitor the financial environment assisted by sector specialists. This will ensure that there are sufficient lenders in place to borrow from in a timely and affordable manner when the need arises. The availability of funds to meet liabilities is ensured through the continuation of detailed cash planning and ensuring liquid products which also offer protection from loss are maximised.

As a result of crisis, it is likely that the Authority will seek out more secure investments for available cash, thereby reducing the exposure to security risk in the current market.

- 2.22 The Combined Authority is already seeing some cash flow management impacts as grants from central government appear to be being received at a slower pace, one example being the Devolution Deal Grant, paid mid-April in 2019 which was actually paid towards the end of May in 2020. It's possible this is as a result of the squeeze on UK Government funds in light of recent events. Again, these are being managed through proactive forecasting and a regular dialogue with the relevant stakeholders.
- 2.23 The Combined Authority has a general fund balance of £2.3m at the start of 2020/21. In addition, the Combined Authority has balances of £26.6m in general fund earmarked reserves at the start of the year. This balance includes amounts earmarked for specific risks (including COVID-19) which will remain present in the Authority's planning environment independent of the COVID-19 crisis.
- 2.24 At the end of 2019/20, the Combined Authority prudently created a specific COVID-19 reserve of £1.3m from savings in the year. This clearly only represents a small proportion of the estimated financial impact of the crisis but has helped to cushion the financial impact on the Combined Authority.
- 2.25 The Combined Authority has also prudently provided for anticipated credit losses at a higher level than in previous years as a result of the crisis, in relation to its exposure to repayment of loans through the Collective Investment Fund and its wholly owned subsidiaries.

Debt Management

- 2.26 All of the Combined Authority's historic borrowing is at fixed rates so there is no significant impact as a result of the pandemic. The Authority is currently forecasting a need to borrow in the region of £300m during 2020/21 to fund its capital programmes (including the Investment Programme). However, as programmes encounter rescheduling, it's likely the actual value of borrowing will be significantly lower. This will result in a reduced in year cost of borrowing, however this position is anticipated to be partially offset by yields (the return on our cash investments), which are anticipated to be lower in 2020/21 than 2019/20 as a result of needing to invest in short term lower risk instruments so the net impact on the revenue budget is not likely to be material.
- 2.27 It's likely that the currently low rates for medium to long term borrowing will continue for a period of time, particularly as the UK enters a recession as a result of the crisis.

3. Comprehensive Spending Review

The Comprehensive Spending Review (CSR) is the process through which Government sets its multi-year capital and revenue spending plans. Due to unprecedented uncertainty, the Chancellor has not fixed a set spending envelope, but confirmed that departmental spending (both capital and resource) will grow in real terms across the CSR period. The result of the CSR will be announced in October/November and will cover departmental revenue spending from 2021/22 to 2023/24 and capital programmes from 2021/22 until 2024/25. The WMCA is preparing a submission to the CSR, that will be considered by CA Board on 18th September, ahead of a 24th September submission deadline.

Government's guidance indicates that the CSR will prioritise:

- strengthening the UK's economic recovery from COVID-19 by prioritising jobs and skills
- Levelling up economic opportunity across all nations and regions of the country by investing in infrastructure, innovation and people – thus closing the gap with our competitors by spreading opportunity, maximising productivity and improving the value add of each hour worked
- improving outcomes in public services, including supporting the NHS and taking steps to cut crime and ensure every young person receives a superb education
- making the UK a scientific superpower, including leading in the development of technologies that will support the government's ambition to reach net zero carbon emissions by 2050
- strengthening the UK's place in the world
- improving the management and delivery of our commitments, ensuring that all departments have the appropriate structures and processes in place to deliver their outcomes and commitments on time and within budget

The Chancellor has also emphasised that this CSR provides the opportunity to deliver on the third phase of coronavirus recovery activity, including commitments made in the March Budget to rebuild, level up and invest in people and places spreading opportunities more evenly across the nation.

The region has an opportunity to influence Government's choices through

- (i) a direct submission to HM Treasury and
- (ii) proactive engagement with spending departments on their priorities in order that they align with the West Midlands' priorities.

The submission will be regional, incorporating input from constituent and non-constituent members. It will be mindful throughout of coordination with other 'independent' submissions – including from the M9, LEP Network, Core and Key Cities' groups, LGA, and others. It will not always be possible to ensure complete alignment, but there should be efforts to build on each other's work.

As set out in the diagram below, the submission will be broken down into four thematic projects, that taken together will embed the region's shared priorities of:

- Levelling Up – closing regional gaps, boosting productivity, increasing human capital
- Green Recovery – creating a fairer, greener, healthier region post-COVID

Strategic Narrative:
Levelling Up and Green Recovery

**Project 1:
Infrastructure**

Housing, Transport, Energy,
5G

To Include:
WMCA Investment Programme
Recharge WM Asks
National Infrastructure Commission

**Project 2:
Improving Outcomes in
Public Services**

Prevention, Wellbeing,
Education, Early Years,
Crime

To Include:
Community Recovery
Regional Health Impact of COVID

**Project 3:
Economy**

Economic Recovery, Skills,
Innovation, Trade and
Investment

To Include:
WMCA Investment Programme
Business Support Programme
Economic Recovery inc. Recharge Asks
UK Shared Prosperity Fund
R&D and Innovation Funding

Project 4: Sustainable Funding

Capacity Funding, Public Investment, and Fiscal Devolution (for CA, LA, and LEPs)

The region's CSR submission will also build upon the contributions to the Local Recovery and English Devolution White Paper, and take account of Government's direction on its contents, as well as Economic and community recovery activity, including the proposals outlined in the Recharge WM investment proposition and by the Recovery Coordination Group.

4. Further Devolution

Government has indicated that it wants to strengthen devolution across England and that the regions should play a key role in the economic recovery from Covid-19, with a White Paper on Devolution and recovery expected in early Autumn. An initial proposal from the region, was submitted to government on 7th August to influence the development of this work, based on the output of a Devo Next policy programme commissioned by the Mayor and Leaders in February, and taken forward by the Devolution Strategy Group.

The paper concentrates on a range of asks centred on structures/devolution, capacity and funding, and powers based on 4 key principles:

1. **A whole system approach** – including all local agencies in delivery, not just focusing on devolution the Combined Authority
2. **Subsidiarity** – including double devolution - to ensure that local authorities both benefit directly from the process and can make their full contribution - and triple devolution – empowering local communities.
3. **Sustainability** – putting the finances of both local authorities and the combined authority on a sustainable footing and focusing on prevention and long-term economic change (including zero carbon).
4. **Simplicity** – improving the clarity of how metropolitan governance works and accountability to local people.

It was also agreed that devolution should be based on a broad approach to “levelling up” and achieve outcomes on the Future Economy, Health and Wellbeing, Homes and Places and Connectivity – not just on narrow economic growth.

5. Strategic Risk Update

The Strategic Risk Register (attached as Appendix 1) has been reviewed and updated with particular reference to the Covid 19 situation. There are some obviously enhanced risks around the Authority’s financial situation as reported elsewhere in this paper and which are in common with other local authorities. The assumptions around the economy are also subject to significant uncertainty, due to the continued fall out of the pandemic and the potential for a second spike in infections, and on the ongoing negotiations around the end of the EU Exit transition period in December. This therefore means there are likely to be significant changes in public policy across a broad range of areas.

The pandemic has also caused some knock-on effects in regard to major projects particularly around delivery. At the moment delivery is still considered to be on track around Commonwealth games related infrastructure projects.

Capacity in the organisation is also something that we are monitoring due to the additional workloads brought about but pandemic planning and changes to plans/projects and numerous new initiatives as a result of the current situation.

The Strategic Risk Register will continue to evolve as the long term implications of Covid 19 play out and officers will continue to develop the document through regular review.

6 Financial Implications

The Financial implications are dealt with in the body of this report.

7. Legal Implications

There are no specific legal implications arising out of this report. The WMCA is required to maintain robust and lawful governance and decision-making during the current pandemic and this has been achieved to date. We will continue to monitor changes to guidance and policy especially as it relates to decision-making and meetings. The Regulations permitting decision-making by remote attendance are currently in place until May 2021 at which stage it will be clearer what the long-term situation is likely to be.

8. Equalities Implications

There are no specific equality implications arising from this report however Members will be aware of a range of emerging findings over the impact of Covid19 on different groups and communities within our Region. The WMCA is working with partners and stakeholders to review this data and where appropriate to work with others to put in place a range of measures to respond to these challenges.

9. Inclusive Growth Implications

To an extent the comments in paragraph 9 above are relevant here also. Covid19 has had a significant impact on the local economy and the Combined Authority is already working on responses to this as set out earlier in this report.

10. Geographical Area of Report's Implications

The matters in this report relate to both the Constituent and non-Constituent areas of the Combined Authority.

11. Other Implications

There are none.

12. Schedule of Background Papers

WMCA Board report 5th June 2020 – Covid 19 Actions taken by Officers

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WMCA Strategic Risk Register August 2020:

It should be noted when referring to the following Strategic Risk Register that several the risks included are subject to significant levels of uncertainty. This is particularly the case with those risks in the Financial and Economic categories, due to the continued impact of the COVID-19 pandemic. Thus, the enclosed document is one that continues to evolve, and it is expected that increasing levels of clarity in the coming months will lead to significant updates in the October version of the WMCA's Strategic Risk Register.

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WMCA Strategic Risk Register - August 2020

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Current risk score			Further actions required to mitigate risk
						Likeli-hood	Impact	Current Score	
S01	Director of Finance	Financial	OPEN 5/5 	<p>Financial Assumptions for Investment Programme</p> <p>There is a 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.</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, the model will not meet financial expectations, a number of delivery schemes will not be achievable, or members of the Combined Authority will be liable for outstanding financial commitments.</p>	<p>Close working with Government to understand the ongoing financial position and its effects on the region.</p> <p>Assessing opportunities to turn grants to loans and / or maximise 3rd party contributions and land value capture.</p> <p>The 2020/21 budget and management of the Investment Programme funding has been approved by Leaders.</p>	5	5	25	<p>Continuation of working with Government and constituent authorities regarding the assumptions relating to business rates.</p> <p>Alternative funding and financing streams are being explored with HMT.</p> <p>Future (post 2020) precept options to be explored.</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. Proposals have been presented to investment Board and will be brought forward for consideration by WMCA Board mid 2020.</p> <p>External economic uncertainty leaves high residual risks despite further mitigating actions.</p>
				<p>Covid 19 effects and response to risk</p> <p>Due to affects of Covid 19, it is impossible to predict on the outcome of financial assumptions but the current situation means it is highly unlikely the previous economic expectations will be met. The UK economy is now in recession. Predictions over the length and depth of recession are speculative at present however this is already having effects on the regional economy.</p>	<p>SLT continue to work with Central Government on financial issues arising from this situation, ensuring the voice of WMCA is heard by Government as part of discussions around financial and economic support for the region. We have built on existing good relationships with central Government to successfully bid for new streams of money eg Get Britain Building Fund. We have made a detailed submission to the Public Spending Review.</p>				<p>The detailed 2020 spending review is now likely to take place in the Autumn. We continue to lobby Govt for funding and to explore other opportunities .</p>
S11	Senior Leadership Team	Economic	OPEN 5/5 	<p>External Factors</p> <p>There is 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 more difficult to achieve.</p> <p>The challenge of Covid19 has brought significant change to most areas of the WMCA operations over a concentrated timespan. Future predictions over the course of the pandemic and its effects are hard to make.</p> <p>There is a danger that the risks of Brexit are sidelined or overlooked and insufficient planning is undertaken. The outcome of trade negotiations which will dictate the shape of UK/EU trade are still unknown so uncertainty still remains. Risks to the regional economy have not necessarily been reduced over the medium term. Economic effects of the pandemic in the WM Region is predicted to be affected more severely than other regions.</p> <p>There is still a requirement to monitor the situation on a continued basis since a no-deal brexit still remains a possibility.</p>	<p>Economic Impact Group has been established on a multi agency basis to track and plan for the impact of Covid on the economy and bring forward proposals to mitigate the effects. WMCA supports wider regional EU exit planning activities, and leads the Economic Contingency Group in the region.</p> <p>Close monitoring of economic indicators will help with early identification of an economic downturn.</p> <p>Established monthly monitoring process (in collaboration with CityREDI the University of Birmingham) as a recommendation of the Brexit Economic Contingency group, summarising economic conditions. Regular statistical releases are circulated to inform decision making and are kept under annual review through the publication of the yearly "State of the Region" report.</p> <p>Awareness is maintained of existing and new legal and environmental regulations to ensure compliance at all times.</p> <p>Innovative programme delivery mechanisms are under active exploration, 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>	5	5	25	<p>Working closely with MHCLG, HM Treasury and the Department for Business, Energy and Industry Strategy (BEIS) to ensure the CA has access to the latest intelligence and government priorities.</p> <p>Brexit implications continue to be closely monitored and the organisation remains cognisant of its developments and the emerging risks.</p> <p>Discussions are continuing with Whitehall to understand new Government priorities and to ensure the Region's views are taken into account.</p>
				<p>Covid 19 effects and response to risk</p> <p>There is significant risk that other policy developments must be stalled due to the Covid response. Particular risks associated with EU exit negotiations will have serious implications if not addressed in a timely manner.</p>	<p>Regular meetings are being held with SLT members to monitor the situation and are fully engaged in regional and national discussions on the response to Covid 19.</p>				<p>Continued development and delivery of appropriate responses as the situation develops as advised by Government, including the development of a strategy to support the recovery of the economy within the region.</p>
S04	Senior Leadership Team	Political	OPEN 4/4 	<p>Stakeholder & Political Relations</p> <p>There is a risk that as WMCA continues to expand and absorb new remits and accountabilities that WMCA's stakeholder & political relations become more pressured. Positive stakeholder and political relations are needed to deliver the ambitions of the organisation.</p> <p>The potential devolution of new powers and budgets from government to the Combined Authority under the Government's "levelling up" proposals 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>Mayoral elections have been cancelled until May 2021. Political relations and expectations will need to be managed in these circumstances.</p>	<p>Ongoing close working with LEPs, 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>Arrangements are being put in place to ensure all stakeholders are kept informed & involved with any Devolution discussions. 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 engagement to discuss both inflight and emerging opportunities for the wider benefit of the region. This has been supported by detailed stakeholder mapping and engagement activities being undertaken including protocols being established with local authorities.</p>	4	4	16	<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> <p>Induction process for newly elected political members of WMCA in place.</p> <p>External political uncertainties are likely to contribute to residual risks despite mitigating actions.</p>

WMCA Strategic Risk Register - August 2020

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score	Further actions required to mitigate risk
S03	Senior Information Risk owner (MD, TfWM) / Head of Governance	Operations Core Functions	OPEN 4/4 ↔	<p>Data Protection & Information Security</p> <p>The risk that data protection requirements and/or appropriate protective security of WMCA assets; information/systems, premises and people, is not maintained, causing the damage, loss or misuse of corporate assets, including opportunities for fraudulent and criminal related activity, will result in reputational damage, legal challenges and an inability to maintain operations.</p> <p>Cyber Crime, predominantly attempted via social engineering (phishing, vishing and smishing), direct 'hacking' and/or denial of service of ICT systems and services, is an increasing threat and public sector bodies are regular targets. National Technical Authority (NTA) advice sets the risk at substantial. Failure to maintain an adequate response has the potential for severe reputational, operational and regulatory impact on the WMCA. Financial penalties for breach of Data Protection obligations are now significantly increased.</p>	<p>The WMCA has an Information Assurance Framework in place supported by a suite of Information Security/Management and Data Protection policies. The IA Frameworks, ratified at Senior Leadership level, sets out the organisation commitment and response to the mitigation of identified information threats and risks.</p> <p>In accordance with the IA framework, the WMCA is committed to counter cyber threats and appropriately protect its business and Data Protection relevant information assets. To enable this, the organisation has adopted and continues to monitor adherence to all standards, warnings, advice, guidance and best practice as indicated by the CPNI, NCSC and other external experts.</p> <p>The Information Assurance framework provides an internal information governance hierarchy for risk owners, whose function it is to consider and manage information risk at strategic and operational levels.</p> <p>Mandatory requirement in place for all staff to complete Information Security training, including GDPR, with regular staff awareness and monitoring in place.</p>	4	4	16	<p>Increasing organisational maturity surrounding the employment of baseline HMG standards of physical and Environmental, Policy and Procedural, and Personnel security, including staff training and awareness of Information Security and Data Protection.</p> <p>Comprehensive review of ICT strategy and service delivery in progress.</p> <p>Regular scenario and resilience based exercises in place to support response preparedness.</p> <p>Covid 19 response: Guidance has been issued to all staff to support continued conformity of data security in line with WMCA remote working protocols including completion of mandatory cyber security and GDPR training by all. Government guidance has been issued to respond to the continued security of personal data with all National Cyber Security Centre advisories being actively managed within the organisation</p>
S02	Senior Leadership Team	Operations Core Functions	OPEN 4/4 ↔	<p>Capacity and Capability</p> <p>There is a risk that the capacity and skills amongst managers and officers is not fully aligned to meet the continuing focus for delivery of new and challenging initiatives within WMCA, resulting in difficulties in its ability to achieve delivery of the organisational priorities including a comprehensive organisation wide transformation programme, within the constraints of the funding pressures set for the organisation.</p>	<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.</p> <p>Regular reviews of organisational priorities are undertaken by SLT, aligned to the medium term financial plan to provide assurance delivery of all commitments can be fulfilled.</p> <p>Governance structure and monitoring provides early warning of possible pressures and if required, alternative interventions to be sourced.</p> <p>Managers are supported in their ability to manage outputs, including a focus on the monitoring of productivity and performance.</p> <p>Regular communications in place with all staff to maintain engagement across all levels of the organisation.</p>	4	4	16	<p>Development and delivery of the organisation wide Transformation Programme Reset: Rebuild has been established to support the review of systems, processes, structure and culture and will prepare the organisation in it's ability to deliver in a continuing changing environment.</p>
	Page 24			<p>Covid 19 effects and response to risk</p> <p>The organisation has moved to a predominantly home working environment. There is a risk that operational efficiency and staff morale and wellbeing could be affected in the long term. Normal control measures could also be strained during this time due to unusual working conditions.</p>	<p>Detailed plans in place to support the continuation of home working for the foreseeable future with limited office space under covid safe conditions being provided for critical roles only.</p> <p>A suite of wellbeing initiatives have been implemented to support the continued health of all staff.</p> <p>Measures have been put in place to ensure regular staff briefings are completed, including written updates, FAQ's and video links with the Chief Executive and the Mayor.</p> <p>Recruitment and onboarding on new staff is successfully managed remotely</p>	3	3	9	<p>Initial results of an All Staff survey on WMCA's management of it's Covid response has demonstrated the majority of staff have welcomed working from home and productivity has increased. The results will be reviewed in detail to inform plans for future working arrangements.</p> <p>A Lessons Learnt exercise to be completed to assess WMCA's response and inform plans for the preparedness of future emergencies.</p>
S15	Senior Leadership Team	Economic Political Financial	OPEN 4/4 ↔	<p>Overall Delivery of Devolution Objectives</p> <p>As a result of political and economic uncertainty, there is a risk that the overall objectives underpinning the establishment of WMCA to deliver Devolution are compromised. This is both a delivery risk but also a reputational and functional risk.</p> <p>Ability to deliver on programmes that are not secured in full may be affected by funding pressures, political uncertainty and changing priorities of central government.</p> <p><i>Please refer to comments on risk ref.S11 for information on Covid 19 response</i></p>	<p>We continue to maintain close relationships with central government at both political and civil service levels.</p> <p>We make strong arguments for funding on all appropriate occasions. We are involved in regional and national review and planning exercises e.g. Brexit contingency planning.</p> <p>Devolution objectives are monitored and managed by Officers, thematic Boards and also WMCA Board.</p> <p>WMCA has active Overview & Scrutiny and Audit committees, monitoring progress and delivery of Devolution.</p> <p>The Annual Plan is produced based on Devolution priorities.</p>	4	4	16	<p>High residual external risks given current political and economic uncertainty</p>
S19	Senior Leadership Team	Economic Financial & Operations Emerging	NEW	<p>Longer term economic impact of Covid-19 on bus service provision.</p> <p>Commercial bus operators are currently being supported through the Covid-19 Bus Services Support Grant from the DfT. This is time limited funding enabling operators to maintain their pre-Covid service levels despite the loss of revenue from reduced patronage. It is unlikely, on the majority of routes, that patronage will recover to pre-Covid levels and may therefore affect the commercial viability of some services. This would likely lead to pressure on TfWM to step in and financially support services which, if deemed appropriate, would lead to increased budgetary pressures. The alternative would be reduced service provision across the region.</p>	<p>Working with bus operators to better understand the likely implications of any reduction or withdrawal of government funding support and assessing this at different levels of patronage.</p> <p>We are proactively engaging with Central Government and the DfT around devolution of funding so that we can better work with operators through the West Mids Bus Alliance to manage any required changes on the network.</p>	4	4	16	<p>We will continue to work closely with bus operators and ensure that any commercial changes are also considered alongside the tendered network to ensure we make efficient use of all available funding sources. It would need to be considered that it may be deemed that some newly deregistered services better meet our access standards than those we currently support.</p> <p>We will continue to engage with the Central Government and the DfT and lobby for devolution of funding so we can better manage the impact of any change.</p>

WMCA Strategic Risk Register - August 2020

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score	Further actions required to mitigate risk
S14	Senior Leadership Team	Political & Programme Delivery	OPEN 3/5 ↔	<p>Delivering the 2041 Carbon Budget reduction</p> <p>There is a risk the WMCA members and partners will not meet the region's carbon budget reduction net-zero CO2 by 2041 (and attendant interim targets) due to a variety of structural and operational factors - including the pace of transition within key industries and sectors, and the scale of government investment and legislation.</p> <p>This is a collective regional commitment (relevant across the three LEP areas) underpinned by a number of pre-conditions and determinants that are outside of WMCA's direct control.</p> <p>There are profound implications for the region as part of a headline global risk of severe warming which evidence suggest will be costly in human and economic terms.</p>	<p>Annual monitoring of progress will be put in place by the WMCA Environment Team, who have also undertaken to report annually to the Carbon Disclosure Project. But the scale of the renewed commitment of WMCA (alongside that of its members and partners) requires a step change.</p> <p>A climate change strategy has been developed and priorities identified through a paper presented to the CA Board in June 2020 (WM2041: a programme for implementing an environmental recovery)</p> <p>Supporting progress with sustainability partners in aligning the five-year budget cycles required under the UK Climate Change Act.</p> <p>TFWM continues work to effect a modal shift to clean and efficient public transport and active travel addresses medium term carbon reduction goals as well as shorter term concerns over clean air and congestion. The new Movement for Growth strategy will have carbon as a key consideration in future transport measures.</p>	3	5	15	<p>The next steps for the delivery of the climate change work will be to develop a Five Year Action Plan (there will be 4 of these in total, up to 2041). This will set out clearly the policies and investments required to adhere to the carbon reduction timetable.</p> <p>We continue to press the Government for additional funding for the Carbon Reduction Plan in connection with any review of public spending.</p> <p>Additional resourcing of both the work and the team will be important for delivery as we go forward.</p>
S12	Senior Leadership Team	Programme Delivery & Devolution Commitments	OPEN 3/5 ↔	<p>Project / Programme Appraisal & Assurance</p> <p>The risk that new project and programme proposals are not effectively appraised or assured. This could lead to poor investment decisions and failure to realise anticipated benefits or value for money, hence it will have an adverse financial and reputational impact.</p>	<p>An enhanced organisational Single Assurance Framework has been developed and approved by WMCA Board in July '20. A phased implementation of this framework is underway.</p> <p>Internal Audit providing up to date assessment of current performance</p> <p>The Investment Director is establishing a commercial approach to funding opportunities.</p>	3	5	15	<p>– On 24 July the WMCA Board adopted an enhanced Assurance Framework that is designed to deliver several key improvements in how the WMCA operates. The enhanced Assurance Framework meets the requirements of the National Local Growth Assurance Framework which applies to all Mayoral Combined Authorities (MCAs) through the National Local Growth Assurance Framework. This is a Single Assurance Framework, it applies to all bids, projects and programmes that place a financial liability onto the WMCA that are not classed as business as usual (BAU) revenue expenditure. It covers all capital proposals. A Single Assurance Framework provides consistency of proportionality, approach, standards, appraisal, assurance and decision-making across all funding pots which will provide clarity to Directorates, Partners, Sponsors and Government.</p> <p>The purpose of the Single Assurance Framework is to deliver the following: Deliver consistency and accountability within decision-making Ensure ability to develop projects at speed whilst maintaining required development standards Provide WMCA with Financial and Governance Protections for stewardship of public funds Improve standards of project initiation, development, delivery and oversight Ensure that there is alignment between organisational objectives and outputs - "the Golden Thread"</p> <p>We are currently implementing the Single Assurance Framework through the phased implementation plan, with regular reporting and updates being provided to ARAC and SLT as required.</p> <p>A Strategic Hub has been created with operations currently being established to provide a single framework for programme oversight and assurance.</p>
S18	Senior Leadership Team	Economic Financial Capacity Delivery	OPEN 3/5 ↓	<p>WMCA Resilience - Covid 19</p> <p>There is a risk WMCA cannot respond in an effective or timely manner to respond to the national and regional effects of the Covid 19 pandemic. This will result in significant challenges to the deliverability of the devolution programme within expected timescales, including a detrimental impact to the national economy, programme delivery, an inability to maintain robust governance arrangements and the capacity and wellbeing of its staff.</p>	<p>Strategic team established by SLT to consider and manage the organisational response to the outbreak of Covid 19.</p> <p>Assessment of critical business activities, ensuring the prioritisation and continuation of the organisation's critical path.</p> <p>Revision of rules or suspension of statutory and constitutional obligations following government advice and instruction, including the suspension of the 2020 mayoral election and public meetings.</p> <p>Engagement with local and regional resilience forums and Civil Contingency groups to provide a consistent and consolidated response to the external effects of the pandemic response.</p> <p>Working with economic and other local strategic groups to mitigate the economic effects, disseminating their views to Government for onward consideration. We have now moved from the response to the recovery phase. WMCA Officers are playing a full part in regional arrangements on all relevant topic areas where we have influence.</p> <p>Majority of staff continue to work remotely with adaptations having been made to Summer Lane offices to ensure it meets HMG's Covid 19 security guidelines for the use of critical roles only.</p>	3	5	15	<p>Situation updates appraised daily with active engagement to ensure the safety and wellbeing of staff is a priority, ensuring work demands and practices do not create additional risk, following Government and Public Health England guidelines.</p> <p>Longer term strategy for staff arrangements including the use of 16 Summer Lane is being developed for consideration in the autumn.</p>
S07d	Investment & Commercial Activities Director	Programme Delivery & Devolution Commitments	Open ↔	<p>Delivery - West Midlands 5G</p> <p>5G is a complex, multi-stakeholder project which is part of the national TestBeds and Trials programme within DCMS. There is managed risk inbuilt within the programme as to the market response, the technical requirements of a hitherto largely untested (at scale) technology, and the extent to which we as a region can build the mix of supply and demand that will be needed to realise maximum economic and social value for the region.</p>	<p>WMCA and DCMS are developing robust assurance frameworks for the programme. Finances throughout the project will be drawn down subject to robust business case criteria within both DCMS (via an over-arching grant agreement) and within WMCA (via investment programme mechanisms). The governance structure further reinforces this - via an arms length, wholly owned subsidiary company of WMCA, overseen by an independent chair held ultimately to account by a joint-venture board - each with senior representation from WMCA, DCMS and other stakeholders.</p> <p>There are two key components to the Governments recent policy: Existing Huawei 5G equipment must be replaced in networks by 2027 and no new Huawei 5G equipment must be bought in the UK after 31st December 2020</p> <p>WM5G has not purchased any Huawei equipment or services to-date and will ensure that we continue to comply with Government Policy regarding the purchase of 5G Equipment. O2 is the lead contractor for the 5G Accelerators and uses Ericsson as its network supplier - so there will be no direct or indirect impact there. We have used pre-installed Huawei equipment in the (national) cores of some network operators' networks for early stage trials last year and this may be the case again on a limited basis if there are no alternatives. Again this will be fully in-line with government guidance regarding the swap-out by 2027 and no citizen data will be put at risk.</p> <p>WM5G has received confirmation from its suppliers that none of its trials or activities will be impacted by the Huawei issues.</p>	3	4	12	<p>We will continue to ensure that finance, governance and assurance processes reflect the commitments as to ensuring maximum regional benefit made to WMCA Board. Nonetheless, the region is participating in a 'testbed and trial' project which due to its innovative nature carries an inherent element of risk (and commensurate reward)</p> <p>We will continue to monitor the programme according to market realities and the profile of funding available - and adapt accordingly within the governance framework created for this purpose</p> <p>There are two key components to the Governments recent policy: Existing Huawei 5G equipment must be replaced in networks by 2027 and no new Huawei 5G equipment must be bought in the UK after 31st December 2020</p> <p>- Clearly there may be an indirect impact of the ban on Huawei on the speed of the rollout of 5G across the West Midlands. To-date we haven't seen any evidence of this and we believe the government has offered a reasonable time period - 7 years - to reduce any impact. Nevertheless it is a complicated swap-out and we believe operators are understandably still working through their migration plans.</p>

WMCA Strategic Risk Register - August 2020

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score	Further actions required to mitigate risk
S07f	Director of Housing and Regeneration	Programme Delivery & Devolution Commitments	Open 3/4 ↔	<p>Delivery - Housing</p> <p>The Combined Authority's Housing & Regeneration priorities and objectives are contingent on the deployment of funding secured through Devolution and subsequent agreements with HMG including both acquisitions by WMCA directly and joint ventures and investments. The impact of the Covid-19 pandemic on the property market may have consequences for programme delivery, progress towards HMG targets, and the financial risk profile of the CA's investments and acquisitions.</p> <p>The updating, where necessary, of local plans for constituent and non-constituent members is a core element of Government support for the Housing Deal agreed in 2018 and the Housing and Land Board are regularly updated on progress. With the impact of Covid-19 on local authority priorities and resourcing, there is a risk that progress with local plans could be hampered, which is a risk the Combined Authority does not control, with a consequence for securing continuing funding, support and confidence from Whitehall to achieve the Combined Authority's outcomes. In addition, there are potential consequences for developer investment, alongside maintaining relationships with local authorities, delivery of objectives and reputational and political damage.</p>	<p>WMCA is in ongoing dialogue with officials in MHCLG, Treasury and No 10 to maintain relationships and confirm progress towards the Housing Deal goals. This includes updates on Local Plan progress and delivery of housing and wider inclusive growth ambitions in the region. The Single Commissioning Framework approved by the WMCA to guide deployment of devolved housing and land funds and its associated gateway process is used by WMCA to ensure value for money, risk management, effective due diligence and ensuring WMCA is intervening where there is demonstrable market failure to secure additionality and wider inclusive growth objectives. Additional checks and balances have been included in the governance process during the pandemic to ensure the appropriate risk analysis and assurances are in place.</p> <p>The Housing and Land Board consists of elected Members from all local authorities in the WMCA geography, alongside representation from LEPs, Homes England and the housing industry. Housing & Regeneration team members at all levels are in regular contact with colleagues at local authorities and all reports are considered by an officers steering group. This collective approach is in place to ensure all parties are fully engaged in the strategic approach of the WMCA.</p> <p>The WMCA, its local authority partners and business sector representatives are currently co-developing the Housing and Land Board Portfolio's Economic Recovery Strategy and Interventions Plan, as commissioned by the Housing and Land Delivery Board. These documents assess and analyse the challenges and opportunities brought about by Covid-19 and a series of interventions, including asks of HMG to mitigate risk and maximise public value.</p>	3	4	12	<p>Co-development of Housing and Land Board Portfolio's Economic Recovery Strategy & Interventions, including asks of HMG, with local authority partners, private sector leaders and industry groups.</p> <p>Regular dialogue with civil servants to establish WM progress and delivery</p> <p>Development of stakeholder engagement tools</p> <p>Close working relationships with Members and Officers at local authorities</p> <p>Meetings of officer Steering Group to include workshops and task and finish sessions.</p> <p>Communications plan for Housing & Regeneration to ensure consistent messaging and that LAs and other partners are included and engaged in relevant work.</p> <p>Housing & Regeneration business plan to set out consistent approach to targets, measures and reporting</p>
S05	Head of Governance	Operations Core Functions	OPEN 3/4 ↔	<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 do 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.</p>	<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 Internal Audit.</p> <p>WMCA assurance framework in place and currently under review. Governance requirements for Adult Education Budget, Housing and 5G have, or are being established to ensure the adoption of streamlined approaches where required.</p> <p>Governance activities are managed centrally to ensure robust arrangements are in place and conform to all legal requirements.</p> <p>Statutory Officers Group has been established to moderate and review compliance of governance arrangements. Membership includes the CEO, Section 151 officer, and the Monitoring Officer.</p>	3	4	12	<p>Ongoing programme of risk based 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 continue to liaise with new functions to establish appropriate assurance and governance arrangements.</p> <p>A governance review including a full review of the Constitution is currently underway.</p>
				<p>Covid 19 effects and response to risk</p> <p>Government guidance on social distancing has resulted in formal meetings having been suspended.</p> <p>New Regulations have been introduced allowing Boards and Committees to meet remotely and for formal decision-making to be done through electronic meetings. We have introduced arrangements with appropriate safeguards and these have been successful. Such meetings are still held in a transparent way and are live streamed for public engagement.</p>	<p>We continue to review the operation of remote meetings to ensure they are working appropriately.</p>				
S09	Senior Leadership Team	Operations Core Functions	OPEN 3/4 ↔	<p>Capacity of 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.</p> <p><i>Please refer to risk ref. S02 for information on Covid 19 effects and response.</i></p>	<p>Leadership team is fully 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 the WMCA agenda.</p> <p>Continued oversight of all functions is maintained by the CEO with weekly individual and Leadership Team review meetings to enable early intervention.</p> <p>A Corporate Management Team of Heads of Service has been established to provide additional leadership capacity and support to the Strategic Leadership Team by providing regular oversight of organisational policy, development and performance.</p> <p>An integrated Performance Management Framework has been established to provide SLT with early trigger warnings affecting delivery.</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>
S13	Director of Housing and Regeneration / Managing Director TFWM	Operations Core Functions	OPEN 3/4 ↔	<p>WMCA Resilience</p> <p>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 or regulatory breach.</p>	<p>A business continuity framework and programme exists and continues to be advanced to ensure that WMCA can respond to any business disruption in a timely manner.</p> <p>An incident management team and out of hours On Call arrangements are in place with alternative workspace identified at alternative WMCA locations.</p> <p>Independent review by Internal Audit provided 'substantial' rating for corporate business continuity arrangements.</p>	3	4	12	<p>Raising business continuity awareness and embedding the programme within the business.</p> <p>ICT to review disaster recovery plan to ensure consistency between ICT and operational requirements are met and to update following Covid-19 and in light of the new remote working policies and procedures.</p> <p>WMCA Assets Team are working on an updated Business Continuity Plan and ICT have asked to be part of the group for this to look at the IT DR plan in conjunction with business requirements</p>

WMCA Strategic Risk Register - August 2020

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score	Further actions required to mitigate risk
S08	Senior Leadership Team	Programme Delivery & Devolution Commitments	OPEN 3/4 ↔	<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 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>	<p>The Communications department is engaged in all business activity, providing regular liaison with the Mayor's office to ensure a proactive and consistent messaging is delivered by all, at all times.</p> <p>Communications Director and all WMCA spokespersons provided with media training.</p> <p>Regional Communications Group established ensuring access to media facilities for all WMCA members and stakeholders.</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 with ongoing management and forward planning of all Communication activities.</p>	3	4	12	Ensure that major Regional initiatives e.g. Commonwealth Games have clear and transparent governance arrangements in place. External political and economic uncertainties will contribute to residual risk.
S07e	Managing Director, TFWM	Programme Delivery & Devolution Commitments	OPEN 2/4 ↑	<p>Delivery</p> <p>Commonwealth Games Regional and Spectator Transport Operations (TFWM)</p> <p>There is a risk that the cost of resources to strengthen the local and regional transport network under the extraordinary one-off demands of the Commonwealth Games and the impacts on the business as usual public transport network and its recovery period (as a result of COVID-19), cannot be met entirely by the Organising Committee (OC) operations budget. A budget and funding agreement was agreed by TFWM and the OC Jan 2020. .</p>	<p>TFWM chairs the multi-agency Joint Transport Group (JTG) which includes relevant central Government departments (DCMS, DfT), Local Authorities and the OC. WMCA CEO and TFWM MD are also members of the Chief Executive Officers Group (CEX) for the Games. TFWM is working in partnership with B2022, Local Authorities and Transport operators to plan and deliver a successful transport operation across the region for Spectators and Workforce for Games time. An Integrated Transport Programme (ITP) has been established to support the formal funding agreement and progress the planning and delivery of operations that fall under TFWM's remit for Games.</p>	3	4	12	We will continue to work in partnership with Government, the Organising Committee, Birmingham City Council, other authorities and operators to ensure a successful games for the region. The impact of COVID-19 on this programme of work has been identified and is reflected in the increased risk scoring. We are assessing and mitigating these impacts/risks through the programme and cross-partner as part of the Games Governance.
S16	Managing Director, TFWM	Economic	OPEN 3/4 ↔	<p>HS2 economic and programme impacts</p> <p>HS2 is expected to bring economic benefits to the region both during construction and beyond. If the Oakervee review results in HS2 being stopped, regional benefits will be lost with a detrimental impact on the anticipated regeneration of the region and WMCA's ability to meet its strategic priorities.</p>	<p>Working with partners to continue advocating HS2 as a fundamental building block on which the regions economic growth and transport sustainable growth strategies are based.</p> <p>HS2 connectivity plans continue to be established including close working with the HS2 Growth Delivery Board.</p>	3	4	12	We continue to work closely with all HS2 stakeholders, assessing the outcome of the Oakervee review and the impact of Covid-19 to determine its effects on the overall programme and develop the WMCA's response to ensure we support the delivery activities to achieve the strategic aims set out in the respective plans.
S17	Managing Director, TFWM	Operations Emerging	OPEN 3/3 ↔	<p>Rail services Industrial Action</p> <p>Industrial action could arise on the rail network as a result of proposals by the local rail franchisee to make changes to current operational arrangements. This would impact on the rail service provision and the reputation of TFWM as the co-ordinator of public transport services within the West Midlands.</p>	<p>Dispute resolution agreed on the 23rd December though continual monitoring is in place</p>	3	3	9	Close engagement with the rail franchisee to understand direct effects on passengers and working with other transport operators to mitigate impact on all.
S06	Director of Finance	Financial	OPEN 2/4 ↔	<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:</p> <p>a) commercial models not being able to deliver expected benefits and commercial revenue targets and/or</p> <p>b) the structure exposes the Combined Authority to greater financial risk if the delivery model is unsuccessful.</p>	<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> <p>The Investment Director provides a commercial perspective on funding opportunities that are presented to WMCA.</p>	2	4	8	Adopting commercial models will allow the WMCA to become less dependent on government as it can diversify funding income.
				<p>Covid 19 effects and risk response</p> <p>There is a risk the current economic situation will have a greater impact on the commercial arrangements currently in place or being established.</p>	<p>The statutory officers of WMCA are involved in the review of all commercial decisions and contracts/legal agreements to ensure that Covid risks/viability and costs have been assessed and where possible, controlled at the present time.</p>				

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S10	Managing Director, TFWM	Operations Core Functions	OPEN 2/4 ↔	<p>Health & Safety</p> <p>There is a risk that Health & Safety procedures to ensure safe working conditions 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>	<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> <p>Strategic and operational Safety, Health, and Environment (SHE) committees established providing operational and Director engagement.</p>	2	4	8	<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 pro-active management of H&S incidents.</p> <p>Further plans will need to be developed to ensure all H&S requirements are developed for the continuing growth of the WMCA portfolio.</p> <p>Covid 19 response: : Covid-19 Risk Assessments have been produced for all operational environments, with particular attention paid to Transport Operations as the network re-mobilises. Operational Guidelines have been produced for Transport Operations setting out new operational norms. A DSE Self-Assessment tool is available to assist staff with Remote Working including the supply of ergonomic equipment if required. Latest HM Government guidance has been reviewed and feedback provided on its application within the organisation. Guidance has been produced setting out the management framework and procedure for "Covid-19 Secure" safe workplaces. H&S impacts to de-mobilisation and re-mobilisation of projects due to Covid-19 continue to be considered, working closely with stakeholders to ensure ongoing compliance with Covid-19 requirements. Ongoing work with Strategic Assets in relation to the recovery of 16 Summer Lane including production of Covid-19 Secure Risk Assessment.</p>
S07c	Director of Productivity and Skills	Programme Delivery & Devolution Commitments	OPEN 2/3 ↔	<p>Delivery - Adult Education Budget</p> <p>Devolution of AEB represents a significant opportunity to demonstrate the impact of local control of skills funding on communities, through the ability to align £130m p.a. of skills funding to better meet the needs of residents and businesses in line with the priorities as set out within the Regional Skills Plan. There is a risk that this opportunity will not be taken if not managed appropriately.</p>	<p>Priorities for AEB agreed as set out within the Regional Skills Plan with further local tailoring agreed with local authorities. There has now been a year of delivery, although disrupted by Covid, this has shown that the CA is able to manage the procurement, contracting and performance management approaches required to deliver. Where gaps in provision against priorities have been identified revised agreements with grant funded and contracted providers are taking place to identify how they can be addressed – through flexibilities and a tighter focus on certain priorities.</p> <p>Approximately £100m will continue to be Grant funded to local authorities and local colleges and delivery agreements are in place to demonstrate how funding will be used to meet regional and local priorities. The remainder of provision has been secured through competitive tenders and awarded to a range of private and voluntary organisations.</p> <p>The Productivity and Skills team have reviewed service levels and requirements with corporate service teams to ensure that the appropriate resource is scheduled to support the business needs.</p>	2	3	6	<p>We will continue to ensure that Finance, Governance and Assurance processes support the commitment to ensure that AEB delivers regional priorities. Review of capacity to be undertaken on a termly basis to ensure that sufficient resources are in place to successfully manage AEB.</p>
				<p>Covid 19 effects and response</p> <p>There is a risk Adult education delivery targets will not be achievable due to the necessary closure of training providers with success rates also reducing from the loss of existing learners.</p>	<p>Provision has been reconfigured in a number of cases to provide a response to the current situation enabling providers to deliver a different set of provision.</p> <p>A payment profile minimum was put in place for all contracted providers for April to July to ensure capacity.</p> <p>Grant providers were paid full allocations if they continued to deliver services to all learners in the best way they can.</p> <p>Close monitoring of performance will take place as we start the new contract year (August) as we see how the new arrangements, social distancing and peoples views will affect participation.</p>				<p>Continued engagement with training providers to support their response and to recovery.</p>



Audit, Risk & Assurance Committee

Date	8 September 2020
Report title	Data Protection and Data Processing
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Gurmit Sangha, Data Protection Officer Email: Gurmit.Sangha@wmca.org.uk Tel: (0121) 214 7301
Report has been considered by	n/a

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- (1) To note the reporting of data protection assurance, and compliance with data protection legislation.

1. Purpose

This report provides the Committee with the Data Protection Officer's (DPO) annual assessment of compliance with the General Data Protection Regulations (GDPR) and the Data Protection Act 2018 (DPA 2018).

2. Background and data protection assurance work undertaken

During the 12 months since the last data protection report considered by the Committee there has been a continued embedding of data protection principles required by GDPR. It has seen WMCA mature in its understanding of data protection requirements, particularly in the area of identifying privacy risks, and putting in place mitigating factors.

Some key developments in improving compliance have included.

2.1 Process mapping through Information Asset Registers (IAR):

There is a regulatory requirement for organisations to understand the information assets it holds, and the way that information is processed. We now have in place sufficiently detailed IAR's for each directorate, which will be subject to continued review and development.

2.2 Development of corporate training:

GDPR not only renewed a focus on organisational responsibility but also personal responsibility. Annual data protection training was once again rolled out to all staff, the completion of which was made mandatory by the Senior Leadership Team.

2.3 Establishing a Security Steering Group:

A Security Steering Group has been established, which meets quarterly. Its objectives include ensuring information security covers all business functions, ensuring information security aligns with business goals, raising information security awareness across the organisation, and implementing decisions on security management across the organisation. The Group reports to the Senior Leadership Team.

2.4 Improving breach reporting mechanisms:

The reporting of any data protection issues has been improved, and this has seen more transparency in incidents. It will enable incidents to be more effectively addressed, and any underlying issues identified.

2.5 Review of Physical Security:

16 Summer Lane is the principle location where WMCA information assets are held. A full audit of physical security within 16 Summer Lane was conducted resulting in several changes, and a new Access Control Policy & Procedure.

2.6 Penetration testing:

A National Cyber Security Centre approved CHECK company was instructed to undertake a simulated cyber-attack against WMCA computer systems to check for exploitable vulnerabilities. The test identified the strength of WMCA defence systems, and recommendations for greater protection. A rolling programme of penetration testing is being put in place.

WMCA retained its Government backed Cyber Essentials Accreditation.

2.7 Constant vulnerability testing of websites:

A programme of regular vulnerability testing of all WMCA websites has been implemented.

2.8 Embedding of Data Privacy Impact Assessments:

We are now increasingly seeing project managers/teams engaging the DPO and undertaking data privacy impact assessments. These assessments ensure projects comply with data protection legislation once they go live and are now recognised across WMCA as a key project governance document.

3. Impact of the Coronavirus pandemic

The major impact of the Coronavirus pandemic on data protection has been the shift to working remotely. Fortunately, WMCA's movement to Microsoft 365 shortly before the outbreak of the pandemic placed it in a strong position to safely accommodate remote working.

3.1 Remote working considerations:

Remote working from home has been, for some time, an available option in many organisations. As with all data processing environments it does come with inherent risks which have to be mitigated. Proven IT and recognised good practice provide a route to archiving data protection, but arguably the controls that can be implemented in an office environment may not always be possible.

The primary GDPR requirement when dealing with home working is to have in place "appropriate technical and organisational measures to guard against the unauthorised or unlawful processing of personal data and against the accidental loss or destruction of, or damage to, personal data".

Fortunately, WMCA have for a number of years made home working available for employees. Typically, a proportion of employees have worked from home 1-2 days of the week. This meant that WMCA had already in place policies, procedures and practises to support secure remote working. Additionally, the IT and data security defences have been designed with remote working in mind. For example, in 2019 we moved away from a small emerging Bring Your Own Device (BYOD) approach to corporate issued devices only, providing greater control of the security standards on mobile devices.

However, the major impact of Covid-19 was to make home working a necessity for all, rather than an option taken up occasionally by a proportion of staff. Additionally, for many the home working environment will have changed with all members of the household likely to be at home during working hours. Three key measures have been put in place to ensure continued secure remote processing of data:

- We have renewed the training and awareness programme to ensure staff remain connected to data protection issues whilst working away from the office. This has included the annual mandatory GDPR training consisting of modules on working remotely with mobile devices. We have also provided direct messaging to staff on good practice when working from home, and specific requirements of our information security policies which are directly relevant to home working. An important factor has been explaining how the controls we have in place can be maintained in the challenging environment everyone has found themselves in. Annex A provides an example of the type of messaging provided at regular intervals.
- Continued and increased monitoring of WMCA cyber security defence systems has been stepped up. We are constantly monitoring and running reports on any activity across our IT estate which appears suspicious.
- Despite the measures we had in place to support home working there was initially some work required to assess the best possible platform for connectivity of staff, both between individuals and those attending meetings. This was delivered against the backdrop of some platforms being scrutinised by the media, and several organisations suffering data breach incidents. Instructions on preferred platforms, and the use of

these platforms was provided to WMCA staff. Identified high risk platforms have been blocked from operating on WMCA systems.

Notwithstanding the above it has to be accepted that some will have greater facilities to support remote working than others. A factor that will have to be considered if we see continued lengthy home working is how we audit information security across hundreds of individual environments.

We must also keep in mind that we are now moving to an increased mixed split between those working from home, and those working at 16 Summer Lane.

3.2 Physical Protection of WMCA hardware:

All WMCA issued mobile devices are encrypted. In the event of loss or theft of a device we have clear reporting requirements which will result in the device being disabled by WMCA IT technicians. This is to ensure loss or theft of IT does not result in information being compromised.

The IT team are required to keep an inventory of all issued IT kit. Records are also kept of the IT technician "signing off" that issued mobile devices have been encrypted, and the relevant security tools installed. IT can only be issued following a request made under established procedures, an audit of which is retained.

4. Areas identified for attention

There are several areas which have been recognised as requiring further attention. The following are seen as priority areas which would lead to greater assurance.

4.1 Multi Factor Authentication:

Multi-factor authentication is an authentication method in which a computer user is granted access only after successfully presenting two or more pieces of evidence (or factors) to an authentication mechanism. It is the strong recommendation of WMCA's Data Protection Officer, Security & Information Risk Advisor, and Principal ICT Cyber Security Specialist that WMCA should move to multi-factor authentication. This will ensure robust access controls to WMCA systems, and thereby provide greater cyber protection.

A paper on introducing this extra protection is currently under consideration.

4.2 SharePoint and information management:

The move away from paper-based records to an almost exclusively electronically held information presents challenges. It is essential that electronic information is stored and managed in a workable library that provides long-term identification, access, recovery, and destruction. It is recognised that there is currently a gap with no overarching corporate strategy on information management. Therefore, work is beginning on bridging this gap and putting in place controls which provide working flexibility but maintain corporate control of information.

4.3 Physical storage:

The storage of paper records has been a historical issue, as it is in many public sector bodies. Whilst WMCA is not creating any significant additional paper records, it has inherited large volumes of records from Transport for West Midlands predecessor, the West Midlands Passenger Transport Executive. These records are unstructured and have not been professionally managed.

Considerable work has been undertaken to ensure that any information which is subject to data protection legislation is secured. However there remains large volumes of unstructured corporate information. Plans on how paper records are going to be held going forward have been put in place, with the sourcing of secure storage facilities. However further work is required, and addressing the management of this information continues.

- 4.4 **Government Functional Standard GOVS 007:**
In July 2020 the Government set out a suite of standards applying to security risk management, planning and response activities for cyber, physical, personnel, technical and incident management. These standards are mandated requirements which will sit alongside the Governments advice and guidance contained within the HMG Security Policy Framework.

WMCA already have workstreams, existing policies, and process to address the new functional standards. However, close partnership with directorates that have responsibility for individual mandated requirements are taking place, to ensure identified actions are completed.

- 4.5 **Development of data protection resources:**
GDPR places upon WMCA a requirement to raise awareness of data protection issues across the organisation. We currently provide annual training, ongoing awareness as issues arise, and support/advice available to all from the DPO. However, it is recognised that an internal online resource would be beneficial, as this would provide a reference point for all staff providing advice, guidance, and support on data protection issues. We are looking to have this available this year.

5. Future development and monitoring

We are now into the third year since the introduction of GDPR in May 2018, which represented the biggest legislative change in how personal data can be processed. The first stage of meeting the obligations imposed by GDPR was to implement GDPR changes into WMCA policies, procedures and operations. The second stage has been imbedding those changes and new requirements for processing personal data.

The Data Protection Act specifically sets out the tasks required from a DPO. An important aspect of these tasks is the monitoring and auditing internal compliance with data protection legislation. Having worked our way through the first two stages we must now look to place a greater focus on monitoring compliance. To date this area has been focused on developing information asset registers to gain and demonstrate an organisational understanding of how data is processed across directorates. To address the wider monitoring requirements of the Act Appendix A sets out an intended programme of audit and assurance work. This will also form the basis of future reports to the Committee.

6. Summary

In summary, I regard WMCA's approach to have been robust and comprehensive. What is important though is that where gaps remain and further work identified that there is a renewed momentum and focus to properly embed good data protection practice, and a formal monitoring programme is put in place.

7. Financial Implications

N/A

8. Legal Implications

N/A

9. Equalities Implications

N/A

10. Inclusive Growth Implications

N/A

11. Geographical Area of Report's Implications

N/A

12. Other Implications

N/A

13. Schedule of Background Papers

N/A

ANNEX A:

Example of information security messaging provided to staff 2020



West Midlands
Combined Authority

Stay Safe Online

Top tips for staff

It's important to understand why you might be vulnerable to cyber-attack, and how to defend yourself. The advice summarised below is applicable to your working life and your home life. You should also familiarise yourself with our [Information Security and Data Protection policies and practices](#).

Who is behind cyber-attacks?

Online Criminals



Are good at identifying what can be monetised, for example stealing and selling sensitive data, or holding systems and information to ransom.

Foreign Governments



Generally interested in accessing sensitive or valuable information that may give them a strategic or political advantage.

Hackers



Individuals, with varying degrees of expertise, often acting in an untargeted way – perhaps to test their own skills or cause disruption for the sake of it.

Terrorists



Interested in spreading propaganda and disruption activities, they generally have less technical capabilities.

Malicious insiders



Use their access to an organisation's data or networks to conduct malicious activity, such as stealing sensitive information to share with competitors.

Honest mistakes

Sometimes staff, with the best of intentions just make a mistake, for example by emailing something sensitive to the wrong email address.

Defend against phishing attack



Phishing emails appear genuine but are actually fake. They might try and trick you into revealing sensitive information or contain links to a malicious website or an infected attachment.

- Phishers use publicly available information about you to make their emails appear convincing. [Review your privacy settings](#) and think about what you post.
- [Know the techniques that phishers use in emails](#). This can include urgency or authority cues that pressure you to act.
- Phishers often seek to exploit 'normal' business communications and processes. [Make sure you know the WMCA's policies](#) and processes to make it easier to spot unusual activity.
- Anybody might click on a phishing email at some point. If you do, [tell someone immediately](#) to reduce the potential harm caused.
-



Secure your devices

The smartphones, tablets, laptops or desktop computers that you use can be exploited both remotely and physically, but you can protect them from many common attacks.

- [Don't ignore software updates](#) - they contain patches that keep your device secure. Your organisation may manage updates, but if you're prompted to install any, make sure you do.
- [Always lock your device when you're not using it](#). Use a PIN, password, or fingerprint/face id. This will make it harder for an attacker to exploit a device if it is left unlocked, lost or stolen.
- [Avoid downloading dodgy apps](#). Only use official app stores (like Google Play or the Apple App Store), which provide some protection from viruses. Don't download apps from unknown vendors and sources.

Use strong passwords



Attackers will try the most common passwords (e.g. password1) or use publicly available information to try and access your accounts. If successful, they can use this same password to access your other accounts.

- [Create a strong and memorable password for important accounts](#), such as by using three random words. Avoid using predictable passwords, such as dates, family and pet names.
- [Use a separate password for your work account](#). If an online account gets compromised, you don't want the attacker to also know your work password.
- [If you write your passwords down, store them securely away from your device](#). Never reveal your password to anyone; your ICT team or other provider will be able to reset it if necessary.
- [Use two factor authentication \(2FA\) for important websites like banking and email](#), if you're given the option. 2FA provides a way of 'double checking' that you really are the person you are claiming to be when you're using online services.



If in doubt, call it out

Reporting incidents promptly - to your ICT team [servicedesk@wmca.org.uk](mailto: servicedesk@wmca.org.uk) or line manager - can massively reduce the potential harm caused by cyber incidents.

- Cyber-attacks can be difficult to spot, so don't hesitate to [ask for further guidance or support when something feels suspicious or unusual](#).
- [Report attacks as soon as possible](#) - don't assume that someone else will do it. Even if you've done something (such as clicked on a bad link), always report what's happened.
- [Don't be afraid to challenge policies or processes that make your job difficult](#). Security that gets in the way of people doing their jobs, doesn't work.

ANNEX B:

Data Protection Audit and Assurance Programme

		Lawfulness	Purpose	Data Minimisation	Accuracy	Retention & Storage	Security	Accountability		
GDPR		Principle (a) – lawfulness, fairness and transparency	Principle (b) – purpose limitation	Principle (c) – data minimisation	Principle (d) – accuracy	Principle (e) – storage limitation	Principle (f) – integrity and confidentiality	Accountability principle		Suggested Frequency
Data Minimisation	Review of data minimisation, anonymisation, and pseudonymisation.			X						Annually
Website Review	Review of outside facing authority website and the data protection perceptions of the service users. Accessibility, usability, consistency.	X					X	X		Annually
Incident Management	Review of the incident management process. Reporting, investigation, follow up, corporate learning etc.			X		X	X	X		Annually
Sites beyond 16 Summer Lane	Visits to WMCA sites and buildings to carry out review on physical controls, access and management controls.			X		X	X			Annually – different sites
Information asset management	Identification of information assets and defining appropriate protection responsibilities. Review of Information Asset Registers. Information classification. - Information assets are subject to an appropriate level of defence. Handling of sensitive data and controls in place.	X	X	X	X	X	X			Rolling programme across teams
Cybersecurity Risks	Cloud abuse, malware, hacking, passwords, backup. Technical vulnerability management, network security management Change management, monitoring, system acquisition, development and maintenance. Capacity management. Logging, handling security incitements.						X			Annually
Organisation of information security	Review of implementation and maintenance of information security practices. Review of mobile devices and remote working.									Annually
SARS & data subject rights	Review of the SAR and data subject rights process and how requests are processed.	X						X		Biennially
Review of the Information Governance Board	Review of the effectiveness, Terms of Reference, membership, actions and progress of the Security Steering Group.							X		Triennial
Access controls	Controls for the management of access rights of users, systems and applications, and for the management of user responsibilities			X		X				As part of project
CCTV Review	Assessment against surveillance Camera Code of Practice (SC Code).	X				X	X	X		Biennially
Information security policies review	Consideration of DP/GDPR.	X				X	X	X		Annually

Information security incident management	Controls for reporting events and weaknesses, defining responsibilities, response procedures, and collection of evidence.						X	X		Annually
Records Management Review	Storage and management of data. Review of effectiveness and data security arrangements of the Iron Mountain.			X		X	X			Biennially & As part of project
DPIAs	Data Protection Impact Assessments (DPIAs), advice and input by the DPO. Consistency, risks, actions, review.							X		Biennially
Human resources security	Controls prior to employment, during, and after the employment	X	X	X	X	X	X	X		
Physical and environmental security	Controls defining secure areas, entry controls, protection against threats, equipment security, secure disposal, Clear Desk and Clear Screen Policy, etc.						x			Biennially
Data Sharing Agreements	Review of Data Sharing Agreements in place, gaps and processes.	X								Biennially
Supplier relationships	Controls in agreements and monitoring of WMCA Data Processors.	X	X	X	X	X	X	X		Rolling programme of review
Risk Register (DPO)	Information security risk register							x		Annually

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Audit, Risk & Assurance Committee

Date	8 September 2020
Report title	Health and Safety Annual Update
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Pete Bond, Director of Integrated Network Services Email: Pete.Bond@tfwm.org.uk Tel: (0121) 214 7388
Report has been considered by	Not Applicable

Recommendation(s) for action or decision:

The Audit, Risk & Assurance is recommended to:

- (1) Note the annual update on Health and Safety contained within this report.

1. Purpose

- 1.1 The purpose of this report is to provide a summary of principal activities relating to the promotion and management of health and safety and outcomes during the past two years, and outline the strategic direction for occupational health and safety within the wide-ranging remit of the West Midlands Combined Authority (WMCA) for the next three year period.

2. Background

- 2.1 Through delivery of the *Health and Safety Strategy 2018-2020*, we have had the opportunity to deliver significant enhancements to health and safety, ensuring that the implications of the expanding activities of the organisation are understood and appropriate governance arrangements, management systems and critical resources are implemented.
- 2.2 Although good progress has been made, it is essential that we continue to build on this success in a planned, systematic way to ensure health and safety is further integrated into all WMCA operational activities, ensuring proportionality in health and safety management, and enabling improvement through efficient and effective delivery.
- 2.3 The Coronavirus (COVID-19) pandemic has significantly altered the landscape in which we all operate and the *Health and Safety Strategy 2020-23* will be tailored to address the health and safety challenges and opportunities presented by the 'new normal'.

3. Health and Safety Strategy 2018-2020 – Key Achievements

- 3.1 During 2018-2020 it has been imperative that the wider aims and objectives of WMCA, incorporating Transport for West Midlands (TfWM), Housing and Regeneration, Productivity and Skills, Public Service Reform, Strategy & Industrial Strategy are better understood.
- 3.2 This process has already provided the opportunity to implement enhancements to health and safety governance arrangements and management systems, ensuring standards of safety and compliance are being maintained consistently across the organisation.
- 3.3 The below table provides an overview of the key achievements and activities:

Key Achievements and Activities 2018-2020	
✓	Review of organisational Health and Safety Governance Structure Providing a robust platform and effective management structure for the delivery of health and safety aspirations and objectives. Ensuring no ambiguity exists relevant to accountability, responsibility, assurance and delivery of health and safety.
✓	Review and update of Health and Safety Policy Policy statement of intent, organisation & responsibilities, and arrangements for implementation have been reviewed and updated to ensure they reflect the updated arrangements for the management, governance and reporting of health and safety within the organisation. Sign-off by Deborah Cadman OBE, Chief Executive in January 2019.

✓	<p>Health and Safety Training for Strategic Leadership Team / Directors</p> <p>Providing an understanding of the moral, legal and business case for health, safety and risk management at the strategic level; and covered both personal and organisational accountabilities, responsibilities and liabilities.</p>
✓	<p>Introduction of Health and Safety Strategic Committee</p> <p>Strategic committee accountable to the WMCA Senior Leadership Team (SLT). To facilitate the appropriate level of challenge, allow effective escalation of issues where required, and support delivery of strategic direction in relation to health and safety. Inaugural meeting held January 2019, with meetings held at quarterly frequency.</p>
✓	<p>Revised Safety, Health & Environment Committee Structure</p> <p>Full review of the membership of existing Safety, Health & Environment (SHE) Committee to ensure sufficient coverage from employee representatives from across the organisations activities, with new employee representatives identified for Finance, Housing & Regeneration, Productivity & Skills, Public Service Reform, Transport (inc. Network Resilience, Rail Programme, Sprint)</p>
✓	<p>Improved Health and Safety Reporting</p> <p>Revised structure of Board report, which seeks to better identify the issues relevant to the various areas of the organisation. Presented to Transport Operations Board, TfWM Board, Corporate Management Team. Issued to all members of WMCA SLT as a vehicle to engage with all areas of the organisation.</p>
✓	<p>Review of Safety Management System and associated documentation</p> <p>Full review and update of Safety Management System, supported by suite of approx. 80 new and updated policies, procedures and guidance documents. All documentation made available via Health & Safety intranet in January 2020.</p>
✓	<p>Ongoing retention of OHSAS 18001 Standard Health and Safety accreditation</p> <p>Retention and confirmation of continued compliance with the requirements of the OHSAS 18001 standard. An internationally accepted method of assessing and auditing occupational health and safety management systems.</p>
✓	<p>Review of Health & Safety Induction</p> <p>Review and update of Health and Safety Induction course to ensure provision of suitable and sufficient, information and instruction to new employees. All new employees enrolled on to the course as part of the new starter process undertaken by HR & OD.</p>
✓	<p>Audit and Inspection Schedule</p> <p>Maintained high levels of safety compliance of organisational assets via undertaking proactive scheduled health and safety audits and inspections, ensuring the ongoing safety of staff, customers and stakeholders.</p>

4. Health and Safety Strategy 2020-2023 - Overview

- 4.1 The *Health and Safety Strategy 2020-2023* which is currently being produced, seeks to continue the integration of positive occupational health and safety management practices into all aspects of the organisations activities and undertakings.
- 4.2 The strategy is designed to ensure that all parties play their part to support a proactive, robust health and safety management system which meets legal obligations and reduces risk to those affected by our activities.

- 4.3 The key challenge for this strategy is how to embed three fundamental strategic aims into the fabric of the organisation which has a number of high risk health and safety activities.
- 4.4 These strategic aims are to develop a positive health and safety culture with coherent policies and procedures which are compliant with all relevant health and safety regulations:
- **Culture:** to engender an effective health and safety culture through the continuous improvement of attitudes, perceptions, competences and patterns of behaviour which determine the commitment to the style and efficiency of the organisation's health and safety management systems.
 - **Coherence:** to embed and ensure policies, procedures, guidance and advice are understood and easily accessible to all staff, stakeholders, partners, contractors, etc.
 - **Compliance:** to ensure the organisation adheres to all relevant health and Safety legislative requirements and that staff follow internal policies.
- 4.5 The overarching aim of this strategy is to provide strategic direction to encourage all departments to fully integrate health and safety into their operational norms and practices, ensuring the organisation becomes an increasingly safer and healthier place to work.
- 4.6 The below table provides an overview of the short, medium, and long terms aims:

Strategic Aims 2020-2023		
Short Term Aims (Year 1)	Medium Term Aims (Year 2)	Long Term Aims (Year 3)
Renewed commitment of leadership (i.e. Executive Directors / Directors / Heads of Service / Managers) in relation to accountability and the management of health & safety	Consistent standard of health and safety management thoroughly embedded, applied and evident throughout all areas of the organisation	Organisation operates a robust, assured, occupational health and safety management system, with continued accreditation to the internationally recognised standard ISO 45001:2018
Gap analysis of organisational activities and undertakings, particularly in relation to the organisation's new working practices, to ensure all are adequately risk assessed and appropriate control measures identified and implemented	Improved mechanisms to ensure health and safety in relation to Programme Delivery, including ensuring adequate provision of competent advice	Organisation viewed as a 'standard bearer' in relation to health and safety management practices
Alignment of "Health and Safety" and "Health and Wellbeing" strategies to maximise benefit to the organisation	Enhanced health and safety training opportunities accessible to all staff to ensure appropriate levels of competency	
Improved methods for health and safety promotion and awareness	Development of detailed Risk Management Model, utilising RM3 or equivalent framework	
Migration of external accreditation from BS OHSAS 18001 to ISO 45001	Strengthen relationships with stakeholders and partners to facilitate sharing of best practice, knowledge and learning	

4.7 In order to achieve the organisation’s vision for occupational health and safety, the strategy has been divided into five distinct strategic priorities – i) Leadership and Commitment, ii) Management and Control of Risk, iii) Communication and Engagement, iv) Training and Competence, v) Performance Management.

4.8 An *Annual Delivery Plan* for these priorities describing the actions to be addressed will be produced and communicated for each financial year the strategy covers. Progress against this plan will be reported periodically to the relevant Boards and Committees.

5. Covid-19: Health & Safety - Summary of Activities

5.1 The Health and Safety Team has supported the organisational response to the Covid-19 pandemic, providing input to the *Covid-19 Tactical Group*, *16 Summer Lane Recovery Working Group*, *Operations Recovery Working Group* and producing relevant updates posted to the Covid-19 H&S Staff Resources intranet section and included within Manager’s Briefings.

5.2 The team also continues to keep abreast of current HM Government, Health and Safety Executive (HSE) and Institute of Occupational Safety and Health (IOSH) guidance and best practice in relation to the current situation.

5.3 Given the unprecedented challenges presented by the pandemic, throughout response and recovery a *Health and Safety Decision Log* has continued to be maintained to record decision details, decision owners and approvals.

5.4 The below table provides an overview of the key activities:

Health & Safety – Summary of Key Activities (March 2020 – To Date)	
Mar – Apr 2020	<p>Remote Working and Display Screen Equipment</p> <p>A full review of the Remote Working / DSE arrangements was undertaken to establish enhancements and identify additional support that could be reasonably provided to colleagues working from home for what may become an extended period of time. A working group, led by the Health and Safety Team, with representatives from Assets, Business Support, HR & OD, ICT, Policy & Innovation and Unison worked to develop arrangements, which incorporated a Remote Working & DSE Policy and online DSE Self-Assessment Tool.</p> <p>It should also be noted, the HSE stated at this time that there was no need for employers to provide workstation risk assessments in a ‘temporary’ situation. The introduction of these processes demonstrated best practice and enabled us to better support our colleagues working from home.</p>
Mar 2020	<p>Transport Network – Out-Based Staff</p> <p>The Health and Safety team worked closely with Bus Station, Travel Centre and Customer Intelligence Management Teams to establish and review updated working arrangements in response to the outbreak. Changes implemented include:</p> <ul style="list-style-type: none"> - Bus Stations: reduction in staffed operational hours, reduction in time staff will be required to be in public areas, removal of staff from medium sized bus station locations; - Travel Centres: closure of Birmingham New Street and Wolverhampton; - CIT: reduction and eventual suspension of CIT activities.

Mar 2020	<p>Corporate Premises – 16 Summer Lane</p> <p>The Health and Safety Team has undertaken daily reviews of first aid and fire warden coverage, as the occupancy of 16 Summer Lane reduced to ensure it remained adequate for the building. Once building was closed to all but business critical colleagues, the out of hours procedures were invoked for first aid and fire arrangements and deemed satisfactory.</p>
Mar 2020	<p>Programme Delivery</p> <p>Respective Project Managers were requested to maintain regular contact and seek assurance that Contractor control measures in relation to the outbreak are not importing unacceptable general health and safety or Covid-19 risks in relation to projects for which we are Client, as defined by the <i>Construction (Design and Management) Regulations 2015</i>.</p> <p>In addition, where there is likely to be a requirement for de-mobilisation and re-mobilisation of capital schemes, it was identified as essential to ensure that responsibilities are clear in relation to sites in terms of their lockdown and re-opening, etc. to safeguard health, safety and compliance. These matters were identified and addressed as part of the usual project management and monitoring measure in place.</p>
May 2020	<p>Covid-19 Legal Considerations Review</p> <p>The Legal Services Manager, Head of HR & OD, Head of Strategic Facilities, and Health and Safety Manager held a meeting on 18th May 2020 to consider all legal implications in relation to Covid-19 response.</p> <p>The Legal Services Manager was suitably satisfied that the extensive work being undertaken across the organisation, with the oversight of the Covid-19 Tactical Group, was ensuring that legislative requirements are being met and duty of care is being discharged.</p>
May 2020	<p>Review of HM Government Guidance</p> <p>The Health and Safety Manager undertook a full review of HM Government Guidance issued on 11th and 12th May 2020 in relation to Safer Transport for Operators, Safer Transport for Passengers, Safer Public Places, and Working Safely during Covid-19 in Offices and Contact Centres. Detailed feedback has been provided to the Integrated Transport Services Leadership Team and guidance considered as part of the risk assessment process.</p>
May 2020	<p>Covid-19 Risk Assessment & Operational Procedures – Transport Premises</p> <p>A Covid-19 Risk Assessment was produced, the scope of which covered the operation of transport network locations in relation to Covid-19, with general hazard identification and control measures, as well as a section to document any additional site specific control measures that are required to eliminate or reduce risk to an acceptable level.</p> <p>To accompany these assessments, Operational Guidelines have been produced setting out the new operating norms at our facilities.</p>
May 2020	<p>Bus Station Covid-19 Audit</p> <p>A specific Bus Station Covid-19 Audit has been produced and utilised to assist in the development of site specific elements of Bus Station Covid-19 risk assessments. These audits were conducted by members of the TfWM Leadership Team and Integrated Transport Services Leadership Team during the period.</p>
May 2020	<p>Network Delivery – Remobilisation</p> <p>Health and Safety input provided to recovery plan for processes associated to the management of passengers and infrastructure at bus stops, shelters, and unstaffed interchanges, including the provision of adequate signage. This included production of Task Specific Risk Assessments detailing the control measures required for the introduction of additional staff undertaking engagement and monitoring duties and the management of our infrastructure.</p>

<p>May 2020</p>	<p>Interim Covid-19 Risk Assessment and Building Procedures An Interim Covid-19 Risk Assessment for 16 Summer Lane was produced, aligned to the Interim Arrangements for Building Users guidance</p>
<p>June 2020</p>	<p>The Health Protection (Coronavirus, Wearing of Face Coverings on Public Transport) (England) Regulations 2020 The Health and Safety Manager undertook a full review of the new statutory instrument following its introduction on 15th June 2020. Detailed feedback provided to the Integrated Transport Services Leadership Team and the legislation considered as part of the risk assessment process. Whilst these regulations for the public to wear face coverings only applied on vehicle, their application impacted on frontline operations.</p>
<p>June 2020</p>	<p>Covid-19 Secure Procedure for Safe Workplaces The Health and Safety Manager produced guidance setting out the management framework and procedure for “Covid-19 Secure” safe workplaces which is integral to the ongoing work in relation to the recovery of 16 Summer Lane and our transport premises. <i>SMS/C19 01.2 Covid-19 Secure: Procedure for Safe Workplaces</i> was presented and endorsed at Operational Assets Steering Group on 16th June 2020 and will be issued in July 2020.</p> <p>The procedure applies to all WMCA premises, including corporate offices, bus stations, travel information centres and temporary work locations across the transport network and must be followed to ensure that suitable and sufficient preventative measures have been implemented, as identified by the risk assessment process.</p> <p>A ‘Plan, Do, Check, Act’ framework, as is utilised for the wider Safety Management System, will ensure a defined structure for the management of Covid-19 in relation to our premises, with all roles and responsibilities clearly defined.</p>
<p>June 2020</p>	<p>Audit and Inspection Programme 2020/21 The Health and Safety Team recommenced the Health and Safety Audit & Inspection Schedule from mid-July 2020 following its suspension in March 2020 due to the Covid-19 pandemic.</p> <p>The audit methodology has been updated to utilise both physical and remote auditing methods, with all interviews with staff and record checks to be conducted remotely. Therefore the primary focus of any audit visit will be on physical inspection of the premises, with staff areas inspected as quickly as possible and with minimal interaction.</p> <p>Audit templates have been updated to incorporate both general health and safety and Covid-19 controls and management. This is essential to verify the continued effectiveness of the mitigation measures we have implemented across our premises.</p> <p>The Health and Safety Team audit schedule will be supplemented by the re-introduction of TfWM Director Inspections which will primarily focus on Covid-19 recovery.</p>
<p>July 2020</p>	<p>The Health Protection (Coronavirus, Wearing of Face Coverings in a Relevant Place) (England) Regulations 2020 The Health and Safety Manager undertook a full review of the new statutory instrument following its introduction on 24th July 2020. Detailed feedback provided to the Integrated Transport Services Leadership Team and the legislation considered as part of the risk assessment process. These regulations require the public to wear face coverings whilst entering or remaining in a relevant place, which includes enclosed transport hubs. The same exemptions which exist for wearing of face coverings on vehicle apply under this new legislation.</p>

<p>July 2020</p>	<p>Individual risk Assessment for Covid-19 The Health and Safety Team developed a process and template for the completion of Individual Risk Assessments in relation to Covid-19, which was finalised and communicated in July 2020. The Individual Risk Assessment considers both personal risk factors (e.g. age, gender, ethnicity, medical conditions, etc.), as well as workplace exposure risk factors.</p> <p>The Individual Risk Assessment for Covid-19 can be utilised for any member of staff, but will be particularly significant for those staff working in frontline roles, from identified higher-risk groups, and those who have caring responsibilities for others who may be in a higher risk or vulnerable group. Each completed risk assessment will be subject to review by the Health and Safety Team and a copy securely held on record by HR, who can also escalate cases to Occupational Health as and when required.</p>
<p>July 2020</p>	<p>Covid-19 Secure Risk Assessment – 16 Summer Lane The full Covid-19 Secure Risk Assessment has been produced by the Health and Safety Team and this documents all control measures implemented at the premises to assist in the prevention of spreading Covid-19.</p> <p>This final risk assessment was reviewed by the Trade Union representative and reviewed/authorised by the Director of Housing and Regeneration on 24th July 2020. This has been effectively communicated to all building users via the intranet.</p>
<p>-</p>	<p>Personal Protective Equipment Throughout the pandemic, the Health and Safety Team has closely monitored the guidance from HM Government / Public Health England (PHE) in relation to the provision of PPE for employees and others.</p> <p>A suitable supplier has been identified to ensure a robust supply chain for Covid-19 related PPE items going forward. Measures will also be implemented to ensure stock of PPE is appropriately issued to ensure continued availability for staff. All PPE issued has been accompanied by information and instruction in its safe storage, use, removal, and disposal, and reminders issues emphasising that these items do not negate the need to follow other control measures e.g. social distancing, regular hand washing, etc. In addition, guidance document <i>SMS/C19 01.3 Personal Protective Equipment for Covid-19</i> has been produced and issued on 12th June 2020.</p>

5.6 A lessons learnt workshop facilitated by the Director of Implementation is to be held in due course, which will seek to bring out the key learning, opportunities and next steps in relation to Covid-19. The outputs of this sessions will be shared with Strategic Leadership Team and Joint Asset Board.

6. External Accreditation - BS OHSAS 18001 / Migration to ISO 45001

6.1 The organisation's Safety Management System (SMS) is externally accredited to the BS OHSAS 18001 standard for occupational health and safety management systems.

6.2 On 20th and 21st May 2020 our external accreditation body Alcumus ISOQAR undertook the BS OHSAS 18001 surveillance visit remotely in line with UKAS guidelines and with the audit overseen by a UKAS representative.

6.3 This was our first audit following the Covid-19 outbreak and documentation was provided for review in relation to both general occupational health and safety and the ongoing response to lockdown and recovery.

- 6.4 The audit confirmed that no non-conformances were identified against the 18001 standard during the audit visit, with organisational compliance and continued certification to OHSAS 18001 confirmed.
- 6.5 Our planned migration from BS OHSAS 18001 standard to ISO 45001 in November 2020 was also discussed and confirmation provided that this will now be subject to review by WMCA following the decision of the International Accreditation Forum (IAF) to the revise the migration deadline to 11th September 2021 (from original deadline of 12th March 2021) in response to the Covid-19 pandemic.
- 6.6 It has subsequently been agreed by the *Health and Safety Strategic Committee* that it will now be necessary to migrate during 2021 to ensure adequate time to update the SMS to reflect our new ways of working and successfully embedded the revised management system across the organisation.

7. Summary of Current Position

- 7.1 Whilst significant progress has been made to date, the effective implementation of the next three year strategy will be essential to ensure the continued integration of positive occupational health and safety management practices into all aspects of the organisations activities and undertakings.
- 7.2 There are not currently any specific areas of concern or particular items for urgent improvement, however it will be critical that all departments fully integrate health and safety, in line with bespoke health and safety delivery plans, into their operational norms and practices, ensuring the organisation becomes an increasingly safer and healthier place to work.
- 7.3 The Health and Safety team will continually support the wide-range of activities for which the organisation has a remit and promote the benefits of proportionate health and safety management as a positive instrument to ensure statutory compliance and organisational success rather than a burden to progress.
- 7.4 While the capacity of the Health and Safety team has broadly been sufficient, the Covid-19 pandemic has created particular challenges in relation to providing the requisite support across the organisation, whilst managing the multiple work streams associated to Covid-19 response and recovery.
- 7.5 As such the level of available resource within the Health and Safety team will be subject to evaluation as part of Phase 3 of the Integrated Transport Services directorate review, to ensure sufficient resource exists to successfully support organisational needs going forward.

8. Financial Implications

- 8.1 There are no specific financial implications arising from this report, however as the remit and responsibilities of the WMCA evolve, and the impact of Covid-19 is realised, 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.

9. Legal Implications

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

10. Equalities Implications

10.1 There are no specific equalities implications arising from this report. However, it can be confirmed that any changes implemented in relation to Covid-19 have been or will be subject to Equality Impact Assessment.

11. Inclusive Growth Implications

11.1 There are no inclusive growth implications arising from this report.

12. Inclusive Growth Implications

12.1 There are no geographical area implications arising from this report.

13. Other Implications

13.1 There are no other implications arising from this report.

14. Schedule of Background Papers

Not applicable



**West Midlands
Combined Authority**

Audit, Risk & Assurance Committee

Date	8 September 2020
Report title	WMCA Assurance Overview September 2020
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive 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 drafted by	Hardial Phull – Corporate Assurance Manager

Audit, Risk & Assurance Committee is recommended to:

- (1) Note the progress made by the Programme Assurance team in developing and testing the updated Assurance Toolkit in parallel with ongoing assurance processes and transition to the Single Assurance Framework (SAF).

1. Purpose of Report

This report follows information previously reported to ARAC in January 2020 and is intended to give members an update on progress made by the Programme Assurance Team.

2. Background

2.1 A report tabled at ARAC in January 2020 summarised Programme Assurance activity and gave an update regarding the development of an Assurance Toolkit. This report responds to the query raised at that time regarding whether there is a risk to reliability of trend analysis information as a result of implementing an enhanced assurance toolkit and therefore usability of historically held information.

2.2 Due to disruption by the COVID-19 pandemic to scheduled meetings of this Committee, a Programme Assurance update was not presented in April 2020.

2.3 In March 2020, the Programme Assurance team moved under the direction of the Director of Strategy and became part of the newly formed Strategic Hub. The Strategic Hub is made up of the following teams which will provide ongoing support to delivery organisations as we transition to the SAF:

- a. Programme Support & Assurance
- b. Risk & Appraisal
- c. Performance

3. Programme Assurance Toolkit

3.1 The Programme Assurance Toolkit enables objective 2nd line of defence assessment of project performance throughout key stages of the lifecycle of a project, defined by the Single Assurance Framework (SAF) as the following stages:

- a. Initiation
- b. Development
- c. Delivery
- d. Closure / Hand-over

3.2 Sub-section D, above, Closure / Hand-over will be designed as part of the Single Assurance Framework for delivery in Tranche 3. This element will include a mechanism for Post Implementation review of projects to assess the overall performance of project delivery and whether lessons have been learnt. The intention being that intelligence from this exercise be recycled and applied for consideration in delivering similar future projects.

3.3 Elements of the toolkit have been subject to live testing and reporting since October 2019 and have been applied to projects in development and delivery. This live testing has informed the development of SAF processes, guidance and templates and has been applied in parallel with assurance activity traditionally delivered by the Programme Assurance team and PMO.

- 3.4 The following tools have been applied to WMCA projects in recent months:
- a. BCAT
The Business Case Assessment Tool (BCAT), and associated assurance and reporting process, has been applied and tested in recent months on Investment Portfolio funded Business Cases presented to the Technical Appraisal Panel (TAP), in addition to existing TAP appraisal processes. In the future, the BCAT tool will be applied, following SAF implementation, to all projects in development, regardless of their funding source.
 - b. Health Check
Project 'Health Checks' have been applied and tested in addition to ongoing 'Tier 2' reviews undertaken in conjunction with PMO colleagues.
- 3.5 The tables in sections 5 and 6 provide a summary of findings to date from this activity. These findings will be considered with historical data and intelligence from previous assurance activity; however, the updated Assurance Toolkit provides the organisation with more detail and assurance analysis capability than has been available to date.
- 3.6 The assurance toolkit has been developed using HM Treasury's 'Guide to Developing the Project Business Case' and has been aligned with the Infrastructure and Project Authority's Review guidance for OGC Gateway Reviews 1-3 and existing Association for Project Management (APM) best practice.
- 3.7 In addition, a Self-Assessment tool has been developed and tested by Project Managers in recent months and has been refined and updated as an outcome of this testing. Proposals are being developed for the implementation of a self-assessment tool that will complement transition plans for the SAF. The intention is to ensure all WMCA Projects complete a '1st line of defence' self-assessment in order to identify areas for improvement and subsequently drive improvements across all change projects. Results of any self-assessment process will also help to inform future 2nd and 3rd line of defence assurance activity.
- 3.8 The Programme Assurance team have been concentrating on testing the updated Assurance Toolkit in preparation for its launch to align with the implementation of the SAF, which was approved by the WMCA Board on 24 July 2020. The team are active members of, and embedded within, the SAF Working Group which are currently refining standards, processes and guidance together with a detailed Transition Plan to ensure effective implementation of this Framework.
- 3.9 Findings and key themes from historical assurance, BCAT and Health Check activity have helped shape updated Business Case templates, supporting guidance and ongoing communication and engagement with delivery organisations associated with the implementation and transition to the SAF.

- 3.10 As previously reported, the Assurance team has developed an IAAP which includes a list of Capital and Revenue Projects, including key financial and project information. A process has been embedded with the Finance reporting function for updating and maintaining this Plan with any project/programme changes.
- 3.11 The IAAP will be used to shape future 2nd line of defence assurance/health check activity and plans are being developed for engaging with Portfolios to understand and map existing quality assurance (1st line of defence) and external audit (3rd line of defence) activity planned. This engagement is being timed to ensure minimum disruption as we transition to the SAF and to ensure alongside the WMCA Activity register that we hold a comprehensive record for all projects and programmes.
- 3.12 It is envisaged that analysis of assurance activity results, key learning and trends, together with other appropriate historical data, will be summarised for this Committee's purposes on a quarterly basis

4. Key Findings, Themes and Outcomes

- 4.1 Since January 2020, six business cases have been progressed through the TAP process and were also reviewed using the BCAT Tool.
- 4.2 The quality of business cases submitted has been variable and where recommendations for improvement have been made these have focused around:
- a. strengthening the Economic case to include improvements to how benefits are defined to justify the investment
 - b. improving the Commercial case, specifically around procurement strategies and detailed procurement plans to align with other project dependencies
 - c. Improving Management cases and the quality of supporting documentation provided (including risk management and reporting arrangements and stakeholder engagement)
 - d. Improving Financial cases and forecasted expenditure profiles
- 4.3 Evidence suggests that not all delivery organisations act upon the findings and recommendations raised by the Assurance team, prior to progression of Business Cases for final approval.
- 4.4 To help counter 4.3 above, the BCAT process, embedded within the SAF, has been designed to be implemented approximately three months prior to a project submitting a Business Case for approval. This will allow the delivery organisation enough time to work with the Assurance Lead to implement any improvements required prior to its submission for approval. With this approach, it is intended that Business Cases reach the Treasury suggested levels of maturity before being submitted to approval and decision-making forums.

An observation report will be created following a BCAT assessment and will contain prioritised recommendations for action as well as findings that are

translated into likely impact on delivery of the project. The SAF is designed such that this Observation report accompanies the Business Case to help inform challenge and decision making at relevant forums (relative to delegations of authority and funding sought).

The Project Appraisal activity (as part of SAF operation) will take into consideration the extent to which Assurance recommendations have been acted upon and will develop a separate Risk and Investment Appraisal output that will also accompany the Business Case into challenge and decision-making forums.

Challenge forums (Investment and Advisory panels) that support Investment Board and WMCA Board, will take into consideration findings and recommendations from the Observation report and Risk and Appraisal output before making a further recommendation for approval, or not. There could be scenarios where challenge forums recommend re-work or that further work be undertaken before a project be approved.

In addition, the Assurance team are investigating methods and tools to track and report progress with any findings and recommendations raised. Progress against this will be reported into ARAC quarterly.

- 4.5 Five Non-Investment Programme Projects (all from TfWM) have been subject to additional 'Health Check' assurance reviews since January 2020. The overall costs of these projects ranged from £250k to £7m.
- 4.6 Generally, results from these reviews have been encouraging with three projects at overall 'Green' status and two rated as 'Amber'.
- 4.7 Some key themes arising from this assurance activity relate to financial management, particularly in the early stages of their development, not having a full picture of costs overall.
- 4.8 Assurance reports have been produced and fed back to project leads, capturing any findings and recommendations from Health Checks conducted.

5 BCAT Reviews Conducted



ASSURANCE TEAM SUMMARY OF BCAT SCORING

INSTRUCTIONS FOR ADDING NEW PROJECT SCORES

1. Ensure you have saved the completed Assurance Toolkit in "BCAT" folder in Assurance_Reports folder in team Sharepoint site.
2. Open the BCAT report you would like to add and Select 'Open in Excel' option from Top Left of sheet.
3. In this document Click button to 'Add Project Line' for reporting additional Project scores.
4. In the table below Copy the Project Title from the top of the scoring sheet on the Toolkit.
5. Add Project Type, WMCA Dept, Project Stage and Funding Source as appropriate using the drop down selections.
6. Type out the scores from the BCAT into the below
7. Ensure Overall Project Score - Initial and Date of Initial Project Score are recorded as appropriate.
8. Where the Project is being scored multiple times add the details in the shaded columns.
9. Complete the final Recommendation column and click Save.
10. Corporate Assurance to update this after any BCAT has been completed to ensure timely reporting.

Add Project Line

View Report Page

Save

Note: Category scores under 30% are highlighted in red and scores above 60% are highlighted in green

Project	Project Type	WMCA Dept	Project Stage	Funding Source	Strategic	Economic	Commercial	Financial	Management	Baseline Project Current Score	Date of Baseline Project Score
	Construction	Housing & Land	OBC	Cash flow Funding	60%	50%	75%	75%	18%	56%	17/02/20
	Rail	TfWM	FBC	No funding required	72%	25%	20%	60%	38%	43%	30/10/19
	Other	Economy & Innovation	OBC	Cash flow Funding	58%	60%	48%	84%	62%	62%	17/03/20
	Transport	Economy & Innovation	OBC	Underwriting	84%	22%	38%	33%	16%	38%	27/05/20
	Transport	Economy & Innovation	FBC	Underwriting	25%	7%	0%	14%	16%	12%	27/05/20
	Transport	TfWM - Metro	FBC	Underwriting	70%	59%	74%	71%	68%	68%	26/06/20
Average Category Scoring					68%	38%	48%	54%	39%		

6 Health Check Assurance Reviews Conducted

Project	Review date	Objectives	Scope	Benefits	Risk Identification	Risk management	Schedule definition	Schedule position	Stakeholders	Resource Team	Resource Cost	Dependencies	Reporting
	31/01/2020	G	G	G	G	G	G	A	G	G	A	G	G
	04/02/2020	G	G	A	A	G	A	G	G	G	TBC	TBC	G
	02/04/2020	G	G	G	G	G	A	A	G	G	G	G	G
	30/04/2020	G	G	G	G	G	R	N/A	G	G	A	G	G
	06/07/2020	G	G	A	G	G	G	G	G	G	R	G	A

- 7 Financial Implications**
N/A
- 8 Legal Implications**
N/A
- 9 Equalities Implications**
N/A
- 10 Inclusive Growth Implications**
N/A
- 11 Geographical Area of Report's Implications**
N/A
- 12 Other Implications**
N/A
- 13 Schedule of Background Papers**
None



Audit, Risk & Assurance Committee

Date	8 September 2020
Report title	Treasury Management Strategy
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Carl Pearson, Head of Financial Planning Email: Carl.Pearson@wmca.org.uk Tel: (0121) 214 7222
Report has been considered by	Not Applicable

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- (1) Note the Treasury Management Strategy included in Appendix 1 which is provided for background information in preparation for a short presentation at the meeting.

1. Purpose

- 1.1 WMCA as a public body are required to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice in discharging all its financial responsibilities.
- 1.2 In relation to Treasury Management, The Code states that the organisation delegates responsibility for the implementation and regular monitoring of its Treasury Management Policies to Audit, Risk & Assurance Committee (as an independent scrutiny function). Officers are subsequently obliged to operate within the Treasury Management Strategy parameters as set and monitored by the scrutiny function.
- 1.3 ARAC members received an overview on WMCAs Treasury Management practices in February 2020 and it was agreed that a subsequent session would be arranged to review the Treasury Management Strategy for the year.
- 1.4 The meeting of ARAC on 8 September 2020, will receive a short presentation on the Treasury Management Strategy for 2020/21. The presentation will highlight key areas of focus for members in their consideration of the Treasury Management Strategy including associated information, methodology calculation and measurements in regard to assurance to be sought.
- 1.5 To assist with this session, the 2020/21 Treasury Management Strategy is appended to this report for background information only.

APPENDIX 1

Treasury Management Strategy Statement 2020/21

Introduction

Treasury management is the management of WMCA's cash flows, borrowing and investments, and the associated risks. WMCA has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to WMCA's prudent financial management.

Treasury risk management at WMCA is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires WMCA to approve a treasury management strategy before the start of each financial year. This report fulfils WMCA's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

External Context

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21.

The Bank of England maintained Bank Rate to 0.75% in November. Despite keeping rates on hold, Monetary Policy Committee members did confirm that if Brexit uncertainty continues or global growth fails to recover, they are prepared to cut interest rates as required.

Credit conditions for larger UK banks have remained stable over the past year and whilst there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the continuing global economic slowdown.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon.

Local Context

The need to manage cash effectively and make robust borrowing decisions will be largely driven by the delivery of the WMCA Capital Programme which contains the WMCA Investment Programme. The WMCA elements of the Investment Programme are largely funded through borrowing and as a number of both WMCA and Local Authority schemes enter the delivery phase, the draw on WMCA resources is expected to be significant. Further details regarding the financing of the Capital Programme is included in the WMCA Capital Strategy which features as Appendix 8.

On 31 December 2019, WMCA held £131.1m of borrowing and £108.5m of investments.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. WMCA's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

WMCA has an increasing CFR due to the capital programme, but lower values of investments will therefore require WMCA to borrow up to £777m (net of investment income) over the forecast period, mostly driven by the delivery of the WMCA Investment Programme as detailed above.

Table 1: WMCA Capital Financing Requirement

Gross External Debt vs CFR (£M)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Opening External Debt	136.3	150.3	455.3	793.3	893.3	903.3
New Borrowing *	14.0	305.0	338.0	100.0	10.0	10.0
Forecast Closing External Debt	150.3	455.3	793.3	893.3	903.3	913.3
Capital Financing Requirement	377.8	673.8	923.3	1,070.1	1,087.8	1,058.9
Under Borrowing	227.6	218.5	130.0	176.9	184.5	145.6

* After effective use of available resources

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that WMCA's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that WMCA expects to comply with this recommendation during 2020/21.

HM Treasury External Debt Cap

WMCA has acquired approval from HM Treasury and MHCLG to borrow for all of its functions subject to it operating within an agreed external debt cap which was agreed during February 2018. The debt cap runs coterminous with the 5 year gateway review period and the caps for 2021/22 and beyond are expected to be discussed with HM Treasury during 2020/21.

WMCA do not expect to breach the debt cap during 2020/21 based on the current external debt and projections for the 2020/21 financial year. For information, the debt limit agreed for 2020/21 is £1,042 million.

Borrowing Strategy

As at 31 December 2019 WMCA currently holds £131.1m of loans, a decrease of £6.0m on the previous year. The forecast in table 1 shows that WMCA expects to borrow up to £305m in 2020/21. WMCA may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

Objectives: WMCA's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should WMCA's long-term plans change is a secondary objective.

Strategy: WMCA's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, WMCA is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist WMCA with this 'cost of carry' and breakeven analysis. Its output may determine whether WMCA borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

WMCA has previously raised the majority of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it a relatively expensive option. WMCA will now look to borrow any long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. WMCA Finance Directors continue to work collectively also, to ensure the buying power of the region is fully exploited in the capital markets.

It should be noted that following a competitive process, during 2019/20, WMCA were notified by HM Treasury that it would qualify for Infrastructure Rate Funding. This effectively guarantees WMCA access to £100m of debt at 1.2% below the currently published levels. Access to this financing together with the use of short term debt will provide WMCA with a bridge whilst other more competitive sources of long term finance are identified.

Additionally, WMCA will look to identify suitable forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, WMCA may borrow using further short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except West Midlands Local Government Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to WMCA Board.

Short-term and variable rate loans: These loans leave WMCA exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. WMCA may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

WMCA holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, WMCA's investment balance has ranged between £38.7m and £231.5m, and similar levels are expected to be maintained throughout parts of 2020/21 largely due to the profile of Government grant receipts in quarter one.

Objectives: The CIPFA Code requires WMCA to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. WMCA's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably

low investment income. Where balances are expected to be invested for more than one year, WMCA will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, WMCA aims to further diversify into more secure and/or higher yielding asset classes during 2020/21. This is especially the case for the estimated £10m that is available for longer-term investment to ensure MiFID compliance. A significant amount of WMCA’s surplus cash is currently invested in short-term unsecured bank deposits, and money market funds. This diversification will represent a continued change in strategy over the coming year.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on WMCA’s “business model” for managing them. WMCA aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: WMCA may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits

Credit Rating of Institution or Product	UK Banks and Financial Institutions		UK Government	Corporates
	Unsecured	Secured		
AAA	£20m Per Counter Party (1 Year Max)*	£20m Per Counter Party (3 Years Max)*	£ Unlimited 50 Yrs Max	£10m (2Yrs) Max
AA+				£5m (1 Yr) Max
AA				£1m (1 Yr) Max
AA-				
A+				
A				£4m (100 days)
A-	£1m (Call Only)			
BBB+	£1m (6mths)			
BBB or BBB-				
None/Un-rated				
Pooled Funds / Money Market Funds				
Constant Net Asset Value	AA+	£20m per Fund		
Low-Volatility Net Asset Value	AAA	£20m per Fund		
Variable Net Asset Value	AAA	£5m per Fund		
UK Non Domiciled Bank				
	Unsecured		Secured	
Non-UK Banks must be domiciled in a country which has a minimum sovereign Long Term rating of 'AA-'	£20m Per Counter Party (1 Year Max)**	£20m Per Counter Party (3 Years Max)		

* Normal operating levels will not exceed £10m but adequate headroom has been provided to accommodate potential peak cash-flow requirements. The Combined Authority will look to keep an even spread of investments across counter parties to minimise exposure to defaults.

This table must be read in conjunction with the notes overleaf.

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to

the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

Pooled funds: Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow WMCA to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting WMCA's investment objectives will be monitored regularly.

Operational bank accounts: WMCA may incur operational exposures, for example through current accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of WMCA maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by WMCA’s treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: WMCA understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, WMCA will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.

Investment limits: In order that WMCA’s reserves will not be put at significant risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below.

Table 4: Investment limits

	Cash limit
UK Central Government	unlimited
Any group of organisations under the same ownership	£20m per group
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker’s nominee account	£20m per broker
Foreign countries	£5m per country
Unsecured investments with building societies	£10m in total
Loans to unrated commercial entities	See Below
Money market funds (Sector Limit)	£80m in total
UK Banks and Building Societies (Sector Limit)	£80m in total
Unrated Banks / Building Societies (Sector Limit)	£5m in total

Liquidity management: WMCA employ Treasury specialists to build cash flow forecasts to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of WMCA being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to WMCA’s medium-term financial plan and cash flow forecast.

Commercial Investment Funds

WMCA operate commercial loan funds on behalf of the Constituent Local Authorities. The investment funds have recently been increased from £70m to £210m and provide loans at a commercial rate to developers where the more traditional financial institutions are not willing to lend on agreeable terms.

The primary objective of the investment funds is to stimulate economic regeneration and to date, the fund has committed £109.4m of which £24.5m has been repaid and £23.3m is currently drawn.

Whilst these developers do not have a credit rating in the traditional sense, WMCA employ fund manager's West Midlands Development Capital to ensure adequate due diligence is undertaken and each loan agreement will be adequately secured, usually on the land / buildings underpinning the requirement. Furthermore, each loan agreement requires approval by Investment Board and protections around concentration risk (i.e. limiting the cumulative value of loans to any one developer) were reviewed and approved by WMCA Investment Board in July 2019.

Treasury Management Indicators

WMCA measures and manages its exposures to treasury management risks using the following indicators.

Security: WMCA has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit	<i>A minus</i>

Liquidity: WMCA has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£50m (Min)

Maturity structure of borrowing: This indicator is set to control WMCA’s exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	15%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	20%	0%
10 years and above	25%	25%

Principal sums invested for periods longer than a year: The purpose of this indicator is to control WMCA’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2020/21	2021/22	2022/23
Limit on principal invested longer than a year	£10m	£10m	£10m

Related Matters

The CIPFA Code requires WMCA to include the following in its treasury management strategy.

Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities’ use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

WMCA will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that WMCA is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, WMCA will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Financial Derivatives: In the absence of any explicit legal power to do so, WMCA will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

Markets in Financial Instruments Directive: WMCA has retained retail client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of WMCA's treasury management activities, the Section 151 Officer considers this to be the most appropriate status.

Treasury Management Strategy: Annex 1

	31 Dec 19 Actual £m	Average Rate %
External borrowing:		
Public Works Loan Board	113.92	5.18
Loans from banks	10.00	4.03
Total external borrowing	123.92	
Other long-term liabilities:		
Transferred Debt	7.18	6.70
Total other long-term liabilities	7.18	
Total gross external debt	131.10	
Treasury investments:		
Banks & building societies (unsecured)	11.00	0.65
Government (incl. local authorities)	75.00	0.72
Money Market Funds	17.00	0.70
Overnight Deposits	5.55	0.45
Total treasury investments	108.55	
Net debt	22.55	



Audit, Risk & Assurance Committee Meeting

Date	8 September
Report title	Internal Audit Update Quarter 2
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Tim Martin, Chief Audit Executive Email: Tim.Martin@wmca.org.uk Tel: (0121) 214 7435
Report has been considered by	Strategic Leadership Team

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

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

1.0 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.

2.0 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.

3.0 Wider WMCA Implications

- 3.1 There are no implications

4.0 Financial implications

- 4.1 There are no implications

5.0 Legal implications

- 5.1 There are no implications

6.0 Equalities implications

- 6.1 There are no implications

7.0 Other implications

- 7.1 Not applicable

8.0 Schedule of background papers

- 8.1 None

9.0 Appendices

- 9.1 None



West Midlands Combined Authority

Internal Audit Update Report Quarter 2
2020-2021

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 2020 - 2021 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.

2 Summary of progress:

The following internal audit reviews are currently underway.

Auditable area	AAN Rating	Quarter (month)	ARAC Meeting (indicative)
2019-2020 Internal Audit Reviews completed and in progress			
WM5G Governance Arrangements	High	Final issued – Substantial (no recommendations)	September 2020
Single Commissioning Framework	High	Draft report issued – Satisfactory	October 2020
Third Generation Trams Procurement Project Management	High	Draft report issued - Satisfactory	October 2020
2020-2021 Internal Audit Reviews in progress			
Sprint Programme Management Arrangements	High	Draft report issued - Substantial	October 2020
Procurement (COVID-19 response)	High	Fieldwork commenced	January 2021
Employee Management (COVID-19 response)	High	Planning commenced	January 2021
Commonwealth Games Strategic Transport Plan	High	Planning commenced	January 2021

Summary of individual audits

WMCA Governance and Management Arrangements – WM5G Ltd

The West Midlands 5G Programme is being delivered via the delivery vehicle WM5G Ltd as a wholly owned subsidiary of the WMCA. WM5G Ltd works in partnership with public and private sector organisations to deliver several projects to speed up the launch of 5G networks in order to provide new 5G services to local people, public services and businesses.

The objective of our audit was to seek assurance that effective governance and management arrangements had been established by the WMCA regarding its ownership and relationship management of WM5G Ltd. We are pleased to report that no major issues had been identified and no recommendations were made.

3 Forward plan for 2020-2021 scheduled audits

Auditable area	AAN Rating	Quarter	ARAC Meeting (indicative)
Accounts Payable	High	3	January 2021
Payroll	High	3	January 2021
Accounts Receivable	High	3	January 2021
General Ledger	High	3	January 2021
Budgetary Control	High	3	January 2021

Auditable area	AAN Rating	Quarter	ARAC Meeting (indicative)
Treasury Management	High	3	January 2021
Friar Park Project Management Arrangements	High	3	January 2021
Environmental Management System	High	3	January 2021
Digital Retraining Fund	High	3	April 2021
Local Industrial and Economic Strategy	High	3	April 2021
Bid Management	High	4	April 2021
Investment Programme Monitoring and Evaluation Arrangements	High	4	April 2021
Risk Management	High	4	June 2021
Adult Education Budget	High	tbc	tbc

4 *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. The following follow up reviews are scheduled:

<ul style="list-style-type: none"> Employee Performance Management
<ul style="list-style-type: none"> Employee Support Pilot (Productivity and Skills)
<ul style="list-style-type: none"> Homelessness Taskforce
<ul style="list-style-type: none"> Construction Retraining Fund
<ul style="list-style-type: none"> West Midlands Rail Limited - WMCA Governance and Management Arrangements
<ul style="list-style-type: none"> WMCA Accessible Transport Services (Accessible Transport Group Contract Services Ltd and Ring and Ride Ltd)