



Audit, Risk & Assurance Committee

Date: Monday 18 January 2021

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).	Chair	None	
3.	Minutes - 26 October 2020	Chair	1 - 6	
4.	Chair's Remarks (if any)	Chair	None	
5.	Matters Arising <ul style="list-style-type: none"> • Whistleblowing • Draft Internal Audit Plan • Organisational Response to COVID-19 • Arm's Length Companies Annual Update 	Tim Martin Tim Martin Tim Martin Lorraine Quibell	None	
6.	Forward Plan	Tanya Patel	7 - 10	
Business Items for Noting / Approval				
7.	Covid 19 and support to promote Staff Wellbeing whilst Remote Working	Tracy Walters	11 - 16	10:20
8.	Internal Audit Update - January 2021	Peter Farrow	17 - 48	10:35
9.	The Annual Audit Letter for West Midlands Combined Authority - Year ended 31 March 2020	Grant Thornton	49 - 64	10:45
10.	WMCA Strategic Risk Register	Victoria Harman	65 - 74	10:55
11.	Programme & Project Management Framework Update	Fiona Bebbington	75 - 82	11:05
12.	Financial Update	Linda Horne	Verbal Report	11:15
13.	2021/22 Treasury Management Policy, Strategy and Practices	Carl Pearson	83 - 124	11:30
14.	Arrangements for the Mayoral Elections May 2021	Tim Martin	125 - 134	11:50

Date of Next Meeting

15.	Thursday 4 March 2021 @ 10.00am	Chair	None	12:00
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**West Midlands
Combined Authority**

Audit, Risk & Assurance Committee

Monday 26 October 2020 at 10.00 am

Minutes

Present

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 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

In Attendance

Michael Anderson	Transport for West Midlands
Fiona Bebbington	West Midlands Combined Authority
Rachel Brothwood	West Midlands Pension Fund
Louise Cowen	West Midlands Combined Authority
Jill Davys	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
Andy Morgan	West Midlands Combined Authority
Grant Patterson	Grant Thornton
Hardial Phull	West Midlands Combined Authority
Joti Sharma	West Midlands Combined Authority
Lorraine Quibell	West Midlands Combined Authority

Item Title No.

27. Apologies for Absence

Apologies for absence were received from Councillor Fred Grindrod (Birmingham City Council).

28. Minutes - 8 September 2020

The minutes of the meeting held on the 8 September 2020 were agreed as a correct record.

29. Chair's Remarks (if any)

The Chair informed the committee that he had agreed with the Monitoring Officer over the lack of formal reports the committee received due to the constant moving position of the items being taken by the committee.

30. Matters Arising

The Monitoring Officer informed the committee of the position of two ongoing matters undertaken whistleblowing investigation; he noted that the chair will continue to be updated on the position on investigations.

He also informed the committee on the legislation changes to Public Sector Exit Payment cap, he sought to assure the committee that the changes had been recognised and appropriate measures were being implemented to ensure the organisation was in line with the changes.

The Director of Finance confirmed the committee process for reviewing and commenting on the organisation Treasury Management Strategy moving forward. It was agreed the committee would also receive independent training from Treasury Management advisory Arlington Close at its future meeting.

31. Forward Plan

The committee considered the plan of items to be reported to future meetings. The Chair requested future items relating to cyber security, Mayoral elections and a review of the standards approach be considered at its meeting in January 2021. The Monitoring Officer informed the committee of the LGA's consultation on a revised code of conduct, which had not yet been finalised and sought to bring an update back to committee once released.

Resolved:

- (1) The additional items of business to be reported to future meeting be made and noted.

32. West Midlands Pension Fund

The committee received a presentation from the Director of West Midlands Pension Fund and the Assistant Director – Investment on the restricting of the West Midlands LGPS pension arrangements, Investment Strategy and climate change and scheme change and McCloud.

Councillor Alexander Philips was keen to understand the material impact if any on pay-outs and queried as to whether excess debt rate translated into lower pay-outs or modelled into lower pay-outs. He was also keen to understand how negative interest rates were modelled. The Director of West Midlands Pension Fund shared that there were two streams of monitoring analysis being undertaken which looked count of deaths across the region which has seen some spikes, other analysis to address the long term

impacts for life expectancy and pension costs had been undertaken and indicated that there would not be a significant impact but continued to be monitored.

In regards to Councillor David Thain's question of equity protection strategies the Director of West Midlands Pension fund informed the committee this had been considered in the context of broad risk within the fund and the cost of the strategy however she went on to explain that there continue to predominately be a growth based strategy and based on analysis it was considered the best way forward to manage the risk that didn't have the same operational dependencies.

Resolved:

- (1) The presentation be noted.

33. WMCA Assurance Update

The committee received an update from the Corporate Assurance Manager on the progress made in the developments of the assurance toolkit following the last meeting. Work continued on the implementation of the Single Assurance Framework with some activities being undertaken. However there was limited data available to share with the committee which was due to the constraints in assurance activities as that was driving through the project lifecycle stages. The Corporate Assurance Manager informed the committee that in progressing to tranche three of the Single Assurance Framework solutions to mitigate this issue would be sought which would allow a richer picture of projects. The Chair requested that a future update be brought back to committee at its January meeting along with assurance that recommendations from the WMCA's Programme & Project Management Framework internal audit had been achieved. The chair also suggested that the Assurance Team reported back on the frequency of reporting information and data back to committee.

Resolved:

- (1) The update be noted
- (2) A further update be provided at its January 2021 meeting along with confirmation of frequency in updates.

34. Combined Authorities response to COVID-19

The committee received an update from the Monitoring Officer on the organisation response to the COVID-19 pandemic. He informed the committee of the various engagements undertaken wellbeing and welfare of staff remained positive whilst continuing with the period of remote working. Information was also provided in terms of the organisations part in the region response to recovery. The Monitoring Officer assured the committee that the Combined Authority continue to manage governance processes through remote means with all statutory boards, committees and thematic boards continue to meet virtually and take decisions, he reported as of yet there had been no issues with the processes being undertaken.

Following committees concern on staff wellbeing and welfare the Monitoring Officer assured the committee that this was being addressed and taken seriously by the organisation to support staff during the pandemic, with various webinars, training, support services and engagement with staff taking place. He also informed the committee of a staff survey being undertaken to seek employees feedback whilst working from home. The Chair requested that the results of that survey be shared with the committee at its January 2021 meeting.

In regard to the financial position of the organisation the Director of Finance informed the committee of the continued work being undertaken to monitor and evaluate the organisations financial position and previously reported an £11m deficit, however this had now been reduced to around £2m. She also highlighted that although the Comprehensive Spending Review was a one-year solution there continue to be focus on progressing with the aims, objectives and asks of Government. Following a question from Councillor Ahmad Bostan on managing risks relating to transport outputs and contractual obligations the Director of Finance highlighted that suppliers continued to be paid at a pre-COVID level with a high level of engagement with transport operations and operators around their financial position ensuring appropriate capacity across the network.

Resolved:

- (1) The update be noted
- (2) The results from the staff survey be brought to committee at its January 2021 meeting.
- (3) An in-depth update on the organisations financial position be shared at its January 2021 meeting.

35. WMCA Strategic Risk Register

The committee received an update on the current status of the strategic risk register. It was noted that a COVID-19 risk register had been established at an operation level following the pandemic and a future review being undertaken on the risks already identified. Therefore a new risk had been added to the register to reflect the WMCA's resilience and response to the pandemic.

Councillor David Thain was keen to understand the risks associated to remote working and the impacts upon the organisation's buildings, stock and facilities. The Head of Strategic Hub informed that the organisation recognised this and was reflected within the strategic risk register and work was being undertaken by the Transformation project to look future ways of working whilst ensuring buildings remained COVID secure.

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 updated register be noted.

36. Internal Audit Update - October 2020

The committee received a report from the Head of Audit of the work completed by internal audit. It was noted that since the last meeting three audits had been completed. Single Assurance Framework was given a substantial assurance, Third Generation Trams Programme was given satisfactory assurance and Sprint Programme Management was given a substantial assurance. He stated that in light of the COVID-19 pandemic there had not been a drop in governance or control frameworks across the organisation. The Head of Audit informed the committee of a slight change to the process in the way follow-ups to internal audit would be undertaken. The chair noted this positive move but suggested that internal audit satisfied themselves in the quality of the follow-ups and a formal report was provided to committee as usual.

Following the satisfactory assurance provided on the Third Generation Trams Programme the Chair queried the recommendation relating to whether the project had been fully subject to appropriate project assurance and suggested whether there was a benefit in it going through the enhanced assurance system or if the Head of Audit was content with the level of assurance noted. Although the WMM Projects Director felt the programme had been through all appropriate processes at the time. The Head of Audit indicated the benefits of it being taken through the assurance programme to continue as expected, but felt internal discussions were required to fully answer as to whether this programme should be taken through another assurance system therefore the Chair will be updated on the discussions prior to the next meeting.

Resolved:

- (1) The contents of the latest Internal Audit report be noted.

37. External Audit Update for the Year Ending 31 March 2020

The committee received a report from Grant Thornton on their draft Audit Findings Report which provided progress made on the following areas: resolution of the technical query in relation to accounting treatment of the Land Fund, receipt of the assurances from the auditor of the West Midlands Pension Fund, completion of group audit procedures, review of management's assessment of going concern, completion of testing of operating expenditure, review of the final set of financial statements and receipt of management representation letter.

Following previous concerns regarding the Land Fund the committee were informed that issues had now been resolved and the likely amended had already been included within the audit findings reported at the previous meeting.

The Chair recognised the hard work undertaken by the finance team in meeting the deadline for preparing the organisations financial accounts and that final sign off had been delayed due to a national issue not as fault of the WMCA finance team.

Resolved:

(a) The external audit update for the year ending 31 March 202 be noted.

38. Performance Reporting

The committee received a presentation from the Performance Manager updating them on the emerging performance management and reporting capability. The committee received information on all of the organisations reporting mechanisms, in terms of monthly, bi-monthly, 6 monthly and annual reporting

The committee were assured with the processed undertaken in terms of reporting mechanisms of the organisation. The Chair requested that an update be brought back to committee in six months to advise on whether the process had matured.

Resolved:

(1) The presentation be noted.

39. Date of the Next Meeting

Monday 18 January 2021 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
Draft Internal Audit Plan	4 March 2021	Peter Farrow
Internal Audit Report	4 March 2021	Peter Farrow
Assurance report update	4 March 2021	Hardial Phull
Strategic Risk Register	4 March 2021	Victoria Harman
External Audit Plan 2020/21	4 March 2021	Grant Thornton
Informing the Audit Risk Assessment	4 March 2021	Grant Thornton
Midland Metro Limited Accounts	4 March 2021	Linda Horne
Organisational Response to COVID-19	4 March 2021	Tim Martin
Update on Cyber Security and ICT Processes	4 March 2021	Jason Danbury
Consideration of revised LGA Model Code of Conduct	4 March 2021	Tim Martin
Internal Audit Report	19 April 2021	Peter Farrow

Assurance report update	19 April 2021	Hardial Phull
Annual Governance Statement	19 April 2021	Tim Martin
Data Security, Data Protection & Lone Working Update (Post COVID-19)	19 April 2021	Gurmit Sangha / Ben Gittings
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

Data Protection & Data Processing Annual Update	September 2021	Gurmit Sangha
Health & Safety Annual Update	September 2021	Pete Bond / Ben Gittings

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Audit, Risk & Assurance Committee

Date	18 January 2021
Report title	Covid 19 and support to promote Staff Wellbeing whilst Remote Working
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Tracy Walters, Head of HR/OD Email: Tracy.Walters@wmca.org.uk
Report has been considered by	Julie Nugent, Director of Productivity and Skills Tim Martin, Head of Governance

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) Note the contents of the paper.

1. Purpose

The purpose of this paper is to set out the support WMCA provided to staff during the Covid-19 pandemic to protect their mental health and promote their wellbeing.

2. Background

When the pandemic struck WMCA moved the majority of staff to work from home. All staff with the exception of out-based staff and a very small number of employees (less than 20) whose job necessitates them working from 16 Summer Lane, are now all home based.

The challenge for WMCA has been to switch from our traditional and largely office based employee engagement solutions, to supporting staff and managers in what has been completely uncharted territory. Moving large numbers of staff to remote working in an organised and planned way is difficult enough, but doing this in the midst of a pandemic has been testament to the quality of those enabling services involved.

3. The Support we have provided for WMCA staff

Staying Informed and Feeling Connected

From the start, our priority has been to both inform and support. We knew at the beginning of lockdown that staff needed frequent, consistent and up to date information, so we published regularly updated FAQs and management guidance in line with Government guidance.

We launched a weekly webinar, and it's continued every Wednesday since - a chance for everyone to drop in over lunchtime and hear from their leadership team, outside speakers and experts. Webinars are also recorded and posted on YouTube, so that no one need miss them.

We published a huge range of online resources both aimed at all staff and at parents and carers specifically, to help those staff who were home schooling or supporting someone who was shielding. This was especially important during "lockdown" when many staff were balancing work with caring responsibilities. Our written guidance was accessed hundreds of times by staff over the months which followed, and included 89 downloads of advice on Financial Wellbeing.

We also launched the Virtual Kitchen, in Teams. The Virtual Kitchen is somewhere for staff to "drop in to" during the day to chat to colleagues who they may not work with but might have normally chatted to in the kitchen, in the corridor or the lift. It has helped staff feel less isolated and more connected with each other.

We have done a considerable amount of work to support staff to be productive whilst working from home, and have published a toolkit which helps staff plan their day, including managing their diary, taking regular breaks, and exploiting technology to enable more collaborative working online.

Promoting Good Mental Health and Wellbeing

Our trained Mental Health First Aiders, who were available pre-pandemic have continued to support staff who feel that they need informal but immediate support. We also took the bold step to change our Employee Assistance Provider during lockdown to ensure that staff (and people in their household) can access a trained counsellor, without going through an intermediary like HR or their manager.

We ran a series of webinars on helping to promote good mental health, including mindfulness, resilience, and we promoted Loneliness Awareness Week in June to remind staff of the resources at their disposal during lockdown. 397 staff have accessed the Wellbeing and Covid 19 pages and 202 staff attended our wellbeing workshops. We were delighted to have been awarded a **Thrive at Work award** in the early autumn for the support we have provided to staff around their mental health.

At the start of the pandemic and with gyms and parks closed, conscious that we wanted to encourage staff to take regular exercise, we launched a programme of online exercise classes ranging from yoga to Zumba with a daily class for staff to enjoy during lockdown. And we supplemented this with a series of webinars on topics like diet, nutrition and sleep.

At the beginning of the pandemic we took the step to actively encourage staff to report Covid symptoms and to self-isolate by relaxing our policy around sickness absence triggers, meaning that staff who had the virus would not be penalised for reporting illness in terms of sickness reporting or sick pay.

And as we moved into the colder months, we encouraged staff to take up our offer of a free flu vaccine and 170 staff responded to our call, (up 70 on last year). This has helped staff to stay well and taken pressure off the NHS, as we started to move into a second lockdown.

Finally, as we moved through autumn into winter we published guidance on tax relief and on how to make the most of your money including running webinars where we invited in The Money Advice charity to talk to staff about how to manage their finances. We also publicised our benefits platform, Reward Gateway, with its range of discounts on everyday items including the weekly grocery shop. Registrations on the Gateway improved by over 20% from 338 staff using the programme in December 2019 to 406 in November 2020.

4. How have we measured the Impact we have had

We have measured the impact of our interventions in a number of ways and we have relied on both quantitative and qualitative metrics when evaluating the impact our support has been to staff. The hard data we have used includes staff sickness absence figures, and EAP usage, and we have used the results from staff surveys to gauge how staff are feeling.

Hard Metrics

Sickness absence rates have held, and are currently (November 2020 data) running at 4.86 days per year, which is below our own target of six days, the public sector average of 8.5 days and the private sector average of 5 days per year. In November 2020 we lost 261 days to sickness, 42% to long term sickness and 61% of all long term sickness

was lost to anxiety, stress or depression, however rates of recorded absence due to anxiety, stress or depression have not particularly increased during the pandemic.

Usage of our Employee Assistance Programme (EAP) remains around the national average, there were 11 people who have accessed counselling support between April and November 2020 on 35 different occasions. Many staff understandably use the service more than once, and we cannot differentiate between whether staff are accessing the service or people in their household, as the EAP is open to both.

Staff Feedback

Over the summer we surveyed staff to ask how they were coping working from home. 76% of those staff we surveyed (so this survey excluded out-based employees) responded and 89% of those said that they were able to work from home comfortably, 94% said they felt trusted and empowered whilst 80% reported being more productive which is a strong result as we surveyed staff during the summer break when children were at home with their parents.

57% of respondents said that they would be happy to continue to work remotely permanently whilst 39% said that they would like to work from home some days and the office on other days, just 4% said that they wanted to work from the office again full-time.

In both of the WMCA surveys (we surveyed again in November) the vast majority of staff report that they felt that they met with their line manager and with their team often enough, and that they have felt they could access whatever support they needed quickly and easily.

Ipsos Mori conducted a poll on behalf of Deloitte and surveyed 1300 employees nationwide and found that whilst 55% reported being as or more productive at home, 38% said lockdown had had a negative impact on their wellbeing and that they missed social interaction, and the opportunity to meet up and network.

Our staff also reported missing face to face contact with their team mates and informal social interactions, but they also reported the benefits including a reduction in commuting time, a better work/life balance, and more time with spent with family. These results are borne out by other surveys too.

During the second survey in late November, we surveyed all staff about their experiences of the pandemic. We received a 69% response rate, a little lower than before, but again statistically very high. 55% of respondents in this survey said they were happy or very happy, but 19% said they were sad, and 22% said they had "Covid fatigue".

It is important to remember that when we first surveyed staff it was the summer months and we had recently emerged from a four month lockdown, whilst in November the West Midlands was in Tier Three and living with the restrictions that brings. It is unsurprising then that some colleagues are finding life more challenging.

How have we compared with others?

There is considerable evidence that we have provided a lot more support than many other employers, and that as a result our staff have fared better working remotely during the past nine months. Our experiences have led us to be invited to share our best practice at a number of webinars where we have talked to other employers about the support we have put into place.

We have also had an article published in The MJ magazine in early December, <https://www.themj.co.uk/Creating-good-days-at-work/219299> which set out many of the interventions we have made to support staff, and the head of HR/OD has been interviewed by both Social Care magazine and for an article for the West Midlands Employers quarterly digest which is sent to all their members sharing our good people practice. Both of these articles will appear in the New Year.

5. Staying Covid Secure and Agile Working longer term

A survey of all local councils in England and Wales by the LGA in October revealed that 70% of local authorities are considering increasing working from home post-pandemic, whilst research by Gartner, conducted among HR professionals, suggests that 9 out of 10 HR leaders will allow staff to continue to work from home post-vaccine. 62% of those surveyed said they would still be applying Covid-secure measures in their workplaces as part of their return-to-the-workplace strategy.

At WMCA, we have already done a lot of work already internally to promote more agile working; we have run six webinars for staff to help co-create our new policy and 216 staff attended these workshops. The pandemic has undoubtedly helped us to move this agenda forward and with greater pace but that has been because we have demonstrated our ability to work productively from home, and because this option is popular with many having benefitted from working remotely during 2020.

This together with the work we are doing to review our Assets strategy means that agile working will be firmly embedded in the WMCA, and we will continue to encourage staff to take a flexible approach where they can to where they work. Our adage has been that “**work is an activity, and not somewhere you go**”, and with many staff reporting that they are enjoying the benefits of remote working, we will continue to support staff to do that where they can.

6. Financial Implications

Support in the current financial year is being met from an existing budget earmarked for Staff Wellbeing, this budget is small as many of the initiatives we have introduced have been inexpensive or free. We are committed to both reviewing our offer and how we fund the programme during the continuing pandemic, well beyond March 2021.

7. Legal Implications

There are unlikely to be any workplace grounds to insist that staff who work for WMCA must be vaccinated. The bar is likely to be set very high, with only health care and allied workers being strongly encouraged to accept the vaccine, and as such there is no real legal basis to insist that our employees are vaccinated.

8. Equalities Implications

An equality impact assessment has been conducted on out-based staff on the network, as they are working in a higher occupational risk group than office based staff. The assessment noted the particular vulnerability of staff from a Black or minority ethnic community background to catching and becoming very ill from the virus, however the assessment was satisfied that all staff were receiving good guidance, support and appropriate PPE given the perceived risk to their health and safety.

Like staff working on the network, staff working in 16 Summer Lane, all had individual risk assessments, and no one was permitted to enter the building until they had undertaken a building induction. Access to the building has been strictly controlled and staff who do not have permission to enter have had their access passes “switched off” to prevent casual entry.

Finally we review and report on all sickness data on a monthly basis, and there is no disparity between groups of staff with different protected characteristics (race, gender and disability).



West Midlands
Combined Authority

Audit, Risk & Assurance Committee

Date	18 January 2021
Report title	Internal Audit Update – January 2021
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 and 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 – January 2021
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 have been completed or are currently underway.

Auditable area	AAN Rating	Status and level of assurance	ARAC Meeting (indicative)
2019-2020 Internal Audit Reviews previously reported (will feed into the 2020-2021 opinion)			
Single Commissioning Framework	High	Final issued – Substantial	October 2020
Third Generation Trams Procurement Project Management	High	Final issued – Satisfactory	October 2020
2020-2021 Internal Audit Reviews previously reported			
Sprint Programme Management Arrangements	High	Final report issued – Substantial	October 2020
2020-2021 Internal Audit Reviews completed this quarter			
Accounts Payable	High	Final report issued – Satisfactory	January 2021
Accounts Receivable	High	Final report issued – Substantial	January 2021
Budgetary Control	High	Final report issued – Substantial	January 2021
General Ledger	High	Final report issued – Substantial	January 2021

Auditable area	AAN Rating	Status and level of assurance	ARAC Meeting (indicative)
Payroll	High	Final report issued – Substantial	January 2021
Treasury Management	High	Final report issued – Satisfactory	January 2021
Human Resources Pre-employment checks (appended)	N/A	Final report issued	January 2021
Employee Management (Covid-19 response) (appended)	High	Final report issued - substantial	January 2021
Environmental Management System (appended)	High	Final issued – Satisfactory	January 2021
2020-2021 Internal Audit Reviews in progress			
Procurement (Covid-19 response)	High	Draft report being produced	March 2021
Harvestime Project Management Arrangements*	High	Fieldwork in progress	March 2021
Commonwealth Games Strategic Transport Plan**	High	Fieldwork in progress	April 2021
Local Industrial and Economic Strategy	High	Planning in progress	April 2021

*As reported at the last ARAC meeting, the Director of Housing and Regeneration had requested that the planned review of the Friar Park Project be replaced, as that project had been completed. This has now been replaced with the Harvestime Project.

**It has been agreed that a joint working approach would be undertaken in liaison with the Commonwealth Games Organising Committee's Internal Auditors regarding the Integrated Transport Plan. We are working collectively where there is commonality within the audit scopes of both the Organising Committee and the WMCA. Some fieldwork will now be undertaken in January 2021. Reporting will be undertaken independently to each organisation's respective audit committee.

Summary of individual audits

The following reviews were categorised as either Satisfactory or Substantial Assurance. A summary of our observations has been included, or the full report appended where appropriate.

Employee Management (Covid-19 response)

Our review focused on the arrangements for employee management in response to the implications of the Covid-19 pandemic. We are pleased to report that we found no major issues. We found several areas of good practice within the ongoing response to Covid-19 which facilitated the following:

- Protecting the organisation's employees
- Communicating effectively in uncertainty
- Maintaining the continuity of work

- Preparing for recovery

Employee management is seen as a core element of the WMCA overall response, led by Human Resources and Organisational Development in collaboration with and as a key member of the Covid-19 Tactical Group established to manage the overall organisational response. We also found that the approach and response taken aligned with guidance and best practice advice.

The response also demonstrated a wider consideration of employee health and wellbeing alongside core employee management policy and procedure. This was further supported by the establishment of the Wellbeing Strategy 2020-2022 which looks to address the current situation as well as being forward looking regarding consideration of future working arrangements.

As this subject has been of interest to members at recent meetings, a copy of the full audit report has also been appended to this progress report for information purposes.

Key Financial Systems Audits

Our review sought assurance on the core controls in operation for the Key Financial Systems. We are pleased to report that no major issues were identified, and an overall opinion of substantial was given for the following systems:

- Accounts Receivable
- General Ledger
- Budgetary Control
- Payroll.

We gave satisfactory assurance in the following areas:

- Accounts Payable
- Treasury Management

While we found for both Accounts Payable and Treasury Management that the majority of core controls were operating effectively with no major issues, for Accounts Payable we made two amber rated recommendations regarding supplier bank detail changes and maintaining an audit trail for approval of payment runs within current remote working arrangements. For Treasury Management we made one amber rated recommendation regarding evidencing approvals and separation of duties within remote working arrangements and staffing levels. All of our recommendations have been accepted.

3 Forward plan for 2020-2021 scheduled audits

Auditable area	AAN Rating	Quarter	ARAC Meeting (indicative)
Digital Retraining Fund	High	4	April 2021
Risk Management	High	4	June 2021
Adult Education Budget	High	4	June 2021
Bid Management	High	To be confirmed*	To be confirmed*
Investment Programme Monitoring and Evaluation Arrangements	High	To be confirmed*	To be confirmed*

*Awaiting WMCA decision on the scheduling of these audits.

4 Follow-up of previous recommendations

Through an ongoing cycle of reviews, 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.

As part of a new working arrangement, the WMCA Internal Audit Liaison Officer will be undertaking the initial preparatory work for each follow-up review obtaining progress updates and supporting evidence as and when agreed implementation dates arrive. This is in support also of the WMCA management monitoring arrangements of progress with implementation.

Internal Audit upon referral from the Internal Audit Liaison Officer will then independently review the progress and supporting evidence, and report accordingly on the progress made with implementation of recommendations. Ultimately, Internal Audit will retain the responsibility for determining if sufficient action has been taken.

Follow up action of the following reviews forms part of this ongoing cycle:

Auditable area	Overall Opinion	Agreed Actions		
		Red	Amber	Green
In progress				
Homelessness Taskforce	Substantial	-	-	1
Employee Support Pilot (Productivity and Skills)	Substantial	-	-	1
Forward cycle				
Devolution Deal Objectives and Financial Assumptions, including Business Planning	Satisfactory	-	2	-
WMCA Governance Arrangements	Substantial	-	-	6
Midland Metro Limited Operational Transfer	Satisfactory	-	2	-
Budget Management Role and Responsibilities	Substantial	-	-	3
Employee Performance Management	Satisfactory	-	1	1
Construction Retraining Fund	Substantial	-	-	1
West Midlands Rail Limited - WMCA Governance and Management Arrangements	Satisfactory	-	3	-
WMCA Accessible Transport Services	N/A	-	4	2



West Midlands Combined Authority

Final Internal Audit Report: Human Resource Pre employment Checks 2020/2021

Report Date: 27 November 2020

Report Distribution: Julie Nugent – Director of Productivity and Skills
Tracy Walters MA FCIPD – Head of Human Resources and
Organisational Development
Tracy Beardmore – HR Business Partner Team Manager

Delivered by City of Wolverhampton Council – Audit Services

1. Executive summary

Introduction

An audit of the West Midlands Combined Authority's (WMCA) payroll key financial systems was undertaken as part of the approved internal audit plan for 2020 - 2021. Part of the testing undertaken for this audit included testing of the pre-employment checks undertaken by the Human Resource and Organisational Development Team.

This report highlights two issues that related to Human Resource (HR) pre-employment checks identified during payroll testing.

Key issues identified

The following two issues identified have been classified as **amber** which are detailed in section two of this report:

- Records to evidence that right to work checks had been undertaken correctly and at the right time were not maintained in all cases.
- Where there is a requirement for employees to have specific qualifications for a role no checks were being undertaken to ensure they hold those qualifications before they were appointed and started in that role.

A copy of this report will be presented to the Audit, Risk and Assurance Committee.

Acknowledgement

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

2. Issues arising

Priority rating for issues identified:

Red

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

Amber

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

Green

Action is advised to enhance risk control or operational efficiency

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

No	Issue arising	Agreed action including responsibility and target date
2.1	<p>Right to Work Due to Coronavirus the government has issued some new guidance to employers on how to carry out right to work checks and these changes were to be introduced from the 30 March 2020.</p> <p>From discussions with the HR Business Partner Team Manager it is understood that these revised procedures were communicated to staff and introduced to all staff.</p> <p>As part of the testing undertaken for the Payroll key financial systems a sample of five new starters was selected for testing.</p> <p>The testing found that for only 2 of the 5 new starters was there evidence of the correct right to work checks being undertaken prior to the employee starting work.</p> <p>Of the remaining 3</p> <ul style="list-style-type: none"> 2 emails confirming the right to work checks had been undertaken were dated 8 October 2020, these emails indicated that checks had been undertaken on the 11 May 2020 in accordance with government requirements, but a record of these checks was not made at that time. 1 email dated 8 Oct 2020 indicated checks had been undertaken but there was no reference to when these checks had been carried out. <p>Implications</p>	<p>All members of the Human Resource and Organisational Development Team have been reminded of the new guidance regarding right to work checks that they should be following.</p> <p>Monthly independent spot checks will be undertaken on a sample of new starter records to ensure that the correct evidence is being obtained and that suitable records are being maintained to evidence the right to works checks undertaken, whom by and when. Where gaps are identified appropriate remedial action will be taken. The spot checks will be suitably evidenced.</p> <p>Responsible officer: Tracey Beardmore - HR Business Partner Team Manager</p> <p>Target date: 31 December 2020</p>

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

No	Issue arising	Agreed action including responsibility and target date
	<ul style="list-style-type: none"> • <i>Non-compliance with legislation if right to work checks undertaken after the applicant starts work.</i> • <i>Potential to be subject to enforcement action by the Home Office if evidence of appropriate checks has not been retained.</i> 	
2.2	<p>Qualification As part of the testing undertaken for the Payroll key financial systems audit the job descriptions / role profiles were reviewed and it was found that for 2 of the 5 posts essential qualifications were specified. However, it was found that there was no evidence of the essential qualifications being verified prior to the employee being appointed or starting work.</p> <p>Implications</p> <ul style="list-style-type: none"> • <i>Individuals may be employed for jobs they are not qualified for.</i> 	<p>All recent recruitment exercises will be reviewed, and where there was a requirement for essential qualifications in the job descriptions / role profiles steps will be taken to ensure evidence of these qualifications has been obtained.</p> <p>Going forward, where there is a requirement for essential qualifications in the job descriptions / role profiles, checks will be undertaken and evidenced as completed (when and by whom) to ensure evidence of these qualifications has been obtained prior to appointment or starting work.</p> <p>Responsible officer: Tracey Beardmore - HR Business Partner Team Manager</p> <p>Target date: 31 December 2020</p>

Limitations inherent to the internal auditor's work

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

Internal control

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

Responsibilities of management and auditors

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

Stage	Date
Draft issued	23 November 2020
Exit meeting	N/A
Final issued	27 November 2020
ARAC indicative date	18 January 2021



West Midlands Combined Authority

Final Internal Audit Report: WMCA Employee Management (Covid-19 Response) 2020-2021

Report Date: 05 January 2021

Report Distribution: Julie Nugent, Director of Productivity and Skills
Tracy Walters MA FCIPD, Head of Human Resources and
Organisational Development

1. Executive summary

Introduction

An audit of the West Midlands Combined Authority's (WMCA) arrangements for employee management in response to the implications of the Covid-19 pandemic was undertaken as part of the approved internal audit plan for 2020 – 2021.

Scope and objectives of audit work

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

- To seek assurance that an appropriate and proportionate response to employee management arrangements had been undertaken regarding the impact of the Covid-19 with respect to supporting business continuity, development of new ways of working that remain compliant with WMCA Human Resource policies and ensuring employee health, safety and wellbeing.

Scope	Potential risks
<p>The scope of the review covered the WMCA's response to the Pandemic within its employee management arrangements regarding:</p> <ul style="list-style-type: none">• Protecting the organisation's employees• Communicating effectively in uncertainty• Maintaining the continuity of work• Preparing for recovery <p>Reference to the governance and management arrangements established to address the above as well as maintain compliance and alignment with government and public health guidance.</p>	<ul style="list-style-type: none">• 'Failure to protect and support employees' physical and emotional wellbeing.• Confusion and increased uncertainty due to poor and ineffective communication.• Failure to provide resources and support or develop new ways of working to help maintain productivity and business continuity.• Failure to develop effective recovery plans and integration of business and workforce plans.• Failure to address government and public health guidance within employee management arrangements.

Limitations to the scope of our audit

The audit was limited to a high-level review of the WMCA's activities and approach to responding to the Covid-19 Pandemic through its employee management arrangements. Whilst reference was made the Human Resource policies and their application during the Pandemic to date, compliance testing may be covered under separate systems audit reviews at a future date.

Overall conclusion

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

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

Key issues identified

We are pleased to report that we found no major issues. We found several areas of good practice within the ongoing response to the Covid-19 pandemic with regards to employee management which clearly facilitated the following:

- Protecting the organisation's employees
- Communicating effectively in uncertainty
- Maintaining the continuity of work
- Preparing for recovery

We also found that the approach and response aligned with subsequent guidance and best practice advice produced by professional bodies such as the Chartered Institute of Personnel Development. Reference to key Government guidance within the response was also evident. The response also demonstrated a wider consideration of employee health and wellbeing alongside core employee management policy and procedure supported by the establishment of the Wellbeing Strategy 2020-2022 that looks to address the current situation as well as being forward looking regarding consideration of future working arrangements.

We further noted that employee management was considered and addressed through a collaborative approach led by Human Resource and Organisational Development (HR&OD), also involving for example Health and Safety, Communications and Strategic Assets through the governance and response management provided by the WMCA Covid-19 Tactical Group.

With HR&OD being a key stakeholder within the Tactical Group as well as liaising with key leads for the above areas, this helps ensure employee management implications continue to be suitably highlighted and addressed.

In addition to the immediate response to the pandemic, we understand that the significant change in working arrangements and therefore impact on employees has resulted in the acceleration of the Reimaging Ways of Working workstream outcomes to help address ongoing and post pandemic ways of working.

A summary of the response to the pandemic as well as the journey so far is included section 2 of this report. Section 3 provides our findings and observations regarding the mechanisms used to deliver the WMCA's response to the implications of the pandemic for employee management.

A summary of this report will be presented to the Audit, Risk and Assurance Committee.

2. Background

We understand, through discussions with the Head of HR&OD that already prior to the initial Covid-19 lockdown, proactive consideration had taken place on the implications for the WMCA and its employees in ensuring robust business continuity arrangements were in place with regards to protecting employees.

Further, a collaborative approach was initiated and later in response to escalating issues related to Covid-19 and the Government's steps to control the response to the emerging pandemic, this was then formalised under an operational order and implementation of the Covid-19 Tactical Group which at the time met on a daily basis.

As further Government guidance was issued, it became clearer that the Summer Lane building would be closed and employees, wherever possible, would be instructed to work from home, requiring several immediate actions to ensure the vast majority employees were able to work from home as well as identifying, risk assessing and taking steps to protect critical workers required to work on site (i.e. Summer Lane, Bus Stations and the two Travel Shops).

Actions taken during and since the early stages of the pandemic included:

- Ensuring all employees required to work at home had the required equipment and, where required, Display Screen Equipment assessments undertaken.
- Addressing the levels of anxiety that were being experienced by employees we made available to all employees suitable and easily accessible resources and support regarding health and wellbeing.
- Managing sickness absences through liaison with managers and close monitoring, applying the Managing Attendance Policy with regards managing and recording sickness without detriment to an employee's terms and conditions.
- Greater use of online platforms for support, guidance and resource including transferring the Employee Assistance Programme to a new online provider as well as continuing to provide learning and development to employees.
- Increased guidance provided through the WCMA intranet site.
- Establishing clear and frequent routes for communications with employees.
- Support and guidance for managers on how to effectively support their employees while they work at home.
- Holding a pulse survey in July 2020 to gauge employee experiences and views regarding home working and future ways of working during the pandemic and beyond.
- Identification of critical workers to ensure action taken to address specific risks regarding their health, safety and wellbeing as well as ensure these employees were provided with required equipment to work safely and any letters of authority required for travelling.
- Identification and management of implications for employees who would need to shield as vulnerable people with no detriment to their terms and conditions as a result of Covid-19.
- Continuation of recruitment exercises onboarding nearly 100 new employees using technology instead of traditional face to face methods with delivery of required equipment to their homes.

Also, WMCA took a proactive and prompt response to protecting employees with a wider consideration of employee health, safety and wellbeing, encompassing within the immediate and urgent response to Covid-19 the acceleration of existing initiatives to look at future ways of working through the Reimagining Ways of Working workstream of the Business Transformation Programme as well as development of a WMCA Wellbeing Strategy.

3. Findings

Wellbeing Strategy 2020-2022

The WMCA has established a Wellbeing Strategy 2020-2022 “Creating good days at work and putting wellbeing at centre stage”, recognising organisational success and productivity is clearly dependent on and closely linked to the wellbeing of employees and aiming to support the health and wellbeing of employees as the transitions to new ways of working especially in response to the implications of the pandemic, as well as looking beyond at the medium and longer term, ensuring appropriate support mechanisms are established.

The Strategy looks to provide a holistic approach to wellbeing through continuing to build individual, management and organisational capability supported by key processes, tools and policies. The Strategy outlines current activities and initiatives supporting employee capability which are referenced through key tools, processes and policies referenced within the Covid-19 Employees Toolkit.

Covid-19 Pandemic Operational Orders and Covid-19 Tactical Group

WMCA Covid-19 Operational Orders (originally prepared April in 2020 during the initial lock down period and revised in November 2020) were established outlining the Covid-19 situation and how the overall response would be managed and governed, with the purpose of covering the WMCA in accordance with Government and Public Health England (PHE) Guidance, reflecting both the local and national Covid-19 alert levels. The operational orders state that they run in conjunction with the current Business Continuity Plan and Network Emergency Plan.

The Covid-19 Tactical group, led by the WMCA Head of Thrive as Tactical Command, was formally established by the WMCA Chief Executive in early March 2020 prior to initial lockdown, as a means to ensure the organisation was ready to respond and mitigate emerging recommendations from the government by bringing together core stakeholders and subject matter experts as outlined later in the Operational Orders. The terms of reference established for the Tactical Group stipulate the Group’s specific responsibility for owning and implementing the Operational Order.

The Operational Orders included tactical objectives (supporting wider strategic objectives) which specifically referenced supporting employee management: protecting the health and safety of employees and providing employees with appropriate information and guidance.

The approach outlined within the Orders suitably covered the need for operational interventions within the response to mitigate the impact of employee related issues such as availability and working arrangements with specific responsibility allocated to the Recovery Group for making arrangements for the safety and security of employees requiring access to Summer Lane during the pandemic.

Stated roles and responsibilities suitably include core representatives and subject matter experts from across the WMCA specifically including Human Resources, Communications, Finance, Strategic Assets, Health and Safety and the Trade Unions.

HR&OD were therefore clearly established as core members and key stakeholders ensuring that, through the Tactical Group meeting daily initially for several months and then twice weekly, provided frequent and timely consideration of the ongoing implications for employees regarding the impact of and risks presented by the pandemic. The Head of HR&OD confirmed that they had attended all daily meetings.

Consequently, implications for employee management matters and application of relevant policy, as well as employee health, safety and wellbeing appear to be clearly represented within the response through the operation and governance provided by the Operational Orders and specifically the Tactical Group (and its membership and specific inclusion of HR&OD) through to WMCA senior management and leadership.

Covid-19 Risk Register

The Covid-19 risk register (November 2020) included employee related health and safety risks relating to employees required to work on site (i.e. Summer Lane and transport related sites) as well as a wider risk related to employee morale and productivity. A suitably detailed risk had also been included within the Strategic Risk Register.

Human Resources and Organisation Development

Discussion with HR&OD and review of the Staff Toolkit facility within the intranet site demonstrated a proactive and comprehensive approach to providing a Covid-19 response that focused on the application of policy related to employee management arrangements and the health and safety of employees but with a clear emphasis on employee mental health and wellbeing.

HR&OD were able to demonstrate the development of a clear approach to supporting the workforce during the pandemic through a “holistic approach” to health and wellbeing. This was in response to the unprecedented change in working arrangements from the traditional and largely office-based approach to home working. Early engagement and effective communication with employees were seen as key to the above approach to ensure consistent and up to date information was provided.

The approach taken in the very early stages of the Pandemic and thereafter clearly aligns with subsequent CIPD best practice and guidance reflecting the core areas of activity including being informed and prepared, looking after people’s health, wellbeing and safety, and addressing wider health and wellbeing concerns.

We further found that the approach also reflected the general principles of a good return to work, safe physical work environment and placing a key focus on mentally healthy workplaces as recommended by key HR&OD professional bodies as well as the mental health charity Mind and the Advisory, Conciliation and Arbitration Service (ACAS).

The above was clearly supported by a collaborative approach in liaison with other key leads including Health and Safety, Communications and Strategic Assets brought together under the governance, management and response command of the Tactical Group.

A clear demonstration was evident from discussion and review of core documentation and online provision of support and guidance of both a practical and logistical response, and one focused on health and wellbeing to ensure business continuity and protection of employees. We understand no staff were furloughed and the vast majority of employees have been able to continue to deliver their roles and responsibilities and therefore services.

WMCA were also due to have an article published within the Municipal Journal covering the response to supporting the workforce during the pandemic through a holistic approach to health and wellbeing which is underpinned by the Wellbeing Strategy as detailed above.

Covid-19 Staff Toolkit

The Covid-19 Staff Toolkit, which is a core part of the WMCA's response to employee management, has been suitably established within the intranet site and accessible to employees and managers covering employee management arrangements, health and safety, and wellbeing as a core centrally available source of policy, procedure, guidance and support.

Specifically, the HR&OD section provided various guidance, resource and support to employees and managers including:

- Clear guidance around the process for reporting and recording a sickness absence resulting from Covid-19 and the application of the WMCA Managing Attendance policy and procedure regarding Covid-19 related sickness without penalisation.
- Advice on and process for declaring any international travel undertaken by employees and how resultant self-isolation would be treated under the Managing Attendance policy.
- Regularly updated Covid-19 Frequently Asked Questions, covering key questions under the areas of working arrangements, workplace readiness, managing illness and travel including a dedicated email address for raising any additional questions. Review showed that updates reflected more recent developments, for example the second lockdown.
- Guidance to support those suffering from domestic violence during Covid-19.
- Direct access in one place to various WMCA policies and guidance (existing and new in response to the pandemic) including Managing Attendance, Flexible Working, Annual Leave, Recording Covid-19 related absences, Recruiting and onboarding remotely, Promoting Employee Wellbeing, Health and Safety, ICT Guidance and Cyber Security and Data Protection Awareness.
- Managing Remotely guidance for managers including coverage and key areas to consider in developing effective remote working by providing support at a team and individual employee level from a wellbeing perspective, as well as a business continuity and managing performance perspective. Clear signposting to key guidance and policy was also included and readily accessible.

We also noted that several policies had also been reviewed to ensure they were up to date.

Mental and Physical Health and Wellbeing

The Staff Toolkit also included a dedicated page detailing support, guidance and resources readily available to employees regarding mental and physical health and wellbeing with some specific guidance for those working at home.

Key areas covered included:

- Financial Wellbeing
- Mental Wellbeing
- Physical Wellbeing and Nutrition
- Productivity and Wellbeing
- Keeping connected
- Wellbeing whilst working at home
- Caring for dependents during Covid-19

Core content provided to employees in respect of the above included:

- Events and webinars
- Mental Health Volunteer Buddies
- The Employee Assistance Programme
- Other support and advice available from external support organisations and charities

Weekly All Staff Webinars

The above approach was also supported by all staff webinars that had been held on a weekly basis (through an all employees outlook invitation) led by senior leadership as well as other officers, outside speakers and subject matter experts. Webinars were suitably retained within the Toolkit so accessible to all if not able to attend. Webinars had been held from March 2020 to date. The Head of HR&OD and Head of Thrive regularly appeared in the weekly webinars to both inform and reassure staff.

Review of the webinar held on 2 December 2020 led by the Chief Executive covered various topics regards upcoming events and developments as well as regular updates by the Head of Thrive / Tactical Command Leader regarding infection rates and case numbers across the WMCA region, with reiteration of the precautions people should continue to take. Engagement from staff was evident from the several questions raised at the end of the webinar.

Equality Impact Assessments

An Equality Impact Assessment had been undertaken regarding the impact of Covid-19 on bus station employees (as well as customers and operations) in July 2020 as staff identified as working in higher risk occupational groups. This included an analysis of bus station workforce demographics and equality groups referencing groups of employees at a higher risk as well as the measures taken to protect the workforce (as well as customers) at risk based on protected characteristics.

In addition to the practical elements of actions proposed to help mitigate identified risks, the need for individual risks assessments and stress risk assessments as well as reference to core support facilities within the Staff Toolkit were clearly reflected in the Assessment and action plan within. A similar assessment was also conducted with staff working within the two Travel Shops.

We understand an Equality Impact Assessment was not required for home-based employees being in lower risk occupational groups and the approach, support and resources outlined above helped mitigate against the risks to home-based staff with protected characteristics. We further understand staff who continued to be based at Summer Lane had been screened as part of risk assessments to again mitigate any specific risks.

Reimagined Ways of Working – Employee Survey

The results for the first employee survey (users of the Summer Lane site) conducted during the earlier part of the pandemic provides an indication of the effectiveness of the Covid-19 response regarding employee management and wellbeing, showing a positive outcome to date. The table below provides high level details of the response rate and outcomes. The total response rate was 76% of Summer Lane users.

Indicator	Positive Response Rate
Employees felt well prepared to continue to work remotely	89%
Employees felt comfortable with a future of flexible work locations	90%
Employees felt more productive and able to manage their workload working remotely	80%
Employees have received or know how to request the necessary equipment they need to be effective when working remotely	90%
Employees felt trusted and empowered with the appropriate level of support to continue to work effectively from remote locations	94%

We note that the survey also identified that employees felt that several benefits had arisen from working at home as a result of the pandemic including productivity, flexibility, focus, balance, cost and wellbeing.

Difficulties experienced were cited as missing social interaction, working longer hours, difficult separating work and life, technical issues, back to back meetings and space.

The survey had also identified key themes for further support and specifically what support managers may need in managing issues of remote working, technical support, managing performance and supporting remote workers around wellbeing.

The response approach outlined by HR&OD regarding employee management and protecting employees, the Staff Toolkit and actions within the Wellbeing Strategy to further develop support should help ensure that mechanisms are in place to effectively manage both the benefits and difficulties highlighted in the survey as well as address future issues as they arise.

We understand that at the time of reporting another survey was imminent in order to seek further insight to current employee views regarding working arrangements as a result of the continuing impact of the pandemic and especially in response to the implications of the coming winter period.

Health and Safety

The Health and Safety response, included various guidance and processes to respond to the implications of the pandemic to address health, safety and wellbeing issues that may affect individual employees, stating that the health and safety of employees remains of prime importance.

The Staff Toolkit also suitably included a Health and Safety page and, whilst the emphasis of the Health and Safety response to the pandemic was clearly in meeting health and safety legislative responsibilities placed on the WMCA as an employer, various mechanisms including risk assessments, updated and new Covid19 related policy, assessment tools and guidance within the Safety Management System (SMS) suitably reflected a commitment to protect employee health and wellbeing as well as their health and safety.

Clear reference to complying with Government Guidance on working safely during Covid-19 was also evidenced within the SMS.

Guidance on remote working and operational recovery covering both front line employees and remote working employees supported by an Interim Remote Working and DSE Policy (July 2020), which had been developed in conjunction with HR&OD as well as other key lead areas including Unison, made explicit reference to ensuring that working conditions, hours and patterns were not detrimental to an employee’s health and wellbeing.

Specifically, the process for undertaking Individual Risk Assessments for Covid-19 included coverage of personal and workplace related risks to ensure that the assessment identified and addressed any issues so as to avoid any detriment to their health and safety. Display Screen Equipment online self-assessments had been undertaken as further response to ensuring the implications of working at home for employees were addressed regarding equipment and facilities to support physical health, safety and wellbeing.

Recovery Group

HR&OD are represented within the membership of the Recovery Group as a key stakeholder ensuring employee management issues are suitably considered within the context of recovery going forward.

The Head of Strategic Facilities Management and Head of Strategic Assets advised that employee management was addressed within the preparatory work for recovery through the Summer Lane Recovery Group reporting into the pre-existing Joint Assets Board. Also, that the following areas were covered through the Group and in liaison with HR&OD:

- Control of access to Summer Lane to ensure support to protect both employees required to work onsite as well as visitors, tenants and other occupants of the building.
- Preparations for Summer Lane readiness implementation, ensuring compliance with HMG guidance “Working Safely during coronavirus (Covid-19) - Offices and contact centres”.
- Working with Health and Safety to prepare and implement the COVID Secure building risk assessment
- Ensuring achievement of COVID Secure 2020 status.
- Ensuring changes to national and local lock downs were reflected in access arrangements
- Implementing new support arrangements such as cleaning strategies and social distancing physical measures
- Supporting the development of a remote working strategy cited as a key deliverable of the Recovery Group which will impact on employees and how and where they work in the future.

Communications

Suitable communication plans and documentation had been established regarding the approach to internal communications and engagement during the pandemic included several communications activities directed at employees whether remote working or on site to ensure clear, reliable and consistent communication is undertaken during the current crisis.

The plans state a strategy to explain clearly and regularly what is happening and the response following official Public Health England and Government guidance. To support the above, a Communications Lead was included as key member and stakeholder within the Tactical Group.

Union Engagement

The Unison Branch Secretary as union representative confirmed that the WMCA had ensured that Unison were given open and transparent opportunity to be involved and consulted through full engagement in the employee management response from the outset as a core member of the Tactical Group. The Union Representative commended the WMCA on the duty of care over and above their expectations that was exercised through its mobilisation of the vast majority of the workforce from office based to home-based ensuring all were suitably equipped and supported, without creating any disadvantage to employees from working at home.

They also felt that the support, resource and guidance put in place as detailed above was exceptional. A particular success highlighted was the transfer of the Employee Assistance Programme to CareFirst

(undertaken by HR&OD during the pandemic) and its extension to cover not only employees but their families through a family care package recognising that whilst the employee may not be directly impacted, a family member may be impacted.

Communication during the pandemic as detailed above was also highlighted as a key success and was seen as a positive that should be taken forward and maintained post pandemic.

Lessons learnt

A lesson learnt exercise has been undertaken and a report drafted in 22 October 2020 for the Corporate Management Team prior to presentation to the Senior Leadership Team covering the outcome of the exercise and recommendations based on the identified learning points.

The identified positive lessons included the actions taken by HR&OD to facilitate regularly updated FAQs as well as the promotion of wellbeing support for employees through the mechanisms now contained within the Staff Toolkit as detailed above. The wider health and wellbeing approach taken by Health and Safety over and above the standard physical safety focus was also identified as a positive lesson learnt.

Direct communication with the workforce was seen as an area of learning due to the signing off / approvals process in place in the very early stages of the pandemic. This appears to have been resolved through the current methods of frequent and regular communications to employees directly through email alerts (Pings) and all staff webinars as well as access to support and guidance via the intranet.

Acknowledgement

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

Limitations inherent to the internal auditor's work

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

Internal control

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

Responsibilities of management and auditors

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

Report timetable:

Stage	Date
Draft issued	10 December 2020
Full Response received	5 January 2021
Final issued	5 January 2021
ARAC indicative date	18 January 2021



West Midlands Combined Authority

Final Internal Audit Report: Environment Management System 2020-2021

Report Date: 6 January 2021

Report Distribution: Gareth Bradford – Director of Housing and Regeneration
Jemma Hodgson - Head of Strategic Assets

1. Executive summary

Introduction

An audit of the WMCA Environment Management System (EMS) was undertaken as part of the approved internal audit plan for 2020 – 2021.

An EMS provides WMCA with a framework through which its environmental performance can be controlled, monitored and improved. WMCA has chosen accreditation of its EMS through ISO 14001, an internationally recognised standard, to demonstrate compliance of its activities and planned programmes to reduce the organisation’s environmental impact.

Alcumus ISOQAR, a UKAS accredited certified organisation, had been engaged by the WMCA to undertake audits to support recertification of ISO14001. The accreditation audit is undertaken every three years and was last certified in 2018. At the time of reporting an interim audit was in progress.

The ISO 14001 external accreditation also includes a requirement for an annual review by the WMCA’s Internal Audit Service. This review is the first internal audit undertaken of the EMS and presents the results of our assessment.

Scope and objectives of audit work

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

Scope	Potential risks
<p>The review was conducted utilising the recommended ISO 14001 Internal Audit Checklist which includes coverage of the following areas:</p> <ul style="list-style-type: none"> • Context of the Organisation • Leadership • Planning • Support • Operation • Performance Evaluation • Improvement 	<ul style="list-style-type: none"> • An ineffective or poor EMS may not help achieve organisational strategy and aims dependent on the robust management of the environmental impact of the WMCA’s business operations, activities, products and services. • The WMCA EMS may not be appropriate to the nature, scale and environmental impacts of the organisation’s activities, products and services. • The EMS may not sufficiently meet the requirements and standards within the ISO 14001.

Limitations to the scope of our audit

The review was limited to a desktop review of the above scope areas utilising the ISO 14001 Internal Audit Checklist.

Definitions we refer to in this report:

- Internal audit - the review activity review undertaken by City of Wolverhampton Council Internal Audit
- Inspection Programme - the WMCA review process for site inspections referred to in the EMS documentation as “internal audit”.

Overall conclusion

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

Limited

There is a risk of objectives not being met due to serious control failings.

Satisfactory

A framework of controls is in place, but controls need to be strengthened further.

Substantial

There is a robust framework of controls which are applied continuously.

Findings

We reviewed the WMCA's EMS against the core areas within the ISO14001:2015 internal audit checklist utilising supporting documentation provided by the WMCA Head of Strategic Assets and Head of Environment.

The checklist included seven core areas as follows:

Context of the Organisation – the environment in which WMCA aims to achieve its EMS objectives. This includes its strategy, objectives, relationships with customers, contractors and interested parties as well as the WMCA's compliance with government regulations and its response to environmental emergencies.

Leadership - management activity in providing direction in an environment developed to achieve the organisation's objectives including monitoring and challenging WMCA activities.

Planning - established strategies, programmes and processes, within which risks, opportunities and benefits have been identified.

Support - resources to support delivery of the WMCA EMS.

Operation - activities and processes in operation to deliver and support the EMS.

Performance Evaluation - monitoring, measuring, analysing and evaluating activities undertaken as part of the EMS, including addressing the outcomes of external audits and the WMCA Inspection Programme.

Improvement - seeking continual improvement by identifying nonconformities and taking corrective actions to mitigate reoccurrence by eliminating the root cause.

Collectively the above areas included 186 clauses against which the assessment was undertaken.

We found based on our assessment against the ISO14001:2015 internal audit checklist that the majority of clauses and therefore core areas were suitably addressed by the WMCA EMS.

Key issues identified

We have identified one **amber** issue where improvements could be made. An annual programme of site inspections (Inspection Programme) had not been undertaken since May 2019.

We understand that several factors had contributed to this issue including an Asset Management restructure in 2019, deletion of the environmental officer post in November 2019 and the implications of the Covid-19 pandemic since March 2020. However, we understand that inspections are planned to commence remotely from January 2021 onwards.

In addition, we have raised one issue classified as **green** which is detailed in section two of this report. A copy of this report will be presented to the Audit, Risk and Assurance Committee.

Acknowledgement

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

2. Issues arising

Priority rating for issues identified:

Red

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

Amber

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

Green

Action is advised to enhance risk control or operational efficiency

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

No	Issue arising	Agreed action including responsibility and target date
2.1	<p>Inspection Programme We noted that site visits under the EMS Inspection Programme had not been undertaken since May 2019. We understand that this was due to several factors including an Asset Management Service restructure in Summer 2019, deletion of the environmental officer post in November 2019 and then the subsequent implications of the Covid-19 pandemic.</p> <p>The Head of Strategic Assets confirmed that remote site inspections would be commenced from January 2021.</p> <p>The above issue is related to the clauses within the core area of Planning.</p> <p>Implication: A core activity to support delivery of the EMS and ensure compliance with the ISO14001 had not been undertaken.</p>	<p>When it is safe to do so, the Inspection Programme of site inspections should be re-established to support delivery of the EMS and its objectives, with reporting on progress against the plan reported periodically to the Safety and Health Committee. Any resourcing issues should be promptly identified and escalated for remedial action to ensure the risk that inspections are not undertaken is mitigated.</p> <p>Responsibility: Head of Strategic Assets</p> <p>Target date: 31 March 2021</p>

Action is advised to enhance risk control or operational efficiency
Green

No	Issue arising	Agreed action including responsibility and target date
2.2	<p>Document management We noted from review of several documents supporting the EMS that the document control utilised required enhancement to more clearly reflect the chronological changes and amendments made to the documents and by whom.</p>	<p>Suitable document control information should be included in all EMS documents clearly showing the chronological changes and amendments made to the documents and by whom, as well as approval of the document, within version control details.</p> <p>Responsibility: Head of Strategic Assets</p>

Action is advised to enhance risk control or operational efficiency

Green

No	Issue arising	Agreed action including responsibility and target date
	<p>Further, approval of each document was not clearly evidenced and therefore did not reflect that the document had been presented and approved by the responsible officer and / or governance forum.</p> <p>We also noted that previously, document reviews were undertaken on a less frequent basis.</p> <p>However, the Head of Strategic Assets had confirmed that some reviews had been recently undertaken and that an exercise was proposed to ensure all documents are reviewed.</p> <p>Implication: Document control may be incompletely evidenced leading to confusion.</p>	<p>Target date: 30 June 2021</p>

Limitations inherent to the internal auditor's work

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Internal control

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

Responsibilities of management and auditors

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

Stage	Date
Draft issued	18 December 2020
Exit meeting	6 January 2021
Final issued	6 January 2021
ARAC indicative date	18 January 2021

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Audit, Risk & Assurance Committee

Date	18 January 2021
Report title	The Annual Audit Letter for West Midlands Combined Authority - Year ended 31 March 2020
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Linda Horne, Finance Director & S151 Officer to the WMCA Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Report to be considered by	Audit, Risk & Assurance Committee

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) Note the Annual Audit Letter for the year ended 31 March 2020; and
- (2) Approve publication of the letter on the Combined Authority's website.

1.0 Purpose

- 1.1 This report presents West Midlands Combined Authority's Annual Audit Letter for the year ended 31 March 2020, which summarises the key findings arising from the work carried out by the external audit team at Grant Thornton.

2.0 Background

- 2.1 The letter attached as an Appendix summarises the key findings arising from the work that Grant Thornton have carried out at West Midlands Combined Authority for the year ended 31 March 2020.
- 2.2 This letter is intended to provide a commentary on the results of Grant Thornton's work, to the Authority and external stakeholders.
- 2.3 In preparing this Letter, Grant Thornton have followed the National Audit Office's Code of Audit Practice and Auditor Guidance Note 07 – 'Auditor Reporting'.
- 2.4 Members will recall that Grant Thornton reported the detailed findings from their audit work to the Committee as those charged with governance in their Audit Findings Report on 14 July 2020 and in their Audit Update Report on 26 October 2020.
- 2.5 Grant Thornton gave an unqualified opinion on the group financial statements on 30 November 2020.
- 2.6 In terms of the overall Value for Money conclusion, Grant Thornton are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.
- 2.7 Following consideration by the Committee, the Annual Audit Letter for the year ended 31 March 2020 will be published on West Midlands Combined Authority's website.

3.0 Legal Implications

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

4.0 Equalities Implications

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

5.0 Inclusive Growth Implications

- 5.1 West Midlands Combined Authority will continue to have due regard to proactively delivering inclusive growth in the West Midlands region. The Authority's financial statements reflect that commitment.

6.0 Geographical Area of Report's Implications

- 6.1 There are no geographical area implications arising from this report.

7.0 Appendices

7.1 Appendix – The Annual Audit Letter for West Midlands Combined Authority

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The Annual Audit Letter for the West Midlands Combined Authority

Year ended 31 March 2020
January 2021



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Your key Grant Thornton
team members are:

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Grant Patterson
Key Audit Partner

T: 0121 232 5296

E: grant.b.patterson@uk.gt.om

Helen Lillington
Senior Manager

T: 0121 232 5312

E: helen.m.lillington@uk.gt.com

Ellena Grant-Pearce
In Charge

T: 0121 232 5397

E: ellena.grant-pearce@uk.gt.com

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3. Value for Money conclusion	9

Appendices

A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at the West Midlands Combined Authority (the Authority) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Authority and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Audit, Risk and Assurance Committee as those charged with governance in our Audit Findings Report on 14 July 2020 and Audit Update Report on 26 October 2020.

Our work

Materiality	We determined materiality for the audit of the Authority's financial statements to be £6.5m, which is 1.8% of the Authority's total expenditure. The group materiality was £6.8m and this was determined on the same basis.
Financial Statements opinion	We gave an unqualified opinion on the group's financial statements on 30 November 2020. The opinion included an Emphasis of Matter paragraph in respect of the effects of Covid-19 on the valuation of investment properties within the pension scheme.
Whole of Government Accounts (WGA)	We completed work on the Authority's consolidation return following guidance issued by the NAO. Noting that the Authority was below the threshold for detailed procedures to be undertaken.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Authority on 30 November 2020.
Certificate	We certified that we have completed the audit of the financial statements of West Midlands Combined Authority in accordance with the requirements of the Code of Audit Practice on 30 November 2020.

Working with the Authority

The outbreak of the Covid-19 pandemic has had a significant impact on the normal operations of the Authority and group. The most significant impact has been the negative impact on income streams, particularly in relation to bus, rail and tram travel. The Authority have adapted well to delivering in a remote environment, and we have worked with the finance team to deliver the audit under remote auditing arrangements.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the group's financial statements (section two)
- assess the arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff .

Grant Thornton UK LLP
January 2021

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group financial statements to be £6.8m, which is 1.8% of the group's total expenditure. We determined materiality for the audit of the Authority's financial statements to be £6.5m, which is 1.8% of the Authority's total expenditure. We used this benchmark as, in our view, users of the group and Authority's financial statements are most interested in where the group and Authority has spent its revenue in the year.

We set a lower threshold of £340k for the group and £325k for the Authority, above which we reported errors to the Audit, Risk and Assurance Committee in our Audit Findings Report.

We also set a lower level of specific materiality for senior officer remuneration of £25k. We consider the disclosures of senior manager's remuneration to be sensitive as we believe these disclosures are of specific interest to a reader of the accounts.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Authority and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks (Group and Authority)

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid-19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expected circumstances to have an impact on the production and audit of the financial statements for the year ended 31 March 2020, included and not limited to:</p> <ul style="list-style-type: none"> • Remote working arrangements and redeployment of staff to critical front line duties potentially impacting on the quality and timing of the production of the financial statements, and the evidence we could obtain through physical observation • Volatility of financial and property markets increasing the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we could obtain to corroborate management estimates • Financial uncertainty requiring management to reconsider financial forecasts supporting their going concern assessment on whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements required significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. 	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 18 May 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as the pension fund liability valuations; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. 	<p>Our audit work has not identified any issues in respect of Covid-19 specific risks.</p> <p>The Authority responded well to the challenge of remote working and were able to produce draft financial statements to a broadly similar timetable as in previous years, which at 18 May 2020 was still significantly ahead of the pre Covid-19 production date of 31 May. We are aware that nationally, this is one of the first set of draft financial statements produced and audited.</p> <p>Like many other authorities, the impact of Covid 19 lead to material uncertainties on the valuation of the Authority's share of directly held property assets held within the West Midlands Pension fund. The Authority disclosed this material uncertainty in the accounts, and this was the basis of an Emphasis of Matter Paragraph in our auditor's report.</p> <p>This does not affect our opinion that the statements give a true and fair view of the Authority's financial position and the income and expenditure for the year but are added to indicate a matter which is disclosed appropriately but which we consider is fundamental to a readers' understanding of the financial statements.</p>

Audit of the Financial Statements

Significant Audit Risks (Group and Authority) - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>In terms of this risk and how it relates to the Group we have also determined that the risk of fraud arising from revenue recognition can be rebutted because we do not consider there to be a risk of material misstatement in the accounts of Midland Metro Limited or WM5G Limited due to fraud in revenue recognition. We also believe, that the above bullet points also apply from a group perspective.</p>	<p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having consider the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the Group and the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including the West Midlands Combined Authority (the Authority), mean that all forms of fraud are seen as unacceptable. 	<p>Therefore we do not consider this to be a significant risk for the Authority.</p>
<p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Group and Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as one of the most significant assessed risks of material misstatement for both the Group and the Authority.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Evaluated the design effectiveness of management controls over journals, • Analysed the journals listing and determined the criteria for selecting high risk unusual journals, • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration, • Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence, and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work has not identified any issues in respect of management override of controls.</p>

Audit of the Financial Statements

Significant Audit Risks (Group and Authority) - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net pension liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£51.1m at 31 March 2019) in the Authority's balance sheet and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls, Evaluated the instructions issued by management to their management expert for this estimate and the scope of the actuary's work, Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation, Assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability, Tested the consistency of the pension fund asset and liability disclosures in the notes to the core financial statements with the actuarial report, Undertaken procedures to confirm the reasonableness of the actuarial assumption made by reviewing the report of the consulting actuary (as an auditor's expert) and performed any additional procedures suggested with the report, and Sought assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. 	<p>The Authority's net pension liability at 31 March 2020 is £39.9m (PY £51.1m). A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>We have compared the assumptions used by the Authority's actuary against industry benchmarks. Based on the work performed we are able to conclude that management's assumptions overall are reasonable.</p> <p>Management obtained an updated actuary report to include asset valuations up to the 31 March 2020, to take account of the potential change in valuations due to Covid-19. There has been a £11.2m net actuarial gain during 2019/20. The draft financial statements were revised to take account of this updated actuary report.</p> <p>As noted on page 5, like many authorities, the impact of Covid-19 lead to material uncertainties on the valuation of the Authority's share of directly held property assets held within the West Midlands Pension fund. The Authority disclosed this material uncertainty in the accounts, and this was the basis of an Emphasis of Matter Paragraph in our auditor's report.</p> <p>Overall, our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's financial statements on 30 November 2020.

Preparation of the financial statements

The Authority published its unaudited accounts on 18 May 2020 which was still significantly ahead of the pre Covid-19 preparation date of 31 May 2020. Working papers were provided that supported the balances in the accounts, and responded efficiently to our queries during the course of the audit. We made use of video calling to access the completeness and accuracy of the information provided by the entity.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Authority's Audit, Risk and Assurance Committee on 14 July 2020 and in our Audit Update Report on 26 October 2020.

In addition to the key audit risks reported earlier we discussed the accounting treatment of the Authority's Land Fund. This is a ring-fenced capital grant from the Ministry of Housing, Communities & Local Government (MHCLG) of up to £100m awarded to the Authority as part of the £350m Housing Deal announced in March 2018. The Fund is to be deployed by the Authority, monitored by Homes England on behalf of MHCLG, to deliver new homes on brownfield land where market failure can be demonstrated.

The Authority originally accounted for Land Fund assets as Assets Under Construction (AUC). Our review of CIPFA's Accounting Code and accounting standards suggested that the assets were more closely aligned to classification as Inventory. This is an unusual transaction and following discussions the Authority determined that inventory was the most appropriate accounting treatment. The impact on the Authority's Balance Sheet was:

- Reduction in AUC - £12.4m
- Increase inventories - £12.4m

Therefore there was no net impact upon the Authority's overall net assets position but additional disclosures in respect of inventory were made and an accounting policy added.

Annual Governance Statement and Narrative Report

We are also required to review the Authority's Annual Governance Statement and Narrative Report. These were published within the Authority's audited Statement of Accounts in November.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Authority was below the audit threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of West Midlands Combined Authority in accordance with the requirements of the Code of Audit Practice on 30 November 2020.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work. The risks we identified and the work we performed are set out below and overleaf. As part of our Audit Findings report agreed with the Authority in November 2020, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Delivery of Adult Education workstream</p> <p>One significant new workstream for 2019-20 was the Adult Education Budget. The budget had £84m in relation to this, but the actual allocation is in the region of £120m. Given the introduction of this in the year we were keen to understand the arrangements in place for the delivery of this service.</p> <p>We determined to review the outcomes of the internal audit work that is planned in this area, and then consider if any further work is needed against the identified risk.</p>	<p>Given this is the first year of a new area of service delivery, both officers and members have been keen to understand how this service has been delivered and what improvements needs to be made going forward.</p> <p>A review of Board minutes confirms that there has been reporting through Overview and Scrutiny Committee. In April 2019, the Committee agreed a series of recommendations in relation to Adult Education. An update on the recommendations was reported in March 2020.</p> <p>There is clear evidence of progress being made in this area, with a reduction from over 400 providers to 94. This has enabled the Authority to work much more closely with the providers and ensure a clear focus on meeting priorities and getting better progression for learners. There is a much greater focus on encouraging learning that leads to improved employments chances.</p> <p>There is a clear plan in place for improvements in the service and to make the most of the new arrangements. Work remains ongoing against the detailed recommendations first made in April 2019. that were put in place from the initial review.</p> <p>Our discussions with officers and internal audit have confirmed that there remains an external investigation ongoing in relation to one provider. This is a joint investigation with the Education and Skills Funding Agency and is in line with the terms of the contract. As a result of this ongoing investigation the work of internal audit has been put on hold until the outcome of these reviews is known.</p>	<ul style="list-style-type: none"> • We have seen from our review of relevant Board and Combined Authority papers and regular discussion with management and key officers that work remains ongoing in terms of the delivery of the Adult Education workstream. • Our review has identified that there are appropriate arrangements in place around this risk.

Value for Money conclusion (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Investment Programme Delivery</p> <p>The Authority has identified the financial assumptions for the investment programme as a risk. This is being mitigated by a review of the governance and appraisal process associated with the investment programme. The spend to date remains behind forecast, and a cap has been placed on the programme at £801m to keep it within the current affordable limit based on income secured to date.</p> <p>We will review the Authority's arrangements for managing the Investment programme.</p>	<p>As noted by the initial risk assessment failure to deliver the Investment Programme may risk achievement of the overall strategic objectives of the Authority. Steps have been taken to leverage in more investment, but the £801m cap remains in place to ensure that the programme remains affordable.</p> <p>To help the Authority ensure that objectives were being met an enhanced assurance framework has been developed, and this was reported to the Audit, Risk and Assurance Committee in January 2020.</p> <p>Alongside the enhanced assurance framework, enhancements were also made to the performance management and reporting framework. This included a review of the dashboard used to report to the Investment Programme Board. The revised dashboard has since been implemented, with the first reporting to the meeting in April 2020. The Chair welcomed the greater clarity provided by this updated dashboard.</p> <p>As part of the enhanced assurance framework the intention would be to review all projects, including those within the capital programme. An update on this report was due to ARAC in April 2020, however due to the global events this has been delayed.</p> <p>Discussion with officers confirm that significant work is now needed in relation to the investment and capital programme as the Authority plans how it will support the Covid-19 recovery. Existing schemes are being reviewed to determine the risk associated with them and while new contracts are being entered into, the Authority have introduced an additional layer of scrutiny to them with a specifically designed checklist.</p>	<ul style="list-style-type: none"> We have seen from our review of relevant Board and Combined Authority papers and regular discussions with management and key officers that work remains ongoing to review the Investment Programme and how this will impact on the ability of the Authority to deliver its strategic objective in the longer term. The changes to the economy as a result of Covid-19 are likely to have a significant impact on the nature of the projects in the programme. Our review has identified that there are appropriate arrangements in place around this risk.
<p>Governance of WM5G</p> <p>WM5G has been set up as subsidiary company of the Authority to deploy 5G and fibre networks to areas with poor coverage. 5G is new technology and a new funding stream for the Authority. Our initial risk assessment has demonstrated that funding from central government is lagged, and therefore alternative sources of start-up funding is also needed.</p> <p>We will review the outcomes of the internal audit work that is planned in this area, and then consider if any further work is needed against the identified risk.</p>	<p>We reviewed the work of internal audit who reported in September 2020. The report gave substantial assurance and raised no recommendations.</p>	<ul style="list-style-type: none"> We concluded that there are appropriate arrangements in place around this risk.

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and that no non-audit services were provided during the year.

Fees

	Planned £	Actual Fees (Proposed) £	2018/19 fees £
Statutory audit scale fee	35,805	35,805	35,805
Additional proposed audit fees at planning stage	10,695	10,695	
Total proposed audit fee at planning	46,500	46,500	35,805
Further additional fees proposed at completion		9,475	10,695
Total fees	46,500	55,975	46,500

Reports issued

Report	Date issued
Audit Plan and Addendum	January 2020 and April 2020
Audit Findings Report	July 2020
Annual Audit Letter	January 2021

The Audit Plan presented in January 2020 included £10,695 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator. This is reflected in the total proposed audit fees at planning above of £46,500.

Since the presentation of the audit plan, and an addendum issued in April 2020 in respect of Covid-19 risks, we have now reflected on the additional time taken to discharge our responsibilities as a result of Covid-19. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted including an additional significant risk being added to our Audit Plan and the move to remote working impacting upon delivery. To date, we estimate that the issues highlighted are increasing the time taken on audits by an average of around 25%, in some cases higher. We understand from discussions with the ICAEW that this is similar to other firms. We have looked to mitigate this as far as possible through reduced travel time and travel costs and will absorb some of the remaining overrun ourselves. However, it is unlikely that this will be sufficient to cover the full additional cost. As a result of this extra work and time taken we are proposing a further increase in fees of £6,975 (15%) in addition to those proposed at the planning stage of the audit. This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with local government and commercial audit deadlines being extended by 4 months and NHS deadline by a month. The Financial Reporting Council (FRC) has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

There was also additional work relating to our consideration of the accounting treatment for the land fund (see page 8) which required input from our national technical team, which attracted an additional fee of £2,500. This brings the total proposed audit fee up to £55,975. Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Non- audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and confirm that no non-audit services were identified. However, Grant Thornton UK LLP has been appointed by the Department for Transport (DfT) to carry out work in connection with the reconciliation exercise for Light Rail Revenue Grants (LRRGs) including those distributed to the Authority. We recognise that as the Authority's auditor there is the potential for perceptions of a conflict of interest in undertaking this work. We have put safeguards in place and are therefore satisfied that our independence is maintained.



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Audit, Risk & Assurance Committee

Date	18 January 2021
Report title	WMCA Strategic Risk Register
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 considered by	

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) Consider and note the strategic risks contained within the WMCA Strategic risk register.
- (2) Note the additional consideration of Covid19 risks shown in the updated Register.
- (3) Note the risks highlighted in 2.5 which have been subject to significant changes since the register was last presented to the committee in October 2020.

1. Purpose

- 1.1 This report provides an update on the current status of the strategic risk register as presented as Appendix 1 to support Audit, Risk and Assurance committee (ARAC) in its function to monitor the operation of risk management at West Midlands Combined Authority.

2. Background

- 2.1 Senior Leadership Team (SLT) monitors WMCA's risk environment on a regular basis to ensure key risks are captured on the Strategic Risk register and effective mitigation measures are in place to actively reduce or eliminate the resulting effects.
- 2.2 Risk management has been a key driver in the identification and management of the challenges resulting from the current public health emergency and this has been managed at a local level with a Covid 19 risk register being established at an operational level. The risks housed in this register continue to be reviewed and updated regularly as the risk landscape evolves.
- 2.3 The pandemic has required a further review of risks already identified and contained within the strategic risk register earlier in the year and these have been reflected as additional entries to the register under the heading of 'Covid 19 effects to risk and response', and are recorded alongside the associated risk where relevant. A significant number of the risks detailed within the register continue to be subject to considerable levels of uncertainty due to the evolving risk landscape caused by the pandemic. Unfortunately, at this stage of the Pandemic it is only possible to identify some risks from an interim point of view as further work is ongoing to understand some of the longer-term impacts on the organisation and the region. It is anticipated that improved levels of clarity in the coming months will lead to significant updates within the version of the WMCA's Strategic Risk Register presented at the next ARAC meeting. The risks contained within are subject to close ongoing monitoring.
- 2.4 The register continues to record 11 risks with a materiality level of high. This includes Financial Assumptions of the Investment Programme (ref. S01) and External Factors (ref. S11) which are recorded with the highest scoring of 25.
- 2.5 The Committee's attention is drawn to the following:
- Risk ID S06 – The overall residual risk score/materiality has increased to 15 from a previous score of 8, with both likelihood and impact having increased. This risk continues to be closely monitored.
 - Risk ID S07f – The overall residual Risk score has reduced in the basis of decreased likelihood following introduction of enhanced mitigants (revised risk score of 8 from previous score of 12).
 - Risk ID S15 - Has been merged with the risk formerly documented in S18 as the detail previously held in S18 is the Covid response element of the impact documented in S15.
 - Risk ID S11 – At the time of writing, this risk remains subject to a significant level of uncertainty despite a Trade deal having been negotiated and as such the risk will continue to be closely monitored.

- 2.6 Detailed analysis of the financial forecast is ongoing, and Members will be aware of media coverage of the financial pressures that are facing public authorities at this time. SLT are working closely with Central Government as part of the financial and economic support for the region including its response to policy developments that will be required to be stalled for the immediate future.
3. **Financial Implications**
N/A
4. **Legal Implications**
N/A
5. **Equalities Implications**
N/A
6. **Inclusive Growth Implications**
N/A
7. **Geographical Area of Report's Implications**
N/A
8. **Other Implications**
N/A
9. **Schedule of Background Papers**
Appendix 1 - Strategic Risk register

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WMCA Strategic Risk Register - January 2021

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 & Trajectory	
S01	Director of Finance	Financial	OPEN 5/5 Previous Risk Score 25 ↔	<p>Financial Assumptions for Investment Programme</p> <p>There is a risk that if WMCA are not able to realise the supplementary (or alternative, equivalent) income streams envisaged in the 2016 Devolution deal the programme may not be delivered as originally intended.</p> <p>There is a secondary risk around the 'interest rate risk' and the degree to which any upwards movement in the rate WMCA borrow at erodes the purchasing power of the grants / funding it has secured to date.</p>	<p>WMCA Board have capped the investment within an affordable limit which also includes a hedge against future interest rate rises as agreed with the WMCA FD network.</p> <p>Use of professional financial modellers and external treasury management experts to continually review the internal/ external forces on the Investment Programme model which are then regularly reviewed by senior Finance team members.</p> <p>Close working with Government to understand the ongoing financial position and help unlock additional income streams.</p> <p>Assessing opportunities to turn grants to loans and / or maximise 3rd party contributions and land value capture.</p> <p>Identify opportunities to fund Investment Programme schemes through other means (i.e. Levelling Up Fund).</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>
S01				<p>Covid 19 effects and response to risk</p> <p>Due to effects 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.</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 e.g. Get Britain Building Fund. Opportunities arising from the recent Spending Review announcements are continuing to be assessed.</p>				<p>We continue to lobby Govt for funding and to explore other opportunities e.g. the Levelling Up Fund announced in November's Spending Review.</p>
S11	Senior Leadership Team	Economic	OPEN 5/5 Previous Risk Score 25 ↔	<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 remain significant over the immediate and medium term. Economic effects of the pandemic in the WM Region is predicted to be affected more severely compared to 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 across the public and private sector to track and plan for the impact of Covid on the economy and bring forward proposals to mitigate the effects. It is also playing a role in considering Brexit impacts and responses in the region. Recharge West Midlands Proposals were submitted to government in July and have been incorporated into the Spending Review representation submitted in September. Economic Recovery activity is overseen and directed by both the SED Board and the Steering Group, with regular reporting to CA Board. WMCA supports wider regional EU exit planning activities.</p> <p>Established weekly monitoring process (in collaboration with WM-REDI the University of Birmingham), summarising economic conditions, in addition to monthly reporting to SED Board. 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, and is closely engaged with emerging policy and fiscal announcements</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>
S11				<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 Previous Risk Score 16 ↔	<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, and continued uncertainty on when and how this will be achieved 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, supporting the joint submission made on the Devolution White Paper in August.</p> <p>Arrangements are being put in place to ensure all stakeholders are kept informed & involved with any Devolution discussions, through the establishment of a Devolution Strategy group.</p> <p>The expectations of all members is to be clearly understood and shared with ongoing engagement with all partners and businesses at all stages of the Portfolio delivery.</p> <p>WMCA are developing more regular stakeholder and political 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 - January 2021

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score & Trajectory	Further actions required to mitigate risk
S03	Senior Information Risk owner (MD, TFWM) / Head of Governance	Operations Core Functions	OPEN 4/4 Previous Risk Score 16 ↔	<p>Data Protection & Information Security 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	Head of Human Resources and Organisational Development / Senior Leadership Team	Operations Core Functions	OPEN 4/4 Previous Risk Score 16 ↔	<p>Capacity and Capability 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>
S02	Senior Leadership Team			<p>Covid 19 effects and response to risk 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. The recent update of HMG requirement to continue to work from home over the winter period, coupled with increasing localised lockdowns is likely to exacerbate this risk. 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>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 have been reviewed in detail to inform the approach to Agile working plans for future and policy development with regard to future working arrangements. A Lessons Learnt exercise has been completed to assess WMCA's response and inform plans for the preparedness of future emergencies. This has been presented a paper to Health & Safety Strategic Committee (H&SSC), Corporate Management Team (CMT) & Joint Assets Board (JAB) on 6th October with our detailed findings.</p> <p>The planned Audit to review our HR response to Covid19 has been initiated, the audit is being undertaken by colleagues from Wolverhampton with findings anticipated for publication in early 2021.</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>				<p>Monitoring of overall levels of productivity and well being will continue, following HMG latest advice on home working. In addition to the initial survey regarding WMCA's Covid response, the Staff will be surveyed again in November/December 2020 to assess ongoing well being, this survey is to be available for completion by Staff for a period of 2 weeks until 16:00 on 4th December 2020.</p> <p>Conclusion of planned Audit to review our HR response to Covid19, undertaken by colleagues from Wolverhampton, findings are expected to be published in early 2021.</p>
S15	Senior Leadership Team	Economic Political Financial	OPEN 4/4 Previous Risk Score 16 ↔	<p>Overall Delivery of Devolution Objectives 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>

WMCA Strategic Risk Register - January 2021

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score & Trajectory	Further actions required to mitigate risk
S15	Senior Leadership Team	Economic Financial Capacity Delivery	Previously captured as S18 OPEN 3/5 Previous Risk Score 15 ↔	Previously captured as S18 Covid-19 Response 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 it's staff.	Strategic team established by SLT to consider and manage the organisational response to the outbreak of Covid 19. Assessment of critical business activities, ensuring the prioritisation and continuation of the organisation's critical path. 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. 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. Working with economic and other local strategic groups to mitigate the economic effects, disseminating their views to Government for onward consideration. In addition to support the continuing response phase, we are also supporting community and economic recovery planning. WMCA Officers are playing a full part in regional arrangements on all relevant topic areas where we have influence. 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.	3	5	15 ↔	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. Longer term strategy for staff arrangements including the use of 16 Summer Lane is being developed for consideration in the autumn.
S19	Senior Leadership Team	Economic Financial & Operations Emerging	NEW 4/4 Risk Score 16 ↔	Longer term economic impact of Covid-19 on bus service provision. 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.	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. 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. Consider review of funding model and access standards in the event of funding not being provided to support uplift and commercial operators making significant changes.	4	4	16 ↔	We will continue to work closely with bus operators, Government and UTG and ensure that any commercial changes are also considered alongside the tendered network to ensure we make efficient use of all available funding sources. The level of risk to regional bus services will need additional funding to the values between £5m and £35m in 2021/22 (tendered risk) and £35m to £60m (commercial operator risk) and could result in a review of regional access standards. Preparations are being made to assess a process required to amend access standards in the event of emergency. We will continue to engage with the Central Government and the DfT and lobby for effective funding for bus services during the recovery period to avoid significant impacts to commercial and tendered bus services in the region. In November Government indicated their support for devolving funding for 21/22 but are yet to agree the amount and the terms under which it will be devolved, but indications are positive currently.
S06	Director of Finance	Financial	OPEN 2/4 Previous Risk Score 8 ↑	Commerciality 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: a) commercial models not being able to deliver expected benefits and commercial revenue targets and/or b) the structure exposes the Combined Authority to greater financial risk if the delivery model is unsuccessful. Covid 19 effects and risk response There is a risk the current economic situation will have a greater impact on the commercial arrangements currently in place or being established.	Formal governance structures in place between WMCA and commercial bodies. CA directors appointed to companies providing regular interface between parties. Compliance of all financial accounting arrangements. Assurance & Governance checklist in place to review and confirm satisfactory arrangements are in place for all 'Arms Length companies' The Investment Director provides a commercial perspective on funding opportunities that are presented to WMCA. 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.	3	5	15 ↑	Adopting commercial models will allow the WMCA to become less dependent on government as it can diversify funding income. We continue to lobby government to support commercial operations impacted by the pandemic.
S14	Senior Leadership Team	Political & Programme Delivery	OPEN 3/5 Previous Risk Score 15 ↔	Delivering the 2041 Carbon Budget reduction 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. 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. 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.	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. A climate change strategy has been developed and priorities identified through a paper presented to the CA Board in June 2020 (WMZ041: a programme for implementing an environmental recovery) Supporting progress with sustainability partners in aligning the five-year budget cycles required under the UK Climate Change Act. 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.	3	5	15 ↔	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. We continue to press the Government for additional funding for the Carbon Reduction Plan in connection with any review of public spending. Additional resourcing of both the work and the team will be important for delivery as we go forward.
S12	Senior Leadership Team	Programme Delivery & Devolution Commitments	OPEN 3/5 Previous Risk Score 15 ↔	Project / Programme Appraisal & Assurance 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.	An enhanced organisational Single Assurance Framework has been developed and approved by WMCA Board in July 2020. A phased implementation plan was endorsed by SLT in September 2020 for transition of projects to the new assurance framework. This started with the Investment Programme in 2 phases by geography. The Strategic Hub have developed tools for each key stage and during December 2020 the Development stage will be rolled out. This includes business case templates in the Board friendly format together with robust appendices and guidance. Alongside this will be the Assurance Tools - BCAT, observation report and maturity assessment. For business cases in excess of £1m there will also be a robust Risk & Investment Appraisal and this includes input from SMEs. Directorate programmes and projects will transition in 2021 and the Strategic Hub is working with directorates to identify their project pipeline. Internal Audit providing up to date assessment of current performance The Investment Director is establishing a commercial approach to funding opportunities.	3	5	15 ↔	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. To mitigate risk there are further elements of the SAF that need to be implemented and embedded. 1. The Portfolio Pipeline is key - this information provided by Directorates will be used to populate the CA Activity Register and this gives foresight of the route and approvals governance for projects. The CA Activity Register is held by the Strategic Hub but relies on input of projects, bids and activity by Directorates. 2. The Directorate Pipeline meetings need to be implemented in early 2021 when the Initiation stage of the assurance framework is rolled out. 3. The Strategic Hub are producing a detailed timetable that will support directorates to identify when they need to make business cases available for assurance activity to take place and when a R&I appraisal will be undertaken. 4. Continued support and guidance of the Strategic Hub will be available whilst directorates embed these new tools to support the assurance framework and reduce the impact of non-compliance. The phased implementation of the Assurance Framework will continue with regular reporting and updates being provided to ARAC and SLT. A Strategic Hub has been created with operations currently being established to provide a single framework for programme oversight and

WMCA Strategic Risk Register - January 2021

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score & Trajectory	Further actions required to mitigate risk
S07d	Investment & Commercial Activities Director	Programme Delivery & Devolution Commitments	Open 3/4 Previous Risk Score 12 ↔	Delivery - West Midlands 5G 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.	WMCA and DCMS have developed and continue to enhance a robust assurance frameworks for the programme. Finances throughout the project are 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. WMSG has not purchased any Huawei equipment or services to-date. 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. WMSG has received confirmation from its suppliers that none of its trials or activities will be impacted by the Huawei issues.	3	4	12 ↔	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 WMSG is funded until March 2022. A plan is being put in place to address potential staff retention issues as it is important to retain focus on delivering results in the 2021/22 year.
S05	Head of Governance	Operations Core Functions	OPEN 3/4 Previous Risk Score 12 ↔	Governance Arrangements 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. 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.	Comprehensive governance arrangements are in place and contained in the WMCA constitution, approved by the Board. 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. 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. Governance activities are managed centrally to ensure robust arrangements are in place and conform to all legal requirements. 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.	3	4	12 ↔	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. Corporate Assurance Team and Governance continue to liaise with new functions to establish appropriate assurance and governance arrangements. A governance review including a full review of the Constitution is currently underway.
S05				Covid 19 effects and response to risk Government guidance on social distancing has resulted in formal meetings having been suspended. 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.	We continue to review the operation of remote meetings to ensure they are working appropriately.				Since we are still experiencing periods of lockdown it is clearly not possible to re-start meetings with physical attendance due to restrictions on numbers and physical distancing. We will continue to monitor national guidance on this from Govt and the LGA and work with the Met Authorities to maintain a consistent approach where possible.
S09	Senior Leadership Team	Operations Core Functions	OPEN 3/4 Previous Risk Score 12 ↔	Capacity of Leadership Team 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. <i>Please refer to risk ref. S02 for information on Covid 19 effects and response.</i>	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. Continued oversight of all functions is maintained by the CEO with weekly individual and Leadership Team review meetings to enable early intervention. 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. An integrated Performance Management Framework has been established to provide SLT with early trigger warnings affecting delivery. A programme of Business Transformation is underway to improve the efficiency and effectiveness of the CA.	3	4	12 ↔	Close working arrangements in place with member authorities in order for all parties to provide mutual support as required.
S13	Director of Housing and Regeneration / Managing Director TWMM	Operations Core Functions	OPEN 3/4 Previous Risk Score 12 ↔	WMCA Resilience The risk that WMCA cannot respond in an effective and timely manner to events that disrupt operations and activities, which could lead to financial loss (or failure to realise expected benefits or funding) reputational damage, legal or regulatory breach.	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. An incident management team and out of hours On Call arrangements are in place with alternative workspace identified at alternative WMCA locations. Independent review by Internal Audit provided 'substantial' rating for corporate business continuity arrangements. Raising business continuity awareness and embedding the programme within the business. Consistent messaging	3	4	12 ↔	Raising business continuity awareness and embedding the programme within the business. 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. 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 Phase 2 of the Business Continuity Plan is the review and development of the 16 Summer Lane resilience plan (Oct.-Dec 2020). Phase 3 of the plan is the development of a wider corporate and organisational resilience plan (Jan-Mar 2021)

WMCA Strategic Risk Register - January 2021

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score & Trajectory	Further actions required to mitigate risk
S08	Senior Leadership Team	Programme Delivery & Devolution Commitments	OPEN 3/4 Previous Risk Score 12 ↔	<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 pro-active 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> <p>A 6 month delivery review has provided an update to the board - Deliverables have been reviewed and reassessed with consideration of Covid circumstances.</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 3/4 Previous Risk Score 12 ↔	<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 cannot be met entirely by the agreed Organising Committee (OC) operations budget. Additionally the current impacts on the BAU PT Network and it's recovery period as a result of COVID-19 (medium/long term) may not be sufficient to support proposed PT strengthening plans.</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 members of the Chief Executive Officers Group (CEOG) for the Games. Budget for Transport Operations was agreed with HMG as part of its Major Project Review Group and TFWM continues to work in partnership with B2022 to develop and deliver a successful transport operation across the region for Spectators for Games time. An Integrated Transport Programme, cost plan and financial management processes have been developed that supports the formal funding agreement and progresses the delivery of operations that fall under TFWM's remit for Games. COVID-19 impacts have been assessed and QRAs are being validated to ensure relevant contingency can be drawn down if required.</p>	3	4	12 ↔	We are continuing 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. The recovery of the PT Network and it's resilience for games time operations is being considered alongside development of Games time service levels to enable mitigations planning as we progress towards the Games.
S07f	Director of Housing and Regeneration	Programme Delivery & Devolution Commitments	Open 3/4 Previous Risk Score 12 ↓	<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 period to ensure the appropriate risk analysis and assurances are in place. Securing additional funding via the Brownfield Housing Fund (£84m over 3years announced in July 2020) will provide further security of delivery.</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> <p>Regular dialogue with civil servants to establish WM progress, provide assurance of delivery and secure further opportunities for funding programmes</p>	2	4	8 ↓	<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, provide assurance of delivery and secure further opportunities for funding programmes</p> <p>Development of stakeholder engagement tools and engagement plan for Whitehall</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>
S10	Managing Director, TFWM & Director of ITS	Operations Core Functions	OPEN 2/4 Previous Risk Score 8 ↔	<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. 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>
S20	Investment & Commercial Activities Director Senior Leadership Team	Programme Delivery & Devolution Commitments Political	Open 2/4 Previous Risk Score 8 ↔	<p>Investment Programme Delivery - Reputational Impact</p> <p>There is a risk where Projects /Programmes are wholly or partially funded by WMCA Investment Programme but delivered by Delivery Partners/ Delivery Bodies that the Delivery Partners/ Delivery Bodies may fail to deliver the agreed scope of the Project/Programme, due to circumstances beyond their control. Potentially leading to risk the of both Reputational damage to the WMCA and damage to Political relations.</p>	<p>Monitoring Arrangements in place with Delivery Partners to ensure timely monitoring and reporting.</p> <p>WMCA assurance framework in place and currently under review.</p> <p>Progress of financial contributions monitored to enable coverage of all WMCA successes or early intervention of possible challenges.</p>	2	4	8 ↔	Improved standards of project initiation, development, delivery and monitoring/oversight through the Single Assurance Framework (SAF) which is being rolled out through a phased implementation plan.

WMCA Strategic Risk Register - January 2021

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score & Trajectory	Further actions required to mitigate risk
507c	Director of Productivity and Skills	Programme Delivery & Devolution Commitments	OPEN 2/3 Previous Risk Score 6 	Delivery - Adult Education Budget Devolution of AEB represents a significant opportunity to demonstrate the impact of local control of skills funding on communities, through the ability to align c.£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.	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. 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. 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.	2	3	6 	We will continue to ensure that Finance, Governance and Assurance processes support the commitment to ensure that AEB delivers regional priorities. Review of capacity is to be undertaken on a termly basis to ensure that sufficient resources are in place to successfully manage AEB.
Covid 19 effects and response There is a risk that AEB delivery targets will not be achievable due to the necessary closure of training providers and also the reluctance of some adults to attend college thereby limiting the ability of the fund to support recovery.				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. Close monitoring is taking place as we see how the new arrangements, social distancing and peoples views will affect participation.	Continued engagement with training providers to support their response and to recovery.				



Audit, Risk & Assurance Committee

Date	18 January 2021
Report title	Programme & Project Management Framework Update
Accountable Employee	Julia Goldsworthy, Director of Strategy Email: Julia.Goldsworthy@wmca.org.uk Tel: (0121) 214 7941
Responsible Employee	Fiona Bebbington, Head of Strategic Hub Email: Fiona Bebbington@wmca.org.uk
Report to been considered by	Audit, Risk & Assurance Committee

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- (1) Note the work that has been undertaken to date on delivering a consistent Programme & Project Management Framework and against the recommendations contained within the Internal Audit Report in May 2020.
- (2) Note the next steps of the Single Assurance Framework implementation and delivery.

1. Purpose

1.1 The purpose of this report is to:

- Provide an update on the progress made towards meeting the recommendations and how improvements are delivered through the Single Assurance Framework
- Provide an overview to ARAC of the route map for delivering the regular Assurance Update Report and trend analysis.

2. Single Assurance Framework Implementation and Progress against audit actions

2.1 In May 2020 the Programme & Project Management Framework Audit report provided ARAC with 3 amber recommendations together with agreed audit actions to deliver improvements. The majority of actions would be delivered through the Single Assurance Framework, which was approved by WMCA Board in July 2020, and implementation of the first tranche has provided a number of tools and processes to deliver an organisational wide Project Management Framework.

2.2 There are broadly three areas within a project lifecycle that are supported by the new assurance Framework – Initiation, Development and Approvals. The new Approvals stage went live in September 2020 with the Investment Panel; any proposal/Business Case that requires Investment Board/WMCA Board approval will first be considered at the Investment Panel. The Panel has 4 WMCA panel members who review and make observations on the business case/proposal against HMTs 5-case dimensions (strategic/economic/commercial/financial and management), plus representatives from each constituent Council and each LEP and is Chaired by the Finance Director from Dudley Metropolitan BC.

2.3 Following the Investment Panel an Output Report is produced for each business case/proposal. This outlines the observations from WMCA Panel members against the 5 dimensions, the fit against strategic objectives (the 'Golden Thread'), the contribution or consideration of WMCA Major Policy Framework and any additional recommendations or observations. This is shared with the project sponsor to make any amendments before submission to Investment/WMCA Board and is part of the package of papers to Investment Board, alongside the Assurance Observations report and Risk & Investment appraisal.

2.4 Development - significant engagement took place across WMCA, led by the Strategic Hub, with SMEs and SLT to develop a suite of business cases that adhered to key principles requiring that they were based around HMT's 5 case model, reflective of Green Book standards, demonstrated the Golden Thread and would drive Inclusive Growth considerations. The Business Case templates provide consistent content that produces the evidence and detail for BCAT and Risk & Investment appraisal and is in a 'Board Friendly' format to support approval considerations.

2.5 The following documents have now been produced and are ready to roll-out:

- Funding Initiation Document (FID)
- Strategic Outline Case suite of documents (Board Friendly/ Context Appendices/ Guidance)
- Outline Business Case suite of documents (Board Friendly/ Context Appendices/ Guidance)
- Full Business Case suite of documents (Board Friendly/ Context Appendices/ Guidance)
- Business Justification Case + Guidance

- Draft Case Paper (for Fund Managed items)

Communication and cascade of the new documentation across WMCA and external stakeholders has already commenced and there will be a 6 month review following the Mayoral election and checks against the new Green Book.

2.6 To support better business cases there have been new products developed, these will be fully implemented in early 2021 to deliver compliance with the Assurance Framework:

- Assurance Observations Report provides a maturity assessment of a business case and 'red flag' any areas of concern
- Risk & Investment Appraisal – this is designed to provide 'out of directorate/sponsor' analysis of key elements of the business case/proposal and will be undertaken for any project in excess of £1m

In the interim, whilst these tools were being developed and tested, the Strategic Hub undertook desk-based appraisals of the business case and worked with project delivery teams to ensure finance and legal were engaged and supportive of the development and these were presented at the Investment Panel.

2.7 The final element of tranche 1 of the SAF implementation will be launching the Initiation Stage in March/April which is linked with the Annual Plan process. This will involve each Directorate having pipeline meetings and getting early Finance/Legal/Strategic Hub and Inclusive Growth engagement. Ownership and accountability for projects will remain with the Directorate.

2.8 To summarise, in addition to delivering an enhanced Single Assurance Framework, tranche 1 also provides:

- Consistent Project Initiation Process driven by Directorates
- Consistent Project Development Process with WMCA Minimum Standards
- Thematic Board political oversight and purposeful core roles
- Financial Delegations appropriate to support effective decision-making
- Directorate accountability for quality and content of projects being developed
- Investment Panel to replace IAG
- Enhanced focused role and terms of reference for Investment Board
- Enhanced Assurance offer from Strategic Hub
- Creation of WMCA Activity Register and supporting Portfolio Pipelines

3. Focus on Appraisal and Assurance Arrangements

3.1 To support an enhanced Assurance offer aligned to the Single Assurance Framework, the following improvement and additions have been developed in readiness for implementation. The Assurance arrangements will be applied consistently and proportionately to all projects and programmes. The new ways of working and tools will provide an opportunity to embed an Assurance culture across the WMCA. Lessons learned will be rolled into a continuous improvement framework, to be developed, to ensure regular evaluation and feedback is used to make changes that support better ways of working.

Health Check Tool	A self-assessment has been developed using the Association for Project Management (APM) collateral and guidance and its aim is to provide Project Leads with a tool to self-assess a project's maturity against ten fundamental categories of project management and, in doing so, enable an improvement plan to be developed.
Stage Gate Review (BCAT)	<p>The Business Case Assessment Tool (BCAT) has been developed using the assessment guide from 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 APM best practice.</p> <p>Each of the five cases within a Business Case, as determined by HM Treasury (Strategic, Economic, Commercial, Financial and Management), are assessed as part of the BCAT process. The assessment incorporates fundamentals of project management including, but not limited to, planning, risk management, stakeholder management, financial management, alignment to strategic objectives, procurement processes and ensuring the project delivers value for money. The Business Case reviews will be aligned to the Single Assurance Framework and will be undertaken for each project per business case stage.</p>
Assurance Observation Report.	The Strategic Hub will produce an Assurance Observation Report based upon the Business Case maturity assessment, engaging with the business area/sponsor throughout the process. The Assurance Observation Report will highlight any recommendations for improving the maturity of a business case and, in turn, will help to inform the Executive Director Progression process and subsequent approval forums.
Risk & Investment Appraisal Report	This Risk and Investment Appraisal Report is completed to support better spending, investment decisions and better procurement. This appraisal will take place after the BCAT Assessment and will allow the Risk & Investment Appraisal to be more focused. It is a tool which summarises the in-depth analysis of Business Cases across the five case model to highlight any key investment risks and issues. The recommendations are then shared with the project delivery team/business case authors with the aim that they use the feedback to improve the quality and their business case.
Integrated Assurance Map & Assurance Matrix	The Integrated Assurance Plan will help give the team indicators to share with SLT – give intelligence on where to invest assurance activity based of a risk centred approach. Assurance can be targeted to higher risk areas and complementary to other assurance activity being undertaken. An integrated assurance approach has benefits of a better spread of assurance activity (greater efficiency) and more effective as assurance reviews can be more targeted as specific risk areas/ projects.

Activity Register and Forward Plan	Fed by the Portfolio Project Pipelines the Activity Register and the Forward Plan will help the Hub to understand all the different project activity across WMCA Portfolios and map the assurance and governance requirements for these projects. The Activity Register is interfaced with the finance system and will be also be used to develop Portfolio Dashboards.
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- 3.2 It was previously agreed with ARAC that the Assurance & Support Team would provide regular reporting into ARAC for two purposes:
- To provide trend analysis information on the number of projects going through the Single Assurance Framework, their status and completion of recommendations
 - To provide a summary of any issues with the Single Assurance Framework process that have been escalated to WMCA Strategic Leadership Team for attention

It was agreed with the Chair of ARAC that the earliest meaningful opportunity to initiate this process would be in post-April 2021. The SAF transition was initiated in September 2020 for Investment Programme projects and to date there have been a limited number of projects that have submitted business cases. The next larger tranche of projects to transition will be from Solihull MBC. Engagement meetings took place with Solihull in December 2020 for their intended transition to begin in early 2021. By spring this will allow the team to have greater amount of trend analysis data to share. The focus of the team to date as highlighted in the Programme Management and Assurance audit report has been to prepare the tools and processes that support to new operations aligned to SAF and HM Treasury Green Book.

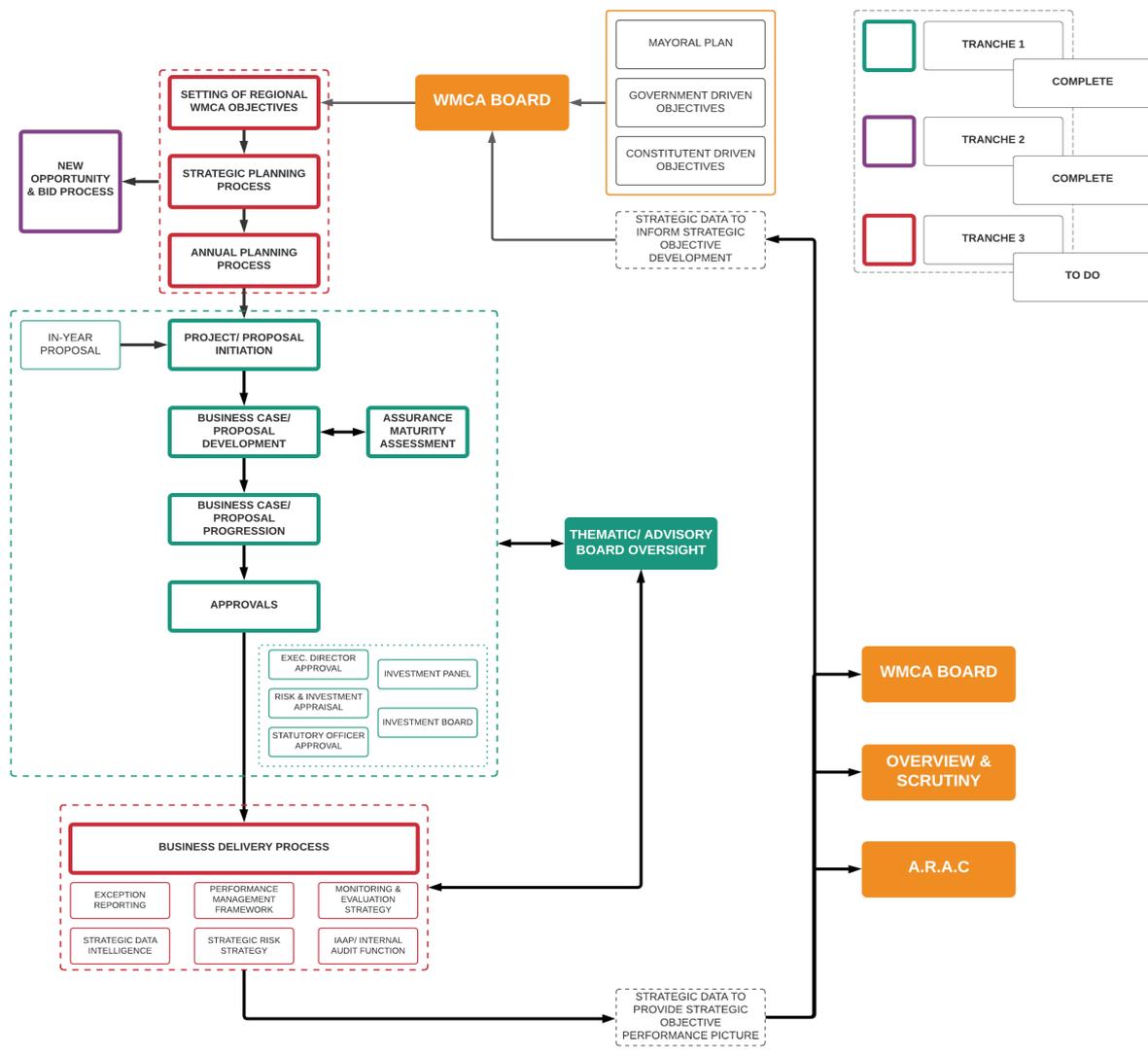
- 3.3 A considerable amount of progress has been made since the last report to ARAC in May 2020 and can be broken down into key elements as follows:
- Development of compliant and proportionate ‘Board Friendly’ business case templates built around Green Book and five case model with comprehensive guidance and evidence-based appendices
 - Enhanced Assurance Offer – Business Case Assessment Tool to guide project development and provide maturity assessment of business cases
 - Improved legal, finance and inclusive growth considerations and early engagement requirements in all business cases
 - Ownership and accountability for all projects developed sits with Directorates

In addition, a workshop has been planned with Senior Leadership Team and senior managers in January 2020 to share the SAF roll out plan, new ways of working and tools and to specifically discuss their role in supporting the wider implementation of the new ways of working. The workshop will be facilitated by WMCA Chief Executive and WMCA Director of Strategy.

4. Next Steps

- 4.1 It has been 5 months since the SAF implementation began and much of that has been developing the tools and processes in a collaborative way. In September the transition of Investment Programme projects to the SAF started with Coventry and then Solihull before Christmas 2020. The Investment Panel has met 5 times now and the process is continuously improving. The next stage of implementation as the development stage is rolled-out and then initiation in March/April are key and we will work to support and guide colleagues as the tools and processes are introduced.

4.2 The diagram below provides an overview of the 3 tranches and what will be delivered in tranche



4.3 The target date for completion of actions in tranche 1 is March 2021 and whilst good progress has been made it is proposed that a further update is provided to ARAC as the new tools are rolled out. There is progress underway to develop a Project Manager community/network to support delivery of the Assurance Framework and PM's own Continued Professional Development and the aim is that this will support a continuous improvement and learning culture around good project delivery.

5. Financial Implications

5.1 There are no financial implications arising from this report.

6. Legal Implications

6.1 There are no legal implications arising from this report.

7. Equalities Implications

7.1 There are no equalities implications arising from this report.

8. Inclusive Growth Implications

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

9. Geographical Area of Report's Implications

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

10. Other Implications

10.1 There are no further implications arising from this report.

11. Schedule of Background Papers

May 2020 – ARAC Audit Report

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Audit, Risk & Assurance Committee

Date	18 January 2021
Report title	2021/22 Treasury Management Policy, Strategy and Practices
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:

Audit, Risk & Assurance Committee is recommended to:

- (1) Review and endorse the draft 2021/22 Treasury Management Policy Statement (TMPS) (Section 2 of this report) for onward approval by WMCA Board in February 2021.
- (2) Review and endorse the Draft 2021/22 Treasury Management Strategy (TMS) (Appendix 1) for onward approval by WMCA Board in February 2021.
- (3) Note and agree the arrangements for ensuring Treasury Management Practices (Appendix 2 for reference) are adequately maintained (Section 4).

1. Purpose

- 1.1 WMCA as a public body is required to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) 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 a subsequent presentation in September 2020 to review the Treasury Management Strategy for the year.
- 1.4 The report sets out WMCA's Treasury Management Policy Statement (below) and Treasury Management Strategy (Appendix 1) for review and endorsement by ARAC prior to submission to WMCA Board in February 2021.

2 Treasury Management Policy Statement

- 2.1 The CIPFA Code of Practice on Treasury Management in the public Services (the Code) was revised in December 2017. This Code has been reviewed and updated following recent developments in the marketplace and the introduction of the Localism Act 2011 for English local authorities. The Code requires the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. This Authority had adopted the original Code and has similarly adopted the revised 2017 Code in December 2018. The Code recommends the creation and maintenance of:
 - A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities,
 - Suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.
- 2.2 The revised 2017 CIPFA Code recommends that authorities should:
 - Put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
 - Implement policies and practices to ensure that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

- Acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

2.3 In order to achieve the above, the Authority will do the following:

- WMCA will create and maintain:
 - A Treasury Management Policy Statement, stating policies, objectives and approach to risk management of its treasury management activities.
 - Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
 - The contents of the policy statement and TMPs by following the recommendations contained in section 6 and 7 of the Code, subject only to amendment where necessary to reflect the authority's particular circumstances.
- WMCA Board will receive, as a minimum, an Annual Treasury Management Strategy, a mid-year review and an annual outturn report after its close, in the form prescribed in its TMPs.
- WMCA delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Treasury Management Group, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the WMCA's policy statement and TMPs and CIPFA' Standard of Professional Practice on Treasury Management.

2.4 The draft 2021/22 Treasury Management Policy Statement is shown below for review and endorsement by ARAC.

2021 / 2022 Treasury Management Policy Statement

WMCA's Treasury Management Policy Statement defines the policies and objectives of its treasury management activities, as follows:

- (1) Treasury management activities are defined as the management of the Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and pursuit of optimum performance consistent with those risks.
- (2) WMCA regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their implications for WMCA, and any financial instruments entered into to manage these risks.

- (3) WMCA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employ suitable comprehensive performance measurement techniques, within the context of effective risk management.

3. WMCA 2021/22 Treasury Management Strategy

- 3.1 Following on from the Treasury Management Policy Statement above, The Treasury Management Strategy defines how the policy will be adhered to and provides a framework for WMCA treasury practitioners to operate within.
- 3.2 ARAC are requested to review and endorse the Draft 2021/22 Treasury Management Strategy which features as Appendix 1 to this report; for onward approval by WMCA Board in February 2021.

4. Treasury Management Practices

- 4.1 Finally, recommendation 3 within this report requests that ARAC note and agree the arrangements for ensuring Treasury Management Practices (TMPs), included at Appendix 2 for reference, are adequately maintained. The revised 2017 CIPFA Code recommends that authorities should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- 4.2 WMCA maintain TMPs in line with the relevant guidance. These practices set out the manner in which the organisation will seek to achieve the policies and objectives and documents how it will manage and control those activities.
- 4.3 There are currently twelve individual practices which cover:
- Risk management;
 - Performance measurement;
 - Decision-making and analysis;
 - Approved instruments, methods and techniques;
 - Organisation, clarity and segregation of responsibilities and dealing;
 - Reporting requirements and management information arrangements;
 - Budgeting, accounting and audit arrangements;
 - Cash and cash flow management;
 - Money laundering;
 - Training and qualifications;
 - Use of external service providers;
 - Corporate governance.
- 4.4 Other Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling WMCA treasury functions (Treasury Management Operational Procedures).
- 4.5 ARAC are requested to note and agree the approach towards the TMPs which:
- Delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Treasury Management Group

(consisting of the WMCA Finance Director, The WMCA Head of Financial Planning, the Lead Treasury Accountant and other WMCA technical experts as required);

- Delegates the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the WMCA's policy statement and TMPs and CIPFA' Standard of Professional Practice on Treasury Management.

4.6 In addition ARAC will receive independent assurance that the TMPs are fit for purpose and operating effectively from the annual Internal Audit of key financial systems.

5. Financial Implications

5.1 There are no direct financial implications as a result of the recommendations to review and note the contents of this report.

6. Legal Implications

6.1 There are no direct legal implications as a result of the recommendations to review and note the contents of this report.

7. Equalities Implications

7.1 There are no specific equalities implications as a result of the recommendations to review and note the contents of this report.

8. Inclusive Growth Implications

8.1 There are no specific inclusive growth implications as a result of the recommendations to review and note the contents of this report.

9. Geographical Area of Report's Implications

9.1 The Treasury Management Strategy and Practices relate to the operation and management of all the WMCA's treasury management activity.

10. Other Implications

10.1 Not applicable.

11. Schedule of Background Papers

11.1 Not applicable.

APPENDIX 1

Treasury Management Strategy 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 impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the EU, will remain a major influence on the Authority's treasury management strategy for 2021/22.

The Bank of England (BoE) maintained Bank Rate at 0.10% in November 2020 and extended its Quantitative Easing (QE) programme by £150 billion to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

After spiking in late March as coronavirus became a global pandemic. The credit ratings for many UK institutions have been downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively stable, despite the impact of the pandemic.

Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the UK not achieving a Brexit deal, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside in the near-term as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. Further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

Gilt yields are expected to remain very low in the medium-term while short-term yields are likely to remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but

there will almost certainly be short-term volatility due to economic and political uncertainty and events.

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 predominantly 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.

On 31 December 2020, WMCA held £125.0m of borrowing and c.£194.7m 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 and will therefore require WMCA to borrow up to £713m (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)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Opening External Debt	130.2	160.2	454.2	708.2	823.2	833.2
New Borrowing	30.0	294.0	254.0	115.0	10.0	10.0
Forecast Closing External Debt	160.2	454.2	708.2	823.2	833.2	843.2
Capital Financing Requirement (CFR)	540.8	747.0	952.4	1,082.6	1,088.7	1,084.5
Under Borrowing	380.6	292.8	244.2	259.4	255.5	241.3

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 1 shows that WMCA expects to comply with this recommendation during 2021/22 to 2023/24.

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. The debt cap runs coterminous with the 5-year gateway review period and the caps for 2021/22 and beyond are expected to be finalised with HM Treasury during 2020/21. WMCA do not expect to breach the debt cap during 2021/22 based on the current external debt and projections for the 2020/21 financial year. For information, the existing agreed limit is £1,042 million.

Borrowing Strategy

As at 31 December 2020 WMCA currently holds £125.0m of loans, a decrease of £5.0m on the previous year. The forecast in table 1 shows that WMCA expects to borrow up to £294m in 2021/22. 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. Short-term interest rates are currently much lower than long-term rates and forecast to remain so for a considerable period. It is likely therefore to be more cost effective in the short-term to continue to use internal resources and to borrow using short-term loans instead.

By doing so, WMCA can reduce its 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 2021/22 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 will consider long-term loans from other sources including banks, pension funds and local authorities, and will also 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. PWLB loans are no longer available to local authorities planning to buy investment assets held primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans. WMCA Finance Directors and their respective treasury teams continue to work collectively also, ensuring the buying power of the region is fully exploited in the capital markets.

It should be noted that following two competitive process during 2019/20 and 2020/21, WMCA were notified by HM Treasury that it would qualify for Infrastructure Rate Funding. This effectively guarantees WMCA access to £200m of debt at 0.40% below the currently published PWLB standard rate levels. Access to this financing together with the use of short-term debt will provide WMCA with a bridge whilst the most 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 and may help to de-risk commercial borrowing models.

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:

- HM Treasury's lending facility (i.e. Public Works Loan Board)
- 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 plans to issue bonds on the capital markets and lend the proceeds to local authorities. Bond issuances on behalf of Local Authorities (nationally) are beginning to become more common. Any decision to borrow from the Agency will, however, 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 set out in the treasury management indicators below. Consequently, financial derivatives may be used to manage this interest rate risk (see section 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.

Treasury Investment Strategy

WMCA holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2020/21 WMCA's treasury average monthly investment balance has ranged between £96m and £213m, and similar levels are expected to be maintained throughout parts of 2021/22 largely due to the profile of Government grant receipts in quarter one.

Objectives: The CIPFA Code requires WMCA to invest its treasury 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: The COVID-19 pandemic has increased the risk that the Bank of England will 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. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. 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. Whilst WMCA will seek to avoid exposure towards negative interest rates, it must first meet the security and liquidity requirements of all investment holdings.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, WMCA will continue to diversify into more secure and/or higher yielding asset classes during 2021/22. This is especially the case for the estimated £10m that is available for longer-term investment to ensure MiFID compliance. Approximately 10-15% of WMCA’s surplus cash was invested in short-term unsecured bank deposits during 2020. This diversification will represent a continued change in strategy over the coming year.

Business models: Under the 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 via 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 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	50 years	Unlimited ¹	Unlimited
Secured investments *	25 years	£20m ¹	Unlimited
Banks (unsecured) *	13 months	£20m ¹	Unlimited
Building societies (unsecured) *	13 months	£20m ¹	£20m
Registered providers (unsecured) *	5 years	£5m	£10m
Money market funds *	n/a	£20m	Unlimited
Strategic pooled funds	n/a	£5m	£10m
Real estate investment trusts	n/a	£5m	£10m
Other investments	5 years	£2m	£10m

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

¹ Normal operating levels will not exceed £10m per counterparty but adequate headroom has been provided to accommodate potential peak cashflow requirements. The Combined Authority will look to keep an even spread of investments across counterparties to minimize exposure to defaults.

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. 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 considered.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

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 Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies 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. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (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.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority 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 the Authority's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

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. The credit rating agencies in current use are listed in the Treasury Management Practices document. 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 2020, 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 are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in

pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Additional Investment limits

	Cash Limit
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£5m per country

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 limit is £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. The loans are held on the WMCA balance sheet under standard accounting regulations and as at December 2020, the cumulative value of loan commitments approved by WMCA totals £133.7m (including £37m of loans which have since been repaid). The value of loans drawn and earning interest as at December 2020 is £24.8m.

Whilst these developers do not have a credit rating in the traditional sense, WMCA employ fund managers West Midlands Development Capital to ensure adequate due diligence is undertaken and that 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	A minus

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	£20m (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	75%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	70%	0%
5 years and within 10 years	70%	0%
10 years and above	70%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

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	2021/22	2022/23	2023/24
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.

Markets in Financial Instruments Directive: WMCA has retained professional 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

	Dec 2020 Actual £m	Average Rate %
External borrowing:		
HMT PWLB lending facility	108.6	4.90
Loans from banks	10.0	4.03
Total external borrowing	118.6	
Other long-term liabilities:		
Transferred Debt	6.4	6.70
Total other long-term liabilities	6.4	
Total gross external debt	125.0	
Treasury investments:		
Banks and building societies (unsecured)		
Government (inc. local authorities)	122.0	0.11
Money Market Funds	30.0	0.04
Overnight (call) deposits	42.7	0.01
Total treasury investments	194.7	
Net debt	(69.7)	

Treasury Management Practices

WMCA's Treasury Management Practices (TMPs) set out the manner in which the organisation will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

The Treasury Management Practices (TMPs) comprise:

- TMP 1: Risk management
- TMP 2: Performance measurement
- TMP 3: Decision-making and analysis
- TMP 4: Approved instruments, methods and techniques
- TMP 5: Organisation, clarity and segregation of responsibilities and dealing arrangements
- TMP 6: Reporting requirements and management information arrangements
- TMP 7: Budgeting, accounting and audit arrangements
- TMP 8: Cash and cash flow management
- TMP 9: Money laundering
- TMP 10: Training and qualifications
- TMP 11: Use of external service providers
- TMP 12: Corporate governance

Other Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling WMCA treasury functions (Treasury Management Operational Procedures).

TMP 1 – RISK MANAGEMENT

All treasury management activities involve both risk and the pursuit of reward or gain for WMCA. WMCA's policies and practices emphasise that the effective identification, management and containment of risk are the prime objectives of treasury management activities.

WMCA regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The Director of Finance will ensure appropriate arrangements are in place for the design, implementation and monitoring all arrangements related to the identification, management and control of treasury management risk. Reporting at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving WMCA's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements.

(In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the Annual Treasury Management Strategy, further details are also available in the Treasury Management Operational Manual)

- (1) Credit and Counterparty Risk Management:** Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to WMCA under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on WMCA's capital and revenue resources.

Objective: WMCA regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques, and listed in the schedule. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

- (2) Liquidity Risk Management:** Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that WMCA's business/service objectives will be thereby compromised.

Objective: WMCA will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

WMCA will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to fund future debt maturities.

- (3) Interest Rate Risk Management:** Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on WMCA's finances, against which WMCA has failed to protect itself adequately.

Objective: WMCA will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

WMCA will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

(4) Exchange Rate Risk Management: The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the authorities' finances against which the authority has failed to protect itself adequately.

Objective: WMCA will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the WMCA's finances. It will manage any exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

(5) Refinancing Risk Management: The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

Objective: WMCA will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

(6) Legal and Regulatory Risk Management: The risk that WMCA itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that WMCA suffers losses accordingly.

Objective: WMCA will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(1) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with WMCA, particularly with regard to duty of care and fees charged.

WMCA recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

(7) Fraud, Error and Corruption, and Contingency Management: This is the risk that WMCA fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk referred to as operational risk.

Objective: WMCA will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

(8) Market Risk Management: This is the risk that, through adverse market fluctuations in the value of the principal sums the WMCA borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

Objective: This WMCA will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP 2 – PERFORMANCE MEASUREMENT

Objective: WMCA is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the WMCA's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured as set out in the Annual Treasury Management Strategy.

TMP 3: DECISION-MAKING AND ANALYSIS

Objective: WMCA will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below:

<p>Funding, borrowing, lending, and new instruments/techniques</p>	<p>1. <u>Records to be kept</u></p> <p>The Treasury section uses “SharePoint” a web-based document management and storage system in which all investment and loan transactions are recorded. The following records will be retained.</p> <ul style="list-style-type: none"> • Daily cash balance forecasts • Money market rates obtained via e-mail/telephone from the brokers • Brokers confirmations for investment and temporary borrowing transactions, in addition to counterparty confirmations if available • Confirmations from borrowing/lending institutions where deals are done directly <p>2. <u>Processes to be pursued</u></p> <ul style="list-style-type: none"> • Cash flow analysis • Debt and investment maturity analysis • Ledger reconciliation • Performance information
<p>In respect of every treasury decision made, WMCA will:</p>	<p>3. <u>Issues to be addressed</u></p> <ul style="list-style-type: none"> a) Above all be clear about the nature and extent of the risks to which WMCA may be exposed to. b) Be certain about the legality of decisions reached and the nature of the transactions and that all authorities to proceed have been obtained. c) Be content that the documentation is adequate both to deliver WMCA’s objectives and protect WMCA’s interests. d) Ensure that third parties are judged satisfactory in the context of WMCA’s creditworthiness policies and that limits have not been exceeded. e) Be content that the terms of any transactions have been fully checked against the market and have found to be competitive.
<p>In respect of borrowing and other funding decisions, WMCA will:</p>	<ul style="list-style-type: none"> a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund. b) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships. c) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

	<p>f) Consider the ongoing revenue liabilities created and the implications for WMCA's future plans and budgets.</p>
<p>In respect of investment decisions, WMCA will:</p>	<p>a) Consider the optimum period in light of cash flow availability and prevailing market conditions.</p> <p>b) Consider the alternative investment products and techniques available especially the implications of using any which expose WMCA to changes in the value of its capital.</p>

TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

Objective: WMCA will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Annual Treasury Management Strategy, and detailed in the below schedule:

Approved activities of the treasury management operation	<p>WMCA is permitted to undertake the following activities:</p> <ul style="list-style-type: none">▪ Managing cashflow▪ Consideration, approval and use of new financial instruments and treasury management techniques.▪ Borrowing including debt restructuring and debt repayment▪ Lending including redemption of investments▪ Banking activities▪ Capital financing▪ The use of external fund managers (other than in respect of the Pension Fund).▪ Managing the underlying risk associated with the WMCA's capital financing and surplus funds activities. <p>The above list is not finite and WMCA would, from time to time, consider and determine new financial instruments and treasury management techniques; however, WMCA will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.</p>
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<p>Approved capital financing methods and types/sources of funding</p>	<ul style="list-style-type: none"> • PWLB - Public Works Loans Board loans and its successor body • EIB – European Investments Bank loans • Bond issuance – via aggregator agency (e.g. UKMBA) or in WMCA name • Market - Long term money market loans including forward starting loans and LOBOs • Market - Temporary money market loans (up to 364 days). • Local Authorities - Temporary borrowing • Bank overdraft • Government and EU Capital Grants • Other Capital Grants and Contributions • Stock issues • Deferred Purchase • Lottery monies ▪ Private Finance Initiative ▪ Operating and finance leases ▪ Hire purchase ▪ Sale and leaseback <p>Internal Resources</p> <ul style="list-style-type: none"> • Capital Receipts • Revenue Balances • Use of Reserves <p>Approved sources of long-term and short-term borrowing include</p> <ul style="list-style-type: none"> • Public Works Loan Board (PWLB) and its successor body • Any institution approved for investments • Any other bank or building society authorised to operate in the UK • UK public and private sector pension funds (except West Midlands Pension Fund) • UK Municipal Bonds Agency and other special purpose vehicles created to enable local authority bond issues • Temporary borrowing from other Local Authorities <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
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Approved investment instruments	<p>WMCA will determine through its Annual Treasury Investment Strategy which instruments it will use, giving priority to the security and liquidity of its invested monies. The investments will be categorised as 'Specified' or 'Non Specified' based on the criteria set out by the ODPM (now MHCLG) in its Investment Guidance March 2004 (as amended).</p> <p>The instruments approved for investment and commonly used by local government authorities are:</p> <ul style="list-style-type: none"> ▪ Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities ▪ Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit) ▪ Investments in Money Market Funds , i.e. 'AAA' liquidity funds ▪ Treasury Bills ▪ Gilts ▪ Bonds issued by multilateral development banks ▪ Sterling denominated bonds by non-UK sovereign governments ▪ Covered bonds (i.e. those with underlying collateral) ▪ Unsecured corporate bonds ▪ Reverse Repurchase Agreements ('reverse repos') ▪ Commercial paper ▪ Real Estate Investment Trusts (REITs) ▪ Strategic Pooled Funds
Approved Techniques	<p>The following are approved techniques:</p> <ul style="list-style-type: none"> • Forward dealing up to 5 years. • £10m limit on long term deposits over 1 year and up to 5 years.

Where WMCA intends to use instruments for the management of risks, these will be limited to those set out in its Annual Treasury Strategy. The WMCA will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

Objective: WMCA considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when WMCA intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Director of Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Director of Finance will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the Treasury Management Operational Procedures.

<p>Limits to responsibilities at Executive levels</p>	<p>WMCA Board:</p> <ul style="list-style-type: none"> • Approving the annual report on treasury management policies, practices and activities. • Approving the annual Treasury Management Strategy (including the Annual Investment Strategy) • Approving Treasury Management Mid-year and Annual Outturn reports <p>TMG:</p> <ul style="list-style-type: none"> • Review and amendments to adopted clauses, treasury management policy statement and treasury management practices • budget consideration and approval • receiving and reviewing external audit reports and acting on recommendations • approving the selection of external service providers and agreeing terms of appointment <p>Audit Risk and Assurance Committee:</p> <ul style="list-style-type: none"> • scrutiny and endorsement the treasury management policy and procedures and making recommendations to the responsible body.
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Principles and practices concerning segregation of duties	<p>The segregation of duties will be determined by Director of Finance.</p> <p>Segregation of duties exists in that:</p> <ul style="list-style-type: none">• the officer(s) responsible for negotiating and closing treasury management deals are completely separate from the officer(s) with responsibility for recording the transactions in the cash book and completing cheque and bank reconciliations.• the officer(s) responsible for negotiating and closing treasury management deals is separate from officer(s) authorising payments• all borrowing/investments decisions must be authorised by the Director of Finance.
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<p>Statement of duties/ responsibilities of each treasury post</p>	<ol style="list-style-type: none"> 1. The Director of Finance (Section 151 Officer) will responsible for: <ol style="list-style-type: none"> (a) recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance (b) determining Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy (c) submitting regular treasury management policy reports (d) receiving and reviewing management information reports (e) reviewing the performance of the treasury management function and promoting best value reviews (f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function (g) ensuring the adequacy of internal audit and liaising with external audit (h) recommending the appointment of external service providers (i) determining long-term capital financing and investment decisions. 2. The Director of Finance has delegated powers to determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments. 3. The Director of Finance may delegate their power to borrow and invest to members of their staff, The Director of Finance, Head of Financial Planning, and Lead Treasury Accountant to conduct dealing transactions, or staff authorised by the Director of Finance to act as temporary cover. 4. The Director of Finance will ensure that the treasury management policy is adhered to, and if not, will bring the matter to the attention of members. 5. Prior to entering into any capital financing, lending or investment transactions it is the responsibility of the Director of Finance to be satisfied and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or WMCA Financial Regulations. 6. It is also the responsibility of the Director of Finance to ensure that WMCA complies with the requirements of The Non Investment Product Code (formerly known as The London Code of Conduct) for principals and broking firms in wholesale markets.
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	<p>7. Lead Treasury Accountant will be responsible for:</p> <ul style="list-style-type: none"> (a) execution of transactions (b) adherence to agreed policies and practices on a day-to-day basis (c) maintaining relationships with counterparties and external service providers (d) supervising treasury management staff (e) monitoring performance on a day-to-day basis (f) submitting management information reports to the Director of Finance (g) identifying and recommending opportunities for improved practices.
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The Director of Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed below:

Documentation requirements:	<ul style="list-style-type: none"> - Name of Counterparty - Address of Counterparty - Amount of Loan/Investment - Period of Loan/Investment - Interest payable and when - Counterparty banking details
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The delegations to the Director of Finance in respect of treasury management are set out in the schedule below. The Director of Finance will fulfil all such responsibilities in accordance with the organisation's policy statement, TMPs and, CIPFA's Standard of Professional Practice (SOPP)

TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

Objective: WMCA will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the WMCA Board will receive:

- An annual Treasury Management Strategy (including investment strategy) and plan to be pursued in the coming year
- A mid-year review
- An annual outturn report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The Treasury Management Group will receive regular monitoring reports on treasury management activities and risks.

The Audit Risk and Assurance Committee will have responsibility for the scrutiny of treasury management policies and practices.

Schedule

TMP 6 Reporting Requirements and Management Information Arrangements	
Annual Programme of Reporting	<ul style="list-style-type: none"> • Annual reporting requirements before the start of the year <ul style="list-style-type: none"> ○ Review of the organisations approved clauses, treasury management policy statement and practices ○ Strategy report on proposed treasury management activities for the year comprising the Annual Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement. • Mid year review • Annual Report after the end of the year (attached to the Annual Outturn Report)
Annual Treasury Management Strategy	<ul style="list-style-type: none"> • The Annual Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted before the commencement of the financial year and then to Full WMCA Board for final approval. • The formulation of the Annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter term variable interest rates. For instance WMCA may decide to postpone lending, or maintain short term lending, to take advantage of any expected rise in fixed interest rates, or lend for longer periods if fixed interest rates are expected to fall. • The Treasury Management Strategy Statement is concerned with the following elements <ul style="list-style-type: none"> ○ Treasury Management Indicators ○ Current Treasury portfolio position ○ Borrowing requirement ○ Prospects for interest rates ○ Borrowing strategy ○ Policy on borrowing in advance of need ○ Debt rescheduling ○ Investment strategy ○ Creditworthiness policy ○ Policy on the use of external service providers

	<ul style="list-style-type: none"> ○ Any extraordinary treasury issue ○ The MRP strategy ● The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.
The Annual Investment Strategy Statement	<p>At the same time as WMCA receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following:</p> <ul style="list-style-type: none"> ● WMCA's risk appetite in respect of security, liquidity and optimum performance ● The definition of high credit quality to determine what are specified investments as distinct from non-specified investments ● Which specified and non-specified instruments WMCA will use ● Whether they will be used by the in house team, external managers, or both. ● WMCA's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list ● Which credit rating agencies WMCA will use ● How WMCA will deal with changes in ratings, rating watches and rating outlooks ● Limits for individual counterparties and group limits ● Country limits ● Levels of cash balances ● Interest rate outlook ● Budget for investment earnings ● Policy on the use of external service providers
Annual Minimum Revenue Provision (MRP) Statement	<p>This statement will set out how WMCA will make revenue provision for repayment of its borrowing using the established options for so doing, or other methods as recommended in the statement, and will be submitted at the same time as the Annual Treasury Management Strategy.</p>
Policy on Prudential and Treasury Indicators	<p>WMCA approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full WMCA Board.</p>
Mid-Year Review	<p>WMCA will review its treasury management activities and strategy on a six monthly basis. The review will consider the following:</p> <ul style="list-style-type: none"> ● Activities undertaken ● Variations (if any) from agreed policies/practices ● Interim performance report ● Regular monitoring ● Monitoring of treasury management indicators for local authorities
Annual Review Report on Treasury Management Activity	<p>An annual report will be presented to the Board at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:</p> <ul style="list-style-type: none"> ● Transactions executed and their revenue effects ● Report on risk implications of decisions taken and transactions executed ● Compliance report on agreed policies and practices, and on statutory/regulatory requirements ● Performance report ● Report on compliance with CIPFA code recommendations

	<ul style="list-style-type: none"> • Monitoring of treasury management indicators
Management information reports	<p>Monitoring information will be prepared every month by the Lead Treasury Accountant and discussed periodically with the Portfolio Holder for Finance. In addition they will be presented as appropriate to the Treasury Management Member Panel. This information will include the following</p> <ul style="list-style-type: none"> • Summary of transactions executed and their revenue implications • Measurements of performance • Cashflow monitoring • Interest rates analysis and forecast of 'net' earnings • Reconciliations of temporary investments, balances and interest • Degree of compliance with original strategy and explanation of variances • Any non-compliance with Prudential limits or other Treasury Management limits.
Publication of Treasury Management Reports	<p>The following reports will be made available to the public via WMCA website</p> <ul style="list-style-type: none"> • Annual Treasury Management Strategy • Mid-Year Review • Annual Treasury Management Performance Report

TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

Objective: The Director of Finance will prepare, and WMCA will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with **TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques.**

The Director Of Finance will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with **TMP6 Reporting requirements and management information arrangements.**

WMCA will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of WMCA's accounts is set out in the schedule.

WMCA will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP 8: CASH AND CASH FLOW MANAGEMENT

Objective: Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the WMCA will be under the control of the Director of Finance and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Director of Finance will ensure that these are adequate for the purposes of monitoring compliance with **TMP1 [2] liquidity risk management**.

A **medium-term** model is prepared as part of the budget process, with projections for 5 further years. It is highly summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan repayments and long-term investment maturities, and anticipated movements in reserves.

A **detailed annual cash flow** is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a daily basis. It identifies the major inflows and outflows on a month by month basis.

It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from WMCA's various service sections incurring the expenditure /receiving the income and can be supplemented by the experience from previous years.

Daily cash flows show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments. It will be the function of the treasury management staff to calculate from cash flow forecasts the extent of any surplus cash available for investment bearing in mind the need to ensure WMCA's liabilities are adequately covered and liquidity indicators complied with without resorting to excessive temporary borrowing. Where temporary borrowing has to be undertaken, it must be for the shortest period possible, commensurate with cash flow requirement/forecast.

TMP 9: MONEY LAUNDERING

The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention use or control of criminal property
- Acquiring, using or possessing criminal property.

Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

Organisations pursuing relevant businesses were required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

In December 2007, the UK Government published the Money Laundering Regulations 2007, which replaced the 2003 Regulations.

CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.

Objective: WMCA is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff members involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the Money Laundering Policy.

TMP 10: TRAINING AND QUALIFICATIONS

Objective: WMCA recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Director of Finance will recommend and implement the necessary arrangements.

The Director of Finance will ensure that WMCA members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP 10 Training and Qualification	
Details of approved training courses	<p>Treasury management staff and members will go on courses/seminars provided by CIPFA, and WMCA, Treasury Advisors and Money Market Brokers.</p> <p>The courses/events the WMCA would expect its treasury personnel to consider are:</p> <ul style="list-style-type: none"> • Certificate in International Treasury Management – Public Finance • Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, Financial Management run by CIPFA and IPF • Any courses/seminars run by Treasury Management Consultants. • Attending CIPFA Conference • Training attended by those responsible for scrutiny of the treasury function
Details of qualifications and other relevant staff	<p>Treasury staff are expected to have a professional accountancy qualification or be an experienced member of the Association of Accounting Technicians.</p> <p><i>Cover for day-to-day treasury management can be provided by suitably trained staff with the approval of the Director of Finance.</i></p>
Records of training received by treasury and other relevant staff	<p>Attendance at Treasury Network and FAN courses are kept in a log held by Finance. Reference should be made to each officers Personal Development Plan and records for other relevant courses attended.</p>
Statement of Professional Practice (SOPP)	<p>Where the Director of Finance (DoF) is a member of CIPFA/ACCA there is a professional need for the DoF to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are properly trained.</p> <p>Other staff involved in treasury management activities who are members of CIPFA must also comply with Standard of Professional Practice (SOPP).</p>
Records of training received by those charged with governance.	<p>Records will be kept by Finance of all training in treasury management provided to members. Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.</p>

TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

Objective: WMCA recognises that responsibility for the treasury management decisions remains with the authority at all times. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Director of Finance.

Schedule

TMP 11 Use of External Service Providers	
Contract threshold	The WMCA's Financial Procedure Rules require that a formal contract is in place with all external service providers. The contract will clearly state the services to be provided and the terms on which they will be provided.
Banking Services	Supplier - HSBC Bank Branch Address – HSBC UK, PO Box 68,130 New Street, Birmingham, B2 AJU Cost of service – variable depending on schedule of tariffs and volumes. Regulatory Status – banking institution authorised to undertake banking activities by the FSA. Procedures & frequency for tendering services -
Money Broking Services	The authority will use money brokers for investment, temporary borrowing and long term borrowing. It will seek to give an even spread of business amongst the approved brokers. Brokers include: Tradition - Tel 0207 422 3566 ICAP – Tel 0207 532 3550 Martins – Tel 0207 469 9580 Sterling – Tel 0207 496 8955 LCB – Tel 0207 739 4375 Prebon – Tel 0207 200 7393 King & Shaxon – Tel 0207 929 8497 Imperial Treasury Services - Tel 01992 945550 The nature of this service does not require formal contractual arrangements.
Treasury Consultancy Services	Supplier – Arlingclose Ltd 35 Chiswell Street, London EC1Y 4SE Regulatory Status – Investment adviser authorised by the FSA. Cost of Service – £20,000 <ul style="list-style-type: none"> • Strategic Advice on WMCA Treasury Management Strategy

<p>Details of service provided by Treasury Advisor</p>	<ul style="list-style-type: none"> • Capital Finance advice • Assistance with the Treasury Management annual strategy report and policy statement • Interest rate forecasting, market updates and economic advice • Investment policy • Credit ratings and counterparty creditworthiness • Debt management • Fund manager monitoring • Seminars and training • Access to website
<p>Credit Rating Agency</p>	<p>The WMCA receives a credit rating service through its treasury management consultants, the cost of which is included in the Treasury Advisors' annual fee.</p>

TMP 12: CORPORATE GOVERNANCE

Objective: WMCA is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

WMCA has adopted and has implemented the key recommendations of the Treasury Management Code of Practice (Revised December 2017). These are considered vital to the achievement of proper corporate governance in treasury management, and Director of Finance will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Procedural Responses

WMCA's policies and strategies of treasury management link clearly to the other key policies and strategies. Treasury Management of risk is an integral part of WMCA's overall risk management processes, which culminates in the well-defined organisation-wide strategy for the control of risk and contingency planning.

Schedule

TMP 12 Corporate Governance	
Stewardship responsibilities and Control Framework	<p>The Director of Finance ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.</p> <p>As regards a control framework, WMCA's formal policy documents define clearly procedures for monitoring, control and internal check.</p> <p>WMCA's procedures for reviewing the value of the treasury management function, and the implementation of opportunities for improvement, are both continuous and open to examination.</p>
List of documents to be made available for public inspection	<p>The following documents are freely available for public inspection:</p> <ul style="list-style-type: none"> • Treasury Management Policy Statement • Annual Treasury Management Strategy Report incorporating the following <ul style="list-style-type: none"> ○ Annual Treasury Management Strategy ○ Annual Investment Strategy ○ Annual Borrowing Strategy including borrowing limits for the forthcoming year ○ Minimum Revenue Provision policy statement • Treasury Management Annual Report on all activities of the treasury management functions (including the performance of fund managers). • Mid -Year Treasury Performance Report • Treasury Performance as included in quarterly Budget Monitoring Reports • Annual Report and Statement of Accounts including financial instruments disclosure notes • Medium Term Financial Strategy • 5-Year Capital Programme.
Procedures for consultation with stakeholders	<p>Members and senior officers of WMCA are consulted via reports to the Executive and officer/member briefing sessions.</p>

List of external funds managed on behalf of others and the basis of attributing interest earned and costs to these investments	WMCA does not manage funds on behalf of others.
WMCA's website.	Financial information is additionally available on WMCA's website.

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Audit, Risk & Assurance Committee

Date	18 January 2021
Report title	Arrangements for the Mayoral Elections May 2021
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 Email: Tim.Martin@wmca.org.uk Tel: (0121) 214 7435 Paul Clarke, Head of the Chief Executive's Office Email: Paul.Clarke@wmca.org.uk Tel: (0121) 214 7461
Report has been considered by	

Recommendation(s) for action or decision:

The Audit, Risk and Assurance Committee is recommended to:

- (1) Note the information in this report.

1. Purpose

This Report is provided to update Members of ARAC on the arrangements for the Mayoral elections in May 2021 and to provide assurance that robust managements of the process will be provided by the WMCA and Coventry City Council working together.

2. Background

As members will be aware all local and regional elections that had been scheduled to take place in May 2020 were postponed due to the Coronavirus pandemic. Legislation passed by Parliament had the effect of postponing all elections in May together with any naturally occurring By elections during the year until May 2021. This included all mayoral and PCC elections across the country. Those in position at the time had an additional year added to their term of office.

Elections will now take place on the 6th May 2021 and preparation is in hand for what will be a very busy election period.

3. Arrangements

The Mayor is the only political figure who is directly elected to the Combined Authority. All other political participants in our governance processes are appointments from constituent or non constituent authorities.

As the mayoral elections are the only election for which we are responsible the WMCA does not maintain an elections team. It has been determined, as before, that the work of running the elections will be undertaken by the elections team at Coventry City Council assisted by Birmingham City Council. Both teams are led by experienced officers who were involved in the last mayoral elections.

The Chief Executive of Coventry City council, Martin Reeves has been formally appointed by the Combined Authority as the Returning Officer. The Returning Officer is the person who has the statutory responsibility for ensuring that the election is run in a lawful manner and complies with electoral legislation. Martin Reeves was the returning Officer for the 2017 mayoral election.

Although it is hoped that the vaccine programme which has just begun will continue to be rolled out over the next few months, at the present time the planning assumption is that the electoral processes will need to be Covid secure. This will mean additional measures at polling stations for the protection of voters and elections staff. There will also need to be revised arrangements for the election counts and these are being worked on at the moment. We can anticipate an increase in the take-up of postal voting although it is understood that it will not be made an all postal ballot.

A strategic Elections Board meets on a monthly basis to plan for and monitor implementation and will be stepped up as we approach the election date. the Board is Chaired by the Returning Officer and the Combined Authority is represented by the Monitoring Officer. A considerable amount of preparation had already been done by the time the elections were postponed in Spring 2020.

4. Internal WMCA Arrangements and Protocols

The WMCA has put a number of arrangements in place to manage the processes around the forthcoming elections.

It is important that the Authority as a publicly funded body remains politically neutral at all times. The Authority must not give the appearance of supporting one candidate over another candidate or to be expending public money for political purposes. This is not the same thing as supporting the delivery of policies which are political choices and properly authorised by the WMCA governance processes, but the Authority must have measures in place to ensure its facilities are not used to further a party political campaign.

Guidance is regularly given to staff about remaining politically neutral and will be reinforced in the period running up to the election. The Monitoring Officer, the Head of the Chief Executive's office and the interim Director of Communications recently addressed these issues at the weekly "all staff webinar" which has a very wide attendance from across the Authority. The Monitoring Officer has attended a number of Directorate Management teams to give guidance on these issues.

It is also important that those who are intending to stand as candidates in the election have the opportunity to be informed about WMCA operations and to engage with senior officers on a factual basis. A detailed Protocol (see attached) has been put in place covering contact with candidates. The principles of this are that we will ensure parity between candidates to ensure no undue advantage. Meetings will be limited to senior officers to ensure consistency of message and notes will be retained to ensure that the principles of equality and parity of any contact between candidates can be monitored and maintained. Monitoring will ensure that no candidate secures an undue preponderance of meeting time (although experience shows that not all will take up this opportunity) All known candidates have been contacted and made aware of the Protocol.

A web page with background and general information about the Combined Authority and its work and functions is being maintained for candidates use and will be updated on a regular basis.

Information requested by an individual candidate will be made available to all candidates and the standard of information which will be supplied will be in line with that which obtains within the Freedom of Information Act.

Arrangements have also been put in place with the Mayor's office to ensure that the Combined Authority does not inadvertently become involved in supporting any political campaigning activity.

5. Conflicts of Interest Update

Since the next few months are likely to be particularly sensitive the Monitoring Officer has reviewed the current situation with regard to conflicts of interest within the Authority.

Officers and elected politicians are covered by statutory and Authority generated codes of conduct. Officers must declare any conflicts of interest to their managers and they should be recorded. Because Officers will normally be covered by the "whole time service" provision, ie their employment with the WMCA is expected to be their only remunerated occupation, such conflicts should be relatively rare. There are occasions

where individuals may, give their time to charities or not for profit organisations which are operating in the individual's professional sphere and these will also be recorded.

Formal meetings of Boards and Committees also have a standing item on agendas relating to the declaration of interests and a register of Member's interests is also maintained as required.

The Authority has also established task forces or working groups which are not part of the formal governance structures but which may meet for a limited time or to focus on a specific area of work. These may be populated by a range of individuals from outside the Authority. When such bodies are established, the Governance team will work with the relevant officers to ensure that arrangements are put in place for the identification and declaration of interests. Meetings of such bodies follow the practice of a declarations item on the Agenda. Recent sampling of practice indicates that these arrangements are well understood and working. The Monitoring Officer is available, and regularly does give advice by officers on any issues that arise.

6. Financial Implications

The Combined Authority's draft budget for 2021/22 was considered by WMCA Board on 15 January 2021. The draft budget includes £3.6 million to run the May 2021 Mayoral Election. West Midlands Combined Authority, alongside other Mayoral Combined Authorities, continues to lobby government to provide funding for the 2021 election. Should government funding not be forthcoming, alternative one-off resources have been set aside to cover these costs.

The Authority is working closely with the Returning Officer's elections team to ensure that the cost of COVID-19 secure measures can be accommodated within the overall budget provision for the Mayoral Election.

7. Legal Implications

This report sets out how the Authority is complying with the requirements of the Combined Authorities (Mayoral Elections) Order 2017. The Board has formally appointed a Returning Officer as required by the Regulations and the Authority is working in partnership with the Returning Officer's elections team.

8. Equalities Implications

There are well established arrangements to ensure that all sections of the community are able to cast their vote in the electoral process. The elections team ensure that any person wishing to stand as a candidate has equal access to information and processes.

9. Inclusive Growth Implications

There are no specific Inclusive growth implications arising from this report.

10. Geographical Area of Report's Implications

The Mayoral election takes place within the WM Metropolitan area only.

11. Other Implications

None.

12. Schedule of Background Papers

Protocol for Contact with Mayoral Candidates.

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Protocol for communications with the candidates at a Mayoral Election

Summary

1. All queries regarding the administration of the election process itself should be referred to Liz Read, Electoral services Manager, Coventry City Council, Tel: 024 7697 1435 Email: caro@coventry.gov.uk who will deal with queries on behalf of the Combined Authority Returning Officer.
2. All queries from potential and confirmed candidates (including those received by constituent and non-constituent authorities) concerning the role of the Mayor of the West Midlands Combined Authority, the office of the Mayor, or issues relating to West Midlands Combined Authority, should be referred in the first instance to the Head of the Chief Executive's Office of West Midlands Combined Authority (Tel: 07471 022486, Email: Mayor2021@wmca.org.uk).
3. Queries from members of the public concerning the role of the Mayor of the West Midlands Combined Authority, the office of the Mayor, or general issues relating to the forthcoming mayoral Election can be referred to Customer Services at the WMCA Tel: 0345 303 6760 Email: customerservices@wmca.org.uk

Background

4. The election for the office of Mayor of the West Midlands Combined Authority is taking place on 6th May 2021.
5. The formal pre-election period will commence when the Combined Authority Returning Officer publishes the Notice of Election on 22nd March 2021. The list of candidates confirmed as standing in the election, known as the Statement of Persons Nominated, will be published on 9th April 2021. Thus there is a distinction between "declared" candidates (those chosen by a political party or an independent candidate expressing interest in the role before 9th April 2021 and "confirmed" (those confirmed as candidates by the Statement of Persons Nominated).
6. This protocol is designed to deal with approaches to the West Midlands Combined Authority from declared candidates in the election for Mayor of West Midlands Combined Authority and is informed by the guidance produced by the Electoral Commission.
7. As a matter of principle, each candidate should receive the same level of information, detail and right of access to relevant officers of the Combined Authority. The Combined Authority will have a detailed process to ensure that this takes place, copies are available to Candidates on request.

Queries from declared candidates (and their representatives) concerning the role of Mayor of the West Midlands Combined Authority, the office of the Mayor, or issues relating to West Midlands Combined Authority

8. All such queries (including those received by constituent and non-constituent authorities) should be directed to the Head of the Chief Executive's Office of West Midlands Combined Authority (Tel: 07471 022486, Email: Mayor2021@wmca.org.uk).
9. All declared candidates will be provided with information requested based upon the Freedom of Information Act standard of openness and transparency, without the need to submit an FOI request.
10. Briefing meetings are available for declared candidates with the Chief Executive and authorised staff from the West Midlands Combined Authority. Any declared candidate who wishes to receive information from the Combined Authority or to set up a meeting [within the parameters of the appropriate guidance, details of which can be provided on request] should contact the Head of the Chief Executive's Office (Paul Clarke, (Tel: 07471 022486, Email: Mayor2021@wmca.org.uk).
11. The Head of the Chief Executive's Office will keep a record of contact with and briefings provided to candidates. Such meetings must not take place during the "pre-election" period which begins with the publication of the Notice of Election.

Queries from members of the public concerning the role of Mayor of the West Midlands Combined Authority, the office of the Mayor, or issues relating to West Midlands Combined Authority

12. Such queries should be directed to Customer Services at the WMCA Tel: 0345 303 6760 Email: customerservices@wmca.org.uk

Further advice

13. The Combined Authority Returning Officer and the Elections Officer for the Mayoral election (together with the WMCA Monitoring Officer) will act as advisers on the interpretation of this protocol and on other matters to do with the process of the election itself. They should be contacted in the event of any uncertainty about how to apply this protocol or about the election process. Information will be available online about the election process to which all interested parties should be referred.
14. Any public corrections to inaccurate information or statements published in relation to the election will be made by the Chief Executive of the West Midlands Combined Authority in consultation with the Combined Authority Returning Officer.

Engagement between Officials and Candidates

15. Contact between the candidates and officials will be with the following senior officers only:

Deborah Cadman – Chief Executive

Julia Goldsworthy – Director of Economy and Strategy

Ed Cox - Director of Public Service Reform and Inclusive Growth

Julie Nugent – Director of Productivity and Skills

Gareth Bradford – Director of Housing and Regeneration

Fran Collingham – Interim Director of Communications and Public Affairs

Linda Horne – Finance Director

Ian Martin - Investment and Commercial Activities Director

Tim Martin – Head of Governance & Monitoring Officer

Paul Clarke – Head of the Chief Executive’s Office

Laura Shoaf – Managing Director, Transport for West Midlands

Pete Bond - Director of Integrated Network Services, Transport for West Midlands

Sandeep Shingadia - Director of Development & Delivery, Transport for West Midlands

Anne Shaw - Director of Network Resilience, Transport for West Midlands

Malcolm Holmes - Director of Rail, Transport for West Midlands

Mike Waters – Director of Policy, Strategy and Innovation, Transport for West Midlands

Steve McAleavy – Acting Managing Director, Midland Metro Limited

Michael Anderson – Metro Projects Director

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