



Audit, Risk & Assurance Committee

Date: Thursday 7 July 2022

Time: 10.00 am **Public meeting** Yes

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

Membership

Mark Smith (Chair)

Councillor Ram Lakha OBE (Vice-Chair)

Councillor Peter Allen

Councillor Dave Borley

Councillor Craig Collingswood

Councillor Ken Meeson

Councillor Ram Mehmi

Councillor Yvonne Mosquito

Councillor Mike Sutherland

Councillor Richard Baxter-Payne

Councillor Tom Baker- Price

Councillor Chris Schofield

Sean Farnell

Coventry City Council

Sandwell Metropolitan Borough Council

Dudley Metropolitan Council

City of Wolverhampton Council

Solihull Metropolitan Borough Council

Walsall Metropolitan Borough Council

Birmingham City Council

Staffordshire non-constituent authorities

Warwickshire Non-Constituent Authorities

Worcestershire Non- Constituent Authorities

Shropshire Council

Coventry & Warwickshire Local Enterprise Partnership

The quorum for this meeting shall be nine members.

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

Contact Wendy Slater, Senior Governance Services Officer

Telephone 07557 831344

Email wendy.slater@wmca.org.uk

AGENDA

No.	Item	Presenting	Pages	Time
Meeting Business Items				
1.	Apologies for Absence Apologies for absence were received from xxxx	Chair	None	
2.	Declarations of Interest Members are reminded of the need to declare any disclosable pecuniary interests they have in an item being discussed during the course of the meeting. In addition, the receipt of any gift or hospitality should be declared where the value of it was thought to have exceeded £25 (gifts) or £40 (hospitality).	Chair	None	
3.	Chair's Remarks	Chair	None	10:05
4.	Terms of Reference - To note	Chair	1 - 4	10:10
5.	Minutes -12 April 2022	Chair	5 - 12	10:15
6.	Matters Arising	Chair	None	10:20
7.	Draft process for Accounts and process for finalisation	Louise Cowen	Verbal Report	10:25
8.	Update on Public Sectors Audit Appointment (PSAA) Process	Louise Cowen	Verbal Report	10:30
9.	Strategic Risk Register	Fiona Bebbington	13 - 32	10:35
10.	Internal Audit Report	Peter Farrow/Sandra Kalyan	33 - 64	10:50
11.	Treasury Management Outturn Report	Mark Finnegan	65 - 74	11:05
12.	Forward Plan	Chair	75 - 76	11:15
13.	Exclusion of the Public and Press To pass the following resolution: That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information relating to the financial or business affairs of any particular person (including the authority holding that information)	Chair	None	

14.	Cyber Essentials Report	Jason Danbury	77 - 78	11:20
15.	Whistleblowing Investigation	Peter Farrow & Satish Mistry	79 - 82	11:30
Date of Next Meeting - 4 October 2022				

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Audit, Risk & Assurance Committee - Terms of Reference	
Purpose	<p>The Audit, Risk & Assurance Committee is a key component of the WMCA's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of the committee is to provide independent assurance to the WMCA of the adequacy of the risk management framework and the internal control environment.</p> <p>It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.</p>
Accountable to	<p>To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.</p> <p>To report to WMCA Board on a regular basis on the committee's performance in relation to the terms of reference, and the effectiveness of the committee in meeting its purpose.</p>
Membership	<p>Constituent Authorities x7 Non-Constituent Authorities x4 LEP representative x1 Independent Member x1</p>
Chair	<p>The committee is to be chaired by the Independent member.</p>
Voting	<p>All members of the Audit, Risk & Assurance Committee will have one vote, except the Chair who is not eligible to vote and nor will exercise a casting vote.</p>

Quorum	The quorum shall be two-thirds of its membership (nine members).
Frequency	The Audit, Risk & Assurance Committee will meet quarterly, or more frequently if required to deliver the work.
Servicing	Meetings of the committee will be serviced by the WMCA's Governance Services Team.

Functions

Governance, Risk and Control

- To review the WMCA's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the WMCA's framework of governance, risk management and control.
- To consider the WMCA's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the WMCA's framework of assurance and ensure that it adequately addresses the risks and priorities of the WMCA.
- To monitor the effective development and operation of risk management in the WMCA.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the WMCA from fraud and corruption.
- To monitor the counter-fraud strategy, actions and resources.
- To receive additional assurance reports from the Corporate Assurance team.

Internal Audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.

	<ul style="list-style-type: none"> • To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include: <ul style="list-style-type: none"> • Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work; • Regular reports on the results of the quality assurance and improvement programme; • Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement. • To consider the head of internal audit's annual report: <ul style="list-style-type: none"> • The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit; • The opinion on the overall adequacy and effectiveness of the WMCA's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement. • To consider summaries of specific internal audit reports as requested.
Review	Annual in June.



Audit, Risk & Assurance Committee

Tuesday 12 April 2022 at 10.00 am

Minutes

Present

Councillor Ram Lakha OBE (Vice-Chair)	Coventry City Council
Councillor Dave Borley	Dudley Metropolitan Council
Councillor Alan Butt	City of Wolverhampton Council
Councillor Charn Padda	Sandwell Metropolitan Borough Council
Councillor Carl Rice	Birmingham City Council
Kate Shaw	Greater Birmingham & Solihull Local Enterprise Partnership

Participating via Teams

Mark Smith	Independent Chair
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Item No.	Title
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45.	Inquorate meeting
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The meeting was inquorate and therefore the recommendations contained within the minutes would be submitted to the WMCA Board on 10 June 2022 for formal approval and adoption.

46.	Chair's Remarks
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The Chair reported that as he was unable to attend the meeting in person today as he had Covid-19, he had asked the Vice-Chair, Councillor Lakha, to chair the meeting. The committee supported this arrangement.

Councillor Lakha in the chair

47.	Apologies for Absence
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Apologies for absence were received from Councillor Bardsley (Shropshire) and Councillor Meeson (Solihull).

48.	Minutes - 18 January 2022
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The minutes of the meeting held on 18 January 2022 were approved as a correct record.

49.	Matters Arising
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Minute no.40, Appointment of External Auditors

Mark Smith reported that all 7 Constituent Members of the WMCA had opted into the Public Sectors Auditor Appointments national scheme for external

auditor appointments and the tender process was now underway.

50. Equity & Inclusion Scheme 2022-24

The committee considered a report of the Director of Inclusive Growth and Public Service Reform that provided an update on the development and publication of the Equity and Inclusion Scheme 2022-24.

The Equalities and Diversity Manager, Anna Sirmoglou provided a brief overview of the Equity and Inclusion Scheme, a statutory document that sets out the WMCA's vision, ambitions and proposed objectives for promoting equality, diversity and inclusion over the next three years. The Equalities and Diversity Manager highlighted past successes and how the WMCA was seeking to address inequalities. It was noted that the document was published on the WMCA's website.

Resolved: The update on the development and publication of the Equity and Inclusion Scheme 2022-24 be noted.

51. Delivery of the Annual Business Plan

The committee considered a report of the Finance Director that provided the background to the development of the Annual Business Plan, an overview of the content, how it is used, monitored and measured including supporting the move towards data-driven, evidence based decision-making.

The Head of Business Planning and Performance Reporting, Fiona Bebbington outlined the report and advised that this year's plan was the first Annual Business Plan to be derived from the corporate aims and objectives. An internal document, the plan would be informed by a dynamic business planning process whereby regular conversations involving Finance, HR Business Partners, led by the Business Planning Specialist and Workforce Management Lead would review and consider performance and resources to ensure the right resources are in place.

In relation to an enquiry from Councillor Padda as to whether the organisation has enough people resources to deliver the Annual Business Plan, Fiona Bebbington confirmed that the organisation did have enough resources and that the resources of every team had been considered. She added that the WMCA was looking at the skills/talent of staff as part of a dynamic process to create more flexibility and an agile workforce.

Mark Smith reported that he was impressed with the dynamic reporting but noted there were currently 42 vacancies across the organisation and enquired whether this was a high or low number.

Councillor Lakha commented that the use of contractors/interim staff was costing the Authority more money and considered the need to recruit more permanent staff to ensure continuity.

Fiona Bebbington reported that she would speak to the Head of HR to ascertain more information regarding the 42 vacant roles including the context of how long the positions have remained vacant.

Mark Smith also asked that information be provided on the number of people employed on temporary contracts.

Resolved:

1. The report be noted and
2. The dynamic business planning process supports regular conversations across the Combined Authority on resources required to deliver and enable a more flexible approach when new funding sources become available be noted.

52. WMCA Strategic Risk Update

The committee considered a report of the Finance Director that provided an update on the status of the Strategic Risk Register as presented at Appendix 1 to support the committee in its function to monitor the operation of risk management at the WMCA.

The Risk Manager, Peter Astrella, provided an overview of the highest rated risks, risks identified by the WMCA's Strategic Leadership Team and issues on the Issue Log. It was noted that the conflict in Ukraine had been added to the Risk Register but there was no direct risk for the organisation.

In relation to the proposed removal of the risk, 'reputational risk for the Adult Education Budget' from the Strategic Risk Register, the de-escalation to the Directorate Risk Register, Mark Smith reported that Internal Audit had raised the issue as part of a whistleblowing case, and he wanted to be assured that the decision to remove the risk from the Strategic Risk Register was the right thing to do.

The Risk Manager undertook to look into the matter and provide feedback at the next meeting.

Resolved:

1. The risks contained within the Strategic Risk Register be noted;
2. The key messages regarding changes planned for the Strategic Risk Register be noted and
3. The two risks highlighted in section 2.10 of the report be de-escalated to the Directorate Risk Registers, subject to the Risk Manager confirming this is appropriate with regards to the Adult Education Budget risk be noted.

53. Single Assurance Framework -Assurance Performance Report October to March 2022

The committee considered a report of the Head of Programme Assurance and Appraisal that provided an update on programme assurance and appraisal activity from October 2021 to March 2022.

The Head of Programme Assurance and Appraisal, Joti Sharma, presented the report, reporting on trends and themes identified during the period along with progress on implementing the Single Assurance Framework and the outcome of Business Case Assurance Reviews.

Resolved: That the contents of the report be noted.

54. Internal Audit Annual Report

The committee considered a report of the interim Director of Law and Governance that summarised the work completed by Internal Audit during 2021-22. The report also provided an annual audit opinion based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Combined Authority by other providers as well as directly by Internal Audit.

Peter Farrow, Internal Audit introduced the report and informed the committee that all recommendations have been accepted and that a substantial or satisfactory level of assurance has been issued for 15 pieces of audit work completed in 2021-22 and one limited level of assurance issued.

In relation to the two recent audit reviews undertaken (audit reports appended to the main report), he advised that an audit of the Key Financial Systems had been given an overall opinion of substantial, whilst the Longbridge Park and Ride Income Management and Charging Arrangements had been awarded a limited level of assurance.

Sandra Kaylan, Internal Audit, summarised the findings of the audit reviews of the Key Financial Systems and the Longbridge Park and Ride Income Management and Charging Arrangements.

In relation to the audit of Longbridge Park and Ride that identified one red and amber issue, the red issue relating to no evidence of a contract in place, the interim Legal Services Manager, Jayne Middleton reported that this was a historical contract and measures have been put in place to stop this happening again.

Councillor Lakha enquired as to the process for ensuring car park monies are secured noting that local authorities have experienced issues with ticket machine break-ins.

Mark Smith noted that most audit actions arising from previous recommendations had been followed-up with the exception of those relating to GDPR and reported that he would like to see progress on these actions.

The Internal Audit Liaison Officer, Loraine Quibell advised that she would follow-up the actions arising from the GDPR audit noting that one action is related to the re-accreditation of cyber essentials (an update is included as part of the private agenda).

Resolved: The contents of the Internal Audit Annual Report 2021-22 be noted.

55. 2022/23 Internal Audit Plan

The committee considered a report of the interim Director of Law and Governance, which provided the WMCA with a risk-based internal audit plan, incorporating a strategic statement for internal audit, and based upon an assessment of assurance needs.

Peter Farrow, Internal Audit, presented the report and reported that the draft Internal Audit Plan submitted to the committee in January now included an indicative timetable on reporting dates to future meetings. He advised that dates might be subject to change, but any changes would be reported to the committee.

Resolved: It be recommended to the WMCA Board that:

The Internal Audit Plan for 2022-23 be approved.

56. Annual Auditor's Report on West Midlands Combined Authority 2020/21

The committee considered a report of the Finance Director and Section 151 Officer that presented the West Midlands Combined Authority Auditor's Annual Report for the year ended 31 March 2021 which summarised the key findings arising from the work carried out by the external audit team at Grant Thornton.

Helen Lillington and Grant Patterson, Grant Thornton presented the report and outlined the key findings. Grant Patterson reported that the report was very positive overall, and no significant risks had been identified.

It was noted that Grant Thornton proposed two improvement recommendations; one related to more explicit reporting how financial decisions impact on the performance of the Authority and other recommended that assurances be sought from members of Audit, Risk and Assurance Committee that they will attend or send a substitute (when decisions are to be taken) to ensure the meeting will be quorate.

Councillor Lakha considered the need for committee members to be incentivised to attend meetings noting that members had competing priorities within their own authority.

Grant Patterson reported that the WMCA was looking at the quoracy issue, but this was complex and statutory changes would be required to change the structure.

Mark Smith noted that the quoracy issues would take time to resolve but would continue to be followed-up as part of the governance review.

Resolved:

1. That the Auditor's Annual Report on the West Midlands Combined Authority for the year ended 31 March 2021 and

2. The WMCA Board be recommended to approve the publication of the report on the Combined Authority's website.

57. West Midlands Combined Authority External Audit Plan 2020/21

The committee considered a report of the Finance Director and Section 151 Officer that provided an overview of the planned scope and timing of the statutory audit of the West Midlands Combined Authority to be undertaken by the external auditors, Grant Thornton, for the year ending 31 March 2022. The External Audit Plan for the year ending 31 March 2022 and Informing the Audit Risk Assessment for the West Midlands Combined Authority 2021/22 were appended to the report.

Grant Patterson, Grant Thornton, summarised the main themes from the External Audit Plan. This included but was not limited to key matters, group scope and risk assessment, value for money arrangements and audit logistics.

In relation to Midland Metro Limited appointing auditors Williamson & Croft Audit Ltd to replace BDO who had resigned as auditors and Mark Smith's enquiry as whether there were any issues that needed to be followed-up, the Financial Controller, Louise Cowen undertook to look into the matter.

With regards to the revised and extended deadline for local authority audits to be completed by the end of November and the WMCA audit programmed to be completed by the end of September, Mark Smith asked that Grant Thornton provide clarity on the end date as early as possible so that a committee meeting could be scheduled in good time to ensure the meeting is quorate.

Resolved:

1. The External Audit Plan for the year ending 31 March 2022 presented by Grant Thornton be noted and
2. The informing the Audit Risk Assessment report for West Midlands Combined Authority 2021/22 be noted.

58. Draft Annual Governance Statement for 2021/22

The committee considered a report of the interim Director of Law and Governance that provided the draft Annual Governance Statement for approval.

The Annual Governance Statement is a statutory document which explains the processes and procedures in place to enable the WMCA to carry out its functions effectively as defined by CIPFA. Final approval of the 2021/22 Annual Governance Statement would be sought as part of the process of approving the annual accounts of the WMCA in due course.

The interim, Legal Services Manager, Jayne Middleton presented the report and advised the committee that as well as looking back retrospectively over the past year where the WMCA has demonstrated good governance, this year the report looks forward to areas where focus should be given in

relation to governance for the coming year.

It was noted that final approval of the 2021/22 Annual Governance Statement would be sought as part of approving the annual accounts of the WMCA in due course and whilst there is a possibility an unknown issue may arise that requires comment or inclusion within the statement, the statement is not expected to change.

Resolved: the draft Annual Governance Statement for inclusion in the 2021/22 annual accounts be agreed.

59. Exclusion of the Public and Press

Resolved:

That the in accordance with Sections 100A4 of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items of business as they involve the likely disclosure of exempt information relating to the business affairs of any particular person (including the authority holding that information).

60. Cyber Essentials Update

Mark Smith provided an update on the re-accreditation of the WMCA's cyber essentials and reported that a report on progress would be submitted to the next meeting.

Resolved: That the verbal report be noted.

The meeting ended at 12.10 pm.

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West Midlands
Combined Authority

ARAC Strategic Risk Update – July 2022

Peter Astrella – Risk Manager
Finance & Business Hub

Contents

<u>Slide</u>	<u>Title</u>
3	WMCA Strategic Risk Heat Map
4 – 5	WMCA Strategic Risk Trend (Graph & Detail)
6	Key Messages for ARAC - New Strategic Risks
7 – 9	Key Messages for ARAC – Revised Risks

WMCA Strategic Risk Heat Map

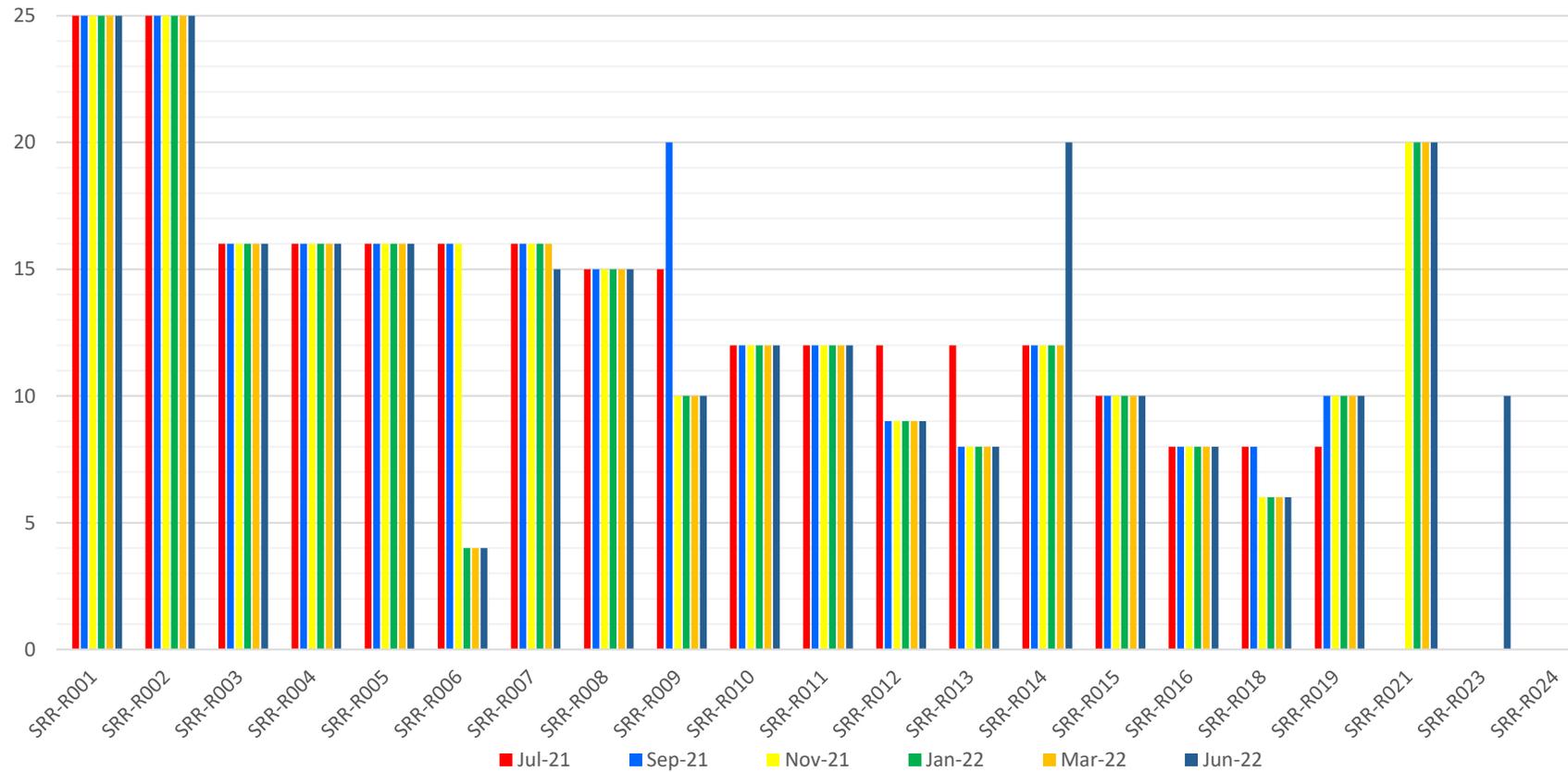
A review of the highest rated risks has seen significant revision to six risks, along with the identification and development of two new risks.

		Current Threats					
Likelihood	5	Very high		SRR-R023 (New)			SRR-R001 ⇄ SRR-R002 ⇄ SRR-R024 (New)
	4	High		SRR-R013 ⇄		SRR-R003 ⇄ SRR-R004 ⇄ SRR-R005 ⇄	SRR-R021 ⇄ SRR-R014 ↑
	3	Medium			SRR-R012 ⇄	SRR-R010 ⇄ SRR-R011 ⇄	SRR-R007 ↓ SRR-R008 ⇄
	2	Low			SRR-R018 ⇄	SRR-R016 ⇄	SRR-R009 ⇄ SRR-R015 ⇄ SRR-R019 ⇄
	1	Very low				SRR-R006 ⇄	
			1	2	3	4	5
			Minimal	Minor	Significant	Major	Critical
			Impact				

Threat Rating	Score Range	Count
Limited	1-5	1
Medium	6-12	10
Very High	15-25	10
Total		21

WMCA Strategic Risk Trend

Risk Trend



WMCA Strategic Risk Trend

The review of high rated risks has resulted in there now being 10 strategic risks rated High / Red of which three have the highest residual rating:

- SRR-R001 Failure to deliver the Investment Programme as originally intended **25**
(prev. *Financial Assumptions for Investment Programme*)
- SRR-R002 External Factors **25**
- SRR-R024 Inflation & global supply chain pressures (**New**) **25**
- SRR-R014 Delivery Commonwealth Games Regional and Spectator Transport Operations
- SRR-R021 Financial resilience of WMCA to absorb fiscal shocks
- SRR-R003 Information Assurance & Protective Security
(prev. *Data Protection & Protective Security*)
- SRR-R004 Stakeholder & Political Relations
- SRR-R005 Capacity and Capability
- SRR-R007 Post pandemic sustainability of public transport network
(prev. *Longer term economic impact of Covid-19 on bus service provision*)
- SRR-R008 Commerciality

Key Messages for ARAC - New Risks

In March 2022, the SLT identified two new risks. These have been developed as follows:

Inflation & global supply chain pressures – the primary causes of which are the cost of materials, energy and labour, and the availability of supplies and labour. The effect of this, and the focus of attention for both existing or new controls, is then on: CRSTS, TfWM Operational Costs and delivery of Capital Projects. It is important to note that, although we are including this as a risk at a strategic level, at an operational level it is already an issue for many projects and is being managed as such.

Metro Tram Availability – a new risk which moves away from the very specific “2GT Fleet Cracks” risk, by including several further causes, a range of additional control measures and several areas of further action.

Key Messages for ARAC (1)

Failure to deliver the Investment Programme as originally intended – Although this risk had been revised to make clear it was about a risk to delivery of the investment programme as agreed with our members and partners, the SLT have asked that it be redrafted to focus on the risk that we fail to deliver the benefits and opportunities of UK Central.

Financial resilience of WMCA to absorb fiscal shocks - the risk has been revised to reflect current fiscal shocks captured elsewhere in the SRR: the *Ongoing effect of the pandemic on public transport services* and the *Inflation and global supply chain issues*, which are themselves very high risks and we need to be mindful that our response to those could have an adverse effect on this risk.

Post pandemic sustainability of public transport network - revision of earlier risk which focussed solely on post-pandemic bus provision. This expanded / revised risk has seen a slight reduction in likelihood along with significant revision of existing controls and the further actions planned.

Key Messages for ARAC (2)

Delivery Commonwealth Games Regional and Spectator Transport Operations – revised risk now reflects uncertainties including rail union action, infrastructure failures, and driver shortages. This expansion of risk causes has resulted in an increase in the residual risk score from 12 to 20.

Information Assurance & Protective Security – significant revision of risk, aiming to remove ambiguity and focus attention on assurance that we are protecting our information. The SLT have collective ownership, while the secondary risk owners are Head of ICT / Head of Governance.

Capacity and Capability – revised to make clear we are looking at a post-pandemic environment, with focus on delivering the People Strategy, recruitment, retention, hybrid working, and well-being.

Key Messages for ARAC (3)

The following high risks were not revised, but action is in hand to achieve this ahead of the September SLT Risk Update:

- ***External Factors***
- ***Stakeholder & Political Relations***
- ***Commerciality & Covid 19 effects and response to risk***

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West Midlands
Combined Authority

Audit, Risk & Assurance Committee

Date	4 July 2022
Report title	WMCA Strategic Risk Update
Accountable Chief Executive	Laura Shoaf, Interim Chief Executive Email: laura.shoaf@wmca.org.uk Tel: (0121) 214 7444
Accountable Employee	Linda Horne (Finance Director & Section 151 officer) Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Report has been considered by	

Recommendation(s) for action or decision: For Information Only

Audit, Risk & Assurance Committee is recommended to:

- a. Consider and note the risks contained within the Strategic Risk Register (SRR).
- b. Note the key messages regarding changes that have been made and which are planned for the SRR.

1. Purpose

- 1.1. Taken together, the Strategic Risk Update at appendix 1, the Strategic Risk Register (SRR) at appendix 2, and the Issues Log at appendix 3, provide the Audit, Risk and Assurance Committee (ARAC) with visibility of the strategic risks currently faced by the WMCA and support its function in monitoring the operation of risk management at the WMCA.

2. Background

- 2.1 The SRR supports the identification and management of the risks faced by the organisation in achieving its organisational or strategic objectives. The SRR captures

only those high-level risks which are of such significance as to require oversight by the Strategic Leadership Team (SLT). The SLT monitors WMCA's risk environment on a regular basis to ensure key risks are captured on the SRR and measures are in place to effectively manage or mitigate their effects.

- 2.2 At their review of the SRR in March 2022, the SLT agreed to a proposal for a series of deep dives to allow a more detailed consideration of its highest risks; those with a risk score from 16 – 25. Following significant discussion with several colleagues, the SRR has seen changes to key information surrounding many of our highest rated risks, along with the development of several new risks following their identification by the SLT in their March review.
- 2.3 To aid the ARAC in understanding these revisions, a brief explanation is included in the risk update, while all revisions are shown in red text in the SRR.
- 2.4 **Issues Log** - The ARAC will be aware of the issues of Metro - 2GT fleet crack propagation and Metro - 3GT fleet; Compromised bolt identified on the fleet both of which are included in the Issues Log. The ARAC will also be aware that the trams are now running. We have retained the issues on the log for now but these will be reviewed ahead of the September update.
- 2.5 As requested by SLT, the tram risk has been revised to reflect a more general risk of tram availability.
- 2.6 **High Risks** – Following the review of the majority of risks rated high / red, and the development of new risks identified by the SLT, the SRR now contains three risks assessed with the highest possible residual score of 25:

- *Failure to deliver the Investment Programme as originally intended (prev. Financial Assumptions for Investment Programme)*
- *External Factors*
- *Inflation & global supply chain pressures (New)*

A further seven risks are rated at High / Red:

- *Delivery Commonwealth Games Regional and Spectator Transport Operations*
- *Financial resilience of WMCA to absorb fiscal shocks*
- *Information Assurance & Protective Security (Prev. Data Protection & Protective Security)*
- *Stakeholder & Political Relations*
- *Capacity and Capability*
- *Post pandemic sustainability of public transport network (prev. Longer term economic impact of Covid-19 on bus service provision)*
- *Commerciality*

In discussing these risks, the SLT paid particular interest to the *Failure to deliver the Investment Programme* risk and have asked that it be further revised to better reflect a risk of not delivering the benefits and opportunities of UK Central. This work will be undertaken ahead of the next SLT risk update in September.

- 2.7 **Remaining risks** – The SLT discussed the need to provide assurance that all strategic risks are kept up to date and new risks identified, they agreed the following activity which aims to achieve this and to help improve risk engagement across the CA:

- To undertake a similar deep dive into the remaining risks to consider whether their language, assessment and action is up to date. This will ensure we have a cycle for thoroughly reviewing all high risks and remaining risks alternately every six months.
- That the Risk Working Group; now the Risk Network, is reinstated as a means of providing assurance about how the CA is managing risk, and for gathering evidence of strategic risks at a Directorate or Programme level.
- We will also gather risk evidence from across the Finance and Business Hub by engaging colleagues and using performance management, assurance, and appraisal resources.
- Engaging with the CMT to offer colleagues across the 1st line of defence an opportunity to challenge the evidence I am pulling together and to feed in their views on the CA's strategic risks, ahead of consideration by the SLT.

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 Update

Appendix 2 WMCA Strategic Risk Register

Appendix 3 WMCA Issues Log

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Risk ID	Risk Owner 1 Risk Owner 2	Inherent Risk			Title	Cause	Description of Uncertain event	Effect	Controls measures in place	Residual Risk			Target	Trend	Further actions required to mitigate risk	Target Resolution Date
		Likelihood	Impact	Score						Likelihood	Impact	Score				
SRB-R001	Executive Director Finance Business Hub	5	5	25	Failure to deliver the Investment Programme as originally intended	Challenges to securing income streams caused by political and economic uncertainty	(1) The original Investment Programme was agreed with a mixed bag of funding for its delivery. The supplementary (or alternative, equivalent) income streams envisaged in the 2016 Devolution deal, have not been available to date and may not be available in the future, specifically the grant and charges to business rates. Although the funding envisaged in the 2016 Devolution deal has not been available, there has been no revision to the original investment programme projects or quantum. (2) A significant portion of the funding is subject to a 5-year Government Gateway review. If we were to fail to deliver the benefits to the West Midlands as expected, then we could fail the gateway review and later years of Government funding could be withheld. (3) There is an 'interest rate risk' and the degree to which any upward movement to the rate at which WMCA borrows erodes the purchasing power of the grants / funding is secured to date. The current inflationary situation means it is highly unlikely the previous economic expectations will be met.	<ul style="list-style-type: none"> Because the funding originally envisaged has not been available we have invested less and unless the situation changes / without alternative funding sources, we will be unable to deliver the Investment Programme for WM as originally intended. Client / Customer / Partner Opportunities for growth compromised Stakeholder relationships compromised / withdrawn Reduced ability to borrow 	<ul style="list-style-type: none"> 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. Use of professional financial modelers 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. Close working with Government to understand the ongoing financial position and help unlock additional income streams. Assessing opportunities to turn grants to loans and / or maximise 3rd party contributions and land value capture. 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. Economic Recovery activities overseen and directed by both the SED Board and the Steering Group, with regular reporting to SED Board and in Feb 21 the WMCA Board endorsed 5 strategic challenges to shape the region's response and recovery planning. This is being simplified with the Economic Growth Board. Established fortnightly monitoring process (in collaboration with NVA-RD1 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. 	5	5	25	20	↔	<ul style="list-style-type: none"> We could consider reducing the Investment Programme to match the funding, or we need to have the funding to match the IP, we have tried the former on several occasions and it has not been successful. When HMG announce new funding streams, we should look to prioritise the match of these to Investment Programme projects, these are the existing priorities for the region. Continue working with Government and constituent authorities regarding the assumptions relating to business rates. Alternative funding and financing streams are being explored with HMFT. Future precept options could be explored. We continue to lobby Govt for funding and to explore other opportunities e.g. the Levelling Up Fund announced in November's Spending Review. 	01/12/2024
SRB-R002	Executive Director Strategy, Integration & Net Zero	5	5	25	External Factors	Due to external uncertainties such as changes in policy from global EU or government exacerbated by challenges created by Covid 19 and Brexit	There is risk that external challenges or changes in policy from global, EU or government / political or financial change may not be adequately factored into WMCA plans, which could make delivery ambitions more difficult to achieve. 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. There is a danger that continuing risks of Brexit are identified or overlooked and insufficient planning is undertaken. 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. There is still a requirement to monitor the situation on a continued basis due to the significant levels of uncertainty in the external environment due to Covid and following Brexit.	<ul style="list-style-type: none"> Potentially leading to failure to achieve delivery ambitions Operational impacts short, medium or long term impacts on the economy. Potentially resulting reputational damage. Potentially resulting in the attention of Government and partners being on addressing urgent Covid needs and not the core focus of economic growth and sustainable transport which are the core roles of the Combined Authority. Structural economic change may change the nature, cause and solutions to regional social and economic challenges, meaning that our solutions and programmes need to be reviewed. 	<ul style="list-style-type: none"> 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. Economic Recovery activities overseen and directed by both the SED Board and the Steering Group, with regular reporting to SED Board and in Feb 21 the WMCA Board endorsed 5 strategic challenges to shape the region's response and recovery planning. This is being simplified with the Economic Growth Board. Established fortnightly monitoring process (in collaboration with NVA-RD1 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. 	5	5	25	TBC	↔	<ul style="list-style-type: none"> Maintain measures already in place. Where vulnerabilities are exposed, undertake specific work with partners to explore solutions (e.g. supported Cabinet Office project about impact of introduction of border import controls / the Chambers'EPF led work about issues to trade disruption). Continued development and delivery of appropriate responses as the situation develops as advised by the government, including the development of a strategy to support the recovery of the economy within the region, supporting HM Treasury's wider "Plan for Growth" 	Ongoing
SRB-R001	SIT	5	5	25	Information Assurance & Protective Security	There is a potential that data protection requirements and / or proper protective security of all WMCA assets/information/systems, premises and people, may not be reasonably and proportionately maintained in line with the extant threats and UK legislative and Cabinet Office mandates.	<ul style="list-style-type: none"> An event or series of events which, should it occur would, through compromise to the confidentiality, integrity, or availability of information (electronic, manual, and spoken word) and business assets, impact on the achievement of the organisation's objectives. Organised and Opportunistic Crime: Cyber-attacks are an increasing threat and public sector bodies are regularly targeted. This could include social engineering (phishing, vishing and smishing), malware/ransomware delivery, direct 'hacking', theft of data, and/or denial of service of ICT systems and services. Risk of a successful attack from highly capable state sponsored cyber criminals, most notably sponsored by Russia, China, and Iran, is currently heightened as a direct result of the hostilities in Ukraine. Insider Threats: Human error or procedural failure of an individual/team to adequately protect information, resulting in the loss of information and/or access to information by unauthorised persons. Malicious insiders that maliciously and fraudulently steal/pass on information and assets. 3rd Party Services: An information/system breach event occurring at a partner organisation or 3rd Party service, with whom we have contracted to process data on our behalf. In addition there could be either terrorist events or natural disasters 	<ul style="list-style-type: none"> Potential risk impact can vary depending on the nature of the uncertain event, but could range across: Life & Safety Trade & Commerce Finance Reputation 	<ul style="list-style-type: none"> The WMCA has an Information Assurance (IA) Framework in place supported by a suite of Protective Security and Data Protection policies. The IA Framework, ratified at Senior Leadership level, sets out the organisation commitment and response to the mitigation of identified threats and risks to its protective security. In accordance with the IA Framework, the WMCA is committed to counter threats and appropriately protect its business and people. 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 relevant National Technical Authorities (National Cyber Security Centre and the Centre for the Protection of National Infrastructure) and other external experts. The Information Assurance framework provides an internal information governance hierarchy for risk owners, whose function it is to consider and manage Protective Security and Data Protection risk at strategic and operational levels. Mandatory requirement in place for all staff to complete Information Security training, including GDPR, with regular staff awareness and monitoring in place. 	4	4	16	9 to 12	↔	<ul style="list-style-type: none"> The WMCA Senior Leadership Team (SLT) have approved a WMCA Digital & Data (D&D) Strategy, of which the first aim is to: "Provide information assurance and risk management aligned to the confidentiality, integrity and availability of information systems and assets as set out in the HMG Security Policy Framework (SPF) and the Government Functional Standard (GFS) 007 'Security'". Also set out, within the D&D Strategy, are 5 Maturity Models. The 5th of which is the Information Assurance Maturity Model (IAAMM). The IAAMM combines adherence to legislation and the appliance of best practice. It is overseen by the Senior Information Risk Owner (SIRO), and it allows the WMCA to: <ul style="list-style-type: none"> Assess and report performance and maturity against the IAAMM. Conduct audits against IAAMM requirements, allowing for risk identification, articulation, and management. Risk will be managed through a Protective Security Risk Registers aligned to the Information Risk Management Policy and Strategic Risk Management Framework. Audit will be undertaken by internal specialist staff in the first instance, but in time we will look to a 3rd party specialist audit provider. Fulfill its obligations in adopting Cabinet Office mandates (essential), adherence to extant legislation (essential) and National Technical Authority (NTA) advice and guidance (consultation), essential in ensuring that it is taking steps to reasonably and appropriately protect its information and assets and its ability to deliver services. 	Ongoing
SRB-R004	Head of ICT / Head of Governance	5	4	20	Stakeholder & Political Relations	Changing national politics have the potential to significantly impact the devolution agenda, funding and powers of WMCA.	<ul style="list-style-type: none"> 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 legislation. 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. Political relations and expectations will need to be managed. 	<ul style="list-style-type: none"> Potentially leading to Delivery Gaps Budget pressures Financial Operational Governance 	<ul style="list-style-type: none"> Ongoing close working with LEPs, constituent and non-constituent members with regular communications in place to ensure all parties are fully engaged. Collaborative working to be maintained and extended where opportunities allow, supporting the joint submission made on the Devolution White Paper in August. 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. The expectations of all members to be clearly understood and shared with ongoing engagement with all partners and businesses at all stages of the Portfolio delivery. WMCA are developing more regular stakeholder and political engagement. To discuss both insight 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. Arrangements that support engagement between Mayor and Portfolio Lead Members are being refreshed to create more time for policy development discussion. 	4	4	16	TBC	↔	<ul style="list-style-type: none"> Regular communication exists and is maintained at various levels. Wide representation at Governance Boards are to be maintained. New opportunities being identified by Leadership Team to maintain and improve relations. Reduction process for newly elected political members of WMCA in place. External political uncertainties are likely to contribute to residual risks despite mitigating actions. A review of engagement and involvement in decision-making and policy development 	01/08/2022
SRB-R004	Head of HR	5	4	20	Capacity and Capability	Possibility of challenges in recruitment, retention and skill gaps, particularly as a result of the post-pandemic environment we are operating in.	<ul style="list-style-type: none"> There is the risk that the capacity and skills amongst managers and officers may not be sufficient or fully aligned to meet the continuing focus for delivery of new and challenging initiatives within WMCA. Hybrid working may give rise to new risks to staff morale and wellbeing. Added to this, there is a new threat of the "Great Resignation", with a PWC survey (May 2022) suggesting almost one in five UK workers are likely to change jobs in the next 12 months, as employees come out of the pandemic and consider their work / life aspirations. Employees may look to take more risks about their employment decisions, as the pandemic and hybrid working have opened opportunities for them that might not have existed before. 	<ul style="list-style-type: none"> Difficulty, and ultimately failure, to deliver or respond to: WMCA's priority activities, including a comprehensive organisation wide transformation programme. WMCA objectives in line with required deadlines and plans. Changing priorities and new initiatives. While increased demands and pressures on staff could impact upon wellbeing and attendance / absence levels. 	<ul style="list-style-type: none"> General - Development and delivery of the organisation wide Transformation Programme Asset: Rebuild has been established to support the review of the CA's systems, processes, structure, and culture and will prepare the organisation in its ability to deliver in a continuing changing environment. We are also continuing implementation of the People Strategy and introducing a HR Service Centre. Recruitment - SLT have considered an approach to capacity planning and recruitment in a volatile market, and we will be looking at the tools and routes to market we want to use. Retention - An approach to talent and succession is being progressed including skills audits to support a more planned approach. We will continue to ensure there are plenty of learning and development opportunities, including Learning Week, so that staff can enhance their skills and knowledge are refreshed. Hybrid - We are undertaking a review of Hybrid, looking at how implementation has been handled, how colleagues feel about the benefits and what difficulties they may have experienced. Well-being - We will continue to look at new well-being initiatives, engaging staff through well-being forums and promoting well-being webinars. 	4	4	16	12	↔	<ul style="list-style-type: none"> General - Development and delivery of a cohesive People Strategy is fundamental to our response to this risk. We will be redefining our vision and values, raising their visibility and improving their understanding with all staff, supported by #BeTTCConnected where we will be looking to improve staff interface and engagement. Recruitment - Having recruited a Recruitment Partner and Acas Recruitment Partner, we have introduced recruitment processes which are accessible, quicker, and easier to use. While lighter controls on resourcing through the resourcing team has enabled us to source quality candidates with greater relevant experience. Hybrid - Regular communications in place with all staff to maintain engagement across all levels of the organisation. An all-staff survey on WMCA's management of its Covid response demonstrated most staff welcomed working from home and productivity has increased. The results have been reviewed in detail to inform the approach to future hybrid working arrangements. Well-being - Hybrid working has proven to be a success for many, but HR and Wellbeing teams are focussing on the mental health of all staff, a suite of wellbeing initiatives has been implemented to support the continued health of all staff, including the introduction of mental health first aiders and focus on promoting the benefits of the employee assistance programme. 	Sep 22
SRB-R006	Executive Director Strategy, Integration & Net Zero	2	5	10	Overall Delivery of Devolution Objectives & Covid effects and response to risk	As a result of political uncertainty and changing political priorities of central government. Covid 19 may exacerbate political and economic uncertainties further.	<ul style="list-style-type: none"> There is a potential risk that Government priorities change, meaning that the case for Mayoral Combined Authorities (MCA) and devolution is undermined. This could mean a re-prioritisation of MCA functions or new HMG programmes that cut across our delivery plans or undermine our role. This could limit our ability to deliver on our devolution deals, and cause brand reputational damage. 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 potentially result in significant challenges to the deliverability of the devolution programme within expected timescales 	<ul style="list-style-type: none"> Potentially leading to the failure of WMCA to deliver Devolution in whole or in part resulting in the possibility of detrimental impact to the local economy and reputational damage. 	<ul style="list-style-type: none"> We continue to maintain close relationships with central government at both political and civil service levels to enable us to both inform and respond to the emerging policy response to the "levelling up" agenda. We make strong arguments for funding on all appropriate occasions. We are involved in regional and national review and planning exercises e.g. Best Contingency Planning. Organisational objectives are monitored and managed by Officers, thematic Boards and also WMCA Board. 	1	4	4	4	↔	<ul style="list-style-type: none"> Low perceived residual external risk given current government positioning on the devolution agenda. 	Ongoing
SRB-R007	Exec Dir TWMM	3	3	9	Post pandemic sustainability of public transport network	The pandemic changed customer behaviour and working habits and we continue to see reduced patronage levels across public transport networks. Added to this, Government funding is due to expire during 2022 across England. The industry is also seeing unprecedented increases in the cost of fuel, cost inflation, and potentially wages which is also being passed on to TWMM for contracted services placing pressure on what we are able to do to	<ul style="list-style-type: none"> Bus - Services across the West Midlands are de-regulated and operated commercially by bus operators to decide the timetables, fares and operating hours of services. During the pandemic the DfT provided financial support to commercial bus operators to enable them to maintain services. This funding is due to come to an end in October (potentially end of December for West Midlands to maintain stability during the CWG). The majority of routes are unlikely to see patronage recover to pre-Covid levels, and bus operators have faced increased costs due to fuel, inflation, and pay. This has led to questions about the commercial viability of many services and the possible reduction in service provision across the region. TWMM can influence the outcome through partnership and joint working, but do 	<ul style="list-style-type: none"> Bus - The pressures of reduced patronage, reduced revenues, commercial ownership of decision making on bus services - and uncertainty of financial support - especially when combined with the risk of inflation, fuel cost increases and supply chain concerns, could lead to reductions in the bus network in the West Midlands with potential commercial provision to as low as 70 to 80% of pre-covid levels. This could lead to pressure on TWMM to step in and financially support services which would, in turn, lead to increased budgetary pressures for WMCA of between £30m and £50m. The alternative to increased budget will be reduced service provision across the region. 	<ul style="list-style-type: none"> 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 through the West Midlands to manage any required changes on the network. Engaging with government regarding the proposed recovery partnerships and seeking to influence the model of available funding - Light rail settlement combined with bus settlement, WMCA region allocation to be confirmed in due course. 	3	3	9	0	↔	<ul style="list-style-type: none"> Work with operators to identify opportunities to reduce overprovision on corridors where there is commercial competition. Agreeing with operators timeline for undertaking network review process including setting review principles, engagement and consultation, marketing and promotion etc. Liaise with DfT regarding funding and expectations as to when the Network Review needs to be complete. Implement monitoring of passengers / explore options for expanding West Midlands Demand survey to help meet gaps in the feed route bus network. Leaders have agreed to commission a review of supported policies to take place over 	November

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	Director of Integrated Network Services Commercial Director West Midlands Metro Director of Rail and WMNE					mitigate the risk. not control the decision-making processes. Metro & Rail - Longer term economic impact on both the Metro and Rail operations, there is a risk that both industries don't recover to pre-pandemic levels due to a change in working habits/customer behaviour and uncertainty over longer term government funding support; DfT provided financial support for Metro to maintain services but this funding ending in October	Train - Difficult for MML to hit operating budgets, which has a knock-on impact on operations and elements of Metro expansion where borrowing against future revenue is involved. Rail - Increased pressure to reduce the Rail industry cost base by reducing services, changes to working practices and these could be harmful to the strategic objectives of TWMM & WMCA.	<ul style="list-style-type: none"> Review of funding models and access standards to support uplift and commercial operators making significant changes. Early identification of financial risks to inform the budget setting process and identifying options for reducing expenditure - Operational efficiency ongoing, all elements identified i.e. power, staffing, MML completing full re-visit of forecast for the financial year. Work with DfT, Rail industry partners to help inform decisions about future service offering within the West Midlands. 						22/23 <ul style="list-style-type: none"> Negotiate with operators to get the best package from the BSIP funding, including securing best coverage of the network. Communication of amended product range to help customers return to buying longer duration Metro tickets upon the Train network (Placed on hold during service disruption, activities due to re-commence over Summer 2022). Supporting national and local marketing campaigns to increase demand and targeting new markets. 	Ongoing	
SRR-R008	Executive Director Finance Business Hub	4	5	20	Commerciality & Covid 19 effects and response to risk	Due to challenging economic conditions and potential changing customer behaviour, this is potentially exacerbated by Covid 19.	There is a potential 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: <ul style="list-style-type: none"> 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. There is a risk the current economic situation due to Covid 19 will have a greater impact on the commercial arrangements currently in place or being established.	Resulting in the potential of reputational impact, delivery risk and financial risk	<ul style="list-style-type: none"> 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. Adequate expertise brought into the Finance Team to ensure an appropriate amount of rigor and precision exists within all WMCA commercial financing models, reducing the risk of error. 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	10	↔	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.	01/08/2022
SRR-R009	Investment & Commercial Activities Director	5	5	25	Project / Programme Appraisal & Assurance - Ensuring Compliance to National Devolution Commitments	Due to <ul style="list-style-type: none"> Higher than originally anticipated volumes of business cases and change requests due to the Pandemic. The introduction of enhanced control requirements increasing resource requirements. Uncertainties with capacity in the short term in the team following Business Transformation 	There is a potential risk that new project and programme proposals are not effectively appraised or assured in line with the Devolution commitments made to Central Government. Business Transformation has resulted in changes in support structures for SAF implementation. In the short term this may have an impact on the capacity to implement and embed the SAF across all WMCA project portfolios. This risk may be exacerbated by new funding streams in response to the Covid pandemic. This may also impact on the ability of the WMCA to secure future funding.	Resulting in the potential of investment decisions being made regarding projects and programme without adequate appraisal having taken place before hand. This could possibly 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. This would also have the possible impact of non compliance with Government requirements. This may also impact on the ability of the WMCA to secure future funding.	<ul style="list-style-type: none"> 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 and has now expanded to include a number of portfolios. Reintegration of SAF implementation group with revised membership has been established and will meet on a monthly basis and report progress/issues to SLT. SAF Implementation Project Manager has now started and is engaging with each Directorates - target date to transition existing portfolios in Spring 2022. SAF annual refresh will be initiated in April with the aim of WMCA Board approvals by September 2022. A revised and enhanced tool kit has been developed to support implementation of the SAF. Assurance and Appraisal processes have been implemented in line with SAF requirements. Additional guidance is available for guidance on the WMCA's Intranet pages. Activity volumes are being carefully monitored. 7 additional posts have been approved and Recruitment and Selection is underway to fill these posts, to date 6 of the 7 posts have been filled. Roll out of SAF requirements has been delivered to all Directorates and support teams. Directors are committed to submitting project pipeline information for each Portfolio and will be working with the Assurance team to plan transition. 	2	5	10	10	↔	To mitigate risk there are further elements of the SAF that need to be implemented and embedded. <ol style="list-style-type: none"> The SAF implementation has now been approved and a Project Manager will be developing the Project Plan to fully rollout SAF to all WMCA Portfolios. Continued regular Assurance and Appraisal reporting to SLT and ARAC. Following the review of internal governance arrangements, embedding of future governance arrangements is ongoing as part of a wider review. 	31/12/2022
SRR-R010	Head of Governance	4	5	20	Governance Arrangements & Covid 19 effects and response to risk	Failure to adopt or challenges in adopting and embedding adequate formal governance arrangements. Covid 19 may exacerbate potential challenges with governance arrangements further	May lead to the risk of Failures in effective decision making arrangements. 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 organization's objectives. With new developed budgets, different government departments have specified different assurance requirements which are adding to pressures to develop bespoke governance arrangements.	Leading to potential of: inadequate governance Negative Financial impact Legal/Regulatory impact Delivery failures	<ul style="list-style-type: none"> Comprehensive governance arrangements are in place and contained in the WMCA constitution, approved by the Board. A governance review is currently being undertaken to ensure current governance arrangements are satisfactory. The Director of Law & Governance and Monitoring officer is a member of the Strategic Leadership Team and attends all meetings of the WMCA Board, and responsibility for oversight of all assurance activities, including Internal Audit. A WMCA single assurance framework has been agreed. Governance requirements, for Adult Education Budget, Housing and SG have been 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 meets to moderate and review compliance of governance arrangements. Membership includes the CEO, Section 151 officer (Director of Finance) and the Monitoring Officer (Director of Law & Governance). WMCA are currently adopting a Hybrid approach to meetings. Allowing only essential Committee/Board members for formal decision-making (for quorum) to be present within the physical meeting room. With other attendees attending the meeting remotely to ensure a safe meeting environment prevails. Hybrid meetings are being managed on a case by case basis to ensure that they continue to be socially distanced yet quorate. We continue to review the operation of hybrid meetings to ensure they are working appropriately. With this consideration in place the plan is to continue to accommodate Board meetings at Summer Lane (up to a maximum of 16 if social distancing remains in place) or off site where Board meetings have a higher membership. 	3	4	12	TBC	↔	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.	Ongoing
SRR-R011	Exec Director Economic Delivery, Skills and Communities Head of HR	4	4	16	Capacity of Leadership Team	Due to potentially challenges in recruitment coupled with excessive workloads which may be exacerbated by the on going Pandemic	There is a potential risk that the capacity of the Leadership team may not be sufficient to enable business decisions to be made in a timely manner. This risk may be exacerbated by the departure of two of the three Statutory Officers for the CA if those vacant positions are not filled in a timely manner. Please refer to risk ref SRR-R005 for information on Covid 19 effects and response.	Resulting in difficulties in the WMCA's ability to achieve delivery of the organisations priority activities. Leading to potential delays in delivery.	<ul style="list-style-type: none"> 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's 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. An interim Director of Law and Governance took up post during the 1st week of May 2021 and has completed a full handover with the existing Director - Law and Governance. A permanent CEO has now been appointed and a recruitment plan in place with anticipated permanent post for Director of Law & Governance to be appointed for November 21. Interim arrangements are also in place to cover the new CEO previous role as MD For Transport for West Midlands following an appointment in July. Interim arrangements for both of the above roles will remain in place until the permanent candidates take up their role, this provides a level of continuity, additionally in the case of Director of Law and Governance there has been a commitment to support a handover period. 	3	4	12	6	↔	Close working arrangements in place with member authorities in order for all parties to provide mutual support as required. Following appointment of an interim Director of Law and Governance who took up post during the first week of May, plans are now underway for recruitment of a permanent replacement for the role later in the year. A review of phase 1 of business transformation is set for October 2021 There is an ongoing review of governance also to enable decision making and cross authority process works to best efficiency. There is an increased focus on resourcing in the following areas: HR, Commercial & Investment and Strategy. Workforce and succession plan will be in place for end of September and will focus on specialist skills and recruitment plan, this risk can now be managed.	Feb-22
SRR-R017	Executive Director Housing, Property and Regeneration	4	4	16	WMCA Resilience	There is a possibility that irregular events and circumstances affecting WMCA services, buildings and facilities may disrupt operations; and activities, unexpected events or operating conditions.	Meaning that WMCA may not be able to respond in an effective and timely manner to events that have the potential to disrupt operations and activities, causing service outages. Also potentially that WMCA cannot respond in an effective and timely manner to events that disrupt transport network operations and activities.	Which may lead to the potential of negative impacts on operational delivery and communication throughout the organisation. Impact on service delivery which may lead to financial loss (or failure to realise expected benefits or funding) reputational damage, service outages, legal or regulatory breach	<ul style="list-style-type: none"> 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. Hybrid working arrangements and increased resilience from communications methods put in place as a result of remote working have provided mitigation of some of these effects. 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 Audits provided 'substantial' rating for corporate business continuity arrangements. Raising business continuity awareness and embedding the programme within the business. 	3	3	9	6	↔	Raising business continuity awareness and embedding the programme within the business, a 'task and finish' group has been established which is being lead by the FM team to review and refresh our business continuity key documents. A new 'all staff updates' messaging service has been established in teams and a new business continuity teams site is being established with ICT. All incidents are now reported to CMT as part of the 'organisational health' dashboard and share with 'Security Steering Group'. PM are now working closely with network Resilience to share best practice on TWMM plans. 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	Ongoing Q4

Risk ID	Risk Owner 1 Risk Owner 2	Inherent Risk			Title	Cause	Description of Uncertain Event	Effect	Controls measures in place	Residual Risk			Target	Trend	Further actions required to mitigate risk	Target Resolution Date
		Likelihood	Impact	Score						Likelihood	Impact	Score				
	Managing Director TWWM														working policies and procedures. WMCA FM Team are working on an updated Business Continuity Plan and ICT are now working with FM as part of the 'task and finish' group for this to look at the IT DR plan in conjunction with business requirements. Phase 2 of the Business Continuity Strategy is the review and refresh of the 16 Summer Lane emergency plan (over Q3 2021). Phase 3 of the plan is the development of a wider corporate and organisational resilience plan (Q4 2021).	2021/22
SRR-R011	Head of Communications	4	5	20	Reputation	Failure to adopt effective and efficient processes including clear and effective communications strategy	May lead to the risk that the reputation of the WMCA may be compromised if the organisation does not present itself as, or deliver an, effective and efficient organisation resulting in negative media coverage or negative stakeholder perception and an inability to meet expectations. Where the WMCA has significant monetary investment and proposals run by partners, for example the Commonwealth Games, or parts of the transport network, 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. 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. External political and economic uncertainties may potentially contribute to residual risk.	Leading to the potential of negative media coverage and poor stakeholder perception. Resulting in the possibility of Reputational damage to the WMCA. Delivery gaps	An organisational communications strategy is due to be approved by SLT and will be regularly reviewed. The communications strategy outlines principles, objectives, channels and delivery etc of robust communications. The communications department is engaged in all business activity (including key groups such as CWS & Directorate groups), providing regular liaison with the Mayor's office to ensure pro-active and consistent messaging is delivered by all, at all times. Head of Communications and all WMCA spokespersons provided with media training. Regional Communications Group established ensuring the sharing of best practice and to facilitate strong relationships with key partners. Progress of financial contributions monitored to enable coverage of all WMCA successes or early intervention of possible challenges. Close engagement with wider organisations with ongoing management and forwarding of all communication activities. 24/7 Media Office is available.	4	2	8	8	↔	Communications strategy is reviewed regularly to ensure it is consistent with the organisation's corporate objectives. Ensure that major regional initiatives e.g. Commonwealth Games have clear and transparent governance arrangements in place. SLT are taking on responsibility for ensuring positive relationships with key partners. Building better relationships with journalists and a continuous programme of staff training to ensure they are delivering best practice.	N/A
SRR-R014	Strategic Leadership Team	4	5	20	Delivery Commonwealth Games Regional and local public transport has been slow to recover from the pandemic (staffing and drivers) and continues to suffer disruption from infrastructure failures (rail and tram). Resilience of the transport network has now been brought into even sharper focus by industrial action planned within the rail industry over pay, modernisation to working practices and pension disputes.	There is a risk that the plans to strengthen the local and regional transport network, to cope with the extraordinary one-off demands of the Commonwealth Games, assume no significant disruption to service supply and therefore have insufficient resilience. Contingency resources are not mobilised ahead of the Games and cannot be met entirely by the Organising Committee (OC) operations budget.	The public transport network capacity will not be able to support the Games demand and will impact upon spectator travel experience and workforce movements.	<ul style="list-style-type: none"> TWWM chairs the multi-agency Transport Executive Group (TEG) formerly Joint Transport Group (JTG) which includes relevant central Government departments (DCMS, DfT), Police, local Authorities, and the OC. Contingency plans being drawn up and funding being sought from DCMS via Chief Executives and Financial Directors Groups (L3 June) Market engagement with bus and coach industry and RHQ required for contingency bus and coach services (return 16 June) Sourcing of additional depot sites, accommodation for drivers and Park and Ride sites underway. Weekly Situation Reports to brief senior politicians (regional and national) and senior executives of all Games partners. 	4	5	20	4	A	<ul style="list-style-type: none"> Monitoring the availability and capacity of other Public Transport modes, should the need arise for them to accommodate additional users. Government direction to commence urgent procurement activity to secure up to 200 additional buses for Games time; likely contract value of £5m. 	1st-22	
SRR-R015	Exec Dir TWWM	4	5	20	Transport Operations											
SRR-R015	TWWM Senior Leadership	4	5	20	Delivering the 2041 Carbon Budget reduction	Due to a variety of challenging and uncertain structural and operational factors - including the pace of transition within key industries and sectors, and the scale of government investment and legislation.	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). This is a collective regional commitment (relevant across the three LEP areas) is 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 suggests will be costly in human and economic terms. The potential impacts are: <ul style="list-style-type: none"> contributing to climate change with potential for extreme weather events. contributing to effect adversely the health of the population by increasing symptoms of respiratory (e.g. asthma) and cardiovascular disease (e.g. lung cancer, strokes, heart disease) in some cases leading to death. Air pollution can also impact on child development and development of dementia. This increases pressure on NHS resources e.g. increase hospital admissions. contributing to lower productivity in the region due to work absence for health reasons exacerbating health inequalities as certain groups in society are more susceptible to high levels of air pollution e.g. elderly, children, those with disabilities, lower income groups who tend to live in housing in urban areas near roads. Potential disruption to supply chains. 	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 (WM2041): a programme for implementing an environmental recovery. Actions from this paper are now being taken forward and a Five Year Plan was presented to the CA Board and agreed in March, outlining the actions that will be required from 2021 - 2026 to stay on course for net zero by 2041. As part of the approval of the Five Year Plan, budget was provided to create a new role for the Environment Team and the new role for Energy Capital; this will significantly enhance our ability to deliver against the programme's targets. Supporting progress with sustainability partners in aligning the five-year budget cycles required under the UK Climate Change Act. TWWM 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. The Environment Team is also working with other parts of the CA (including Housing and Land and Productivity and Skills) to ensure that net zero is embedded across the CA's work.	2	5	10	10	↔	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. This was presented to the CA Board in March (and approved), along with the actions that need to be taken to start delivery of the plan. Next steps are to implement this plan. We continue to press the Government for additional funding for the work on energy and environment 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, although there should be recognition of the additional 10 roles that have been recruited to that will enable an accelerated delivery of the work in the Five Year Plan than would otherwise be the case. The Five Year Plan has identified an initial figure of £4.7bn of investment required to 2026. This is not all financing that will be required by the public sector.	2026
SRR-R015	Executive Director Strategy, Integration & Net Zero	5	5	25	Delivering the 2041 Carbon Budget reduction											
SRR-R014	Investment & Commercial Activities Director	4	4	16	Delivery - West Midlands SG	Due to uncertainties around the continued funding for WMSG and its competitors as a multi-stakeholder project which is part of the national TestBeds and Trials programme within DCMS.	There is managed potential risk rebalancing within the programme as to the market response, the technical requirements of a heritage largely untested (at scaled) 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. Additionally as WMSG has currently no secured guaranteed funding in place beyond March 2022, there is a possibility that continued delivery can not be guaranteed beyond March 2022 if alternative funding is not secured.	Potential resulting in the delivery failures and the need to wind down WMSG if alternative funding is not secured impacting on Staff. Skill levels within the CA. Operational impacts beyond the SG Team caused by the skill gaps created if there are staff losses. With a low potential of reputational impact. There is a significant potential Financial Loss for two reasons: 1. If no further funding is received to continue the work of WMSG, then the start up costs have not been spread over many years. 2. Any future digital initiative that could have utilised the WMSG skill and knowledge base would need to incur new start up costs.	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 by account by a joint-venture board - each with senior representation from WMCA, DCMS and other stakeholders. As funding is in arrears and all targets met to date, the risk of any failure to deliver is falling. WMSG Ltd have a staff retention plan in place to mitigate chances and impact of staff leaving before March 2022. Some small amount of funding has been identified to provide a short, scaled back service from WMSG after March 2022 and more funding is being sought.	2	4	8	6	↔	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 2022/22 year. Partial funding has been identified and we continue to explore funding sources to retain functionality post March 2022. A mainstay of funding is explore funding from WMCA and the budget for 2022/23 will be critical - the outcome is likely to be known Feb 2022.	28/02/2022
SRR-R018	Exec Dir TWWM	2	4	8	Health & Safety	Failure of the WMCA to adopt and embed adequate Health & Safety arrangements	May lead to the risk that Health & Safety procedures to ensure safe working conditions for staff, visitors and users of all WMCA facilities could possibly be absent or inadequate. 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.	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.	Health & safety duties are delivered to ISO45001 standard with ongoing compliance externally assessed 6 monthly. Audit & Inspection of all assets undertaken against set schedule to ensure H&S compliance is maintained. Monthly H&S position statement provided to satisfy Boards of the Organisation's Corporate responsibilities, including review and analysis of accident, incident and near miss reports. Health & safety obligations are considered in the development of all projects and programmes. Strategic and operational Safety, Health, and Environment (SHE) committees established providing operational and Director engagement.	2	3	6	4	↔	Ongoing engagement with all WMCA departments to ensure adherence of H&S policies by all. Development of policies, procedures and guidance as necessary to ensure suitable and sufficient H&S implemented for all areas of the WMCA portfolio. Immediate engagement with emergency services and /or HSE to provide pro-active management of H&S incidents. Expansion of scope of ISO45001 accreditation to incorporate all WMCA activities. 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 operational norms. Further enhancements to DSE processes introduced 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 16 Summer Lane Working Group in relation to the recovery of 16 Summer Lane including production of Covid-19 Secure Risk Assessment.	Ongoing
SRR-R018	Investment & Commercial Activities	4	5	20	Investment Programme Delivery	Due to uncertainties created by the use of Delivery Partners/ Delivery Bodies to deliver Projects/Programmes wholly or partially funded by WMCA Investment Programme. This risk may also be exacerbated if robust monitoring is not in place.	There is a risk that the Delivery Partners/ Delivery Bodies may fail to deliver the full agreed resources. This approach limits the degree to which the WMCA can direct funding quickly towards specific, or changing, priorities and reduces the extent to which WMCA has the financial capacity to effectively deal with fiscal shocks.	Resulting in the potential of delays to the delivery of programmes of work, resources to support the organisation, which will affect the delivery of regional priorities. Potentially leading to Reputational damage to the WMCA as well as damage to Political relations / Programme Delivery.	Monitoring Arrangements in place with Delivery Partners to ensure timely monitoring and reporting of progress. WMCA assurance framework is in place and resources being bolstered. Progress of financial contributions monitored to enable coverage of all WMCA successes or early intervention of possible challenges. Recruitment of a dedicated Investment Programme Monitoring and evaluation team is underway with the Senior Portfolio Manager now started and additional Officer starts 8th December. Funding agreements now in place with most Delivery Partners.	2	5	10	6	↔	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. A new Monitoring Officer is due to join the CA by December 2021 and this will further enhance/support the ability of the CA to monitor the delivery by Delivery Partners/ Delivery Bodies.	31/12/2021
SRR-R021	Executive Director Finance Business Hub	4	5	20	Financial resilience of WMCA to absorb fiscal shocks	Reduced levels of reserves / resources which are available to deal with fiscal shocks. The most evident causes of such fiscal shocks currently are: <ul style="list-style-type: none"> The ongoing effect of the pandemic on public transport services (see SRR-R007), and 	The revenue budget in recent years has been supported by reserves and other one off resources. This approach limits the degree to which the WMCA can direct funding quickly towards specific, or changing, priorities and reduces the extent to which WMCA has the financial capacity to effectively deal with fiscal shocks.	Potential to force the reorganisation of activity, including the use of earmarked reserves to support the organisation, which will affect the delivery of regional priorities.	During the pandemic the WMCA lobbied Government for additional funding for key priorities, but these opportunities to fund excess cost are now being withdrawn by Government. Some financial support is available for 2022/23, which will reduce the risk for the current FY, but this is not a viable long-term solution.	4	5	20	10	↔	<ul style="list-style-type: none"> We are seeking a funding stream through the Leveling Up agenda. The WMCA has special status to consider future funding of Authorities and we will use this opportunity to pursue our case for CAs to receive their own funding stream. We will also look to engage with Government over the possibility of CAs being part funded through Business Rates. Finally, we could consider use of the precept. 	31/03/2023

Risk ID	Risk Owner 1 Risk Owner 2	Inherent Risk			Title	Cause	Description of Uncertain Event	Effect	Controls measures in place	Residual Risk			Target	Trend	Further actions required to mitigate risk	Target Resolution Date
		Likelihood	Impact	Score						Likelihood	Impact	Score				
SRR-B021	Exec Dir TWMM	5	5	25	Metro Tram Availability	1. Cracks propagating in 2GT fleet prior to entry into Car Body repair programme (project risk S132); 2GT trams pulled from service as crack exceeds serviceable limits set out by CAF; impacting safety 2. 3GT reliability 3. Lack of temporary stabling (project risk S532) - for forthcoming 3GT fleet 4. Depot upgrade works - 1-2 yrs delay to design, delivery and entry into service 5. P3 overhauls - Delay could lead to maxing the limit of 703,000 KM and trams being pulled from service (see project risk S007)	Risk that 2GT/3GT trams are unavailable to meet service schedule	1. Suspension of all tram services to Bull Street; 2. Loss of revenue 3. Impact on other Metro extension projects (e.g. WCCJ substation 2 dynamic load testing)	Cause 1 1. For suspension of services, communication with all customers and stakeholders on disruption, ensuring bus and rail operators accept Metro tickets, cease of trading in metro passes and direction of customers to bus/rail tickets. 2. Working with rail and bus operators to strengthen services for increased passenger numbers to ensure public transport options for affected customers. 3. Define/Maintain programme activities for return of 2GT trams. Cause 2 4. CAF have proposed a modification for cover plate bolts which is being trialled. Articulation fault resolved and repair completed. Remaining reliability issues are being resolved through on site interventions. Cause 3 & 4 5. Provision of temporary stabling - Team continue to review available WMCA land. Also "stabling on network" on track between Wednesbury Great Western Street or Black Lake or at Soho Benson Road. Cause 5 6. Expedite P3 Overhaul planning - Work on-going with 2GT Car body repair programme to align schedules. 7. On-going monitoring of fleet (bodyshell) - undertaken by CAF. Operational Costs (Energy) MML hedge their energy, but the price rises will continue to have an effect for some time to come. Operational Costs (Staff) Capital Delivery: •Principal contractors to plan and ensure materials ordered in sufficient time. •Suppliers and subcontractors to manage the impact of material shortages and ensure delivery dates are maintained as scheduled. •Continue to assess / monitor exposure of Inflation & Market pressures on schemes / contractors / suppliers. •Waking allowance in Target Costs for inflation rate increases. Investment Programme: The Single Assurance Framework (SAF) requires all projects and programmes to include a contingency sum. Once the contingency is exhausted, the Accountable Body is expected to meet any cost overrun. The final option is for the Accountable Body to request a change to the project through the SAF.	5	2	10	4	N/A	1. Consider negotiate / fund full replacement of whole sections/components affected in 2GT fleet This is ongoing with full side panel replacement by CAF. 2. Consider negotiate/fund accelerated P3 overhaul programme 3. Consider unlocking any cost constraints on timely temporary stabling provision	
	WMM Projects Director															
SRR-B024	SLT	5	5	25	Inflation & global supply chain pressures	1.Material price increases. Some supplies increasing monthly, while steel price has increased 10-30% 2.Energy price increases. 3.Availability of supplies; either through extended lead times, or general lack of availability. 4.Availability and cost of Labour.	Fundamentally, there are two elements to the risk: 1.Cost of energy, materials and labour increases due to inflation and market pressures 2.Availability of materials and labour	2. Loss of revenue	Operational Costs (Energy) MML hedge their energy, but the price rises will continue to have an effect for some time to come. Operational Costs (Staff) Capital Delivery: •Principal contractors to plan and ensure materials ordered in sufficient time. •Suppliers and subcontractors to manage the impact of material shortages and ensure delivery dates are maintained as scheduled. •Continue to assess / monitor exposure of Inflation & Market pressures on schemes / contractors / suppliers. •Waking allowance in Target Costs for inflation rate increases. Investment Programme: The Single Assurance Framework (SAF) requires all projects and programmes to include a contingency sum. Once the contingency is exhausted, the Accountable Body is expected to meet any cost overrun. The final option is for the Accountable Body to request a change to the project through the SAF.	5	5	25	6	N/A	CRSIS - This may require a re-prioritisation exercise across the entire programme and potentially re-scoping of individual projects to keep them within budget Capital Delivery •Developers must prepare for the predicted ongoing and increasing inflation with contingency plans and agile project management. •We also need to improve our contract & commercial management - do we have the skills and tools in place to support the effective delivery of our Capital projects? •We need to look at delivery profiles and ensure, along with contractors, that there is effective resource planning; could we, for example, create a resource pool to support delivery.	
	Exec Dir TWMM Exec Dir Housing Property & Regen															

Issue Priority	Issue Ref	Issue Title	Issue Description	Issue Owner	Issue Due date	Action Reference	Action Title	Action Description	Action Owner	Action due date	Action Status	Issue Status	Over all Status	Lessons Learned Initiated
Red	SRR-I001	Metro - 2GT fleet crack propagation (Suspension of all services from 13 November and 21 March).	Temporary repairs were being made to the 2GT fleet, pending all trams having the full repair undertaken which is in progress. The temporary repairs can no longer be assured as being sufficient for the safe operation of the tram.	Exec Director TFWM	Dec-21	SRR-A001	Repair programme	<p>Repair programme of fleet in action - a programme of repairs of the 2GT cracks now needs to be consolidated. Repairs being undertaken in conjunction with the manufacturer under contract.</p> <p>For suspension of services - communication with all customers and stakeholders on disruption, ensuring bus and rail operators accept Metro tickets, cease of trading in metro passes and direction of customers to bus/rail tickets.</p> <p>Working with rail and bus operators to strengthen services for increased passenger numbers to ensure public transport options for affected customers</p>	MMA	31-May	Open at Risk	Open at Risk	Open	
Red	SRR-I002	Metro - 3GT fleet; Compromised bolt identified on the fleet	Failure to articulation cover plate bolts preventing trams from running in service	Exec Director TFWM	Mar-22	SRR-A002	Repair programme	Resolution of quality and reliability issues; CAF have proposed a modification for cover plate bolts which is being trialled.	MMA	06-Jun	Open at Risk	Open at Risk	Open	

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Audit, Risk and Assurance Committee Meeting

Date	7 July 2022
Report title	Internal Audit Update – July 2022
Accountable Chief Executive	Laura Shoaf, Chief Executive
Accountable Employee	Satish Mistry, Interim Director, Law and Governance
Report has been considered by	N/A

Recommendation(s) for action or decision:

The Combined Authority Audit, Risk and Assurance Committee is recommended to:

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 – July 2022

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 2022 - 2023 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:

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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)
2021-2022 Internal Audit Reviews completed			
ICT Strategy (appended)	High	Final issued - Satisfactory	July 2022
Dudley Interchange (appended)	Medium	Final issued - Satisfactory	July 2022
Affordable Housing Delivery Vehicle (appended)	High	Final issued - Satisfactory	July 2022
2021-2022 Internal Audit Reviews in progress			
WM2041 Delivery Programme (Environmental Recovery)	High	Draft issued - Satisfactory	October 2022

Auditable area	AAN Rating	Status and level of assurance	ARAC Meeting (indicative)
Investment Programme Monitoring and Evaluation Arrangements	High	Fieldwork in progress	October 2022
Inclusive Growth Investment Toolkit	High	Fieldwork in progress	October 2022
2022-2023 Internal Audit Reviews in progress			
External Funding Applications (Bid Management)	High	Fieldwork in progress	October 2022
Organisational change	High	Planning commenced – scheduled July 2022	November 2022
Information Assurance and Cyber security	High	Planning commenced – scheduled September 2022	January 2023
Bromsgrove Rail Station	High	Planning commenced – Scheduling to be confirmed	To be confirmed

3 *Forward plan for 2022-2023 scheduled audits*

Auditable area	AAN Rating	Quarter	ARAC Meeting (indicative)
Single Commissioning Framework	High	2	January 2023
Adult Education Budget – Provider Performance Management	High	2	January 2023
Key Financial Systems	High	3	January 2023
Business Continuity	High	3	April 2023
Environmental Management System	Medium	3	April 2023
Land and tenant management	Medium	3	April 2023
Adult Education Budget – Procurement (deferred from 2021-2022)	High	4	June 2023
Procurement Exemptions	High	4	June 2023
IR35	High	4	June 2023
Corporate Asset Acquisition and Disposal Framework	High	4	June 2023

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, details of reviews completed or commenced by Internal Audit, or progress monitoring updates collated by the Internal Audit Liaison Officer are provided below.

Progress Monitoring Update (Internal Audit Liaison Officer)							
Auditable area	Overall Opinion	Report Issue Date	Action Date	Agreed Actions			Number Progressed*
				Red	Amber	Green	
Midland Metro Limited Operational Transfer	Satisfactory	19/08/19	31/12/19	-	2	-	2
West Midlands Rail Limited - WMCA Governance and Management Arrangements	Satisfactory	05/05/20	30/06/20	-	3	-	3
Third Generation Tram Procurement Project Management	Satisfactory	16/10/20	31/12/20	-	2	3	5
WMCA Accessible Transport Services	N/A	06/07/20	31/12/20	-	4	2	6
Sprint Programme Management Arrangements	Substantial	30/09/20	31/12/20	-	-	4	4
Human Resources Pre-employment checks	N/A	27/11/20	31/12/20	-	2	-	1
Procurement (Covid-19 Response)	Substantial	24/02/21	Immediate	-	-	1	1
Commonwealth Games Transport Plan - TfWM Governance and Management Arrangements	Substantial	09/06/21	28/05/21	-	-	3	3
Harvesttime Project Management Arrangements	Substantial	22/03/21	30/06/21	-	-	5	5
Environmental Management System	Satisfactory	06/01/21	30/06/21	-	1	1	2
Programme and Project Management Framework	Satisfactory	26/05/20	01/09/21	-	3	-	3
Digital Retraining Fund	Satisfactory	10/06/21	01/11/21	-	3	1	4
Freedom of Information	Substantial	19/10/21	30/11/21	-	-	5	5

Progress Monitoring Update (Internal Audit Liaison Officer)

Auditable area	Overall	Report Issue	Action	Agreed Actions			Number
Single Commissioning Framework - Land Fund	Substantial	05/11/21	31/12/21	-	-	2	2
Corporate Complaints Process (appended)	Satisfactory	12/10/21	01/01/22		3	4	7
General Data Protection Regulations	Satisfactory	16/09/21	31/01/22	-	1	9	8
TfWM COVID 19 Response – Management and Decision-Making Arrangements	Substantial	07/12/21	31/03/22	-	-	2	2
Key Financial Systems	Substantial / Satisfactory	07/03/22	30/06/22	-	5	4	6
Risk Management	Satisfactory	10/06/21	21/07/22	-	1	3	3
WMCA Devolved Adult Education Budget	Satisfactory	07/09/21	30/09/22	-	3	2	4
Longbridge Park and Ride Income Management and Charging Arrangements	Limited	30/03/22	30/11/22	1	2	-	1

* Stated number of actions progressed reflects the opinion of the auditee as of 31 May 2021, and where appropriate an independent sense check by Audit will be undertaken in key areas to confirm status of delivery.



West Midlands Combined Authority

Internal Audit Report: WMCA ICT Strategy 2021-2022

Report Date: 29 March 2022

Report Distribution: Jason Danbury – Strategic Head of Digital & Data
Anne Shaw – Executive Director of Transport for West Midlands
Laura Shoaf – Chief Executive
Lorraine Quibell – Internal Audit Liaison Officer

1. Executive summary

Introduction

An audit of WMCA's ICT Strategy was undertaken as part of the approved internal audit plan for 2021 – 2022.

Following the findings of an external review of WMCA's I.T. challenges, the Strategic Head of Digital and Data was assigned responsibility to develop a three-year I.T. strategy to address the findings of this review. The Strategic Head of Digital and Data presented the strategy to WMCA's Senior Leadership Team (SLT) on 19 January 2022, where it was subsequently approved.

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 following areas will be covered in the review:</p> <ul style="list-style-type: none">• A review of the ICT Strategy to ensure it covers all key areas• Ensure the Strategy is aligned to future budgets decisions.• Ensure that the strategy sets out a road map of key developments.• Governance arrangements around the approval and adoption of the strategy.	<ul style="list-style-type: none">• Insufficient resources for future developments• Organisation is vulnerable to cyber security attacks• Loss of key systems and data• Reputational damage through adverse publicity

Limitations to the scope of our audit

The review was limited to the above scope areas. Separate audits covering areas such as business continuity and disaster recovery will be captured elsewhere. It should also be noted that the review was looking at the creation of a strategy and not the delivery plan. It is therefore recommended that a further audit review be considered for the 2023 – 2024 audit plan to review the implementation of the strategy.

Overall conclusion

Our audit provides **Satisfactory** assurance over the adequacy of the controls reviewed as part of the process to mitigate risks to an acceptable level.

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Key issues identified

We have identified one **amber** issue where improvements could be made with regards to there being no current ternal roadmap outlining the prioritisation of key priorities over the next three years.

In addition, we have raised three issues classified as **green** which are detailed later in this report.

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

Examples of good practice identified

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

- WMCA's Internal Digital and Data Strategy was developed based on the findings and recommendations from an external review of the organisation's I.T. challenges.
- The strategy was formulated through engagement sessions with key stakeholders.
- The strategy was formed from an independent benchmarking exercise around user satisfaction.
- The strategy refers to GOV.UK's Technology Code of Practice and other code of practice guidelines.
- The strategy has been aligned to WMCA's corporate strategy.
- The strategy also refers how it aligns to the West Midlands Digital Roadmap 2021-2026.
- The strategy was formally signed off by WMCA's Senior Leadership Team (SLT).

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. Findings and recommendations

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

1. Road map of future developments

Findings:

A review of WMCA's Internal Digital and Data Strategy established that reference was made to supporting the West Midlands' Digital Roadmap (2021 – 2026). However, the strategy did not contain an illustrative roadmap outlining the key internal system developments for operational management of WMCA. Having such a roadmap in place would clearly illustrate how the key priorities outlined in the strategy will be achieved over the next three years.

Implications:

May be difficult to visualise the key system developments, and their interdependencies, over the next three years.

Recommendations:

An internal roadmap should be developed, alongside the strategy, which illustrates how key priorities will be delivered over the next three years.

Agreed Actions:

Action 1.1 – Map the activities set out in the strategy across a Digital and Data delivery portfolio aligned to the Corporate Aims and Objectives (this will be completed by 31 July 2022).

Action 1.2 – Create a roadmap for delivering key elements of the strategy with business case(s) where required.

Responsible Officer:

Strategic Head of Digital & Data

Target Date:

31 August 2022

2. Governance

Findings:

Based on a review of the strategy it was unclear as to the governance structure for the approval of new system developments. Whilst the Strategic Head of Digital and Data is responsible for the delivery of the strategy it was unclear as to the governance process in terms of reviewing the strategy and ensuring it is delivered.

The strategy clearly sets out the key priorities over the next three years and therefore a clear governance process is required to prioritise these in order to meet the key demands of the organisation.

Implication:

It is unclear from strategy as to the decision-making process around the prioritisation of the priorities set out in the policy and who holds the Strategic Head of Digital and Data to account around the delivery of the strategy.

Recommendation:

The strategy should include a section on governance which includes the approval process for new system developments and the on-going delivery of the strategy.

Agreed Actions:

The Strategy will be updated to provide clarity with regards to the governance approval process for new system developments and the on-going delivery of the strategy.

Responsible Officer:

Strategic Head of Digital & Data

Target Date:

31 May 2022

3. Budget

Findings:

The WMCA Digital and Data Strategy sets out the key priorities and aspirations of the organisation over the next three years. However, the cost of delivering the strategy has not been formulated into a budget. Instead, we understand that budget allocations will be identified as and when core elements of the plan require delivering.

Implication:

The delivery of the strategy's priorities and aspirations are not achievable without the appropriate budgets in place.

Recommendation:

In order to manage expectations a section should be included in the strategy regarding any budget constraints effecting the delivery of the strategy's priorities and aspirations over the next three years.

Agreed Actions:

Closely aligned to Actions 1.1 and 1.2 above, work with Finance to establish an appropriate budget through the midterm financial planning process and SLT papers.

Responsible Officer:

Strategic Head of Digital & Data

Target Date:

31 August 2022

4. Risks

Findings:

The WMCA Digital and Data Strategy currently does not set out the key risks that the organisation is exposed to if it fails to deliver the strategy's key priorities and aspirations. For example, the loss of core data through cyber-attacks due to potential outdated security systems and controls.

Implication:

The organisation may be unaware of the risk exposure if it fails to deliver key priorities within the strategy.

Recommendation:

Consideration should be given to including a section within the strategy that outlines the risks of not implementing the key priorities.

Agreed Actions:

Ensure that Corporate Risks are updated to reflect the ability to deliver the D&D Strategy and clearly understand the risk exposed in not delivering the Strategy.

Responsible Officer:

Strategic Head of Digital & Data

Target Date:

30 June 2022

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	22 March 2022
Exit meeting	23 March 2022
Final issued	29 March 2022
ARAC meeting date	7 July 2022



West Midlands Combined Authority

Internal Audit Report: Dudley Interchange Project 2022-2023

Report Date: 13 May 2022

Report Distribution: Anne Shaw – Executive Director of Transport for West Midlands
Sandeep Shingadia – Director of Development & Delivery
Adam Lane – Project Manager
Kelly Perkins – Scheme Development Manager
Pete Bond – Director of Integrated Transport Services
Andy Thrupp – Head of Operational Assets

1. Executive summary

Introduction

An audit of the Dudley Interchange Project was undertaken as part of the approved internal audit plan.

The WMCA was awarded £321.5m from the Transforming Cities Fund (TCF) to support sustainable transport, with the redevelopment of Dudley Interchange being one of the schemes identified within the programme of investment in the West Midlands. A Midland Metro extension between Wednesbury and Brierley Hill has also been funded by the TCF and the Dudley Interchange scheme will support integration between bus and Metro.

The scheme objectives are defined as follows:

- A world class facility for multiple modes of transport
- Improved waiting and interchange facilities included enhanced passenger information and Real Time Information
- Improved perception of safety for all users of the interchange and improved segregation of passenger and vehicular movements
- Increased passenger satisfaction and patronage
- Improved cycle parking facilities
- Deliver a facility that optimises commercial opportunities and improved retail and ticketing offer
- An accessible interchange with the Wednesbury to Brierly Hill Metro stop and Dudley Town Centre
- To develop sustainably by reducing the environmental and whole life carbon impact across the project and bus station operation and ongoing management costs

The capital cost of the scheme is £24.1m consisting of funding from the TCF, the Integrated Transport Block (WMCA) and Dudley Metropolitan Borough Council (MBC). Scheme completion is planned for 2023.

Objectives, potential risks, and scope 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 effective project governance, project management, risk management and control systems are in operation for the Dudley Interchange Project.
Potential Risks:	<ul style="list-style-type: none">• Inadequately defined or ineffective project management and governance arrangements may result in poor management of deliverables, inefficient working, and poor communications.• Project fails to be completed to the required standards, on time, within budget and in accordance with stakeholder's expectations.• Project fails to realise outcomes / benefits of strategic relevance according to agreed measures of success.
Scope:	The scope of the review covered: <ul style="list-style-type: none">• Project Governance

	<ul style="list-style-type: none"> • Project management arrangements • Project control systems
Limitations to the scope of our audit:	The review was limited to coverage of the above areas as appropriate to the current project status.

Overall conclusion

Our audit provides **Satisfactory** assurance over the adequacy of the controls reviewed as part of the process to mitigate risks to an acceptable level.

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Key issues identified

We rate each issue identified based on the following:

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
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We have identified three **amber** issues where improvements could be made, arising from the following:

- Identification, review and reporting on risks and issues in a consistent manner with full completion of the register as well as a more medium to long term view over the life of the project was yet to be developed further post project initiation stage.
- Project governance meeting records were not sufficiently detailed to clearly evidence the governance, management, decision-making, reporting on project delivery and review of key project controls including risk management undertaken.
- Governance terms of reference did not clearly detail delegated authority limits, individual roles and responsibilities and did not establish a meeting quorum that stipulated inclusion of key decision-making officers including the Senior Responsible Officer (SRO). Review arrangements and evidencing approval of the terms of reference were yet to be established.

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

Examples of good practice identified

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

- A steering group had been established providing accountability for the development and delivery of the Project.
- Regular Steering Group meetings had been undertaken as per the terms of reference on a monthly basis.
- Core membership included a designated Senior Responsible Officer, various TfWM officers and cross organisation subject matter experts.
- Engagement with the WMCA's Communications Team has been recently established and work had been commenced to develop a stakeholder engagement and communications strategy for the Project.
- Reporting, escalation, and decision-making arrangements over and above delegated limits to the Network Programme Board (NPB) and TfWM Leadership Team, WMCA Senior Leadership Team and WMCA Board (when required) were suitably defined.
- Review of the terms of reference for the Network Programme Board and for the Steering Group confirmed suitable alignment.
- Review of Network Programme Board monthly meeting records indicated reporting of the Project including risks rated red post mitigation to the Board.
- A suitably detailed Monitoring and Evaluation Plan commissioned through external consultants has been established and reflected best practice and aligned with HM Green Book and Magenta Book, and Department of Transport Guidance for scheme appraisal, monitoring, and evaluation.
- Tasks and milestones had been reflected within a Project programme (August 2021).
- Change controls and management had been detailed within the Business Case and appended Change Request Form. The terms of reference for the Steering Group and the NPB suitably referred to change management.
- Dashboard reports had been prepared for the period reviewed presenting best practice format and content including RAG rating of key project related information and status.
- Finance reports provided for the period May 2021 to September 2021 included suitable financial performance information regarding spend to date, budgets, and forecasts.

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. Findings and recommendations

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

1. Risk and Issues Management

Findings:

We found that whilst a risk and issues register was in operation, risks and issues identified appeared to be short term in nature with the longest proximity date (i.e., target resolution date) being August 2022 and therefore the current risk management approach may not truly reflect a more medium to long term identification of potential risks and issues for the whole scope, scale, and length of the project.

We noted from review of the register, the 12 open risks and issues had last been updated in November 2021 (per modification date). Proximity dates (i.e., target resolution dates or review dates) had not been stated in three cases. Where dates had been stated, in seven cases the proximity date was either some time before, near, or shortly after the modification date (November 2021). In the remaining two cases the proximity date had already passed.

We further noted that not all columns included in the risks and issues register had been fully completed. Only one of the 22 closed risks and issues, had been stated as approved for closure with several columns not completed. In some cases, it was not indicated whether the mitigating action had been completed or not. However, we understand that not all columns may be relevant.

Although risks and issues were included in the dashboard reporting, upon comparison to the risks and issues register, some discrepancies were identified. Review of the December 2021 and January 2022 dashboards identified that one open issue on the register rated as red (pre mitigation) and amber (post mitigation) had not been included in the dashboards. Also, one issue rated red both pre and post mitigation was included in the dashboards but not on the Register. In one instance the RAG rating of a risk did not appear consistent with that stated for others with the same score. A score of seven had been rated as green in most cases but amber in one particular case.

We understand that the basis for reporting risks to the NPB was that all risks and issues that remained rated as red post mitigation were reported within the Red Risk Matrix covering all projects reporting to the NPB. Review of the NPB Red Risk Register as of 10 January 2022 identified that two issues and one red risk had been reported. However, differences as above were found leading to two risks/issues not being reported to the NPB. We also noted several risks / issues appear similar in nature and therefore may indicate duplicate issues / risks.

As stated above, as no detailed minutes were maintained of the Steering Group meetings, there was the lack of an audit trail to demonstrate that the risks and issues register had been presented to the group on a regular basis for their review.

Implications:

Ineffective risk management arrangements may result in poor management of deliverables, inefficient working, and poor communications or failure to deliver the project to required standard, time and budget requirements and meet strategic outcomes.

Recommendations:

- i. At this stage of the Project, a full review of the current risks and issues register should be undertaken to ensure as the Project moves towards delivery, a more medium to long term view is reflected within identified risks and issues as well as address any duplications or discrepancies. Review should include all key officers and stakeholders.
- ii. Steering Group meeting records should clearly evidence regular review of risks and issues having been undertaken on a monthly basis (as a minimum) prior to reporting on risks and issues within project governance arrangements (i.e., to the NPB) to also ensure no discrepancies arise between the register, dashboards, and reporting.
- iii. Meeting records should also clearly evidence the full risks and issues register being presented on a suitably frequent basis (quarterly as a minimum) to the Steering Group for its review as part of its risk management arrangements.
- iv. The risks and issues register should, for each entry, be fully completed with all relevant details.

Agreed Actions:

- The project has reported using Smart sheets. However, this application is now not fully supported within the WMCA, hence some of the comments relate to glitches in the software. Dudley Interchange is now being set up on Active Risk Management (ARM) software which has a more robust risk reporting framework. As part of the transfer to ARM the risks will be further reviewed and updated.
- The risk register and high-level risks are reviewed at monthly Steering Group, the move to formal minutes will record this as fact.

Responsible Officer: Adam Lane - Project Manager

Target Date: 30 June 2022

2. Project governance meeting records

Findings:

Whilst agendas and an action log had been maintained as meeting records for the Steering Group, in the absence of fully minuted meetings as core governance records, the governance, project management, decision making, and reporting undertaken within meetings was not suitably and sufficiently evidenced.

Use of the action log did not effectively demonstrate what discussions had been undertaken as well as any advice or challenge provided by subject matter experts or direction provided by the SRO that gave rise to the actions stated and their subsequent progression and / or closure.

Further, presentation and review of dashboards (that had been produced) for progress reporting purposes at Steering Group meetings was not evidenced. Discussion and reporting on risks and issues was also not evidenced to support the governance and management undertaken.

We also noted that no decisions were recorded in the decision log but as there were no minuted records of meetings other than actions arising and recorded in the action log, evidence of whether any decisions were made and should have been recorded or no decisions were made and therefore did not required recording, was not maintained as a result.

Whilst financial summary reports produced by Finance were provided for the period May 2021 to September 2021, the action log indicated that as of October 2021 regular finance reporting was yet to be undertaken. As no minutes were maintained it is not possible to determine what consideration of the financial reporting had been undertaken to date within governance arrangements.

Implications:

It may be difficult to demonstrate that robust governance and project management arrangements have been undertaken within project delivery to mitigate risks of project failure.

Recommendations:

- i. Suitably detailed minutes should be maintained as a full and accurate record of the governance, project control and decision making undertaken at each meeting of the Steering Group.
- ii. Minutes should clearly record presentation of dashboards and financial reporting as well as details of the review and discussions undertaken, and any other ad hoc reports presented.
- iii. Financial reporting to the Steering group should be clearly evidenced within meeting records to demonstrate has been undertaken at each meeting through presentation of and review of the financial performance reports produced by Finance.

Agreed Actions:

Going forward minutes will be taken at the Steering Group meetings. In addition, in advance of the meetings, a pack will be circulated including all relevant reports and dashboards for consideration at the meeting.

Responsible Officer: Kelly Perkins – Scheme Development Manager

Target Date: 30 June 2022

3. Governance Terms of Reference

Findings:

Whilst terms of reference for the Steering Group had been documented, we found some areas where improvements could be made:

- The defined delegated authority limits had not been specifically stated in the terms of reference and therefore it would be difficult to determine whether any deviation was in line with the escalation conditions stated in the terms of reference i.e., any matters exceeding delegated authority by 5% require escalation to TfWM Leadership Team.
- The quorum was stated as 50% of membership but not specifically regarding which officers should be included to ensure appropriate decision-making members with delegated authority would be included in any quorum. Specifically, the SRO (the stated officer with delegated authority) was not stated as a required member within a quorum. As membership includes non-decision-making officers, the 50% quorate may have been achieved but may not be appropriate to facilitating decision-making.
- The Chair of the Steering Group was not the decision-making SRO which may as delivery progresses impede decision making on a timely basis at project level and require additional escalation occasion to a higher level of governance.
- Version controls had not been used to evidence review and approval of the terms of reference (i.e., by the NPB), noting that review may be required as the stated Legal Services representative left the Authority's employment some time ago.
- Details of individual roles and responsibilities (and accountabilities) within the governance and project management arrangements (i.e., SRO, Project Manager, Senior User / Supplier, and subject matter experts) were yet to be fully defined and documented. The terms of reference focused on the collective role of the Steering Group in the main.
- Individual roles and responsibilities (as applicable at the current project stage) of third parties were not clearly defined including that of the key stakeholder Dudley Metropolitan Borough Council (MBC).

Implications:

- Governance arrangements may not be fully or accurately reflected within terms of reference.
- In the absence of the SRO being Chair, decisions may not be made in accordance with defined governance arrangements and without escalation in all instances.

Recommendations:

- i. The Steering Group terms of reference should be reviewed to ensure reflect current governance and project management arrangements, with evidencing of regular review and if amended, approval (post presentation to the NPB) through version control.
- ii. The defined delegated authority limits should be specifically stated in the terms of reference to ensure clearly recorded and communicated.
- iii. A suitable quorum should be established for the Steering Group and should include the SRO and two other decision-making officers as a minimum. The quorum should allow project level decision making to ensure delivery can be progressed.
- iv. The Chair of the Steering Group should be the SRO or their delegate to ensure effective operation of governance and decision-making at a project level.

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

v. All governance, project management and third-party roles and associated accountabilities and responsibilities should be clearly and individually defined, so that all are clear on definition and understanding.

Agreed Actions:
The Terms of Reference will be updated to take into consideration the above recommendations. Once revised the Terms of Reference will be approved by Steering Group and endorsed by Network Programme Board.

Responsible Officer: Adam Lane - Project Manager

Target Date: 31 July 2022

Limitations inherent to the internal auditor's work

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Internal control

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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	5 April 2022
Exit meeting	26 April 2022
Final issued	13 May 2022
ARAC meeting date	7 July 2022



West Midlands Combined Authority

Internal Audit Report: Affordable Housing Regional Definition 2022-2023

Report Date: 20 June 2022

Report Distribution: Gareth Bradford - Executive Director Housing & Regeneration
Rob Lamond - Strategic Planning Manager
Rachel-Ann Atterbury – Projects Officer
Tara Aldridge – Programme Support Officer

3. Executive summary

Introduction

An audit of the Affordable Housing Regional Definition approach was undertaken as part of the approved internal audit plan.

The National Planning Policy Framework sets out a definition for affordable housing regarding the levels and types of provision that major developments should look to contribute to, setting a margin of 20% below market value as the minimum discount that should be applied.

Evidence based work undertaken by the West Midlands Combined Authority (WMCA) through the Housing and Land Delivery Board and Homelessness Taskforce indicates that the application of the generic National Definition presents several key affordability challenges for the West Midlands region in addressing housing unaffordability including lack of recognition of local needs and conditions and secure an increased supply of affordable housing. Further, the recognised need to broaden the range and accessibility of affordable housing in the region to reflect local household incomes, as well as address the impact of unaffordable housing on employment, productivity, and investment.

To better address local needs, conditions, and challenges and therefore affordability, the WMCA has established a Regional Definition and approach to secure an increase in genuinely affordable housing on developments across the West Midlands, with increasing accessibility to those residents most in need.

The endorsement of the Regional Definition as well as approval for application through the WMCA's Single Commissioning Framework (SCF) within investment decisions regarding sites acquired or invested in by the WMCA, was undertaken by the Housing and Land Delivery Board in January 2020.

Objectives, potential risks, and scope of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following:

Objectives:	To seek assurance that suitable monitoring and evaluation and reporting arrangements have been established regarding measurement of the effectiveness of the Regional Definition approach and application as a central element of the WCMA's affordable housing programme.
Potential Risks:	<ul style="list-style-type: none">• Poor monitoring and evaluation arrangements may lead to a failure to effectively assess the impacts and outcomes arising from the regional affordable housing definition.• Lack of reporting on impacts and outcomes may limit the management information available to inform the effectiveness and value for money of SCF investments in meeting minimum thresholds / criteria regarding affordance housing.• Lack of effective management information may lead to weaknesses in analysis to determine any requirements for amendment and

	refinement of the approach and definition to ensure continues to be in line with local circumstances.
Scope:	<p>The scope of this review included:</p> <ul style="list-style-type: none"> • Governance and oversight arrangements for the implementation and application of the Regional Definition • Monitoring and evaluation arrangements regarding impact and outcomes from the application of the Definition. • Reporting arrangements to inform governance and oversight arrangements on the effectiveness of the Definition and approach as well as inform its future development.
Limitations to the scope of our audit:	The review was limited to high level coverage of the above areas.

Overall conclusion

Our audit provides **Satisfactory** assurance over the adequacy of the controls reviewed as part of the process to mitigate risks to an acceptable level.

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Key issues identified

We rate each issue identified based on the following:

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
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We have identified one **amber** issue where improvements could be made. A monitoring and evaluation plan for the delivery of affordable housing and specifically implementation of the Regional Definition was yet to be established to demonstrate a more formalised approach to current monitoring and reporting activity.

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

Examples of good practice identified

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

- Suitable governance and oversight arrangements have been established regards programme delivery and progression of regional initiatives and collaborative working to increase Affordable Housing and thereby ensure implementation and application of the Regional Definition is clearly addressed.
- Governance and oversight as well as direction are provided by the Housing and Land Delivery Board in line with its terms of reference regards a responsibility and overall purpose of assisting in the accelerated delivery of housing and employment space across the West Midlands region. Terms of references had been amended in November 2020 to take account of the Single Assurance Framework as well as the roles and responsibilities for the Single Commissioning Framework (including the project pipeline) and therefore suitably addressed affordable housing.
- Regular reporting and updates to the Housing and Land Delivery Boards was clearly evidenced within board meeting records for the period January 2021 to March 2022. This covered affordable housing achievements including progress against the target within the SCF of minimum 20% provision within funded schemes. Also included was progress with related Housing and Land Portfolio High Level Deliverables, establishment of the Affordable Housing Delivery Vehicle and initiatives and collaborative co-investment between the WMCA and regional housing associations to support delivery of affordable housing in the region. Specific reference within meeting records to the Regional Definition was also included.
- Review of reporting to the Investment Board as part of governance and oversight arrangements for the period October 2021 to March 2022 (four meetings) identified that references were made to affordable housing in context of the criteria within the SCF of the minimum 20% affordable housing target for schemes. As above Dashboard reporting for SCF funding streams included the total number of homes created or planned per individual schemes.
- Dashboard reporting to the Investment Board included suitable reporting on housing units planned or created within SCF funded schemes. Recent enhancement of the Dashboard reporting suitably included more granular information regarding the proportion of affordable housing within total housing units planned or created.
- Various other internal and external reporting (including reporting on performance to central government and reporting per funding pots against individual schemes within the SCF) undertaken clearly referenced affordable housing units and as above reported on specific numbers / percentages for each SCF funded scheme.

Acknowledgement

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

4. Findings and recommendations

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

Monitoring and Evaluation

Findings:

Whilst monitoring and reporting was being undertaken regarding affordable housing-based outcomes reported within SCF scheme monitoring, a best practice monitoring and evaluation approach and plan were yet to be established to formalise current monitoring activity. We also noted from reporting arrangements, whilst the number of housing units were reported to the Investment Board with the recent enhancement to report on the proportion of affordable housing, similar reporting was yet to be established for the Housing and Land Delivery Board.

In light of the new Regional Definition, reporting could be improved to provide a more granular view of its implementation in terms of addressing the need to broaden the range and accessibility of affordable housing in the region to reflect local household incomes, as well as address the impact of unaffordable housing on employment, productivity, and investment.

It is recognised that delivery of Affordable Housing objectives consists of both delivery via direct WMCA led investment, and various WMCA led activity to promote delivery of affordable housing across the region through engagement and collaboration with other delivery organisations including Housing Associations. Any monitoring and evaluation approach would therefore be twofold in covering both direct delivery via WMCA investment and engagement with wider regional delivery.

However, the Housing and Land Delivery Board suitably received strategy and policy related information on a regular basis that references the activities being undertaken to promote and increase the level of affordable housing across the region.

Implications:

- Monitoring and evaluation arrangements may not be effectively undertaken in the absence of a formalised approach and plan.
- Reporting may not fully demonstrate progress with implementation of the Regional Definition on a more granular level to inform future decision making and policy.

Recommendations:

- i. With reference to best practice guidance for monitoring and evaluating the inputs, outputs, outcomes, and impacts of an intervention in relation to its objectives, a suitably detailed monitoring and evaluation plan for delivery of affordable housing through WMCA led investment, and specifically implementation of the Regional Definition should be defined and implemented to further support current monitoring and reporting activity.
- ii. Reporting of management information to the Housing and Land Delivery Board regarding housing units and the proportion of affordable housing should be undertaken as an enhancement to current reporting.
- iii. As part of the above, a more granular level of reporting should be developed in respect of the Regional Definition and reference to its core objectives of regionally accessible and affordable housing.
- iv. Once established for WMCA led investment activity, the monitoring and evaluation plan (and subsequent reporting) should be further developed to cover the wider regional delivery of affordable housing, through engagement and collaboration with other regional delivery organisations.
- v. Subsequently, a review should be undertaken to consider and develop the application of the above monitoring and evaluation approach appropriately and proportionately to the other delivery and engagement activity that falls within the Single Commissioning Framework.

Agreed Actions:

Action will be taken as follows:

- Phase 1: Development of monitoring & evaluation plan for WMCA investment led Affordable Housing.
- Phase 1: Reports to H&LDB now include affordable housing data.
- Phase 2: Subsequent delivery monitoring plan for non-WMCA investment Affordable Housing, working with relevant national and local partners to monitor data.

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

Responsible Officer:
Rob Lamond - Strategic Planning Manager

Target Date:
Phase 1: October 2022
Phase 2: April 2023

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	6 April 2022
Exit meeting	14 April 2022
Final issued	20 June 2022
ARAC meeting date	7 July 2022

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Audit, Risk & Assurance Committee

Date	7 July 2021
Report title	Treasury Management Outturn Report 2021/22
Portfolio Lead	Linda Horne WMCA Finance Director Email: Linda.Horne@wmca.org.uk
Accountable Chief Executive	Laura Shoaf Chief Executive Email: Laura.Shoaf@wmca.org.uk
Accountable Employee	Louise Cowen Head of Financial Management Email: louise.cowen@wmca.org.uk
Report has been considered by	Not Applicable

Recommendation(s) for action or decision:

ARAC is recommended to:

- 1 Note the report

1. Introduction

1.1 The report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
3. Receipt by the full Board of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
4. Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Authority of the role of scrutiny of the treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Audit, Risk, and Assurance Committee.

1.2 This annual report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and includes the following:

- Net borrowing/investment position for 2021/22;
- A review of the Authority's borrowing activity for 2021/22;
- Future borrowing/capital expenditure forecasts;
- Assessment of long term debt profile;
- Economic summary; and
- A review of compliance with Treasury and Prudential Limits for 2021/22.

2. Treasury Management Outturn 2021/22

2.1 Table 1 shows WMCA borrowing and investments held at 1 April 2021 and 31 March 2022. It shows that net *borrowing* decreased by £35.46m to leave a net *investment* position of £159.49m. New borrowing of £335m was undertaken to unwind a proportion of WMCA's historic under-borrowed capital financing position and mitigate against interest rate rises. The Authority accessed £200m of Public Works Loans Board (PWLB) borrowing that it had previously successfully bid for at the Government's Local Infrastructure Rate (Gilts + 60 basis points) and a further £10m of borrowing from the UK Infrastructure Bank at an equivalent rate. £125m of PWLB borrowing at the Certainty Rate (Gilts + 80 basis points) was also secured. Investment balances rose by £385.54m consequent to the new borrowing and the receipt of Government Grants during the year, notably Active Travel Fund, ZEBRA, and Land Fund.

Table 1: Borrowing and Investments

£M	As at 1 April 2021	Movement In Year	As at 31 March 2022	Notes
Gross Borrowing	(124.03)	(332.64)	(456.67)	New PWLB/ UK Infrastructure Bank loans
Gross Investments ¹	248.30	385.54	616.16	Government grants in advance
Net (Borrowing) / Investments	124.03	35.46	159.49	

¹ Excludes Strategic Long-Term Investments – CCLA Property Fund / Fundamentum Social Housing REIT

3. Borrowing Activity

- 3.1 New borrowing of £335m was undertaken in year to unwind a proportion of WMCA's historic under-borrowed capital financing position and mitigate against interest rate rises. The Authority accessed £200m of PWLB borrowing that it had previously successfully bid for at the Government's Local Infrastructure Rate (Gilts + 60 basis points.) It was also successful in obtaining £10m of borrowing from the newly formed UK Infrastructure Bank (UKIB) at an equivalent rate. £125m of PWLB borrowing at the Certainty Rate (Gilts + 80 basis points) was also secured.
- 3.2 The new loans predominantly consist of Equal Instalment of Principal (EIP) structures which will be repaid over a 23-year period to complement WMCA's liability benchmark (see Section 6 for further detail.)
- 3.3 Current forecasts suggest the WMCA will not be required to borrow in 2022/23 as cash balances remain elevated. However, WMCA, alongside treasury advisors, will continue to monitor interest rate expectations going forward and undertake sensitivity analysis around the benefits of borrow now/borrow later scenarios to ensure debt servicing costs remain affordable over the period of the Medium Term Financial Plan and beyond.

4. Historic Borrowing

- 4.1 WMCA's historic borrowing is from three sources: HM Treasury's Lending Facility -Public Works Loan Board (PWLB), Barclays Bank and inherited West Midlands County Council Debt which is administered on behalf of the Constituent Local Authorities by Dudley MBC.
- 4.2 The majority of loans are maturity loans, where the principal is repayable at the maturity date, apart from two PWLB loans and the inherited debt which both incur payments against the principal annually.
- 4.3 During 2021/22 there were principal repayments of £0.524m against the PWLB loans and £0.916m against the West Midlands County Council debt, which has four more annual instalments to pay before being repaid in full.
- 4.4 It should be noted that the Treasurer of the Authority continues to review the opportunities to reschedule historic debt. Throughout 2021/22 the premium applied to early repayment of PWLB loans would have been too onerous to be beneficial.
- 4.5 Table 2 shows borrowing held at 1 April 2021 and 31 March 2022. It shows that borrowing has increased by a net £332.64m due to new loans raised as previously detailed in Section 3.

Table 2 Outstanding debt as at 31 March 2022

£m	As at 1 April 2021	In Year		As at 31 March 2022
		Repaid	Raised	
PWLB	108.44	(1.44)	325.00	432.00
Barclays	10.00	0.00	0.00	10.00
Former WM County Council	5.59	(0.92)	0.00	4.67
UKIB	-		10.00	10.00
Total Long-Term Borrowing	124.03	(2.36)	335.00	456.67

4.6 The cost of servicing WMCA debt was £7.328m as detailed in Table 3. This equates to an *average* annual interest rate of circa 3.46% when set against the *average* loan balance during the year of £212m.

Table 3 Cost of Borrowing

£m	Interest Paid 2021/22
PWLB	6.611
Barclays	0.403
WM County Council (Inherited Debt)	0.304
UKIB	0.010
Total Interest 2021/22	7.328

5. Future borrowing / capital programme

5.1 Table 4 details the future capital expenditure forecasts as included within the 2022/23 Capital Strategy as agreed by WMCA Board in February 2022.

5.2 This shows it is expected there will be a need to fund projects from borrowing up to £203m in 2022/23 with that value increasing subject to WMCA being able to unlock additional income to support the Investment Programme.

5.3 Actual debt taken out will be wholly subject to the capital programme being delivered in line with the schedules used to inform the numbers below, the degree to which WMCA is in receipt of available cash resources, and the prospects for future interest rates, in order to avoid unnecessary interest costs.

5.4 In order to mitigate against the cost of rising interest rates WMCA has set up a forward rate borrowing facility with Phoenix Group who will provide lending up to £100m at a predetermined fixed rate. This is the first deal of this kind to be executed by the Combined Authority and reduces the interest rate risk WMCA is exposed to in delivery of the WMCA Investment Programme. The funding is expected to be called down by August 2023.

Table 4 Capital Expenditure and Debt Forecasts

WMCA CAPITAL PROGRAMME (£M)		2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026/ 2027	TOTAL
Funding	Investment Programme Debt	197.1	134.5	3.3	17.6	-	352.5
	TfWM Debt	5.7	142.1	49.5	2.4	-	199.7
	Grants	333.3	92.9	38.2	12.2	5.2	481.8
	Other	-	217.7	222.5	480.1	75.3	995.6
TOTAL FUNDING		536.1	587.2	313.5	512.3	80.5	2,029.6

* Provisional expenditure estimates for Investment Programme and other projects which are subject to WMCA raising additional income or yet to have the funding package fully secured.

6. Long Term Debt Profile

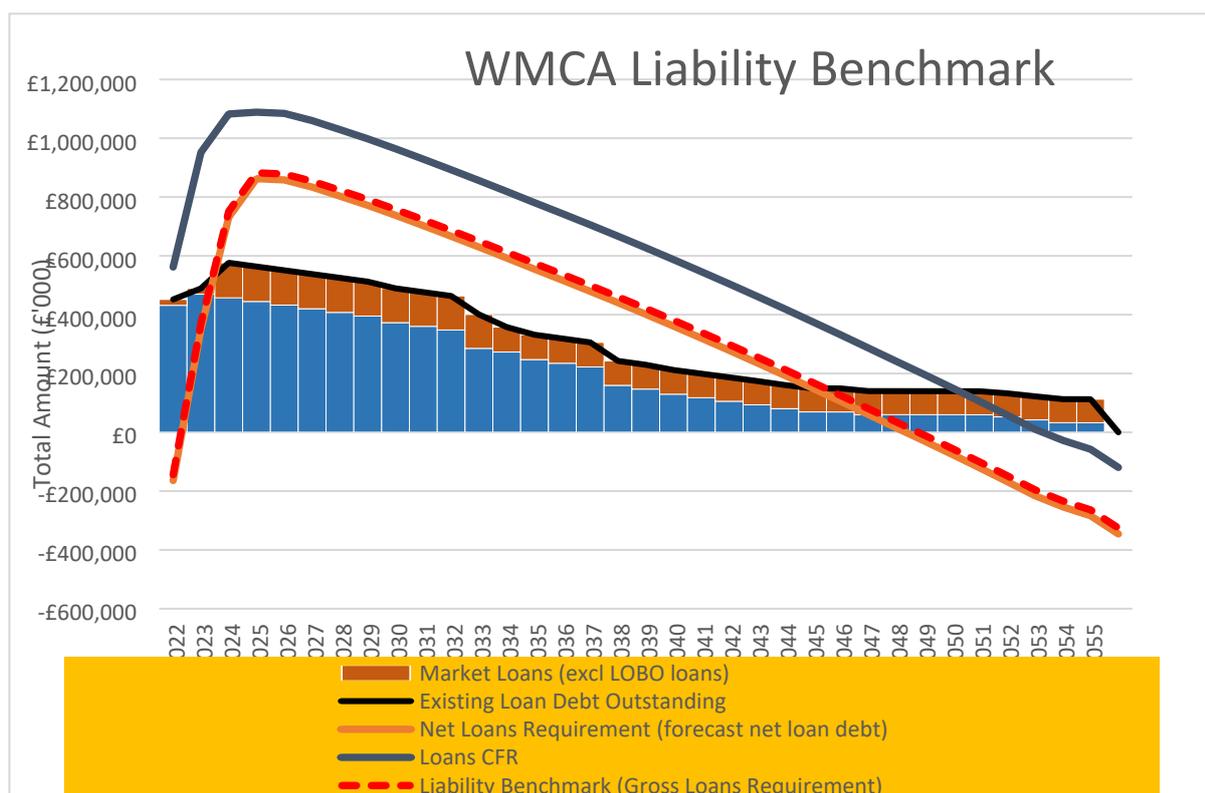
6.1 Table 5 details the maturity profile of WMCA's existing debt. These are the dates upon which loans are due to be repaid. The most common, best practice approach within Local Authorities

is to ensure a relatively even spread of maturities across the horizon to ensure the Authority is not exposed to the risk of refinancing a large amount of debt in any one particular financial year.

Table 5 Debt Maturity Profile

Maturity	Value £m
Less than 1 year	12.76
1 to 2 years	12.77
2 to 5 years	43.09
5 to 10 years	124.37
Over 10 years	263.68
Total	456.67

6.2 In consideration of its borrowing strategy WMCA also has regard to its **liability benchmark**, a mandatory indicator under the revised CIPFA Treasury Management Code of Practice 2022. This plots the expected path of its Capital Financing Requirement (CFR or, underlying need to borrow) over time and then overlays with minimum revenue provision (sums set aside for the repayment of debt), cash backed balances and the existing debt profile. The outcome produces a benchmark for new borrowing/refinancing which can be assessed against interest rate forecasts for sensitivity. The chart below shows WMCA's revised benchmark for 2022/23 onwards which is heavily influenced by the borrowing need arising from the WMCA Investment Programme as per the first devolution deal in 2016:



7. Investment Activity

7.1 For the 12 month ending 31 March, all investments (excluding loans made under the Commercial and Residential Investment Portfolios and Strategic Long Term Investments) made a return of £0.711m at an average rate of approximately 0.50%.

7.2 All treasury management activities undertaken during 2021/22 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Investments are placed directly with financial institutions, or using various voice and digital brokers: ITS, Tradition, Tullet Prebon, Martin Brokers, BGC, I DealTrade, and King & Shaxson. A summary of the portfolio composition is included at Table 6 below and details of all investments held as at the 31st March 2022 were as set out in Appendix A.

Table 6 Investment Portfolio Composition 31st March 2022

£M	As at 1 April 2021	Movement In Year	As at 31 March 2022
Cash & Cash Equivalents (Call accounts, Money Market Funds, deposits < 3 months)	142.60	91.45	234.05
Fixed Term Investments (> 3 months)	105.70	276.41	382.11
	248.30	367.86	616.16
Comprising:			
Call accounts	52.60	7.40	60.00
Money Market Funds	60.00	0.00	60.00
Debt Management Office / UK Gilts	0.00	50.00	50.00
Banks / Financial Institutions	0.00	79.16	79.16
Local Authorities / Registered Providers (Housing Assocs.)	135.70	231.30	367.00
	248.30	367.86	616.16

8. Strategic Investments

8.1 Within the Annual Investment Strategy for 2021/22, set out to Board in February 2021, it was noted that "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." Following evaluation of applicable investment products, WMCA placed two strategic investments totalling £5m in year with the CCLA Local Authority Property Fund (LAPF) and Fundamentum Social Housing REIT.

8.2 Capital appreciation and dividend yields for the investments are tabled below. The value of the funds rose by £0.23m in year and dividends of £0.126m were received.

Table 7 Strategic Investments 2021/22

£'000	Purchase / Initial Valuation	Valuation as at 31 March 2022	Dividend Yield 2021/22
CCLA Local Authority Property Fund (LAPF)	2,500	2,655	72
Fundamentum Social Housing REIT.	2,500	2,575	54
Total Strategic Investments	5,000	5,230	126

9. Performance Measurement and Prudential Indicators

9.1 The WMCA treasury management function participates in a local benchmarking group which compares WMCA's treasury management performance with other local authorities, to ensure

that relative to other local authorities the Authority is achieving a fair investment return without any undue risk. Performance is also regularly reviewed at the monthly Treasury Management Group.

- 9.2 One of the key requirements in the CIPFA Code of Practice on Treasury Management is the formal introduction of performance measurement relating to investments, debt, and capital financing activities. All key prudential indicators are met or complied with.

10. Non Treasury Investments

- 10.1 The definition of investments in CIPFA's revised Treasury Management Code covers all the financial assets of WMCA as well as other non-financial assets which an Authority may hold primarily for financial return. This is replicated in the Investment Guidance issued by Ministry of Housing, Communities and Local Government's (MHCLG), in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 10.2 Whilst WMCA does make loans to developers under the Commercial and Residential Investment Funds, the core objective of such investments is not financial return, but economic regeneration.
- 10.3 As at 31 March 2022 WMCA had £21.4m on loan to developers. During the 2021/22 financial year and after accounting for the costs of provisions under IFRS accounting standards, the investments were cost neutral to the overall income and expenditure statement of WMCA.

11. Economy and Gilt Yields

- 11.1 Over the last two years the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. The UK economy endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, GDP numbers were robust in the latter half of the year and sufficient for the MPC to focus on tackling the second-round effects of inflation.
- 11.2 Gilt yields fell towards the back end of 2021 but, despite the war in Ukraine, have shot higher in early 2022. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation. Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher.

12. Compliance

- 12.1 The Finance Director reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

Short Term Investments as at 31 March 2022

Type	Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Fixed	16/07/21	15/07/22	Rotherham Metropolitan Borough Council	Maturity	0.2500%	-10,000,000.00
Fixed	14/09/21	13/09/22	Uttlesford District Council	Maturity	0.2000%	-10,000,000.00
Fixed	30/04/21	31/10/22	Places for People	Maturity	0.8500%	-5,000,000.00
Fixed	31/08/21	30/08/22	Plymouth City Council	Maturity	0.0600%	-5,000,000.00
Fixed	20/09/21	20/09/22	Rushmoor Borough Council	Maturity	0.1000%	-5,000,000.00
Fixed	31/08/21	30/08/22	Blackpool Council	Maturity	0.0600%	-5,000,000.00
Fixed	31/08/21	30/08/22	Stockport Metropolitan Borough Council	Maturity	0.0600%	-10,000,000.00
Fixed	22/11/21	23/05/22	Monmouthshire County Council	Maturity	0.0400%	-5,000,000.00
Fixed	05/11/21	05/07/22	Aberdeenshire Council	Maturity	0.0500%	-5,000,000.00
Fixed	21/10/21	21/04/22	Cheshire East Council	Maturity	0.0300%	-5,000,000.00
Fixed	10/02/22	09/02/23	Isle of Wight Council	Maturity	0.1200%	-5,000,000.00
Fixed	06/09/21	06/06/22	Canterbury City Council	Maturity	0.0500%	-5,000,000.00
Fixed	28/02/22	27/02/23	London Borough of Croydon	Maturity	0.2000%	-10,000,000.00
Fixed	30/11/21	27/05/22	Blaenau Gwent County Borough Council	Maturity	0.0400%	-5,000,000.00
Fixed	02/12/21	01/06/22	Kingston upon Hull City Council	Maturity	0.0500%	-5,000,000.00
Fixed	16/02/22	16/08/22	Eastleigh Borough Council	Maturity	0.0700%	-5,000,000.00
Fixed	19/10/21	19/04/22	London Borough of Waltham Forest	Maturity	0.0700%	-10,000,000.00
Fixed	13/12/21	13/06/22	Suffolk County Council	Maturity	0.1200%	-5,000,000.00
Fixed	05/11/21	05/05/22	Warrington Borough Council	Maturity	0.1200%	-5,000,000.00
Fixed	05/11/21	05/05/22	Goldman Sachs International	Maturity	0.4300%	-10,000,000.00
Fixed	05/11/21	05/04/22	National Bank of Canada	Maturity	0.2200%	-5,000,000.00
Fixed	05/11/21	05/05/22	Cooperatieve Rabobank UA	Maturity	0.3250%	-4,991,954.75
Fixed	08/11/21	06/05/22	London Borough of Southwark	Maturity	0.1200%	-5,000,000.00
Fixed	04/11/21	06/06/22	National Westminster Bank plc	Maturity	0.4700%	-10,000,000.00
Fixed	29/10/21	29/04/22	Kingston upon Hull City Council	Maturity	0.0400%	-5,000,000.00
Fixed	29/10/21	29/04/22	Kingston upon Hull City Council	Maturity	0.0400%	-5,000,000.00
Fixed	16/11/21	16/05/22	Eastleigh Borough Council	Maturity	0.1200%	-5,000,000.00
Fixed	21/02/22	22/08/22	Windsor and Maidenhead Royal Borough	Maturity	0.2000%	-5,000,000.00
Fixed	25/02/22	25/05/22	Windsor and Maidenhead Royal Borough	Maturity	0.1500%	-5,000,000.00
Fixed	15/12/21	17/10/22	West Dunbartonshire Council	Maturity	0.1800%	-5,000,000.00
Fixed	23/11/21	20/05/22	Santander UK plc	Maturity	0.2500%	-10,000,000.00
Fixed	25/11/21	26/09/22	East Dunbartonshire Council	Maturity	0.1800%	-3,000,000.00
Fixed	15/12/21	15/06/22	Surrey Heath Borough Council	Maturity	0.1000%	-5,000,000.00
Fixed	21/01/22	14/04/22	Ashford Borough Council	Maturity	0.1000%	-10,000,000.00
Fixed	31/12/21	30/06/22	Liverpool City Council	Maturity	0.1100%	-10,000,000.00
Fixed	11/01/22	11/04/22	Nordea Bank AB	Maturity	0.3200%	-5,000,000.00
Fixed	10/03/22	11/07/22	Flintshire County Council	Maturity	0.1600%	-5,000,000.00
Fixed	28/02/22	28/11/22	Aberdeen City Council	Maturity	0.2200%	-5,000,000.00
Fixed	17/01/22	17/06/22	Aberdeen City Council	Maturity	0.1500%	-5,000,000.00
Fixed	21/01/22	20/01/23	Eastbourne Borough Council	Maturity	0.2500%	-10,000,000.00
Fixed	14/02/22	16/01/23	Peterborough City Council	Maturity	0.3000%	-5,000,000.00
Fixed	18/03/22	19/12/22	London Borough of Southwark	Maturity	0.7500%	-5,000,000.00
Fixed	31/03/22	30/09/22	Cheshire East Council	Maturity	0.7000%	-5,000,000.00

Fixed	15/03/22	15/09/22	Slough Borough Council	Maturity	1.0500%	-5,000,000.00
Fixed	28/03/22	28/06/22	South Somerset District Council	Maturity	0.6000%	-5,000,000.00
Fixed	14/03/22	31/10/22	Highland Council	Maturity	0.8500%	-5,000,000.00
Fixed	08/03/22	08/09/22	Oxford City Council	Maturity	0.9500%	-6,000,000.00
Fixed	23/03/22	31/10/22	West Dunbartonshire Council	Maturity	0.9000%	-5,000,000.00
Fixed	15/03/22	15/09/22	East Hertfordshire District Council	Maturity	0.8500%	-5,000,000.00
Fixed	15/03/22	31/10/22	Warrington Borough Council	Maturity	0.9000%	-5,000,000.00
Fixed	15/03/22	31/10/22	Oadby and Wigston Borough Council	Maturity	0.8500%	-5,000,000.00
Fixed	21/03/22	21/09/22	East Hertfordshire District Council	Maturity	0.8500%	-5,000,000.00
Fixed	18/11/21	18/11/24	Optivo Homes Ltd	Maturity	1.4000%	-5,000,000.00
Fixed	19/11/21	17/08/22	Highland Council	Maturity	0.1800%	-5,000,000.00
Fixed	30/11/21	31/05/22	North Norfolk District Council	Maturity	0.1000%	-5,000,000.00
Fixed	17/12/21	17/08/22	North Lanarkshire Council	Maturity	0.1300%	-5,000,000.00
Fixed	17/12/21	19/09/22	North Lanarkshire Council	Maturity	0.1400%	-5,000,000.00
Fixed	08/03/22	08/09/22	Lloyds Bank plc	Maturity	1.1300%	-5,000,000.00
Fixed	08/03/22	08/09/22	Santander UK plc	Maturity	1.0600%	-5,000,000.00
Fixed	09/03/22	09/09/22	Landesbanken Hessen-Thueringen	Maturity	1.1000%	-5,000,000.00
Fixed	25/03/22	22/12/22	Epping Forest District Council	Maturity	1.2300%	-6,000,000.00
Fixed	28/03/22	28/09/22	Guildford Borough Council	Maturity	0.8500%	-4,000,000.00
Fixed	31/03/22	30/09/22	Slough Borough Council	Maturity	1.3000%	-10,000,000.00
Fixed	31/03/22	15/03/23	Southern Housing Group LTD	Maturity	1.7500%	-5,000,000.00
Fixed	30/03/22	30/09/22	Uttlesford District Council	Maturity	0.8500%	-8,000,000.00
Fixed	23/03/22	25/04/22	Cornwall Council	Maturity	0.5000%	-10,000,000.00
Fixed	11/03/22	08/04/22	DMO	Maturity	0.5200%	-30,000,000.00
Fixed	15/03/22	24/10/22	Sedgemoor District Council	Maturity	0.8800%	-5,000,000.00
Fixed	31/03/22	30/06/22	Epping Forest District Council	Maturity	0.6500%	-5,000,000.00
Fixed	30/03/22	03/05/22	Birmingham City Council	Maturity	0.6500%	-20,000,000.00
Fixed	31/03/22	07/04/22	DMO	Maturity	0.5400%	-15,000,000.00
Call - 60 days notice			Barclays Bank plc	Maturity	0.7500%	-20,000,000.00
Call			HSBC Bank plc	Maturity	0.0300%	-20,000,000.00
Call			Santander UK plc	Maturity	0.2300%	-5,000,000.00
Call			Lloyds Bank plc	Maturity	0.6600%	-15,000,000.00
MMF			CCLA The Public Sector Deposit 4	Maturity	0.5777%	-20,000,000.00
MMF			Federated Prime Rate Sterling Liquidity 3	Maturity	0.4995%	-20,000,000.00
MMF			HSBC Global Liquidity Sterling G	Maturity	0.5409%	-20,000,000.00
Bond	14/10/21	22/07/22	UK Government	Maturity	0.2984%	-5,004,935.52
Bond	09/03/22	28/12/22	Swedbank AB	Maturity	1.3958%	-5,009,127.00
Bond	09/03/22	28/09/22	Coventry Building Society	Maturity	1.5059%	-5,109,296.50
Bond	16/03/22	29/04/22	Nationwide Building Society	Maturity	0.8856%	-9,045,838.38

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AUDIT, RISK AND ASSURANCE COMMITTEE

COMMITTEE MEETING		REPORT AND AUTHOR	AGENDA BRIEFING MEETING	
<i>Date of Meeting</i>	<i>Date Final Reports to be submitted to Governance Services</i>		<i>Date of Meeting</i>	<i>Draft reports for send out</i>
4 October 2022	23 September	<ul style="list-style-type: none"> • Internal Audit Report (Peter Farrow) • WMCA Annual Accounts (Linda Horne) • External Audit Report (Grant Thornton) • Strategic Risk Register(Peter Astrella) • Assurance Report (Joti Sharma) • Health & Safety Annual Update (Ben Gittings) 	TBA	TBA
15 November 2022	4 November	<ul style="list-style-type: none"> • Internal Audit Report (Peter Farrow) • Treasury Management Mid-Year Report 2022/23 (Mark Finnegan) 	TBA	TBA
24 January 2023	13 January	<ul style="list-style-type: none"> • Internal Audit Report (Peter Farrow) • Draft 2023/24 Internal Audit Plan (Peter Farrow) • Strategic Risk Register (Peter Astrella) • Treasury Management Strategy Statement 2023/24 (Mark Finnegan) • Treasury Management Training for ARAC Members pre- ARAC meeting (TBC) 	TBA	TBA
18 April 2023	5 April (due to Easter public hols)	<ul style="list-style-type: none"> • Annual Audit Report (Peter Farrow) • Draft Annual Governance Statement (Satish Mistry) 	TBA	TBA

AUDIT, RISK AND ASSURANCE COMMITTEE

COMMITTEE MEETING		REPORT AND AUTHOR	AGENDA BRIEFING MEETING	
<i>Date of Meeting</i>	<i>Date Final Reports to be submitted to Governance Services</i>		<i>Date of Meeting</i>	<i>Draft reports for send out</i>
		<ul style="list-style-type: none"> • Strategic Risk Register (Peter Astrella) • Final Internal Audit Plan 2023/24 (Peter Farrow) 		

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