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West Midlands
Combined Authority

Audit, Risk & Assurance Committee

Date: Wednesday 4 October 2023

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 Karen Ashley

Councillor Nick Bardsley

Councillor Richard Baxter-Payne

Councillor Dave Borley

Councillor Jaspreet Jaspal

Councillor Brigid Jones

Councillor Leslie Kaye

Councillor Ram Lakha OBE

Councillor Rose Martin

Councillor Liam Preece

Lisa Ritchie

Worcestershire Non-Constituent Authorities

Shropshire Council Non- Constituent Authorities

Warwickshire Non-Constituent Authorities

Dudley Metropolitan Council

City of Wolverhampton Council

Birmingham City Council

Solihull Metropolitan Borough Council

Coventry City Council

Walsall Metropolitan Borough Council

Sandwell Metropolitan Borough Council

Business Representative

The quorum for this meeting shall be two thirds of its membership.

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				
Items of Public Business				
1.	Apologies for Absence (if any)	Chair	None	10:00
2.	Declarations of Interest (if any) 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	10:03
3.	Chair's Remarks (if any)	Chair	None	10:05
4.	Minutes - 19 July 2023	Chair	1 - 8	10:10
5.	Action List	Chair	9 - 10	10:15
6.	West Midlands Combined Authority Audit Progress Report and Sector Update	Linda Horne/Grant Thornton	11 - 20	10:20
7.	WMCA Loan to Woking Borough Council - Briefing Note	Linda Horne	21 - 22	10:30
8.	WMCA Strategic Risk Update	Peter Astrella	23 - 52	10:45
9.	Update on Internal Audit Resourcing	Julia Cleary	Verbal Report	11:00
10.	Internal Audit Update	Lorraine Quibell	53 - 106	11:10
11.	Key Financial Systems Audit: Accounts Payable Update	Louise Cowen	107 - 114	11:20
12.	Housing Investigation - Action Plan Update	Nigel Ford	115 - 122	11:25
13.	Single Assurance Framework Assurance Performance Report April to June 2023	Joti Sharma	123 - 136	11:30
14.	Single Assurance Framework Annual Refresh 2023	Joti Sharma	137 - 186	11:40
15.	Summary of WMCA Arm's length companies	Helen Edwards/Linda Horne	187 - 194	11:50

16.	Forward Plan	Chair	195 - 196	11:55
Date of Next Meeting				
17.	Monday 4 December 2023 at 10.00am	Chair	None	

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Audit, Risk & Assurance Committee

Wednesday 19 July 2023 at 10.00 am

Minutes

Present

Mark Smith (Chair)

Councillor Karen Ashley

Worcestershire

Non-Constituent

Authorities

Councillor Nick Bardsley

Shropshire Council Non-
Authorities Constituent

Councillor Richard Baxter-Payne

Warwickshire

Non-Constituent

Authorities

Councillor Dave Borley

Dudley Metropolitan Council

Councillor Jaspreet Jaspal

City of Wolverhampton Council

Councillor Brigid Jones

Birmingham City Council

Councillor Leslie Kaye

Solihull Metropolitan Borough Council

Councillor Ram Lakha OBE

Coventry City Council

Councillor Rose Martin

Walsall Metropolitan Borough Council

Lisa Ritchie

Business Representative

Item Title No.

1. Welcome & Introductions

The Chair welcomed new members and returning members to the first meeting of the committee for the new municipal year. Introductions were made and duly noted.

2. Apologies for Absence

An apology for absence was received from Councillor Preece (Sandwell).

The Chair also reported that the WMCA was awaiting a nomination from Staffordshire for a representative to be appointed to this committee.

3. Chair's Remarks

The Chair announced that he was pleased to report this committee meeting was quorate for the first time in a long while and hoped members would continue attend meetings. He also highlighted that the WMCA had agreed constituent members of this committee along with Overview & Scrutiny Committee constituent members would be paid an allowance when the Levelling Up & Regeneration Bill receives Royal Assent; the Act allows allowances to be paid in recognition of the key governance role on these two committees.

4. Appointment of Vice-Chair

The Chair reported that he had received a nomination from Councillor Lakha for the position of Vice-Chair.

The nomination was endorsed by the committee.

Resolved that: Councillor Ram Lakha be appointed Vice-Chair of the committee for the municipal year 2023/24.

5. Minutes - 18 April 2023

The minutes of the meeting held on 18 April 2023 were agreed as a true record.

6. Matters Arising

Minute no. 55. Matters Arising, minute no. 40. Midland Metro Limited Annual Accounts

The Executive Director of Finance & Business Hub reported that Midland Metro Limited was in the process of establishing its own audit committee so its annual accounts would not need to be submitted to this committee for approval.

Minute no. 58. Internal Audit - March 2023

In relation to debt balances of £8.8m on credit ledgers that were identified as part of the Key Financial Systems audit, the Head of Financial Management undertook to report back to the October meeting of the committee on the matter.

Minute no.61. WMCA External Audit Plan for 2022/23

Grant Patterson, Grant Thornton, confirmed a new Lead Auditor had been appointed as his replacement and undertook to arrange meetings with the Executive Director of Finance & Business Hub and the ARAC Chair.

Minute no. 62. Draft Annual Governance Statement

In relation to the work being undertaken on the Authority's arm's length companies, the Executive Director of Finance & Business Hub reported that a report would be submitted to the committee shortly that would include reference to the audit arrangements for the various companies.

The Chair asked that an action tracker be produced by Governance Services for future meetings that details any outstanding actions.

7. Terms of Reference - to note

The terms of reference for the committee were submitted for information.

In relation to an enquiry from Councillor Martin (Walsall) as to whether the committee undertakes a review of managers work, the Executive Director of Finance & Business Hub, Linda Horne, reported that the objectives of the WMCA are contained with its Annual Business Plan, and these are monitored by the Executive Board with a monthly update provided to the WMCA Board. She advised that the WMCA's Overview and Scrutiny Committee holds the organisation to account on the delivery of its objectives but would circulate the Annual Business Plan to committee members for information.

The Chair added that meetings of the Overview and Scrutiny Committee were public meetings and committee members were welcome to observe the meeting if they wished.

[The Annual Business Plan was circulated to the committee via email following the meeting]

Resolved that: the terms of reference for the committee be noted.

8. Internal Audit Annual Report 2022/23

The committee considered a report of the Director of Law and Governance that summarised the work completed by Internal Audit during 2022-23. The report also provided a provisional 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.

The Head of Audit, Peter Farrow, reported that two audits had been completed since the last meeting that were appended to the report, Procurement Exemptions and IR35; both audits had been completed for the first time and had received a limited level of assurance. He reported that based on the work undertaken during the year, a provisional Internal Audit opinion was given as reasonable assurance.

The Chair commented that this was very good news regarding the provisional audit opinion, noting that a further two draft reviews would be determined as satisfactory assurance.

In relation to comments from the Chair and Councillor Jones regarding the downward trend on the number of audits opinions given as substantial, from 9 in 2020-21 to 4 in 2022-23, the Executive Director of Finance & Business Hub reported that the WMCA has grown from a transport organisation and has taken on new functions. She advised the WMCA was now better targeting its audit plan to where the risks were and was also reviewing and refreshing its corporate governance and reminding people of processes and procedures.

In relation to an enquiry from Councillor Baxter-Payne (Warwickshire Non-Constituent Authorities) regarding one-off audits and whether the agreed audit actions are being undertaken, the Chair reported that he would check progress on the audit recommendations with the Internal Audit Liaison Officer.

In relation to the 4 audit opinions of 'substantial', 'satisfactory', 'limited' and 'no assurance', Councillor Kaye (Solihull) reported that he was unhappy with the 'satisfactory' category and how it was described and would like to see this changed to 'good' and outlined his suggested wording for this. Councillor Kaye also questioned the use of the word 'most' and considered the audit opinion could be based on a statistical approach and undertook to email the Head of Audit on the points raised.

The Head of Internal, Audit Peter Farrow, advised that a reasonable level of assurance is provided as it was not possible to review every transaction due to the limits of the audit and this was a judgement call. He added that the audit opinion takes account of the CIPFA model and its guidance and would look at what Councillor Kaye proposes.

The Chair reported that he pleased to see that management would address most of the audit recommendations referred to in the two audit reports by September.

Further to the recent difficulties experienced in resourcing internal audit, the Chair asked to receive details of the proposed model for resourcing internal moving forward.

Resolved: that the contents of the Internal Audit Annual Report 2022-2023 be noted.

9. Transport Programme Capital Governance Review (TfWM)

The board considered a report of the Director of Law and Governance that provided an update with regards to the high-level internal audit review of the governance and monitoring arrangements that are in place for the TfWM Capital Programme.

The Director of Law and Governance, Helen Edwards outlined the background to the review and reported that internal audit review findings and recommendations were being considered alongside a number of other reviews carried out by TfWM to ascertain what has been implemented. She advised that this was a considerable piece of work to undertake, and a conservative estimate of the completion timescales was 3 months. The headlines from the review would be submitted to this committee.

Resolved that: the WMCA's response to the findings of the independent review following the breach of financial regulations within the Wolverhampton Interchange programme be noted.

10. WMCA Strategic Risk Update

The board considered a report of the Executive Director of Finance & Business Hub that provided an update on the Strategic Risk Register.

The Risk Manager, Peter Astrella advised the committee that a risk update is presented to the committee on a quarterly basis, and he could provide a training session for members if required or, share details on how the WMCA undertakes risk management. The Risk Manager provided an update on the

key risks since the last meeting and further to an enquiry from Councillor Jones, outlined how risk was managed with regards to external factors and financial resilience.

The Risk Manager undertook to share the full Risk Register with the committee.

Resolved that:

1. The key messages in the Strategic Risk Update be noted and
2. The revisions/planned revisions to the Strategic Risk Register be noted.

11. Single Assurance Framework Assurance Performance Report - January to March 2023

The committee considered a report of the Executive Director of Finance & Business Hub that provides a quarterly update on progress of WMCA projects that have been assured through the Single Assurance Framework. The report submitted outlined performance on business case assessments, health checks, risk & appraisals and change requests during the period January to March 2023.

The Head of Programme Assurance & Appraisal, Joti Sharma, outlined the background to the Single Assurance Framework and reported on key trends and themes that emerged during the reporting period.

The Chair noted a discrepancy with regards to the change request figures given in the summary table in paragraph 2.3 and those referred to in the table in paragraph 3.16 of the report and asked that the figures be checked.

In relation to an enquiry from Councillor Kaye (Solihull) regarding the lack of input by managers into business cases and whether more information could be provided, the Executive Director of Finance & Business Hub, Linda Horne, reported that the Assurance Team independently challenges business cases and further challenge is undertaken by the Investment Panel, which is comprised of WMCA, Met authority and LEP colleagues to challenge cases in a robust way. She added that there was also challenge from the Investment Board.

The Head of Programme Assurance & Appraisal, Joti Sharma, undertook to circulate the web link to the Single Assurance Framework to members.

Resolved that: the report be noted.

12. Treasury Management Outturn Report 2022/23

The committee considered a report of the Executive Director of Finance & Business Hub that detailed the Authority's borrowing and investments held at 1 April 2022 and 31 March 2023.

The Lead Treasury Accountant, Mark Finnegan, reported that during the period, net borrowing decreased by £41.68m to leave a net investment

position of £204.10m. New borrowing of £65m was undertaken to unwind a proportion of WMCA's historic under-borrowed capital financing position and mitigate against interest rate rises.

It was noted that training on Treasury Management would be provided to members of the committee before consideration of the Treasury Management Policy, Strategy and Practices report.

Resolved that: the contents of the report be noted.

13. Auditor's Annual Report on West Midlands Combined Authority 2021/22

The committee considered a report of the Executive Director of Finance & Business Hub that attached as an appendix, a summary of the key findings arising from the work carried out by the external audit team at Grant Thornton that is intended to provide a commentary on the results of their work to the Authority and external stakeholders.

The committee had also received a short supplementary paper outlining changes to the 2021/2022 financial statements due to a revised actuarial valuation of the West Midlands Pension Fund.

The Head of Financial Management, Louise Cowen, outlined the report and advised the committee that two improvement recommendations have been made; one around the quoracy of Audit, Risk and Assurance Committee and the other around strengthening contract management arrangements across the Authority.

In relation to strengthening contract management arrangements, the Executive Director of Finance & Business Hub, Linda Horne, reported that the Procurement Team has now been bolstered to ensure there is capacity within the team to undertake contract management.

Grant Patterson, Grant Thornton, informed the committee that external audit commentary is provided on the value for money arrangements not on the outcomes and reported that no significant weaknesses have been identified.

The Head of Financial Management, Louise Cowen, reported that further to Grant Thornton's review of the internal audit of the WMCA's financial statements for 2021/22, changes had been agreed with regards to the WMCA's share of £37m deficit reduction in the West Midlands Pension Fund following the recent formal valuation of the fund by the fund's actuary on 31 March 2022.

Grant Patterson, Grant Thornton, reported that there had been a significant improvement in the funding of West Midlands Pension Fund and a revised IAS 19 actuarial valuation report for the impact had been issued. He added that he would be talking to the fund's actuary to understand what is driving the opinion and the findings would be reported to this committee.

Resolved that:

1. The Auditor's Annual report on the West Midlands Combined Authority

- for the year ended 31 March 2022 be noted;
2. The changes to the WMCA's 2021/22 accounts following receipt of the pension fund actuary's updated valuation report for 2021/22 be approved and
 3. The publication of the report on the Combined Authority's website be approved.

14. Presentation: Overview of WMCA's Budget 2023/24

The committee received a presentation that provided an overview of 2023/24 revenue and capital budgets that were recently approved by the WMCA Board.

The Head of Financial Management, Louise Cowen presented a summary of the WMCA's Budget that included the strategic context for budget setting, key underlying budget assumptions and the medium financial position beyond 2023/24.

The Chair thanked the Head of Financial Management for an informative presentation.

Resolved that: the presentation be noted.

15. Forward Plan

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

Resolved that: the report be noted.

16. Exclusion of the Public and Press

Resolved 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).

17. Information Assurance Update Report

The committee considered a report of the Strategic Head of Digital and Data that provided an update on Information Assurance.

The Strategic Head of Digital and Data, Jason Danbury outlined the key highlights from the report.

Resolved that:

1. The approach adopted in addressing long standing legacy matters be noted;
2. The external funding award and the positive progress made against the Cyber Treatment Plan to date be noted;
3. The positive progress made against the Internal Audit Report:

- Information and Assurance and Cyber Security 2022-23 and the 2 outstanding matters requiring further time to fully address be noted;
4. The positive progress made against Cyber Essentials accreditation and the pending business decisions relating to the final few matters be noted;
 5. The governance of digital and data matters outside of Data and Digital Enabling Services is pending the outcome of the WMCA' wider Governance Review be noted and
 6. The importance of Information and Asset Registers outside of Digital and Data Enabling Services be noted.

The meeting ended at 12.38 pm.

Audit, Risk and Assurance Committee Action List 2023-24

Date of meeting	Minute No./ Item	Action	Owner	Scheduled Completion Date
18.04.23	56. Strategic Risk Register	Cllr Borley to be provided with a copy of the WMCA Board report on Transport Pressures.	Linda Horne	Report emailed on 4/08
18.04. 23	58. Internal Audit - March 2023	Update on debt balances on credit ledgers	Louise Cowen	4 October 2023
18.04.23	61. WMCA External Audit Plan 2022/23	Grant Patterson to arrange meetings with the ARAC Chair and Executive Director of Finance & Business Hub and the new Lead Auditor.	Louise Cowen	
18.04.23	62. Draft Annual Governance Statement	Summary report on the WMCA's arm's length companies to be submitted to a future meeting.	Helen Edwards/Linda Horne	4 October 2023
19.07.23	8. Internal Audit Annual Report	Progress update on agreed audit recommendations for one-off audits.	Lorraine Quibell	4 October 2023
19.07.23	8. Internal Audit Annual Report	Audit Chair to receive details of proposed model for resourcing Internal Audit.	Julia Cleary/Lorraine Quibell	4 October 2023

19.07.23	Transport Programme Capital Governance Review (TfWM)	Report to be submitted to a future meeting	Helen Edwards/Lorraine Quibell	4 December 2023
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Audit, Risk & Assurance Committee

Date	4 October 2023
Report title	West Midlands Combined Authority Audit Progress Report and Sector Update
Accountable Chief Executive	Laura Shoaf, Chief Executive Email: Laura.Shoaf@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Linda Horne, Executive Director of the Finance and Business Hub Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Report has been considered by	N/A

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) Note the report presented by Grant Thornton.

1.0 Purpose

1.1 The report attached as an Appendix has been prepared by Grant Thornton to provide the Audit, Risk & Assurance Committee with an update on progress in delivering their responsibilities as WMCA's external auditors for the prior year audit 2021/22 and the current year audit 2022/23.

2.0 Background

2.1 Grant Thornton began their work on WMCA's draft financial statements on 3 July 2023, with a work plan in place to report back to the Committee on 4 October 2023. A number of factors have prevented the achievement of this deadline, including the ongoing impact of the 2021/22 audit, the increasing complexity of WMCA and the continuing focus of more work being expected of auditors. As the latest plan shows the revised deadline for reporting the final Audit findings and sign off of the Accounts is now the December 2023 ARAC.

2.2 WMCA finance team are working closely with the audit team from Grant Thornton to improve overall efficiency of the audit process and to jointly ensure this deadline is delivered.

2.3 Further details of progress to date are set out in the Audit Progress Report.

3.0 Financial Implications

3.1 There are no direct financial implications arising from this update report.

4.0 Legal Implications

4.1 Production of the financial statements is a statutory requirement.

5.0 Equalities Implications

5.1 Not applicable.

6.0 Inclusive Growth Implications

6.1 Not applicable.

7.0 Geographical Area of Report's Implications

7.1 Not applicable.

8.0 Other Implications

8.1 Not applicable.

9.0 Schedule of background papers

9.1 West Midlands Combined Authority Audit Progress Report

West Midlands Combined Authority Audit Progress Report

Year ending 31 March 2023

28 September 2023

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1. Overview

This section summarises the interim findings and other matters arising from the statutory audit of West Midlands Combined Authority ('the Authority') and the preparation of the financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial transactions of the Authority during the year ended 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Prior Year Audit (2021/22)

The 2021/22 audit is substantially complete. We received the necessary assurances from the pension fund auditor on 8 September and this has enabled us to conclude our work on the triennial valuation. We will update our subsequent events work including a response to the question we raised in respect of Reinforced Aerated Autoclave Concrete (RAAC), and obtain the necessary assurances from officers in order to issue the opinion and certify the audit as closed shortly. We can confirm that we are proposing to issue an unqualified opinion.

Current Year Audit (2022/23)

Our audit work on the 2022/23 financial statements has been in progress since July in line with the timetable agreed with finance officers. Progress has been made but we are not in a position to issue a draft Audit Findings Report at this time. The following pages summarise the current position against the risks highlighted in our audit plan and findings we have identified to date.

The progress summary on the following pages needs to be considered in the context of the increasing complexity of the Authority and the continuing focus of more work being expected of auditors. The preparation of statutory financial statements and their independent audit is a key tenet of public accountability. As the Authority has grown in size it has evolved its systems but some areas such as projects with grant funding that can come from multiple sources and straddle multiple financial years and different partners are underpinned by complex spreadsheets. This makes audit trails complex and developing audit strategies and obtaining appropriate audit evidence more difficult. Our work in previous years and to date has not identified fundamental concerns about the integrity of the Authority's financial reporting but it is taking longer to gain the appropriate assurance.

We aim to complete the majority of our substantive audit work by the end of November. This assumes no new risks emerge and we continue to receive audit evidence in line with the agreed revised timeline. As a result, our Audit Findings Report will be reported to the Authority's December Audit, Risk and Assurance Committee. We are also aiming to present our Annual Auditor's Report on the Authority's value for money arrangements to the same meeting.

Findings of Audit Fieldwork (to date)

Significant Risk Areas

Status

Fraud in revenue and expenditure recognition (significant risk)

As part of our planning we considered the risk factors set out in ISA 240 and PN 10 in respect of fraud in both revenue and expenditure recognition. We have determined that the risk of fraud arising in both could be rebutted.

To date, we have no significant findings or control weaknesses to report.

Management override of controls (significant risk)

Journals is an area of focus in relation to our work on the significant risk of management override of controls. Following our understanding of the journals process we developed a testing strategy based on specific risk criteria which allowed us to select a sample of journals for testing.

Our work in this area remains ongoing, to date, we have no significant findings from our testing.. We are discussing if there maybe improvement areas in respect of some aspects of the control environment.

Valuation of the pension fund net liability (significant risk)

The pension fund net liability is considered a significant estimate due to the size of the number involved and the sensitivity of the estimate to changes in key assumptions. This year for the first time, the net position on the pension fund is an asset and therefore IFRIC 14 will apply for the first time.

As this is the first time that this situation has arisen in the public sector, guidance was not available at the time of the production of the draft financial statements. Guidance has been developing within the sector. As a Firm we have recently formed our own views and matters we would expect management to be considering and we will make officers aware of these. We are also aware that CIPFA is working on a Bulletin for practitioners. However, we cannot advise on the appropriate accounting treatment. We are working with officers to ensure that the treatment in the final version of the financial statements is consistent with the emerging guidance.

Follow up of Prior Year Recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Complexity of the audit trail and working papers to support the financial statements.</p> <p>A full review of the process should be undertaken following the completion of the audit to try and identify more efficient ways to gain assurance in future years.</p>	<p>As previously mentioned some progress has been made in this area around income and expenditure transactions, however more work is needed to simplify the process in relation to accounting for grants.</p>
✓	<p>We worked with officers at planning to understand the likely estimate of gross expenditure that would be presented in the accounts. These estimates did not include additional capital expenditure that was funded by additional grant money to support the growing capital program. As a result, expenditure used as part of the planning was significantly different from actual expenditure, which caused a significant shift in the level of materiality used.</p> <p>Clear working papers should be available as part of the interim audit which more accurately translates the forecast financial position into the impact on the financial statements at year end.</p>	<p>Appropriate working papers were provided as part of the planning of the audit.</p>
In progress	<p>Our testing of journals, did identify one transaction that included an expense claim for the Chief Executive. The claim had been entered onto the system by her assistant but had been authorised by the Chief Executive. We reviewed the supporting evidence for the claim and confirmed that the claim was adequately supported. Further testing suggested that this was an isolated incident.</p> <p>Management may want to review their governance processes around senior management expense claims so that they are authorised by a different member of the management team.</p>	<p>Officers reviewed the governance around senior management expense claims and confirmed that these are routinely authorised by a different member of the Strategic Leadership Team.</p> <p>The audit team will review any journals approved by senior management as part of its year end testing of journals. This testing has not yet been concluded.</p>

Follow up of Prior Year Recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	The consultation makes it clear that the Authority's current policy to use capital receipts in place of an MRP provision is not in accordance with the regulations. The impact of this has been quantified by the audit team, and consider there to be an undercharge of £8.3m on MRP.	Management remain comfortable that they have provided sufficient MRP, and will continue to review this as part of the medium term financial planning. The audit team will review the provision for the 2022/23 as part of the financial statement audit, this work is not yet concluded.
✓	The Authority has entered into a loan commitment with Phoneix Life Limited. The Authority will draw down £100m on 1 August 2023, and will have a maturity date of 1 August 2073. Having reviewed the loan agreement, it is likely that the prepayment feature in the loan is likely to give rise to a separable (non closely related) embedded derivative, this will require careful analysis to ensure that this is correctly accounted for in the 2023/24 financial statements. We would recommend that officers prepare a detailed accounting paper explaining their proposed treatment for this loan in advance of the preparation of the draft financial statements.	Officers have prepared a paper on the treatment of the loan in the 2023/24 financial statements.
✓	The narrative report is very long when compared to others, and while it complies with the Code, there are elements of duplication within it, and it could be reviewed to be more concise and more accessible to a reader of the accounts. The content of the narrative report should be reviewed to ensure that elements of duplication are removed, and that it provides a concise summary of the activities of the Authority.	Some duplication has been removed, however the document remains very long when compared to others, potentially making this less accessible to a reader of the accounts. The report is compliant, and the length of the report is a choice for the Authority.

Audit Deliverables

2022/23 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit, Risk and Assurance Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements.	April 2023	Completed
Audit Findings Report The Audit Findings Report will be reported to the Authority's December Audit, Risk and Assurance Committee.	December 2023 (revised from October 2023)	Not yet due
Auditors Report This includes the opinion on your financial statements.	December 2023 (revised from October 2023)	Not yet due
Auditors Annual Report The Code expects auditors to consider whether a body has in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. An annual commentary is required on these arrangements.	December 2023	Not yet due
Certification of the closure of the audit Following completion of all audit work for the financial year, we are required to certify the audit as closed.	December 2023	Not yet due



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Further to recent press coverage, I can confirm that WMCA loaned Woking Borough Council a total of £15m earlier this year, in 3 tranches of £5m. Whilst the transactions occurred following the issuing of a Section 114 notice, these short-term loans were agreed in a legally binding way before the Council announced a Section 114 notice on 7 June 2023. At the time the deal was arranged, whilst there was press coverage of Woking BC's financial difficulties prior to the announcement of the Section 114 notice, there was no legal or policy reason for us not to proceed.

Woking BC's Section 114 notice confirms it is not able to set a balanced budget because the size of its current debt portfolio is out of step with its core spending power although the Council continues to operate. The Section 114 notice does not refer specifically to the liquidity of a Local Authority or its ability to repay debts. Woking BC's Interim Director of Finance (Section 151 Officer) has confirmed in writing that the Council's treasury operations are continuing as normal and they have repaid and refinanced several maturing loans since their Section 114 Notice was issued on 7 June.

These loans were part of normal treasury management operations and do not represent surplus funding available for the region. We make loans to many different financial institutions including the government's Debt Management Office, other local authorities and banks and in doing so, prioritise security then liquidity then yield as standard practice. In this instance, WMCA were simply placing available, liquid resources with a counterparty that met the criteria within our approved Treasury Management Strategy in line with best practice cash management principles. We are not aware of any local authority ever defaulting on a trade of this kind. However, as the Council has now issued a Section 114 notice, we will not make any further loans to them and we have reviewed our practices in light of the increasing number of Local Authorities issuing Section 114 notices to further reduce any exposure.

Whilst I am confident that no changes are required to our Treasury Management Strategy that was approved by the Board in February as a result, I have taken the decision to limit our exposure to forward treasury deals, reflecting the current economic climate and the growing number of councils signaling that they are experiencing financial difficulties.

Linda Horne
Executive Director of the Finance and Business Hub

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Audit, Risk & Assurance Committee

Date	4 October 2023
Report title	WMCA Strategic Risk Update
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Report has been considered by	Linda Horne, Executive Director of Finance and Business Hub, Section 151 Officer

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee is recommended to:

- (a) Note the key messages in the Strategic Risk Update.
- (b) Consider and note revisions, or planned revisions, to the Strategic Risk Register.

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 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 Executive Board (Exec Brd). The Exec Brd 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 Risks

The latest review has resulted in a reduction in the assessment of one risk, the closure of another and the identification of three new risks. This means there are now 12 strategic risks rated High, four of which have the highest residual rating:

- *Failure to deliver the opportunities and benefits of the Investment Programme*
- *Inflation & global supply chain pressures*
- *TfWM Programme Cost Management*
- *Local authority partners in financial difficulties or entering Section 114*

The eight other risks rated at High / Red are:

- *Financial resilience of WMCA to absorb fiscal shocks*
- *Information assurance & security*
- *Stakeholder & political relations*
- *Capacity and capability*
- *Single Settlement – Negotiations*
- *Post pandemic sustainability of public transport network*
- *Commerciality*
- *Cost of Living Crisis.*
-

Details of these changes can be found in *Appendix 1 – Strategic Risk Update*.

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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West Midlands
Combined Authority

ARAC Strategic Risk Update October 2023

Linda Horne

Executive Director Finance & Business Hub

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WMCA Strategic Risk Heat Map

The latest review of strategic risks has seen the closure of one risk, a reduction in the assessment of another, and the identification of three new risks.

Current Threats						
Likelihood	5	Very high				SRR-R001 ⇄ SRR-R024 ⇄ SRR-R030 ⇄ SRR-R033 NEW
	4	High				SRR-R003 ⇄ SRR-R004 ⇄ SRR-R005 ⇄ SRR-R031 NEW SRR-R021 ⇄
	3	Medium			SRR-R012 ⇄	SRR-R010 ⇄ SRR-R032 NEW SRR-R007 ⇄ SRR-R008 ⇄
	2	Low			SRR-R018 ⇄	SRR-R019 ↓ SRR-R015 ⇄ SRR-R027 ⇄
	1	Very low				SRR-R006 ⇄
			1	2	3	4
		Minimal	Minor	Significant	Major	Critical
Impact						

Threat Rating	Score Range	Count
Limited	1-5	1
Medium	6-12	7
Very High	15-25	12
Total		20

WMCA Strategic Risk Trend



WMCA Strategic Risk Trend

Following the latest review, there are now 12 strategic risks rated High / Red, four of which have the highest residual rating:

SRR-R001 Failure to deliver the opportunities and benefits of the Investment Programme **25**

SRR-R024 Inflation & global supply chain pressures **25**

SRR-R030 TfWM Programme Cost Management **25**

SRR-R033 Local authority partners in financial difficulties or entering Section 114 **25**

SRR-R021 Financial resilience of WMCA to absorb fiscal shocks **20**

SRR-R003 Information Assurance & Security **16**

SRR-R004 Stakeholder & Political Relations **16**

SRR-R005 Capacity and Capability **16**

SRR-R031 Single Settlement – Negotiations **16**

SRR-R007 Post pandemic sustainability of public transport network **15**

SRR-R008 Commerciality **15**

SRR-R028 Cost of Living Crisis **15**

Key Messages for ARAC - Issues

One new issue has arisen:

- *Buckingham Group enter into administration* - Buckingham Group Contracting Limited (BGCL) are the principal contractors responsible for the design and build of Darlaston and Willenhall Rail Stations. The delivery team are exploring options for the future delivery of the project.

There are no changes to the two existing issues:

- *Metro 2GT Cracks* – The second phase of repairs is proceeding well and is on schedule to complete end October, the third and final phase will follow.
- *TfWM - Technical Financial Breach* – We are implementing the recommendations of the independent investigation into this issue.

Key Messages for ARAC – New Risks

Three new strategic risks have been identified. These relate to:

- *Single Settlement Negotiations* – Where we could fail to reach agreement because Local Authority partners are unable to agree or ratify the regional approach; or where because quantum is unknown, we could end up with less funding than we are currently getting; or where the outcomes framework for delivery within the Spending Review period is considered difficult to achieve for any of several reasons.
- *TDD Ratification* – Where we recognise the risk that the TDD is not ratified by constituent LA members.

For both risks, we continue to have discussions with relevant parties, including LA partners.

- *Local authority partners in financial difficulties or entering Section 114* – We will continue to engage LA Partners, finance Directors and leaders, in respect of finances, budgets, and fiscal pressures. Monitoring to assess potential impact on WMCA, while seeking advice from the Chartered Institute of Public Finance and Accountancy as to how a local issue could impact regionally.

Key Messages for ARAC – High Risks

Post pandemic sustainability of public transport network, the Financial resilience of WMCA to absorb fiscal shocks and Financial Sustainability of the Mayoral-led CA Model – DfT have now confirmed we will receive BSOG+ funding from July 23 - Mar 25 to help support the bus network, and we are working on a change request for BSIP which will provide additional financial capacity to help secure the network to December 2024.

Accordingly, by the time of the next update (ARAC January 2024) we should have a clearer picture of the 2024/25 budget solution and have the BSIP change request.



Key Messages for ARAC – Risk Reducing

Investment Programme Delivery – the latest review has seen the risk reduce from 15 (red) to 10 (amber). If Government accepts our Local Evaluation Framework, and once we have completed the Interim Gateway Review in March 2024, we will assess again whether the risk has been brought under control.

Key Messages for ARAC – Risks to be removed

External Factors – The Executive Board agreed a new approach to handling risks arising from ‘external factors’.

We have always said that where vulnerabilities are exposed, we will develop and deliver “*appropriate responses as the situation develops*”, we believe it will be far more useful if we identify specific external factors and treat them as individual risks as appropriate.

This approach will allow us to develop those “appropriate responses”, captured as bespoke risk management activity. This is the approach we have already taken with: *Cost of Living Crisis; Inflation and Global Supply Chain concerns*, and the *Post-pandemic sustainability of public transport*.

Accordingly, this risk has been closed and removed from the Strategic Risk Register.

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
Failure to deliver the opportunities and benefits of the Investment Programme	<p>Two main causes are:</p> <ul style="list-style-type: none"> • Decisions taken about the supplementary or alternative income streams; Business Rates Growth, Business Rates Supplement, and Precept. • Interest rate rises erode the purchasing power of the grants / funding we secure. This raises the risk that we will be unable to deliver the opportunities and benefits of the Investment Programme, with all the related impacts on the long-term health of the CA and our ability to deliver for the people and businesses of the West Midlands. 	<ul style="list-style-type: none"> • Investment capped within an affordable limit, including a hedge against future interest rate rises. • Met Leaders have consistently stated that IP Projects are of the highest regional priority and that where new funds are provided, they should be first applied to meet the shortfall of funding of IP projects where this is allowed. • Regular review of the forces on the IP model. • Working closely with Government to unlock additional income streams, e.g. Single Settlement, or identify opportunities to fund Investment Programme schemes through other means (i.e. Levelling Up Fund, CRSTS). 	5	5	25	<p>We are actively engaging with Government through our Trailblazer Devolution Deal discussions to look at how we:</p> <p>(1) Unblock Business Rate growth, and</p> <p>(2) Build support to enable a Supplementary Business rate</p> <p>Finally, we may want to explore future (post current Mayoral Term) precept options</p>
Information Assurance & Security	<p>1. Data protection requirements and/or proper protective security of all WMCA assets, information systems, premises and people, are not reasonably and proportionately maintained.</p> <p>2. Security assurance is more limited in areas of the combined authority independent of Digital & Data.</p> <p>3. Organised and Opportunistic Crime.</p> <p>4. Authorised user failures.</p> <p>5. 3rd Party Services failures.</p> <ul style="list-style-type: none"> • The protective security of all WMCA assets, information systems, premises and people, not being reasonably and proportionately maintained, giving specific rise to: • Loss of information / access to information by unauthorised persons. • Loss of access to information and information systems. • WMCA's inability to function effectively. 	<ul style="list-style-type: none"> • Information Assurance (IA) Framework supported by a suite of Protective Security and Data Protection policies. • The IA Framework requires risk owners to consider and manage Data Protection risk at strategic and operational levels. • The CA monitors and adheres to all standards, warnings, advice, guidance and best practice from relevant National Technical Authorities and other external experts. • All staff required to complete Information Security training, including GDPR, with regular staff awareness and monitoring in place. 	4	4	16	<ul style="list-style-type: none"> • Deliver the D&D Strategy. • Work with Exec Brd and CMT to maintain organisational buy-in and commitment. • Work with the Finance Team to embed the Strategy's requirements within the Medium-Term Financial Plan (MTFP) process to maintain the necessary financial support.
Stakeholder & Political Relations	<ul style="list-style-type: none"> • Positive stakeholder and political relations are needed to deliver the ambitions of the organisation. • Changes in national, regional or local politics have the potential to significantly impact the devolution agenda, funding, powers, make up or constitution of WMCA. • The devolution agenda may give rise to new powers and budgets for the CA, with 	<ul style="list-style-type: none"> • Ongoing close working and regular communication with our constituent and non-constituent members. • Collaborative working to be maintained and extended where opportunities allow. • Establishment of a Devolution Strategy Group to ensure stakeholders are kept informed & involved with any Devolution discussions. 	4	4	16	<ul style="list-style-type: none"> • New opportunities being identified by Leadership Team to maintain and improve relations. • Induction process for newly elected political members of WMCA in place. • Produce engagement and advocacy programmes across certain themes to ensure that the

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
	<p>continued uncertainty on when and how these are delivered.</p> <ul style="list-style-type: none"> • Increased pressures on financial, operational, governance and scrutiny functions may result in further challenges in maintaining the relationships across the Region. • As the WMCA continues to expand and absorb new remits and accountabilities our relationships may become more pressured. • Failure to manage these political relations and expectations could result in gaps in delivery and increased budgetary pressures. 	<ul style="list-style-type: none"> • The expectations of all members are 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 inflight and emerging opportunities. Detailed stakeholder mapping and engagement activities undertaken in conjunction with local authorities. • Comprehensive public affairs activity to ensure the WMCA maintains relevance and influence with political actors. 				<p>devolution agenda is maintained, and CA objectives are achieved.</p> <ul style="list-style-type: none"> • A member relations officer is being recruited to help deliver improved engagement with local authorities.
<p>Capacity and Capability</p>	<p>Possibility of challenges in recruitment, retention and skill gaps, including those arising out of the post-pandemic environment we are operating in and the values shift that we are seeking.</p> <p>In addition, we need now to understand the implications of the single settlement and what challenges that may throw up regarding the capability of the organisation to respond to and work with the single settlement.</p> <p>There is the risk that the capacity and skills amongst managers and officers may not be sufficient or fully aligned to enable delivery of our objectives and respond to changing priorities, or to meet the continuing focus for delivery of new and challenging initiatives within WMCA</p> <p>While increased demands and pressures on staff could impact wellbeing and attendance levels.</p> <p>Post-Pandemic, there is a new threat as employees consider their work / life aspirations. Hybrid working has opened opportunities for people that might not have existed before. This also reflects an opportunity for the CA as we may no longer be tied to recruiting from a relatively small geographical pool, as hybrid opens up opportunities for recruits not necessarily located in the West Midlands.</p>	<p>Work on People & Culture Strategy has been completed and is now being rolled out through a detailed engagement plan, the implementation of which will enable us to ensure that our Officers and Managers are equipped to deliver what is required to support the aims and objectives of the CA Response to hybrid working continues to be a success. Workshops have taken place in all Directorates to review the response to Ways of Working, with feedback received and acted upon.</p> <p>Our shift towards and acceptance of hybrid working has assisted WMCA in the attraction and retention of applicants and employees.</p> <p>The new fora (Senior Leadership/Leaders & Managers) have jointly agreed a new Leadership Statement - setting out commitment to building leadership capability and development opportunities.</p>	4	4	16	<p>Implementation of the People & Culture Strategy.</p> <p>This year will be an opportunity to stress test the capacity and capability of the newly appointed HR and HR Service Centre team. Feedback has been positive to date.</p> <p>Work continues in Resourcing on the Employee Value Proposition (EVP) as part of the Recruitment Strategy. Ongoing work takes place on Resourcing pages on the external website, new Psychometric system for applicants has gone live and the “Gauge” reward and benchmarking system is also live.</p> <p>WMCA EXB are considering a number of health and wellbeing and development initiatives to potentially introduce to support staff</p>

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
Overall Delivery of Devolution Objectives	<p>Political uncertainty and changing political priorities of central government. The case for Mayoral Combined Authorities (MCA) and devolution is undermined, resulting in:</p> <ul style="list-style-type: none"> • Re-centralisation of MCA functions or new HMG programmes that cut across our delivery plans or undermine our role. • Limit our ability to deliver our devolution deals, causing broad reputational damage and the possibility of detrimental impact to the local economy. 	<p>Organisational objectives are monitored and managed by Officers, thematic Boards and WMCA Board. We continue to:</p> <ul style="list-style-type: none"> • 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. • Make persuasive arguments for funding on all appropriate occasions. • Maintain involvement in regional and national review and planning exercises. 	1	4	4	Low perceived residual external risk given current government positioning on the devolution agenda.
Post pandemic sustainability of public transport network <div style="writing-mode: vertical-rl; transform: rotate(180deg); position: absolute; left: -40px; top: 50%; font-weight: bold;">Page 39</div>	<ul style="list-style-type: none"> • The West Midlands operates a deregulated bus service where most services are commercial and operate to make a profit. • The pandemic changed customer behaviour and working habits and we continue to see reduced patronage levels across all public transport networks, although this is most particular seen on the Bus network albeit this trend is gradually reversing. • All networks have also experienced challenges in the labour market, increased fuel costs; inflation and increased wage demands. • Continued uncertainty over longer term government funding beyond March 2025. • Most of the regional bus network is managed by commercial operators through partnership with TfWM. Decision and control on changes rests with bus operators with a limited time for the Local Transport Authority (LTA) to respond, usually 70 days. When large scale changes are at risk there is limited ability for the LTA to influence and zero control over this process. • Bus network is also hampered by poor passenger information about journeys and service availability. <p>Bus –Further reduction in commercial services across a region which has already seen a 10% loss in services since 2020. The threat of further reduced service provision across the region will result in further pressure on TfWM to provide financial support to more tendered services, leading to</p>	<p>Bus - TfWM have some influence through partnership and joint working, but do not control the commercial decisions of bus operators.</p> <ul style="list-style-type: none"> • Proactive engagement with Government / DfT which has successfully resulted in devolution of some funding to better manage any required network changes. • Reviewing the Bus Delivery Options on behalf of the WMCA to create an evidence led approach to assessing the future delivery of bus between the Enhanced Partnership and Bus Franchising for decision by the WMCA in 2024. • Putting performance requirements on bus operators to increase service performance in exchange for funding and to help encourage patronage growth. • Working with industry, Government and partners through the West Midlands Bus Alliance to attract new and additional bus drivers to the industry. • Work with operators to provide customers with improved journey and service availability information. • VFM criteria has been reviewed to allow a greater number of bus contracts to be supported by the subsidised bus budget. Several services will fall out outside the VFM criteria and will be withdrawn. • Government support for the sector has been confirmed to April 2025. In the West Midlands, all funding will be routed via TfWM giving us greater control and the 	3	5	15	<p>Bus - Work with operators to identify opportunities to reduce overprovision on corridors where there is commercial competition.</p> <ul style="list-style-type: none"> • Implement comingling of passengers / explore options for expanding WM on Demand service to help meet gaps in the fixed route bus network. • Negotiate with operators to get the best package from the BSIP funding, including securing best coverage of the network. • Raise customer awareness of revised product range to promote buying of longer duration Metro tickets. • Supporting national and local marketing campaigns to increase demand and targeting new markets. • We are in the process of assessing options for securing as much of the existing network as possible for the short-term using additional subsidy and also potential commercial opportunity. • Continuing in dialogue with DfT to understand the allocation of funding for the region and working creatively on how we can best use BSIP funding to deliver network security and transformation.

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
<p style="text-align: center;">Page 4</p>	<p>increased budget pressures for TfWM / WMCA of between £30m and £50m per annum based on the existing network. The delivery of contracted bus services by the WMCA is determined by Access Standards, a regional policy that includes Value for Money criteria. The increased cost of delivering services has led to a considerable number of TfWM contracts falling outside of the VFM criteria. The bus driver shortage means most operators are unable to deliver the timetables they have registered.</p> <p>Metro - 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.</p> <p>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 TfWM & WMCA.</p>	<p>ability to focus funding on the needs of the region. Similarly, the Government have changed the guidance on BSIP funding which means it can be used to deliver retention as well as transformation. In all cases the quantum of funding and associated terms and conditions are not yet known.</p> <ul style="list-style-type: none"> Engaging with Government regarding the proposed recovery partnerships and seeking to influence the level of available funding - Light rail settlement combined with bus settlement, WMCA region allocation to be confirmed in due course. Early identification of financial risk to inform the budget setting process and identifying options for reducing expenditure - Operational efficiency ongoing, all elements investigated i.e. power, staffing. <p>Rail - Work with DfT, Rail industry partners to help inform decisions about future service offering within the West Midlands.</p>				
<p>Commerciality</p>	<p>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 these commercial models being unable to deliver expected benefits and commercial revenue targets.</p> <p>While the issues associated with Covid 19 have largely passed, a new issue of high inflation and the cost of living crisis is likely to have a significant effect on the economy. The Combined Authority may be exposed to greater financial risk, as well as reputational and delivery impacts. Examples being underperformance of the Commercial Regeneration Fund and a drop in commercial revenue and future Fairbox revenues, which could affect the WBH extension</p>	<p>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.</p> <p>Assurance & Governance checklist in place to review and confirm satisfactory arrangements are in place for all 'Arm's Length companies'</p> <p>Companies generally set up on a limited basis and therefore without a legal obligation to input more capital, however a reputational obligation may exist. Sources of capital input are generally sums that would otherwise have been input as grant i.e. they are from income streams to the WMCA that will not require repayment if losses occur.</p> <p>The Investment Director provides a commercial perspective on funding opportunities that are presented to WMCA. Adequate expertise brought into the</p>	3	5	15	<p>For new commercial models sensitivity analysis will determine the probability of meeting any borrowing commitments and an appropriate mix of grant and borrowing will be applied having first obtained relevant approvals for any investment.</p> <p>For existing models we will continue to monitor our risk exposure and where recommended and appropriate we will seek to add additional grant money or exit in part or whole subject to our ability to do so.</p>

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
		<p>Finance Team to ensure an appropriate amount of rigor and precision exists within all WMCA commercial financing models, reducing the risk of error.</p> <p>The statutory officers of WMCA are involved in the review of all commercial decisions and contracts/legal agreements to ensure that Covid risks/viability and costs have been assessed and where possible, controlled at the present time.</p>				
<p>Governance Failures</p>	<p>Failure to adopt and embed adequate formal governance arrangements.</p> <p>As the WMCA is going through a period of growth with absorption of new and emerging priorities there is a risk that existing governance arrangements do not support the delivery of the organisation's objectives.</p> <p>With new devolved budgets, different government departments have specified different assurance requirements which are adding to pressures to develop bespoke governance arrangements.</p> <p>Inadequate governance could result in:</p> <ul style="list-style-type: none"> • Ineffective decision-making arrangements • Unsuccessful delivery of WMCA objectives, • Legal challenge, • Negative Financial impact • WMCA being unable to meet its obligations and future aspirations. • Reputational damage 	<ul style="list-style-type: none"> • Comprehensive governance arrangements are in place, regularly reviewed and contained in the WMCA constitution, approved by the Board. • 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. • 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. • A WMCA single assurance framework is in place. Governance requirements for Adult Education Budget, Housing and 5G have been established to ensure the adoption of streamlined approaches where required. • Ongoing programme of risk based Internal audits undertaken to provide an independent review that governance arrangements and internal policies are adhered to and remain effective. • Corporate Assurance Team and Governance continue to liaise with new functions to establish appropriate assurance and governance arrangements. • A governance review was undertaken and reported in November 2021 and continues to be implemented. • Executive Directors and their respective 	3	4	12	<p>Ensuring that governance arrangements are appropriate, properly resourced, agreed, understood and embedded across the Organisation to allow the new requirements and responsibilities contained in the DDD to be implemented and embedded successfully, this will include governance and monitoring and evaluation arrangements for the single settlement and the new accountability and scrutiny arrangements detailed in the Deal and the English Devolution Accountability Framework (the Scrutiny Protocol and the scrutiny of the Mayor and portfolio leads by regional MPs).</p>

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
		departments to ensure good governance is embedded within their departments and activities				
WMCA Resilience <div style="writing-mode: vertical-rl; transform: rotate(180deg); position: absolute; left: -40px; top: 50%; font-weight: bold;">Page 42</div>	<p>Unexpected or irregular events and circumstances affecting WMCA services, buildings and facilities, disrupting operations and activities.</p> <p>WMCA may be unable to respond in an effective and timely manner to events that have the potential to disrupt operations and activities, causing service outages, incl. those relating to the disruption of the transport network.</p>	<ul style="list-style-type: none"> • Business continuity framework in place to ensure WMCA can respond to any business disruption. • Internal Audit provided 'substantial' rating for corporate business continuity arrangements. • Consistent messaging and comms throughout organisation. Raising awareness and embedding the programme within the business. • Hybrid working arrangements and increased resilience from newer communication methods. • A new 'all staff updates' messaging service has been established in Teams. • An incident management team and out of hours On Call arrangements are in place with alternative workspace locations identified. • Establishment of multi-agency partnerships with monthly progress updates and review of risk exposure e.g. TfWM & Blue Light Services • FM are now working closely with Network Resilience to share best practice on TfWM plans. • All incidents are now reported to CMT as part of the 'organisational health' dashboard and will be shared with Strategic Assets Board. • Major event emergency planning and associated governance structure to review on an ongoing basis. 	3	3	9	<ul style="list-style-type: none"> • Refresh of existing Business continuity framework underway to reflect organisational change and growth, assessment of new risks in a hybrid working environment and best practice from CWG arrangements: • A 'task and finish' group has been established, led by the FM team, to review and refresh our business continuity plan. • Digital & Data are working with FM as part of the 'task and finish' group to look at the IT disaster recovery plan. • A new business continuity Teams site is being established with Digital & Data. • Phase 2 of the Business Continuity Strategy is the review and refresh of the 16 Summer Lane emergency plan (over Q3 2023) • Phase 3 of the plan is the development of a wider corporate and organisational resilience plan and overarching strategy (Q4 2023)
Failure to deliver the collective regional commitment to reducing the carbon budget to net-zero CO2 by 2041	<p>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.</p> <p>WMCA, its members and partners, do not meet the region's carbon budget reduction net-zero CO2 by 2041 aims and attendant interim targets.</p> <p>There are profound implications for the</p>	<ul style="list-style-type: none"> • 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 being taken forward and the CA Board agreed a Five-Year Plan. • As part of the approval of the Five-Year Plan, budget was provided to create 5 new 	2	5	10	<ul style="list-style-type: none"> • Implement the first 5-year action plan; there is concern that it is currently only fully resourced for 2-years, and we are now over halfway through. In addition, several milestones for HLDs relating to our carbon neutral objective have seen activities delayed this year. • Successful delivery of our

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
<p style="text-align: center;">Page 4</p>	<p>region as part of a headline global risk of severe warming which evidence suggests will be hugely significant and costly in both human and economic terms.</p>	<p>roles for the Environment Team and five new roles for Energy Capital; significantly enhancing our ability to deliver against the programme's targets.</p> <ul style="list-style-type: none"> • The Environment Team are working with other parts of the CA (TfWM, Housing and Land and Productivity and Skills) to ensure that net zero is embedded across the CA's work. TfWM continues work to affect 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. • Supporting progress with sustainability partners in aligning the five-year budget cycles required under the UK Climate Change Act. • Annual monitoring of progress by the WMCA Environment Team is in place, as is annual reporting to the Carbon Disclosure Project. 				<p>objective will be very challenging without additional resourcing of both the team and the work,</p> <ul style="list-style-type: none"> • The scale of the renewed commitment of WMCA alongside that of its members and partners requires a step change in our behaviour, this includes a particular need for focus on climate change across the whole of the CA's portfolio of activity. • We continue to press the Government for additional funding for the work on energy and environment in connection with any review of public spending.
<p>Health & Safety</p>	<ul style="list-style-type: none"> • Failure of the WMCA to implement and embed suitable and sufficient Health and Safety arrangements across its activities via a defined Safety Management System (SMS) which as a minimum ensures compliance with all relevant legislative requirements. • Risk to persons and/or infrastructure, including safe delivery of Metro Operations and Programme Delivery construction activity. • Breach of legislative requirements, with potential for enforcement action by regulatory bodies, legal action (both criminal and civil). 	<ul style="list-style-type: none"> • SMS certified to ISO 45001 standard with ongoing compliance externally assessed annually. • Assessment of internal and external issues relevant to the SMS undertaken to allow the organisation to understand the H&S challenges and risks inherent to its activities, as well as any interested internal and external parties. • WMCA Health and Safety Policy signed by Chief Executive containing statement of intent, roles and responsibilities and arrangements for implementation. • Comprehensive H&S Legislation Register maintained by H&S Dept. • WMCA Health and Safety Strategy 2023-26 (and associated Annual Delivery Plan) endorsed by Exec Board on 10th May 2023. • Strategic and Operational Health & Safety Committees established. • Audit and Inspections of all operational 	2	3	6	<ul style="list-style-type: none"> • Development of policies, procedures, and guidance to ensure suitable and sufficient H&S implemented for all areas of the WMCA portfolio. • Implementation of SMS Compliance Audit Tool to assess the application, understanding and maturity of health and safety policies and procedures within each WMCA directorate. • Enhanced Visible Felt Leadership Programme to engage and motivate employees, whilst demonstrating commitment and support to the overall Health and Safety Policy. • Development and delivery of H&S culture campaign to increase employee engagement. • Continued development of the Health and Safety Training

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
		assets undertaken against set schedule to ensure H&S compliance is maintained. <ul style="list-style-type: none"> • Monthly Health and Safety Report produced to provide regular update of performance and activity. • Annual Health and Safety Performance Report produced to provide a summary of principal activities relating to the promotion and management of health and safety and outcomes during the past year. • H&S obligations are considered in the development of all projects and programmes. • Provision of relevant instruction, training, and supervision. • Robust procedures in place for the reporting and investigation of accidents, incidents, and near misses. 				Programme. <ul style="list-style-type: none"> • Immediate engagement with emergency services and/or regulatory body (HSE, ORR) in response to serious H&S incidents.
Investment Programme Delivery Page 44	<ul style="list-style-type: none"> • Through circumstances beyond their control, delivery partners / bodies may fail to deliver the full agreed scope of a WMCA Investment Programme funded Project or Programme. This may not be identified early on if monitoring mechanisms are not robust. • HMG are demonstrating increased interest in the benefits from the Investment Programme and increased scrutiny is placed on all CA's. Many Business Cases approved in early days of the WMCA are light on monitoring and evaluation requirements when reviewed against current HMG expectations. • Delays to the delivery of programmes, and failure to deliver elements of the WMCAs devolution commitments. • Increased demand on resources to meet HMG expectations on information gathering and analysis. • Revised monitoring requirements now implemented revealed 10 projects of 82 total in July 2023 report more than 6 months delay in completion date with Change Requests to notifying Approvers where extensions are sought. 	<ul style="list-style-type: none"> • Mitigating actions are limited by robustness of Funding Agreements and desire to enact clawback. • Monitoring Arrangements in place with Delivery Partners to ensure timely monitoring and reporting. • WMCA assurance framework is in place and resources bolstered. • Progress of financial contributions monitored to enable coverage of all WMCA successes or early intervention of possible challenges. • Investment Programme Monitoring and Evaluation team in place and a new Monitoring Framework rolled-out. • Single Assurance Framework (SAF) has been rolled out. • Funding agreements now in place with most Delivery Partners although many reflect Business Case requirements set historically and could be bolstered. • Local Evaluation Framework to be put in place to HMG accepted standards this year and draft has been submitted to DLUHC. 	2	5	10	<ul style="list-style-type: none"> • Deliver Local Evaluation Framework. • Process all relevant Change Requests for the 31 projects with delays and gain approval plus put in place revised Funding Agreements. • Ensure adoption and compliance with enhanced monitoring by Delivery Partners." • Acceptance by HMG of the Local Evaluation Framework (now submitted). • Interim Gateway Review will complete in March 2024 and will be a test of reported information from Delivery Partners when analysed in detail. This may trigger adjustments to how we gather information.
Financial resilience of	Reduced levels of reserves / resources available to deal with fiscal shocks. The most	<ul style="list-style-type: none"> • The Finance Business Partner model ensures finance professionals embedded 	4	5	20	<ul style="list-style-type: none"> • WMCA are working on a Change Request for BSIP which will provide

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
WMCA to absorb fiscal shocks	<p>evident causes of such fiscal shocks currently being:</p> <ol style="list-style-type: none"> 1. The ongoing effect of the pandemic on public transport services (see SRR R007), and 2. The effect of inflation and global supply chain issues (see SRR R024) <ul style="list-style-type: none"> • The revenue budget in recent years has been supported by reserves and other one-off resources which is the case for the recently approved 23/24 budget. • 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 reprioritisation of activity, including the use of earmarked reserves to support the organisation, which will affect the delivery of regional priorities. 	<p>within functions can proactively raise risks and issues as they emerge so that appropriate strategies can be put in place. A good example being the ongoing emerging bus industry risks (initially raised 2-3 years ago).</p> <ul style="list-style-type: none"> • In this respect, while the Bus Recovery Grant has ended, DfT have confirmed that we will receive funding called BSOG+ for the period July 23 - Mar 25 to help support the network. • WMCA will continue to work with and lobby Government to ensure more permanent arrangements can be put in place, including options around franchising and initial arrangements (such as depot acquisition) are being assessed in this regard. 				<p>additional financial capacity to secure the Bus network to December 2024.</p> <ul style="list-style-type: none"> • Although not all fiscal asks within the Traiblazer Devolution Deal (TDD) were landed there remains scope around the single settlement which could build flexibility (and longevity) into how WMCA funds its functions. In theory therefore, funding could be targeted towards areas of most need which may be relevant in the event of a 'fiscal shock' within a portfolio. • Further options for increased funding continue to be explored including a Council Tax Precept, Levy uplift, subject to discussions with Exec, WM Finance Directors, Leaders.
Inflation & global supply chain pressures	<p>Macro-economic events, such as the war in Ukraine, Brexit, and the lasting impacts of the 2019 pandemic, are placing pressure on the cost and availability of resources, resulting in:</p> <ol style="list-style-type: none"> 1. Material price increases. 2. Energy price increases. 3. Availability and price of materials. 4. Availability and price of labour. <p>These matters impact WMCA in the following ways.</p> <p>Project Delivery - WMCA may be required to severely curtail delivery programmes, doing less for more. One example being the CRSTS programme, where this could be perceived as 'under-performance' by Government or if WMCA do not meet DfT's delivery expectations, the value of funding from DfT could be reduced either during or following the CRSTS 5-year period.</p> <p>Operational Delivery: Certain industries are more exposed than others. The Bus industry for example is severely exposed to increasing fuel prices and the availability of suitably qualified labour – see Post pandemic sustainability of public transport network.</p> <p>Capital Delivery Transport: For existing</p>	<p>CRSTS Programme Delivery: WMCA are in continual dialogue with DfT over the CRSTS programme delivery arrangements and change control processes. The issues experienced are not exclusive to WMCA and DfT (who are being pragmatic and helpful, to date) are liaising with other MCAs who are in receipt of CRSTS. With respect to CRSTS projects (and Investment Programme projects) which are delivered by Local Authority partners, the funding agreements will be capped (limiting immediate exposure to WMCA).</p> <p>Operational Delivery: Where contracts provide for RPI / CPI related increases, WMCA are contractually bound but a detailed (bottom / up) budget for 2023/24 has sought to predict the impact over the financial year and has made reasonable allowances and the Finance Director is happy that reasonable assumptions around revenue risks have been made within the budget. The impact on the bus network is being closely monitored and there is an ongoing dialogue with Bus Operators. WMCA continue be in conversations with</p>	5	5	25	<p>CRSTS Programme Delivery & Capital Transport Delivery: Once the DfT change control requirements are known, the programme will be re-prioritised to cater for any unavoidable overspends in line with the report to Board. If this is not possible, there may be a requirement to increase future year Levy payments and Local Authorities have been advised accordingly. Operational Delivery: Ongoing monitoring of RPI / CPI and the subsequent impacts with the outcomes being reported through the Financial Monitoring Report for the current year, and the Medium-Term Financial Plan for future years.</p> <p>Capital Delivery Housing: Developers must prepare for the predicted ongoing economic situation with contingency plans and agile project management, while we improve our own contract</p>

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
	<p>projects in the delivery stage, there is a risk that tightening profit margins in the construction sector mean contractors could seek to force more cost onto WMCA. Where there is no contractual protection from rising prices WMCA will need to identify additional funding to compete the schemes (or consider termination / de-scope). Additionally, availability of labour for construction works could result in extended schedules and additional cost.</p> <p>For projects in development, it will become more difficult to accurately cost the projects and set budgets and thereby affect the viability of the project. In others, where the impact is under-estimated, this could introduce further cost pressures into the programme.</p> <p>Capital Delivery Housing: Given that Housing Grants typically address commercial viability gaps, where costs increase, the gap will increase and hence, the value of the subsidy WMCA are required / requested to meet. This could result in either fewer projects meeting the Value for Money benchmarks and / or the funds available funding fewer projects. We are starting to see evidence of delays to projects and market conditions affecting the number of projects coming online.</p>	<p>Government about the level of ongoing support required.</p> <p>Capital Delivery Transport: Project Teams (in Rail for instance) have bolstered Commercial expertise within teams to ensure any excess additional costs are robustly defended and declined. TfWM re-imagined has taken account of the need to ensure adequate expertise is available and steps are underway to strengthen the control, monitoring and reporting processes. Where additional costs (and descope or termination) are unavoidable WMCA will need to meet these costs. WMCA have undertaken an exercise to provide early warnings to WMCA Board. The report included a strategy for how additional costs may be met using CRSTS or Levy. Costs are being monitored and matters managed on a case-by-case basis.</p> <p>Capital Delivery Housing: 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.</p> <p>For the 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. Programme delivery and trends are monitored via reports to Site Pipeline, Housing & Land Board and Investment Board. In addition, regular pipeline development meetings are held with Local Authorities, Strategic Partners and the wider market to maintain a continuous flow of projects into the programme. We have now put in place overprogramming which</p>				<p>& commercial management. Our focus is on considering delivery profiles and ensuring, along with contractors, that there is effective resource planning. We have monthly priority pipelines meetings with Local Authority colleagues, while development managers are focussed on unblocking bottlenecks in projects coming up in the next 6 months in a bid to ensure projects continue to proceed.</p>

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
		allows for project substitution if required to maintain funding commitment targets from HMG.				
Financial Sustainability of the Mayor-led CA Model	<p>There are multiple risks around the various funding streams for Combined Authorities including. but not limited to the lack of multi-year funding models, delays to business rate reform, political support for a Council Tax Precept, real terms reduction in transport funding. By contrast, cost bases continue to encounter upward pressure driven by various macro-economic factors.</p> <p>WMCA is legally obliged to present a balanced budget each year i.e. one where costs do not exceed incomes. In a scenario where a deficit remains, WMCA could be required to scale down or delete specific functions to balance the budget.</p>	<ul style="list-style-type: none"> • A balanced 2023/24 budget was presented to and approved by WMCA Board in February 2023. • The TDD provides medium-term financial sustainability for Portfolio activity but there remains a gap on Transport. • Regular and proactive presentation of the MTFP to Exec, Local Authority Finance Directors, Leaders and the Mayor together with potential financial strategies to address likely budget deficits. • Close working relationship with Government with respect to the use of Government funding, particularly for areas of greatest potential exposure (i.e. the bus industry matters). • Risk of cost escalation transferred to Local Authorities via funding agreements where budgets are double devolved. 	2	5	10	<ul style="list-style-type: none"> • The TDD provides some options for longer term budget certainty and these need to be worked through in due course with WM Finance Directors, specifically in relation to the Business Rates Retention values which will feature in the budget plans. • Development of the single settlement is underway (likely to be effective from April 2025) and while this may not impact the quantum of the funding available, it should give local leaders more flexibility over how funds are used while providing some longer-term certainty over capital and revenue allocations. • The MTFP for 5 years commencing April 2024 suggests a potential deficit of c.£26m in year one (rising to £64m in year five) with WMCA carrying significant risks on top of that value, predominantly with regards to bus network – as reflected in <i>Post pandemic sustainability of public transport network</i>
Cost of living crisis	<p>The UK is experiencing the highest rate of inflation in forty years, with the Consumer Price Index up by 11.1% in the 12 months to October 2022. This has primarily been driven by increases in the cost of electricity, gas, and other fuels, cost of food, and cost of transport, primarily driven by increases in fuel costs, and there is therefore a direct link with <i>SRR-R024 - Inflation & global supply chain pressures</i>.</p> <p>The cost-of-living crisis is an existential threat to the WMCA through its impact on the businesses and people of the West Midlands, including many of our own staff, and through an associated threat to both our funding and revenue streams.</p>	<p>Citizens: The response to the cost-of-living crisis is a responsibility for all layers of government. In January 2023, an internal position paper was agreed setting out the situation in relation to the cost of living, along with the short-term and longer-term actions being taken to address the cost of living by both the CA and LA partners. The focus for WMCA is in our ongoing business as usual activity. In particular:</p> <p>TfWM - maintain access to affordable transport.</p> <p>Housing and Regeneration – WMCA has in a place a requirement for a minimum of 20% affordable homes on all residential projects supported by devolved housing</p>	5	3	15	<p>Citizens:</p> <p>TfWM - As noted elsewhere, we are working with bus operators, and discussing with Government, to ensure we maintain the existing bus network with as few changes as possible.</p> <p>HPR – WMCA has in place Zero Carbon Homes requirements for its funding, which require homes to be more energy efficient and, in turn, reduce heating and energy bills. In response to changes to Building Regulations in the Future Homes Standard, these targets are being refined through WMCA's Future</p>

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
		<p>and land funding. Through the deeper devolution deal, WMCA has strategic oversight and leadership of the Homes England Affordable Homes Programme (AHP). WMCA and Homes England are working together to invest up to £400m from the AHP to build more affordable and social housing. Recently announced flexibilities to support Estate Regeneration through the AHP are providing the opportunity to explore how a WMCA/HE dual-funded approach can support estate renewal and replace poor quality, inefficient homes with new ones which are fit for the future and cheaper to run.</p> <p>SINZ – Retrofitting houses in the WM is not only one of the means of meeting our net Zero aspirations but will help those citizens reduce their energy bills and move out of energy poverty.</p> <p>Staff: Eight round tables events for staff have been, attended by over 130 staff and 45 managers. These events sought to consider how the organisation could best support managers and their teams, exploring practical things the CA could do and also discussing what we can all do to save money. Following this, we brought together on a single intranet page, a range of information incl: financial-wellbeing-guidance, cycle purchase scheme, season ticket loan scheme. corporate gym membership, and links to external support and our CareFirst programme.</p>				<p>Housing programme to ensure the West Midlands continues to lead innovation and deliver the best outcomes for residents in this space.</p> <p>Staff: A small TfWM task and finish group has been established to consider sustainable transport options for staff and alternatives to a travel pass.</p> <p>As explained, in response to <i>Capacity and Capability</i> risk, WMCA EXB are considering a number of health and wellbeing and development initiatives to potentially introduce to support staff</p>
<p>TfWM Programme Cost Management</p>	<p>Inconsistent visibility of a range of dependable financial and management information at programme level, incl: forecast outturn costs; the impact of change and cost over-runs, and the visibility of whole-life costs.</p> <p>Any lack of visibility or consistency could result in over-ambitious budgets being set for programmes / projects, leading to possible cost-over runs and an inability to provide reliable cost-certainty. This could in turn result in reputational damage and reduce</p>	<p>Regular reporting to both TfWM and WMCA, the centralised capture of costs, forecasting of costs at regular intervals and management of programme finances through a Finance Business Partner structure that closely aligns TfWM's Finance function, with programme delivery.</p>	<p>5</p>	<p>5</p>	<p>25</p>	<p>TfWM re-organising its Delivery Function via TfWM re-imagined, introducing new ways of working, determining risk contingency draw down and mechanism for containing cost risk impacts.</p> <p>Robust approach to cost categorisation, post-programme appraisal and the use of historic performance information to inform programme/project budget setting process. Investing in our staff to</p>

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
	confidence in our ability to deliver future schemes.					robustly manage capital project delivery. New arrangements went live in July with recruitment underway.
<p>Single Settlement - Negotiations</p>	<p>Failure to reach agreement - LA partners are unable to agree or ratify the regional approach Quantum - unknown, hence there is a risk that we could end up with less funding than we are currently getting.</p> <p>Outcomes Framework - as part of the single settlement negotiations, we will need to agree outcomes for delivery within the Spending Review period. There is a risk that these metrics will be difficult to achieve, either through WMCA not having the leavers to meaningfully impact them, or them being too challenging or through poor investment decisions.</p> <p>Failure to reach agreement would result in our failure to derive the benefits of more flexible funding and would result in significant reputational damage.</p> <p>Concerns around quantum - We could end up with less money than we currently have. This could further increase pressure on our BAU and delivery ambitions - see wider financial risks around WMCA <i>resilience to financial shock</i>, and the <i>Inflation and global supply chain</i> pressures.</p> <p>Concerns around the outcomes framework - At the next spending review, Treasury could implement additional spend controls on WMCA's single settlement, which would limit its effectiveness and become burdensome. As performance in meeting outcomes will be published on a government website, failure to meet objectives could give rise to further challenge and scrutiny from the public, media and government.</p>	<p>Before Single Settlement goes live, a MoU needs to be signed between WMCA, Treasury and DLUHC- this gives us the opportunity to refuse to participate in Single Settlement, should it felt to be disadvantageous.</p>	4	4	16	
<p>TDD Ratification</p>	<p>There is a risk that the TDD will not be ratified by constituent LA members. This could have a significant effect on our reputation, our relationship with Government and our ongoing funding. Although we would continue to be funded as previously, we would not benefit from the opportunities that</p>	<p>We are supporting LAs through their ratification processes by providing deliverables that will help them understand the potential benefits of the deal. Across the different workstreams in the deal, we are continually engaging with LAs to give them</p>	3	4	12	

Title	Cause Effect	Controls measures in place	Likelihood	Impact	Score	Further actions required to mitigate risk
	<p>arise from the devolution deal, for example access to certain Government policy discussions that would enable us to help inform new policy the affects our region. We would also lose access to specific funding, meaning some of our delivery ambitions would not be achievable.</p>	<p>avenues to shape the implementation of the deal and secure their support for it.</p>				
<p>Local authority partners in financial difficulties or entering Section 114</p> <p style="text-align: right;">Page 50</p>	<p>Local Authority uncertainty of long-term funding and the relatively small growth in funding has put sustained pressure on Local Authority finances, this has been exacerbated by the increasing demand for services and low levels of general reserves to withstand fiscal shocks.</p> <p>The WMCA works in close partnership with its Constituent authorities and this inter-dependency means that if there are any financial shocks or pressures, it will impact on the wider partnership.</p> <p>The varied effects on WMCA would not be known at the outset, but they would be specific to each particular case and local authority partner. The general risks to the WMCA would likely extend to reputation, delivery and policy consequences.</p>	<p>Engagement with LA Partners, finance Directors and leaders, in respect of finances, budgets, and fiscal pressures. The majority of capital payments and investment programme activity with local authority partners are paid in arrears, thereby limiting our exposure.</p> <p>When an issue does emerge, we will monitor it and assess the potential impact on WMCA.</p>	5	5	25	<p>We are seeking advice from the Chartered Institute of Public Finance and Accountancy as to how a local issue could impact regionally.</p>

Issue Priority	Issue Title	Issue Description	Issue Owner	Action Title	Action Description	Action Owner	Action due date	Action Status	Issue Status
Red Page 51	Metro - 2GT fleet crack propagation	1. Cracks propagating in 2GT fleet prior to entry into Car Body repair programme. Dudley VLR repair schedule means potential delay return of trams to service and increased need of stabling 2. Operating a reduced service until more 2GT trams can be repaired, resulting in pressure on MML Operations to provide a sustainable service. 3. Stalemate on CAF negotiations for 2GT fleet crack repairs; and non-agreement with CAF regarding bogie box liability.	Exec Dir TfWM	Repair programme	The second phase of repairs is proceeding well at Dudley and is on schedule to complete end October. The third and, hopefully, final phase of repairs will follow on, with detailed repair programme yet to be confirmed with CAF. In addition the remaining cracks being monitored are not showing any significant propagation, so we are optimistic that final repairs will be in place, before there is any risk of withdrawing trams from service again.	MMA	Ongoing	Open On Track	Open on Track
	TfWM - Technical Financial Breach	Wolverhampton Interchange scheme: the accrued value of works instructed and undertaken exceeded the approved budget. This is an indication of a weakness in cost control practices and represents a breach of financial regulations.	Exec Dir TfWM	Breach of Financial Regulations	The Independent investigation into this issue is completed and we are in the process of implementing the recommendations. An independent audit into the implementation of the recommendations will follow and will report to the Executive Board in due course.	Exec Dir Finance	Ongoing	Open On Track	Open on Track
	Red	Buckingham Group Contracting Limited (BGCL) has gone into administration.	BGCL are the principal contractors responsible for the design build of Darlaston and Willenhall (Package 1 Rail Stations). Works are currently stood down on site because of the administration process.	Exec Dir TfWM	Impact assessment & recommendation on contract position	The delivery team, in discussion with relevant partners, are exploring options for the future delivery of the project.	Exec Dir TfWM	13/10/2023	Open at Risk

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Audit, Risk & Assurance Committee

Date	4 October 2023
Report title	Internal Audit Update
Accountable Chief Executive	Laura Shoaf, Chief Executive, West Midlands Combined Authority Email: laura.shoaf@wmca.org.uk Tel: (0121) 214 7444
Accountable Employee	Helen Edwards, Director of Law and Governance, West Midlands Combined Authority Email: helen.edwards@wmca.org.uk Tel: (0121) 214 7478
Report has been considered by	N/A

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) Note the contents of the latest Internal Audit Update Report.
- (2) Note the confirmation of the 22/23 Annual Audit opinion.

1. Purpose

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

2. Background

- 2.1 In accordance with the agreed work programme for internal audit, the reports provide an independent and objective opinion on the Combined Authority's effectiveness in managing their risk management, governance, and control environment.
- 2.2 The reports will feed into the 23/24 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 will be used to feed into the Annual Governance Statement that accompanies the Annual Statement of Accounts.
- 2.3 The 22/23 Annual Internal Audit report, presented to ARAC in July 2023, provided a 'provisional' annual audit opinion from the Head of Internal Audit due to audits remaining outstanding to delivery. On completion of these audits, the Head of Internal Audit at the City of Wolverhampton Council, who had provided the provisional audit opinion, has assessed the outcome and has confirmed no change is required to opinion provided.
- 2.4 The annual audit opinion for 22/23 for inclusion within the Annual Governance Statement will therefore read: '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, we can provide **reasonable assurance** that the Combined Authority has adequate and effective governance, risk management and internal control processes'.

3. Wider WMCA Implications

- 3.1 There are no implications.

4. Financial implications

- 4.1 There are no direct financial implications as a result of this report.

5. Legal implications

- 5.1 This report will provide the Audit, Risk and Assurance Committee with assurance that it is fulfilling its functions as set out in Schedule 5A to the Local Democracy, Economic Development and Construction Act 2009.

6. Equalities implications

- 6.1 There are no implications.

7. Other implications

7.1 Not applicable

8. Schedule of background papers

8.1 None

9. Appendices

Appendix 1 – Adult Education Budget internal audit report

Appendix 2 – External Funding Arrangements internal audit report

Appendix 3 – Gifts and Hospitality arrangements audit report



West Midlands Combined Authority

Internal Audit Update Report – 04 October 2023

1 Introduction

The purpose of this report is to bring the Audit, Risk and Assurance Committee up to date with the progress made against completing delivery of the 2022/23 and progress of the 2023/24 internal audit plans.

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 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.

Where appropriate each report issued 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 in progress.

Auditable area	ANA ¹ Rating	Level of assurance obtained
Internal Audit Reviews previously reported		
Procurement Exemption arrangements	High	Limited
IR35	High	Limited
Audit Reviews completed		
Adult Education Budget	High	Satisfactory
External Funding arrangements	High	Satisfactory
Gifts and Hospitality arrangements	High	Limited

¹ Audit Needs Assessment rating

Auditable area	ANA ¹ Rating	Level of assurance obtained
Audits in progress		Status
TfWM review	n/a	In progress
Contract management	High	Scoping of audit
Adult Education Budget - Procurement	High	Scoping of audit
Key Financial Systems	n/a	Scoping of audit

3. *Audits completed this period*

Adult Education Budget

A review of the arrangements in place for the management of the Adult Education provision has been completed as part of the 22/23 audit plan with the scope of the audit focussing on the effectiveness of the arrangements in place for the delivery of adult education and training, including the arrangements to ensure an appropriate level of governance, risk management and financial probity. An assessment of the delivery of the audit recommendations from a previous audit of the Adult Education Budget was also completed as part of this review.

The outcome of the review concluded that **Satisfactory** arrangements are in place, with one amber and 3 green recommendations being identified for action by the department. These included:

- The approval process for increasing provider contract values.
- The effectiveness of The Performance Management Review (PMR) process.
- Implementation of the Compliance and Audit Schedule.
- Implementation of the VEAT/Procurement Process.

Further details are provided in the full audit report, provided as Appendix 1.

External Funding Arrangements

A review of the management arrangements for processing external funding applications was identified within the 22/23 internal audit plan and has been completed with the audit scope being 'to carry out a high-level appraisal of the external funding application process in order to provide assurance regarding its effectiveness and fitness for purpose'.

The outcome of the review concluded that **Satisfactory** arrangements are in place with four amber and four green issues being identified and recommendations made to address them. These have been accepted by the department and include:

- Improvements to be made to the application register.
- Use of the Bid Checklist to support the monitoring of applications.
- Introduction of a Steering group to develop a standard approach for case development.
- Formal reviews to be conducted of unsuccessful applications.
- The introduction of a formal risk assessment process as part of the preparation stage for bids.
- Development of a structured process to pro-actively source external funding opportunities.
- Greater visibility of the Procurement team throughout the application process.
- A Director to establish accountability and overall responsibility for the external funding application process.

Further details are provided in the full audit report, provided as Appendix 2.

Gifts and Hospitality arrangements

This review is contained within the 23/24 internal audit plan with the scope being a review of the policies and procedures in place for the declaring of gifts and hospitality received by officers alongside a review of the associated monitoring and management arrangements in place.

The review concluded with a **Limited** assurance rating being provided, and 2 red and 2 amber recommendations being made to address the identified concerns. These have been accepted by the department and include:

- A review of the WMCA's Declaring Gifts and Hospitality policy.
- A consistent and robust process needing to be adopted for the monitoring of all declarations.
- Improvements to be made to the security of information contained in the register, and accessibility for officers to make a declaration.
- Greater visibility of the Code of Conduct for officers.

Further details are provided in the full audit report, provided as Appendix 3.

Other Internal Audit Activities – Unplanned Work

In addition to planned audits, the team carried out the following two external grant certification claim reviews, to fulfil the requirement for an "Independent Reasonable Assurance Report ("Accountant's Report")", as required by external funding requirements. The programmes were funded by Innovate UK to facilitate productivity and economic growth by supporting businesses to develop and realise the potential of new ideas, including those from the UK's world class research base. The two certification claims were for:

- Multi-Area Connected Automated Mobility
- Zero Carbon Rugeley: A major new development as a catalyst for a town wide smart local energy system.

By using its Internal Audit Resources, the WMCA was able to save the costs of commissioning the work from private firms.

4 Follow-up of previous recommendations

Progress Monitoring Update							
Auditable area	Overall Opinion	Report Issue Date	Action Date	Agreed Actions			Number Completed*
				Red	Amber	Green	
Longbridge Park and Ride Income Management and Charging Arrangements	Limited	30/03/22	30/11/22	1	2	-	3
ICT Strategy	Satisfactory	29/03/22	31/08/22	-	1	3	4
Dudley Interchange	Satisfactory	13/05/22	31/07/22	-	3	-	3
Affordable Housing Delivery Vehicle	Satisfactory	20/06/22	30/09/23	-	1	-	0
MML	n/a	22/06/22	31/12/22	-	1	-	0
WM2041	Satisfactory	19/10/22	31/01/23	-	3	1	4
Information Assurance and Cyber Security	Satisfactory	05/01/23	30/09/23	-	5	13	16
Key Financial Systems	Substantial/ Satisfactory	03/02/23	31/05/23	-	5	3	7
Payroll	Satisfactory	09/03/23	06/04/23	-	2	5	7
Procurement Exemptions	Limited	21/06/23	31/12/23	1	2	2	1
IR35	Limited	19/06/23	30/09/23	1	4	-	2

* The number of recommendations completed reflects the opinion of the auditee only and the position as at 31 August 2023.



West Midlands Combined Authority

Internal Audit Report:

Title

*“REVIEW OF ADULT EDUCATION BUDGET
– 2022-2023”*

Report Date: 25 JULY 2023

Report Distribution: Tony O’Callaghan – Head of Skills Development;
Miguel Silva – Senior Delivery Manager; Joanne Galvin – Quality
Manager
Angela Baskerville - Delivery Manager (Operations) • Economy,
Skills and Communities

Clare Hatton – Director of Employment and Skills
Dr Julie Nugent – Economy, Skills and Communities

1. Executive summary

Introduction

- 1.1 A review of Adult Education Budget (AEB) was included in the Annual Internal Audit Plan 2022/23 approved by the Audit, Risk and Assurance Committee (ARAC). The purpose of the review was to provide independence assurance regarding the robustness of the Provider Performance Management arrangements and the Internal Controls established over the AEB process. The AEB process contributes towards the delivery of objective 1.3 of the WMCA Aims. The process primarily sits within the Economy, Skills, and Communities Department, but is supported by Finance, Legal & Governance and Procurement services in delivering its remit. The Budget for 2022/23 was in excess of £132M. Hence an annual internal audit review of AEB is essential in view of its materiality and potential risks.
- 1.2 The Provider Performance Management Arrangement process is underpinned by the delivery plan, which is agreed with training providers at the beginning of each contracting year. The delivery plan forms the basis of monitoring the performance of providers throughout the contracting year. Effective delivery of the plan demonstrates the proper use of public funding as well as the achievement of corporate objectives in facilitating WMCA desired outcomes and DfE policy objectives. To this effect, the effectiveness of the provider review process using a sample of providers formed a key aspect of this review.
- 1.3 The previous Internal Audit Review of AEB was completed on 7 September 2021. The opinion was “satisfactory”. The scope of that review was intended to assess the arrangements made by the WMCA to implement its new role, following its devolved responsibility from the DfE to the WMCA. Following that review, Internal Audit and management agreed a set of actions which were intended to address identified gaps in the system. This review revisited progress made in delivering on the agreed action plan, which is set out on Appendix 1 to this report.

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:	The objective of the review was to provide assurance regarding the effectiveness of the arrangements in place for the delivery of adult education and training, including the arrangements to ensure an appropriate level of governance, risk management and financial probity.
Potential Risks:	<p>The key risks identified in delivering the objectives are as follows:</p> <ul style="list-style-type: none"> • Appropriate funding not allocated to competent providers capable of delivering effective and efficient training programs to facilitate and enhance growth in job opportunities and the local economy. • Inability to identify errors or potential fraud regarding the application or misuse of funding allocations. • Risk of the local community not obtaining the benefits of upskilling or learning objectives, thus negatively impacting on the local economy

	<ul style="list-style-type: none"> Inability to identify or recognise available opportunities to enhance, or expand training opportunities, which may contribute to increased efficiency and good value for money.
Scope:	<p>The scope of the review covered the following aspects:</p> <ul style="list-style-type: none"> Funding allocations for 2022/23; Compliance with funding requirements, including performance management and monitoring, risk management and governance arrangements. Testing would cover each category of training providers. Where appropriate, areas for further development would be identified and proposals for improvements agreed with service management.
Limitations to the scope of our audit:	<p>Limitation of scope – the review was limited to established controls and compliance of the Provider Performance Arrangements as the primary control for the effective monitoring of delivery of the AEB budget. Testing was limited to activities during the financial year 2022/23 and covered the period up to R06.</p> <p>The sample of 9 providers is broken down as follows; 7 ITPs representing contract value of £7,924,875; 1 FE College, representing contract value of £22,537,907, and 1 LA representing contract value of £3,283,283. The combined total contract values of the sample are £33,746,065, equivalent to 25% of total AEB budget for the year.</p>

Overall conclusion

Overall conclusion: our overall conclusion is that the system established over the administration of the Provider Performance Management Review Process is “Satisfactory”. This means - Our audit provides **Satisfactory** assurance over the adequacy of the controls reviewed as part of the process to mitigate risks to an acceptable level. *(The table below shows range of audit opinions and what they mean*

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

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

- **Approval Process for Increasing Providers Contract Values.**
- **Effectiveness of The PMR Process.**
- **Implementation of the Compliance and Audit Schedule.**
- **Implementation of the VEAT/Procurement Process.**

A summary 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:

Examples of Good Practice Identified

Implementation of Previous Agreed Actions

- An assessment of the implementation of the agreed actions from the previous audit concluded that 4 out of 5 agreed actions had been satisfactorily implemented. One action was partially implemented and was in the process of embedding. The implementation of these actions has strengthened the AEB process overall.
- The previous internal audit review which was concluded in September 2021, established that the AEB system had developed a comprehensive process which was largely compliant with ESFA funding guidance. At the time, the system was relatively new following the WMCA taking over the devolved responsibility for AEB from the DfE on August 2019, hence the system was being embedded. This review ascertained that the embedding process is progressing well, with some teething problems which are set out in section 2 below, including proposed actions to address few gaps in control identified during this review. The key good practice identified during this review are summarised below as follows:

Compliance with ESFA funding requirements; including performance management and Monitoring.

- There is an established well-functioning process for identifying suitable providers and to determine the safe or appropriate level of contact value that could be allocated to providers. The monthly PMR process maintained regular monitoring of providers performance and provides the opportunity to react as necessary to any emerging risks relating to underperformance, errors or general trouble shooting.
- The process enables errors or potential irregularities to be identified within a reasonable timeframe and facilitates appropriate remedial action as necessary. In addition, the system

is supplemented by a programme of random audits of providers carried out by the ESFA on a routine basis. Thus, adding another layer of control to the process.

- The AEB service has a well-defined planning cycle schedule which facilitates the identification of key tasks and enables relevant management action to be taken timely.
- A suitably documented Payment and Performance Management Framework was in place for the funding year 2022/2023 detailing guidance to ITPs, Colleges, and Local Authorities in receipt of funding from WMCA AEB.
- All providers in the sample received appropriate and relevant guidance covering the process which is compliant with ESFA requirements. Providers are required to sign up to these requirements as part of the funding agreement.
- Dedicated AEB Relationship Managers and Skills Delivery Officers were allocated to each provider for the purposes of ongoing liaison as well as undertaking performance reviews at periodic points throughout the funding year, including a dispute resolution procedure as well as an end of year reconciliation exercise.

Risk Management and Governance Arrangements.

- The framework incorporates a risk-based approach to performance management and monitoring arrangements which informs the level and frequency of reviews applied to each provider, as part of financial due diligence. The process is informed by ESFA guidelines.
- There is a Compliance and Audit Schedule which is designed to identify emerging issues or trends to facilitate and enable corrective action to be taken timely as part of the risk mitigation process.
- VEAT (Voluntary Ex-Ante Transparency Notice) reviews are conducted during the contract cycle to assess delivery and to identify additional steps required to facilitate variations in existing contracts to ensure achievement of the AEB budget. The review is supported by financial due diligence carried out by the AEB team and signed off by the Director of Employment and Skills, Finance, Procurement, and the Director Legal and Governance. Increases in contract values of provider agreements were given to 4 providers rated as outstanding, which represents the lowest risk, requiring 6 monthly financial review. The process only allows growth awards which are in line with AEB Investment Plan.
- Any provider with identified under performance at any performance management point are required to work with designated WMCA Relationship Manager and Compliance Officer by submitting a remedial plan setting out how they intend to address under-delivery. No funding payment for over delivery of provider's delivery plan is paid unless previously agreed in writing by WMCA

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. Approval Process for Increasing Providers Contract Values.

Findings:

Two providers out of the sample of nine, received a 'cause for concern' letter. One of the two had received an increase in the ratio of bootcamp learners a couple of months prior to the event. This may raise questions regarding the effectiveness of the approval process which facilitated the increase of the agreement..

Implications:

Increases in contract values of providers who cannot deliver their remit would negatively impact on overall performance of AEB outcomes and WMCA aims and objectives.

Recommendations:

It is proposed that Management to review the basis for approving increases in provider contract values/profiles and assess its effectiveness in identifying the factors that informs the decision to vary the contact profiles of providers. Consideration should be given to placing greater emphasis on performance trends, learner satisfaction, as well as their financial strength.

Agreed Actions/Management Comments:

Not agreed - The contract terms for bootcamps allow providers 6 months, post-completion of programmes to record positive outcomes. At the time of awarding year 2 funding, Tech Talent was still within this timeframe. In addition, they had entered into a partnership agreement with the employer, Version 1, who had over 100 vacancies in the West Midlands to fulfil. To support this, growth was awarded. Performance continued to be monitored and where progress was not made in line with expectations, a cause for concern was issued.

Additional Comment by Internal Audit:

On the basis of management's response, and in view of internal audit concerns, we propose to amend the recommendation as follows: that management provides a copy of the outcome of any investigation carried out on the above provider, including any relevant action plan proposed or agreed with the provider, for internal audit permanent file.

Skills Team Response - The team's risk management approach was followed in both identified cases. This resulted in us issuing cause for concern letters and conducting necessary compliance checks. We had already given Bootcamp growth prior to the cause for concern being required. However, in order to close the audit action and alleviate internal audit concerns, we will send the outcome of the Tech Talent investigation that took place in February 2023. This investigation led to a 100% audit of the provision being completed, and the provider is currently receiving monthly support and monitoring until the end of the current contract in October 2023. This will allow residents to continue their training and successfully achieve their goals.

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

Responsible Officer: Delivery Manager

Target Date:
ASAP

Action is advised to enhance risk control or operational efficiency
Green

2. Effectiveness of The PMR Process

Findings:

Although the PMR process is a useful and effective control function, it was not always clear that all the actions identified to address some of the issues raised regarding providers with potential difficulties have been followed through or closed off. Therefore, it was not always possible to determine whether the identified issues have been satisfactorily resolved

Implications:

Potential difficulties or problems identified at ITPs, may not be addressed on a timely basis in order to minimise or prevent adverse financial impact on the WMCA, and therefore indirectly impacting on the achievement of objective 1 above.

Agreed Actions/Management Comments:

Management to introduce a control to indicate the date of relevant actions being completed and signed off by a responsible officer.

Agreed Actions:

PMR actions are followed up via email and at regular provider meetings. However, we agree to introduce the control proposed going forward from the start of the next academic year.

Responsible Officer:

Delivery Manager

Target Date:

July 2023

Action is advised to enhance risk control or operational efficiency
Green

3. Implementation of the Compliance and Audit Schedule

Findings:

Although the compliance and audit schedule contributes towards an effective process, it does not reflect the outcome of the last review and the results of the last external audit by the ESFA. Therefore, all available information relating to the latest developments relating to a provider's business may not be fully reflected on the schedule.

Implications:

May not give a true picture of developments within a provider's business, hence the potential for less than joined up approach to emerging issues affecting a provider. This may have implications for the effectiveness of decision-making affecting providers

Recommendations:

The compliance and Audit schedule would benefit from a section showing the outcome/rating of the last compliance check and external audit rating. This would facilitate and enable a more joined up approach to providers risk assessments and changes in providers' potential risk profiles

Agreed Actions/Management Comments:

Partially agree-

We do not agree that the ESFA audits make judgement on a provider's capacity or performance, they are based on a financial risk. Therefore, we are requesting that the wording of the findings/implication and proposed actions need to be updated to reflect this. We agree to update the audit schedule to reflect the outcome of the last review/audit from the start of the next academic year.

Responsible Officer:

Delivery Manager

Target Date:

July 2023

Action is advised to enhance risk control or operational efficiency
Green

4. Implementation of the VEAT/Procurement Process

Findings:

The version of VEAT Extension review briefing note on file of “April 2023”, was not signed by all required parties: legal, procurement, finance and not endorsed by director of Law and Governance. Also, the VEAT review took place two thirds into the contracting cycle. It may be more meaningful to undertake such a review earlier, about mid-contract cycle as this would facilitate the desired outcome, by ensuring that there is sufficient time and capacity to implement relevant action.

Internal Audit Updated Comment: On the basis of further information received from the AEB team, our original findings no longer applies. We therefore are happy with the action agreed that the AEB team would ensure that the full date is on briefing papers going forward.

Implications:

May not give a true picture of developments within a provider’s business, hence the potential for less than joined up approach to emerging issues affecting a provider. This may have implications for effective decision-making affecting providers

Recommendations:

Provider payment should be based on actual performance, as indicated on the funding requirement; or adjustments made at the next payment run following variation in performance targets of 10%.

VEAT proposal schedule should be signed and endorsed by all relevant parties to demonstrate compliance with the appropriate level of control. Additionally, consideration should be given to the review being undertaken earlier (about mid contract cycle to enable more impactful outcome).

The actual date of the proposal, incorporating, day, month, and year, should be recorded on the proposal

Agreed actions:

Partially agreed – We do not agree with the findings and proposed actions regarding the VEAT extension review and payments. ITPs are already paid on actual performance with any adjustments made at the following monthly payment run. A copy of the fully signed briefing note has been forwarded with this response, please note the endorsement by the Director of Law and Governance was not required. The standardised template for briefing notes was used in line with governance requirements. Consideration regarding the mid-contract review is not required for VEAT extensions as this was a one-off process that has been replaced by procurement rounds. We do agree to ensure the full date is on briefing papers going forward.

Responsible Officer:
AEB Management Team

Target Date:

July 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	23 May 2023
Exit meeting	12 June 2023
Final issued	25 July 2023
ARAC reporting date	October 2023
ARAC meeting date	

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REVIEW OF ADULT EDUCATION BUDGET

IMPLEMENTATION OF AGREED ACTIONS FROM PREVIOUS AUDIT REVIEW – 7 SEPTEMBER 2021.

	AGREED ACTIONS	DATE IMPLEMENTED	COMMENTS	INTERNAL AUDIT COMMENT
1.	<p><u>Legal Services 1. Retention of signed contracts and inclusion of execution date</u></p> <p><u>Agreed Actions:</u> 1. Legal and the AEB client have been working much more closely together, meeting weekly to review contracts. Signed copies of all documents are now scanned and sent to the client. Legal and the AEB client have set up a closed Share-point space to store all signed contracts, both past and current contracts. 2. An exercise has been undertaken to locate all contracts and grant agreements for the funding periods 2019 / 2020 and 2020 / 2021 and copies of these have been placed in the Share-point file. Legal and the AEB client as part of their weekly meetings complete a Contracts tracker which captures all legal instruction and details future</p>		<p>Update from Jayne Middleton that was sent to auditor 03/03/23</p> <p>1. This process is now BAU, Legal services has a dedicated business support team and all contracts are centrally held on Sharepoint. Clients receive a copy for contract management purposes. In terms of managing the contract finance and client have developed business world function for contract management. 2. This is BAU. Client departments as part of their contract management processes note renewal dates so they can instruct legal in sufficient time. 3. Contracts are not fully executed unless they have a date on them so this is part of the Contract sign off process</p>	SATISFACTORY

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<p>pipelines of work. The Acting Lead Solicitor for Productivity, Skills and Public Sector Reform will continue to work with the client develop the tracker to note execution dates and renewal dates.</p> <p>3. The Acting Lead Solicitor in consultation with the Interim Legal Services Manager will undertake a review of the form of contract to consider the points made around execution and dating of signatures in recommendations iv to vi.</p> <p>4. An Interim Practice Manager is already in place who is in the process of reviewing the facilities and processes for storage and documentation. The Interim Practice Manager and the Interim Legal Services Manager will then make recommendations for a long-term storage solution for electronic and hard copy documents and put into place a process for storage and documentation. The process will consider where, and by who, the contracts will be held, retention periods and information governance and data security issues, and ensure that the contracts</p>		<p>4. This is now in place, see above, business support team store on sharepoint.</p>	
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	<p>are centrally accessible and that the process is subject to regular spot checks to ensure compliance.</p> <p>Responsible Officer: Satish Mistry, Interim Director, Law and Governance Jayne Middleton, Interim Legal Services Manager</p> <p>Target Date: 31 December 2021</p>			
2.	<p><u>WMCA Finance 2. Evidencing s151 Officer approval within financial records and audit trail for uploaded transactions</u></p> <p><u>Agreed Actions:</u> i. Documentary evidence of Section 151 Officer approval of payments in the form of the Payment Group minutes will be provided together with the relevant payment files when they are submitted to Accounts Payable with immediate effect. (It is suggested that the minutes of the Payment Group meeting are separated into 2 parts going forward, Part A dealing with the approval of the payments and Part B dealing with provider risks and any sensitive information.)</p>		<p>Louise Cowen has confirmed that the recommendation was implemented with immediate effect.</p>	<p>SATISFACTORY</p>

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	<p>ii. The Productivity & Skills Finance Business Partner and the Financial Controller will confirm by email to Accounts Payable that the files submitted are an accurate record of the payments discussed & approved at the Payment Group meeting.</p> <p>Responsible Officer: Louise Cowen, Financial Controller Fahmida Chowdhury, Productivity and Skills Finance Business Partner</p> <p>Target Date: 31 August 2021</p>			
3	<p>Programme Assurance and Appraisal (Single Assurance Framework) 3. National Local Growth Assurance Framework requirements</p> <p>Agreed Actions: WMCA Assurance and Appraisal team will work with AEB to establish the best route for integrating the adult education function into SAF in order to have regard to the National Local Growth Assurance Framework</p> <p>Any approach must reflect the relatively low risk of the current programme and</p>		<p>Joti Sharma emailed (28/03/23) to say that she has sent updates to the auditor directly to say this action was completed some time ago.</p>	<p>SATISFACTORY</p>

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	<p>balance this against the oversight provided through the SAF. The approach will be designed and agreed by 31st December 2021 and integrated with current processes by 30th June 2022. Amendments to the SAF will be made by September 2022 as part of the SAF annual review and approval process.</p> <p>Responsible Officer: Ian Martin – Investment and Commercial Activities Director Joti Sharma - Head of Programme Assurance & Appraisal Target Date: 30 September 2022</p>			
4	<p>Productivity and Skills 4. Provider level risk assessments</p> <p>Agreed Actions: I. Clearer integration of the outcomes of risk assessments within performance management and within financial due diligence activity will be established in order to develop a single risk-based view of each provider, whilst ensuring the outcomes integrate with WMCA's wider Risk Management Framework. Inclusion of</p>		<p>1. Providers are RAG-rated monthly following each funding return based on their performance, outcomes, amount of subcontracting, compliance issues and finance which are recorded in the highlight reports, examples of these have been sent in the provider sample. Significant financial and delivery risks are raised at the monthly payment group meetings and feed</p>	<p>PARTIALLY ACHIEVED – Additional evidence provided on 28 April 2023 demonstrates a structured due diligence process).</p>

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	<p>financial due diligence in the provider risk management spreadsheets will be undertaken and will feed into the new AEB Operational Risk Register. Significant financial/delivery risk will be raised in the Payment Group meetings.</p> <p>ii. AEB Performance Review Framework is currently under review and will take into account elements raised in the recommendations above and ensure current risk assessment arrangements are clearly reflected.</p> <p>Responsible Officer: Iris Both, Senior Delivery Manager Adult Education Louise Cowen, Financial Controller Fahmida Chowdhury, Productivity and Skills Finance Business Partner Target Date: 30 September 2021</p>		<p>into the ESC Directorate Risk Register.</p> <p>A Cause for Concern letter has been created to support this process – letters will be issued to providers where we see a risk or possible risk in provision.</p> <p>An AEB Performance Framework is being created alongside a performance tracker to capture and monitor performance as well as identify possible risks. This process will set out how we will review provider contracts throughout the contract year. Checks will depend on the points in the contract year as set out below, however, it is important to point out that the checks are not limited to these points or the example below:</p> <ul style="list-style-type: none"> • Start of the contract year review i.e. Review of previous years' success rate, review of proportion delivered by sub-contractors review of financial Assessment i.e. Due diligence 	<p>Whilst there is evidence of progress being made in developing a robust review process; the system is still going through the embedding process.</p>
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			<ul style="list-style-type: none"> • Monthly performance review i.e. Review against monthly spend against profile, review of data errors • Provider Management Point i.e. review against delivery plan, review of destinations, review of subcontractors • Ad hoc review i.e. Audits, Ofsted, whistleblowing. <p>2. The Skills Programmes Provider Payments & Performance Management Framework has been updated to reflect agreed actions. skills-programmes-22-23-payment-performance-management-framework v2.pdf (wmca.org.uk)</p>	
5	<p>WMCA Finance and Productivity and Skills 5. AEB Payment Group administration.</p> <p><u>Agreed Actions: -To be confirmed</u> i. Terms of reference will be developed for the Payments Group with specific reference to the s151 Officer delegated approval role, as well as the Group's purpose, membership, meeting frequency and quorum.</p>		<p>Update from Balwinder Dhugga 28/03/23:</p> <ol style="list-style-type: none"> 1. Terms of reference have been agreed a copy of these have been uploaded to the evidence file. 2. The action and decisions log has been development and is 	SATISFACTORY

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	<p>ii. A dedicated action log and decisions log will be developed to support the Payment Group to ensure actions and decisions can be clearly and easily be monitored.</p> <p>Responsible Officer: Louise Cowen, Financial Controller Fahmida Chowdhury, Productivity and Skills Finance Business Partner Iris Both, Adult Education Delivery Manager</p> <p>Target Date: 30 September 2021</p>		<p>updated shared with the group monthly.</p>	

OVERALL ASSESSMENT OF IMPLEMENTATION BY INTERNAL AUDIT:

Following a review of the implementation of the actions in the Agreed Action Plan From the previous Internal Audit Report dated; 7 September 2021. It was assessed that satisfactory progress had been made in the implementation of the agreed actions.

Prepared by: Bami Cole - Lead Auditor

Date: 23-05-23



West Midlands Combined Authority

Internal Audit Report: *“REVIEW OF EXTERNAL FUNDING ARRANGEMENTS – 2022-2023”*

Report Date: 25 August 2023

Report Distribution: Kate Taylor, Head of Finance Business Partnering and Strategic Planning
Umesh Patel, Programme Manager - Centre of Excellence Programme Assurance and Appraisal
Joti Sharma - Head of Programme, Assurance and Appraisal
Linda Horne, Executive Director, Finance and Business Hub

1. Executive summary

Introduction and Background

- 1.1 A review of the WMCA External Funding Framework was included in the Annual Internal Audit Plan 2022/23 approved by the ARAC. The purpose of the review was to conduct a high-level appraisal of the new system established over the WMCA management process for obtaining external funding, in order to provide independent assurance regarding the effectiveness of the application preparation process, which informs the decisions of the senior leadership team, prior to the formal application process. The purpose of the new process was to design a system which would ensure effective governance, risk management and support arrangements are established at the outset, from bid preparation up to the formal application stage.
- 1.2 The External Funding Application process is designed to facilitate the WMCA application to source additional funds into the WMCA from external sources, over and above the standard funding allocations provided by central Government. Successful funding applications facilitates projects which adds value to community initiatives and contributes towards WMCA strategic aims.
- 1.3 Prior to the new arrangement, the external funding process was unwielded and decentralized, with each department following their own process without central control or coordination. This created difficulties with the progress of applications and the ability to make successful bids, as some applications were submitted without sufficient internal checks and consultation. Hence management decided to address the issue by creating a generic process common to all departments, with common controls and processes to facilitate a seamless process intended to be more efficient and more effective in delivering WMCA objectives.
- 1.4 At the time of the review the total value of external funding applications was in excess £1.5B. Within the sample, projects funded ranges from £500K to 315M.

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:	The objective of the review was to carry out a high-level appraisal of the external funding application process in order to provide assurance regarding its effectiveness and fitness for purpose.
Potential Risks:	<p>The following system risks were identified:</p> <ul style="list-style-type: none"> • Inability to identify available eligible funding opportunities. • Failure of funding applications, due to inadequate specifications or late applications • Failure to comply with funding requirements or deliver on projects, leading to financial penalties or funding claw backs. • Risk of non-delivery of WMCA aims and objectives, due to inadequate funding or funding claw backs.

	<ul style="list-style-type: none"> Potential risks of error or fraud due to poor management of the external funding application process and inadequate oversight or governance arrangements, leading to reputational damage of the WMCA
Scope:	The scope covers external funding applications made since the introduction of the new system in January 2022 to February 2023. Conclusions are drawn regarding both the effectiveness of the framework and compliance.
Limitations to the scope of our audit:	<p>The review was limited to external funding applications covering the period January 2022 to February 2023.</p> <p>The initial sample was 13 projects selected randomly but weighted towards areas of higher activities and to cover both revenue and capital projects. However, this was later reduced to 9 active samples because some projects were amalgamated and in some cases the projects did not go through a traditional external funding application process.</p> <p>The Single Assurance Framework (SAF) process was not examined as part of this review, as it comes after an external funding application has been successful and therefore lies outside scope. Also, SAF is a separate planned review within the 2022/23 Internal audit plan.</p>

Overall conclusion

Our conclusion is that the framework is strong, and compliance is satisfactory. Our overall conclusion based on Internal Audit Standard Assurance Matrix, is that the system is “Satisfactory”. This means - 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 in section 2 below, 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 four **amber** and four **green** issues (See section 2 below) where improvements could be made, arising from the following issues which have been categorised to reflect those issues relating to both the framework and compliance with the framework:

Framework

- Although the WMCA strategic risk register covers the organisations strategic objectives, including external funding applications, dedicated formal operational risk registers specifically relating to individual external funding activities were not always available during the review process. Individual risk assessments were not readily available for each funding application or funding activity prior to the SAF process which comes after the external funding application has been successful.
- A standardised formal procedure for proactively sourcing external funding opportunities is not part of the process. The existing process effectively determines what happens after an opportunity has been identified through government notifications or when they became available in the public domain. Also, it is unclear who starts the process. The flow chart makes references to the “Application Author/Developer”. It is unclear who that refers to, or what their full responsibilities are. The process could be enhanced by some explanatory notes and guidance. In particular, it could also explain the role of the Author/Developer and where it sits within the organisation.
- The framework facilitates appropriate involvement in the process of enabling services at various stages of the application process. However, there is insufficient visibility of involvement by the Procurement Team. Hence not obtaining full benefit of their expertise.
- Interviews with some users suggests there is still room for better communication. Sometimes information is received too late to be impactful, and errors may not be appropriately addressed, or quality checks undertaken if time is limited.
- Projects that required funding falls within a wide range of values and importance. Within the sample, the values range from £500K to £315M. hence the degree of diligence and control required to prepare individual funding applications also varies, as well as the resources required to make the application process successful; and to deliver successful outcomes. Hence, some degree of nuance was exercised during testing to reflect materiality and significance of individual external funding applications.

. Compliance

- Testing indicates that there is satisfactory compliance with the new process, however there were some instances of omissions regarding full compliance which are set out below.

- There were some omissions regarding completion of all relevant sections of the application registers which gives an update regarding progress of external funding applications and next steps.
- Individual departmental external application registers are not standardised across the board. Also, there is potential for confusion between the different departmental activity registers and the central pipeline register, which can show different real time updates and therefore varying levels of information.
- External funding application preparation is undertaken separately by departments. There is no central internal process for this. Hence the effectiveness of funding case depends on the degree of expertise which exists within each department.
- It was unclear whether formal reviews had been undertaken for unsuccessful external funding applications to facilitate learning and development.
- It is a common feature of the introduction of a new system that teething problems would normally arise. Hence the fact that the new system is not yet fully embedded having only been created a year prior to this review, is not an indication that the system is not delivering on its intended purpose. There is general acceptance from all parties interviewed during this review, that the new system is a significant improvement from what existed prior to its creation. There is also a degree of commitment that more needs to be done to fully embed the system. It is hoped that this review would assist in that process. However, it is acknowledged that WMCA is currently negotiating a move towards single settlement funding from April 2025, and that this is likely to eliminate much of the "traffic" than comes through this funding process currently. This will influence the development of the process for the future.

Examples of good practice identified.

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

- There is a well-documented intuitive three stage flow chart process which covers:
 - **Stage 1** – “WMCA Approval” – this process incorporates the identification of funding opportunities and how it aligns with WMCA priorities, only if there is clear alignment with WMCA priorities will it proceed to the next stage. Support and Guidance is provided by enabling services during this phase.
 - **Stage 2** – “Preparation” – Enabling services (Finance, Risk, Legal, Assurance and Procurement) are informed and the application process begins and uploaded onto the Pipeline process. Business Partners provide support and advice, consulting MO/S151 if required (Sec 151 approval or certification is required prior to progression in line with WMCA Financial Regulations). Key Control at this stage is the requirement to certify an External Funding Business Check List (BCL), which sets out 13 key Questions to ascertain how the grant would align with WMCA aims and objectives, including key issues such as, justification, feasibility, risks and implications of the grant for WMCA aims. This form is required to be certified by the Sec 151 officer prior to submission.
 - **Stage 3** – “Post Funding” – Submission of application and communicating outcome to WMCA Board and generating an appropriate press release for successful applications.

This then leads to the SAF process, using the standard Single Assurance Framework to deliver the programme.

- The framework incorporates all the key elements required to facilitate a well-considered process, with built in controls to ensure appropriate involvement of enabling services, departmental senior management and WMCA Executive Board relevant stages of the process. Internal audit assessed the built-in controls as appropriate, relevant and strong, during this review.
- The new framework is generic to the whole organisation and replaces the previous process which relied on each department doing their own thing with varying quality control. This new process now introduces a standardise quality control process, although the departments retain some discretion on part of the process, which allows them to adhere to relevant professional or industry standards appropriate for their individual department or business sector.
- Prior to full implementation of the new system, an informative and practical workshop was held to inform and introduce the new system to users. This contributed towards upskilling staff and facilitated buy-in to the new system.
- To facilitate compliance with the framework, management designed External Funding Tracking Excel Spreadsheets which sets out key details of progression and control checks throughout the process. Each department has their own spreadsheets which sets out projects applied for, and there is a central spreadsheet which is held in Finance, which co-ordinates all projects across the organisation. In addition, there is a separate SAF spreadsheet which sets out successful projects and how they go through the SAF process. The SAF process was not part of this review.
- The process allows a review process for rejected applications to ensure lessons learnt are noted and shared, to facilitate learning and improvements.
- The external funding check list is a key control which ensures that key elements of the process are progressed diligently and effectively. Thus, minimising the possibility of an unanticipated critical event.
- It was noted that one project which was not in the main sample had a separate additional Governance Structure, which creates another layer of control.
- It is a common feature of the introduction of a new system that teething problems would normally arise. Therefore, the fact that the new system is not yet fully embedded having only been created a year prior to this review, is not an indication that the system is not delivering on its intended purpose. There is general acceptance from all parties interviewed during this review, that the new system is a significant improvement from what existed prior to its creation. There is also a degree of commitment that more needs to be done to fully embed the system. It is hoped that this review would assist in that process.
- The observations made regarding the applications which were not included in the full tests indicates that the WMCA won £315m in the combined devolution bid.
- The WMCA was also awarded £30,383,250 for the ZEBRA bid to support 124 hydrogen

buses and associated re-fuelling infrastructure. This brings the total number of hydrogen buses within the region to 144, making it the largest hydrogen bus fleet within the Western World.

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. External Funding Application Registers

Findings:

Testing indicates that there were some instances of omissions in completing all sections of the application registers which gives an up-to-date progress of bids. For example, the section marked "Approval Route" was not completed by any of the sample tested. This may be because the approval route is clearly established on the Flow Chart and therefore considered unnecessary. The second least completed section was the section requesting "Business Case Value". This may be because in some cases the business case value is the same as the "Estimated Project Costs". However, for reason of completeness it would be appropriate to complete this section, as the amounts can sometimes vary. In two cases (over 20% of sample) neither the estimated bid value or the business case value was completed.

Individual departmental external application registers are not standardised across the board. Also, there is potential for confusion between the different departmental bid register and the central pipeline register, which can show different real time updates and therefore varying levels of information. There is a need to align the differing application registers amongst departments, as well as with the pipeline application register.

Implications:

Any inconsistencies between the departmental external funding registers and the central pipeline register may give rise to confusion and possible delays in funding applications with possible negative impact on WMCA aims and objectives.

Recommendations:

- (i) All sections of the applications registers, and the central pipeline register should be completed and updated in line with developments and outstanding activities. Consideration should be given to whether the sections set out in both registers are fit for purpose. Where appropriate, any column not considered necessary should be removed.
- (ii) To minimise the potential for confusion amongst departmental funding registers and the central pipeline register, it is recommended that the departmental registers are standardised, following which they should be aligned with the pipeline register to reflect similar information as far as practically possible.
- (iii) It is recommended that a section of the external funding register should include the Bid Check List, to strengthen control and effectiveness, as this is a key document that signals adequate compliance and therefore its implementation should be monitored.

Agreed Actions/Management Comments:

The Executive Board have requested one central activity register is developed to include external funding application information and project activity information. Centre of

Excellence to facilitate updating the Activity Register. Directorates are accountable for confirming information is accurate.

Responsible Officer:
Kate Taylor – Head of Finance Business Planning
Joti Sharma – Head of Programme Assurance & Appraisal

Target Date:
March 2024

2. Implementation of The Bid Check List

Findings:

Of the nine key samples which were suitable for full testing, a total of four bids had gone through the process successfully, whilst one bid failed, and another which did not go through the traditional bid route but was successful. The remaining three were still going through various stages of implementation at the time of the review.

Given the significance of the Bid Check List (BCL), this was assessed by Internal Audit as a key test for compliance and effectiveness, hence an examination of available BCL was undertaken with the following results. Test results indicate that four BCLs were available out of the nine key samples. All had been appropriately authorised by the s151 officer. The remaining projects had not got to the BCL stage yet, as this comes after Executive Board approval, but prior to the formal bid application process. However, BCL completion is not featured on the application register as a control. (This issue is also linked to item 5 below).

Implications:

The bid check list is an essential tool, hence the absence of monitoring of this essential control may weaken overall control of the process.

Recommendations:

It is recommended that a section of the external funding register should include the Bid Check List, to strengthen control and effectiveness, as this is a key document that signals effective compliance with the framework.

Agreed Actions/Management Comments:

Management to facilitate a link to the external funding application checklist within the funding register.

Responsible Officer:
Kate Taylor – Head of Finance Business Planning
Joti Sharma – Head of Programme Assurance & Appraisal

Target Date:
March 2024

3. Standardised Funding Case Process

Findings:

Funding case preparation is undertaken separately by departments. A central internal process for business case preparation is not part of the process. Hence the effectiveness of business case

depends on the degree of expertise which exists within each department. Within the scope of this review, most funding case assessments going through the SAF framework, tend to be from TfWM; hence their funding case process is likely to be more practised than other departments. The organisation would benefit from setting up a steering group to explore and develop a standardised approach to funding case development, using expertise existing within the most experienced departments to facilitate a standardised approach, which can be adopted throughout the entire organisation.

Implications:

A lack of standardised funding case protocol means wasteful resources and lack of corporate identity in the approach to funding planning. It may undermine the organisation's ability to develop and achieve unity of purpose in meeting its aims and objectives.

Recommendations:

It is recommended that the organisation should set up a steering group to explore and develop a standardised approach to funding case development, using expertise existing within the most experienced departments to facilitate a standardised approach, which can be adopted throughout the entire organisation.

Agreed Actions/Management Comments:

Programme Assurance & Appraisal team working alongside Finance Business Partners and other enabling Services are going to trial the benefits of start-up workshops. However, this recommendation is part of the SAF process and out of scope for current external funding process.

Responsible Officer:

Kate Taylor – Head of Finance Business Planning
Joti Sharma – Head of Programme Assurance & Appraisal

Target Date:

March 2024

4. Post Application Reviews – Unsuccessful Applications

Findings:

Although the framework requires a review of unsuccessful applications in order to facilitate future development of the process, there was no clear evidence to demonstrate that formal reviews had been undertaken for unsuccessful applications. Hence the learning experience of failed bids might be lost, instead of being factored into further development of the process.

Implications:

The lack of formal reviews deprives the organisation of benefiting from the learning opportunities presented by the experience of unsuccessful applications, which could lead to improvements that would contribute towards more effective applications in the future.

Recommendations:

It is recommended that a process for conducting formal reviews of unsuccessful external funding applications be set up to facilitate further learning and development which would contribute towards establishing a fully embedded framework.

Agreed Actions/Management Comments:

This should be happening within the Directorates already.

Many of the recommendations have been considered already and improvements to be made further to the current process. Some of the proposed changes are dependent on current Single Settlement discussions. These will be finalized in Autumn 2023 and therefore take WMCA time to amend processes and embed by March 2024

Responsible Officer:

**Kate Taylor – Head of Finance Business Planning
Joti Sharma – Head of Programme Assurance & Appraisal**

Target Date:

March 2024

Action is advised to enhance risk control or operational efficiency
Green

5. The Risk Management Process

Findings:

Although the WMCA strategic risk register covers the organisation's strategic objectives, including external funding applications, dedicated formal operational risk registers specifically relating to individual external funding activities were not always available during the review process. Individual risk assessments were not readily available for each funding application or funding activity prior to the SAF process which comes after the external funding application has been successful. However, this is mitigated by evidence of adequate risk considerations built into the process. For example, an External Funding Bid Check List (BCL) is required to be completed and certified prior to sending off each formal external funding application. The BCL contains 13 key questions which impacts on risks and the feasibility of each project. As a key control, the BCL is required to be certified by the sponsoring Director as well as final sign off by the Sec 151 Officer prior to submitting the application to the funding body. However, the process would be enhanced by formalising a separate formal risk assessment at an earlier part of the process.

Implications:

An early implementation of risk assessment for each project will facilitate a more incisive and better-informed process regarding the feasibility or impact of a project, thus informing the degree of resources that could or should reasonably be applied to deliver the project. This may contribute towards a more effective decision making.

Recommendations:

It is recommended that senior management considers the introduction of a formal risk assessment process as part of the preparation stage for each bid, to minimise the possibility of uncertainties and adverse outcomes, and to enable resources to be more effectively deployed. Problems identified later in the process may be too late to be addressed efficiently.

Agreed Actions/Management Comments:

Some of the recommendations highlighted above have already been identified and discussed across Finance & Business Hub. Due to future single settlement arrangements, the external funding process is likely to reduce, with the government indicating fewer isolated funding applications are going to be needed (more funding confirmed over a longer period). One option that has been considered is to enhance either the Funding Initiation Document process or develop a draft SAF business case at the point of application submission. This would incorporate better risk consideration information.

Responsible Officer:

Linda Horne – Executive Director Finance & Business Hub

Target Date:
March 2024

6. Process for Early Identification of External Funding Opportunities

Findings:

A pro-active formal procedure for identifying and sourcing external funding opportunities is not part of the process. The existing process effectively determines what happens after an opportunity has been brought to the attention of the “Application Author” or “Bid Developer”. Management may wish to consider whether a pro-active process for seeking and identifying external funding opportunities before they become generally available in the public domain would add value to the process. The flow chart makes references to the “Application Author/Developer”. It is unclear who that refers to, or what their full responsibilities are. The process could be enhanced by some explanatory notes and guidance.

Implications:

A standardised process for sourcing external funding opportunities before they become generally available in the public domain would provide greater opportunities for the WMCA and enhance the possibilities of delivering on WMCA aims and objectives.

A lack of clear process to pro-actively source external funding opportunities may result in failure to maximise available potential funding which could facilitate and enhance WMCA aims and objectives

Recommendations:

It is recommended that management considers the possibilities of creating a structured process to pro-actively source external funding opportunities before they became available in the public domain. The process can also be enhanced by developing some explanatory or guidance notes to accompany the Bid Flow Chart, to provide relevant guidance for users. It could also explain the role of the Application Author/Developer and where it sits within the organization.

Agreed Actions/Management Comments:

This is being considered by Executive Board, that a draft business case is developed as part of funding application process. Some of this may also change due to Single Settlement discussions. WMCA will need to demonstrate closer alignment between strategic aims, funding application, approach to project delivery and project outcome reporting.

Responsible Officer:
Kate Taylor – Head of Finance Business Planning
Joti Sharma – Head of Programme Assurance & Appraisal

Target Date:
March 2024

7. Role of Procurement Within the External Funding Application Process.

Findings:

The framework facilitates appropriate involvement in the process of enabling services at various stages of the bid progress. However, there is insufficient visibility of involvement by the Procurement Team. Given the professional expertise which sits within a professional procurement team, more visible involvement of Procurement would add value to the bid application process.

Implications:

Insufficient involvement by Procurement could deprive the organisation of valuable expertise which could add greater value to the process.

The absence of visible support from Procurement suggests that the potential within the organisation is not fully utilised in delivering on WMCA aims and objectives. This could have negative impact on overall deliverables in meeting WMCA aims and objectives.

Recommendations:

The process would benefit from greater visibility of the Procurement team. Going forward, it is recommended that the relevant sections of the application registers required to be completed by the Procurement team, should be completed to show who the relevant Procurement lead is for each project, in order to facilitate appropriate support to the external funding application process.

Agreed Actions/Management Comments:

The funding checklist was reissued on Nov 21 and asks the director to confirm that Procurement has been consulted. The responsibility for engaging with relevant Enabling Service departments sits with the Directorates.

Responsible Officer:

Linda Horne – Executive Director Finance & Business Hub

Target Date:

March 2024

8. Ownership of the External Funding Framework.

Findings:

Interviews with officers suggests that there is still room for better communication. Internal Audit was informed during the review that sometimes information is received too late to be impactful, and errors may not be appropriately addressed, or quality checks may not be undertaken if time is limited. It is the view of some users therefore, that sometimes insufficient time is allocated for bid preparation.

However, this is not always down to the organisation, as opportunities may become available at short notice, with a tight deadline for external funding application submission. Nevertheless, it could have potentially negative impact on the success of funding applications, or the delivery of a project; or indeed indirectly, on the effectiveness of delivering on the WMCA's strategic objectives. It is felt that this may partly be due to lack of clarity on ownership of the process (which was addressed above). There is some ambiguity regarding which aspects of the process sits with operational departments, or enabling services, or who should own the overall process. This is further evidenced by the fact that responsibility for who to deal with as lead officer during this review was not always clear and there are several cases where lead responsibility changed during a project, where the change may have impacted on the speed or efficiency of funding applications. This is an area which would benefit from further consideration and clarification by senior management.

Implications:

Lack of clarity regarding ownership of the external funding process could lead to confusion and delays in progressing bids and potential loss of funding.

Recommendations: There is a need to transparently identify who owns each part of the process and the accountable Director who should assume overall responsibility for the process. Consequently, the Executive Board should facilitate guidance or clarity in this respect.	
Agreed Actions/Management Comments: Some of the recommendations highlighted above have already been identified and discussed across Finance & Business Hub. Due to future single settlement arrangements, the external funding process is likely to reduce with government indicating fewer isolated funding applications are going to be needed (more funding confirmed over a longer period). One option that has been considered is to enhance either the Funding Initiation Document process or develop a draft SAF business case at the point of application submission. This would incorporate better risk consideration information.	
Responsible Officer: Linda Horne – Executive Director Finance & Business Hub	Target Date: March 2024

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	29-06-23
Exit meeting	24-07-23
Final issued	25-08-23
ARAC meeting date	04-10-23



West Midlands Combined Authority

Internal Audit Report: WMCA Gifts and Hospitality Arrangements 2023 - 24

Report Date: 22 September 2023

Report Distribution: Helen Edwards, Director, Law and Governance
Julia Cleary, Head of Corporate Support & Governance
Linda Horne, Executive Director, Finance and Business Hub
Fiona Bebbington, Head of Business Improvement

1. Executive summary

Introduction

An audit of the gifts and hospitality arrangements has been undertaken as part of the approved internal audit plan for 2023/24.

Under Section 117 of the Local Government Act 1972 it is a criminal offence not to declare a pecuniary interest in any contract that may be entered into by the Combined Authority. In addition, Section 2 of the Bribery Act 2010 sets out the offences that relate to being bribed. It is for this reason and to avoid any allegations of corrupt intent, the Code of Conduct for Officers does not permit employees to accept any fee or reward (including gifts) for their employment other than their proper pay.

Greater detail of the organisation's arrangements for the acceptance and requirements to declare the receipt of gifts and hospitality is included in the Declaring Hospitality and Gifts, and the Travel and Expenses policies, accessible to all officers via the intranet site.

The reporting of gifts and hospitality is maintained by an electronic reporting system, available to all staff and monitored by the Monitoring Officer and the Head of Governance.

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:	A review of the application of the Declaring Hospitality and Gifts policy, ensuring associated procedures are followed, as set out in the Constitution.
Potential Risks:	<ul style="list-style-type: none"> • Failure to comply with the Declaring Gifts and Hospitality policy and the Code of Conduct for officers. • Lack of openness and transparency, with accepted gifts and hospitality having the potential to be deemed to have influenced a business decision or lead to allegations of a conflict of interest • Opportunity for officers to accept gifts or hospitality for personal gain • Reputational and legal risk to the organisation
Scope:	<p>The scope of the review will entail auditing the following areas:</p> <ul style="list-style-type: none"> • Review of policies, procedures, and guides for the declaring of hospitality and gifts. • Review of the arrangements in place for the recording of hospitality and gifts • Review of the monitoring systems in place for the tracking and management of declarations. • Review of procedures in place in response to non-conformity.
Limitations to the scope of our audit:	Our review has focussed on the policy and reporting of gifts and hospitality by officers only.

Overall conclusion

Our audit provides **Limited** 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 two red and two amber issues where improvements could be made, arising from the following:

- WMCA’s Declaring Gifts and Hospitality policy is out of date and requires review, including a need for consistency of the policy requirements within all associated documents.
- Monitoring of declarations needs to be consistent and robust in order to ensure that there is sufficient understanding across all directorates and teams regarding what is acceptable, or otherwise, in terms of accepting gifts and/or hospitality.
- Access to the system, data requirements and security settings requires improvement, including increased reporting to support the Monitoring Officer in their oversight of gifts and hospitality.
- Visibility of the Code of Conduct for officers requires attention, to ensure that officers are aware of their obligations regarding expected behaviours, including the acceptance and reporting of gifts and hospitality.

Detailed findings and recommendations are set out in section 2 of the report below.

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

1. Updating of Declaring Gifts and Hospitality Policy

Findings:

The Declaring Gifts and Hospitality policy is not dated but is presented with a previous WMCA logo. It is therefore assumed this policy is c5 years old and requires review to ensure it remains relevant to current expectations.

The acceptance and declaration of gifts and hospitality is also referenced in the Travel and Expenses policy, dated 2021. Whilst the two documents reflect the same policy requirements, the Travel and Expenses policy provides greater detail on the accepted type of gifts and a maximum financial value for hospitality. The requirement to declare gifts and hospitality is also included in the Code of Conduct for Officers.

Neither policy provides a record of who owns, or is responsible for the management of them, it has been identified however the Declaring Gifts and Hospitality policy was prepared by the previous Head of Governance, and the Travel and Expenses policy by the Group Payroll and Payments Manager.

The policies clearly state when gifts or hospitality should be declined, however there is no requirement for officers to declare when this decision has been taken.

The policy requires declarations to be made retrospectively, does not provide a key contact point for officers to raise questions or to query the acceptability of an item, and provides no details on the monitoring and management of declarations made. In addition, where the officer responsible for monitoring declarations may decide a gift or hospitality event should not have been accepted, there are no details on what actions should be considered as a result.

The policy does not consider what, if any, actions are to be taken in the event of failure to declare an item.

Implications:

- The policy has the potential to no longer reflect the organisational expectations of officers.
- Lack of clarity on who is accountable for the Declaring Gifts and Hospitality policy with the potential for misinterpretation of requirements.
- Inability for officers to determine the relevant policy for the purposes of declaring a gift or hospitality event.
- Inability to monitor all prospective and accepted gifts and hospitality to determine if suppliers are making multiple offers, if there are collective offers of significant value being made, and/or if items have the potential to be construed as an attempt to influence a business decision.
- In the absence of a policy or details of actions to be taken where a gift or hospitality should not have been accepted or hasn't been declared, there is no deterrent for officers to consider the implications of their decision making.
- Inability to defend a challenge of a third party's attempt to influence a business decision.

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

Recommendations:

1. WMCA's Declaring Gifts and Hospitality policy, should be reviewed and amended to reflect the current processes and procedures to be followed. This should include:
 - a. Confirmation of who is accountable for the policy
 - b. Policy to reflect all requirements as set out in the Code of Conduct for officers.
 - c. Consideration to be given to the reporting of, and monitoring of offers that have been declined.
 - d. Management arrangements where officers fail to declare a gift or hospitality, or where acceptance is considered inappropriate.
 - e. Arrangements for the approval of a gift or hospitality event in exceptional circumstances, including the acceptance for charitable purposes.
 - f. A review of the Travel and Expenses policy to determine if the declaring of gifts and hospitality should remain within the policy. If yes, it should be updated to ensure it is consistent with, and refer to the Declaring Gifts and Hospitality policy as the primary document.
 - g. The provision of a named key contact for all gift and hospitality matters.
2. All staff should be briefed on the revised Declaring Gifts and Hospitality policy, to ensure there is sufficient understanding across all directorates of the process, and what is acceptable, or otherwise, in terms of accepting gifts and/or hospitality. Seasonal reminders should be provided thereafter when it is anticipated gifts and hospitality are more likely to be offered.

Agreed Actions:

Recommendation accepted.

1. A full review of the policy will be undertaken and will consider all items highlighted above. The Monitoring Officer (MO) will take overall responsibility for the policy and compliance of it with the MO and two deputy MO's being the key contacts for all enquiries.
2. A communications plan will be developed with support from the Internal Communications team and will include a communication to all staff in the run up to Christmas 2023 about the acceptance of gifts and hospitality.

Responsible Officer:

Julia Cleary, Head of Governance and Corporate Support

Target Date:

November 2023

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

2. Monitoring of gifts and declarations

Findings:

Access to the system for the monitoring of declarations is restricted for security purposes but should be limited to key personnel responsible for governance matters only, to ensure confidentiality of the data contained. 12 individuals currently have access with the roles of some, no longer considered relevant for this purpose.

There is no notification provided to officers responsible for monitoring declarations and is reliant on periodic checks being undertaken to determine if any declarations have been made. There is no evidence of records being maintained to demonstrate what, if any actions have been taken when reviewing submissions including a record of whether submissions have been assessed, validated as an acceptable item, or to indicate where an item has been referred back to the person making a declaration for review. It is unclear who is responsible for, or actively monitors new declarations made.

32 declarations have been made in the past 12 months with the majority of these compliant with the Declaring Gifts and Hospitality policy. Eight of the declarations made include items that would have required further consideration by the Monitoring Officer in line with the policy, but only two of the eight were referred to the Monitoring Officer for consideration prior to acceptance.

Implications:

- Poor data security in place, with access to third party, sensitive and potentially confidential information, contrary to the Data Protection Act 2018.
- Ineffective monitoring in place, with the potential for officers to breach the gifts and hospitality policy and no corrective action being taken.
- Risk of officers being investigated for potential breaches of the Bribery Act 2010 and the Local Government Act 1972.
- Inadequate records being maintained for monitoring purposes, or for use in the event of an external challenge.
- Reputational risk to the organisation.

Recommendations:

1. Access to the administrative area of the system requires immediate review, limiting access to responsible officers only. Annual reviews should be undertaken thereafter.
2. The roles and responsibilities of those responsible for monitoring declarations needs to be defined.
3. A centralised records management system should be established including the ability to record all decisions and actions taken by those responsible for reviewing declarations made. This could include improvements to the system, enabling a record of decisions made to be registered alongside each declaration.

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

Agreed Actions

Recommendation agreed.

1. Access to the administrative area will be limited to officers as directed by the MO only.
2. This will be considered in conjunction with recommendation 2.3, ensuring both the individuals responsible for monitoring declarations and the records management system provide a consistent approach for the monitoring of all declarations made.

Responsible Officer:

Julia Cleary, Head of Governance and Corporate Support

Target Date:

December 2023

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

3. Recording of gifts and hospitality

Findings:

An electronic system is in place for the purposes of declaring an accepted gift or attendance at a hospitality event and is accessible to all staff. Visibility of the site used to declare an item is limited however, and access is only available via the policy document.

Whilst the policy and electronic system indicates a requirement for declaring accepted items only, the system enables the reporting of items that have been offered but not accepted.

It is not compulsory for officers to state who or where a gift or hospitality has been offered by when making a declaration.

Individuals are required to provide photographic evidence of gifts and hospitality, with the declaration not fully submitted until this has been provided. Photographic evidence may not be accessible in the event of, for example, hospitality and may restrict an officer's ability to declare all items.

On submission of a declaration, the system automatically takes the individual to the Gifts and Hospitality register, where details of declarations previously made by other officers is accessible.

There is a reliance on officers reporting gifts or hospitality received, with those responsible for monitoring declarations not having the ability to identify non-conformance where officers may have inadvertently, or purposefully, not followed due process.

Implications:

- Incomplete records maintained
- Access to third party, sensitive and potentially confidential information which is contrary to the Data Protection Act 2018.
- Ineffective governance arrangements in place with the inability to demonstrate robust management of gifts and hospitality.

Recommendations:

1. Improvements should be made to the system to remedy the gaps identified in testing, including:
 - a. Declarations to be required for all gift and hospitality offers received.
 - b. It should be compulsory for the supplier name to be provided.
 - c. Consideration to be given to the purpose and relevance of requiring photographic evidence for all declarations.
 - d. Details of entries to the gift and hospitality register should be restricted to personal records only.
 - e. the recommendation in 2.3 above regarding record management for the monitoring of declarations made
2. Consideration to be given to establishing a process for all senior officers and for roles where third party engagement is anticipated (e.g Procurement, Finance) to provide an annual declaration of gifts and hospitality, including a nil return if applicable.
3. Accessibility to the system for recording gifts and hospitality should be made more accessible and regard given to the Data Protection Act.

Agreed Actions

Recommendation accepted.

1. Changes to the system for declaring gifts and hospitality is currently in progress as part of a general IT refresh, as generated by ICT. A review of these changes will be made with further system improvements requested from ICT, if/where the gaps identified by this audit have not already been addressed.
2. This will be considered in consultation with HR.
3. DPA issues will be reviewed and addressed alongside 3.1 above.

Responsible Officer:

Julia Cleary, Head of Governance and Corporate Support

Target Date:

December 2023

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

4. Code of Conduct**Findings:**

Details on the acceptance of gifts and hospitality is included in The Code of Conduct for Officers and contained within the Constitution. This document is currently under review and includes a statement on the acceptance of gifts and hospitality, with a further directive on the actions of WMCA in the event of an officer's failure to comply with the Code:

'Failure to follow this Code of Conduct may amount to misconduct or gross misconduct and may lead to disciplinary action being taken against the Officer'.

In the absence of details regarding the organisation’s response to non-compliance within the Declaring Gifts and Hospitality Policy, officers should have access to the Code of Conduct to ensure they are aware of their obligations as an officer of WMCA.

On review of the induction documentation provided to new starters when joining the WMCA, and more generally, documents available to officers via the intranet, neither the Code of Conduct or the Constitution are provided and readily accessible to officers. These documents can only be sourced independently through the WMCA external website.

Implications:

- Opportunity for officers to successfully appeal disciplinary actions due to the lack of access to the Code of Conduct and lack of detail contained within the Declaring Gifts and Hospitality policy.

Recommendations:

1. The Code of Conduct should be a key document available to all staff upon recruitment and accessible to all staff on the intranet.
2. All staff should be made aware of any changes made to the Code of Conduct on completion and approval of the current review.

Agreed Actions:

Recommendation agreed.

1. We will work with HR and OD & Engagement teams to ensure these documents are provided to new recruits as part of the induction process, and are accessible to all staff on the intranet site.
2. This will be addressed within the Communications Plan as per the agreed action within recommendation 1.2.

Responsible Officer:

Fiona Bebbington, Head of Business Improvement
 Julia Cleary, Head of Governance and Corporate Support

Target Date:

December 2023 and ongoing

Limitations inherent to the internal auditor's work

This report has been prepared in accordance with the terms of reference prepared for the audit. 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	29 August 2023
Exit meeting	20 September 2023
Final issued	22 September 2023
ARAC meeting date	4 October 2023



Audit, Risk & Assurance Committee

Date	4 October 2023
Report title	Key Financial Systems Audit: Accounts Payable Update
Accountable Chief Executive	Laura Shoaf, Chief Executive, West Midlands Combined Authority Email: Laura.Shoaf@wmca.org.uk Tel: (0121) 214 7444
Accountable Employee	Linda Horne, Executive Director of Finance and Business Hub, West Midlands Combined Authority Email: linda.horne@wmca.org.uk Tel: (0121) 214 7508
Report has been considered by	n/a

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (a) Note the progress update set out in this report on implementing Accounts Payable audit recommendations that were set out in the Key Financial Systems audit report for 2022/23.

1. Purpose

- 1.1 Members were presented with the Internal Audit Report: WMCA Key Financial Systems 2022/23 in April this year. Accounts Receivable, Budgetary Control, General Ledger and Treasury Management all received an overall conclusion of 'Substantial' whilst Accounts Payable received an overall conclusion of 'Satisfactory'.
- 1.2 This report therefore sets out progress made to date in implementing the audit recommendations for Accounts Payable.

2. Background

- 2.1 An audit of West Midlands Combined Authority's key financial systems was undertaken as part of the approved internal audit plan for 2022/23.
- 2.2 All the key financial systems are considered to have a potential effect on the annual accounts. Therefore, these audit reviews are undertaken on an annual basis. The controls tested as part of the audit work are deemed as core controls.
- 2.3 The following key financial systems were reviewed:
 - Accounts Payable
 - Accounts Receivable
 - Budgetary Control
 - General Ledger
 - Treasury Management
- 2.4 This report focuses on the Accounts Payable recommendations set out in the Key Financial Systems audit report.

3. Key Financial Systems Audit 2022/23 – Accounts Payable

- 3.1 The audit was conducted in conformance with Public Sector Internal Audit Standards and considered the objectives set out below for Accounts Payable and the potential risks to the achievement of those objectives, that adequate controls are in place for key financial systems and they are operated in accordance with the Combined Authority's Financial Regulations and Contract Procedure Rules.
 - Adequate controls, including separation of duties are in place for approval of purchase requisitions / orders and invoices in accordance with the scheme of delegation,
 - Adequate controls ensure 3-way matching of invoices to goods receipting and purchase orders.
 - Payments have been matched to the correct invoice and allocated to the correct creditor account.
 - Payment runs are appropriately processed and authorised (including BACS processing and cheque control).
 - CHAPS/Faster payments are appropriately processed and authorised.
 - Adequate controls are in place in respect of creating supplier records and amending supplier details including bank details.

- Adequate controls are in place for the approval and processing of AP spreadsheet uploads.

3.2 The audit was limited to current year systems and transactions testing. Testing was undertaken for the period April 2022 to September 2022. The reviews also included the follow-up of previous recommendations made in 2021/22.

3.3 Examples of good practice in the management of risk identified during the course of the audit work, achieved through effective design and application of controls are set out overleaf:

Purchase requisitions, orders and invoices

- Business World had been used to process the payments.
- Purchase orders had been suitably raised and appropriately approved in accordance with the Scheme of Delegation for each invoice payment against these orders.
- Where required, Procurement approval had been suitably evidenced within workflow within Business World.
- Purchase orders had been suitably raised prior to invoice tax date (date services / works / goods provided) in most cases. Where purchase orders had been issued after that date, the delay was minimal.
- Invoice details agreed to the corresponding purchase order and goods receipting (per Business World) in all cases tested.
- 3-way match re Purchase Order, Goods Receipting and Invoice / payment amounts are understood to be auto-matched by the system per workflow once a PO is raised, receipting undertaken, and invoice registered within Business World.
- A separation of duties was suitably in place and evidenced in all cases tested regards ordering, goods receipting and authorisation.
- For the No Purchase Order invoices / exception payments tested, payments had been appropriately approved in accordance with the Scheme of Delegation.
- Sundry creditor payments suitably agreed to supporting documentation.

Payment runs / CHAPS

- Payments made via CHAPS (Telegraphic Transfer) processes agreed to supporting information regarding details and amounts.
- Reconciliation of Business World payment run reports to bank statements showed that payments had been made accurately and completely.

Supplier records new and amended

- Business World workflow is used for the customer amendment forms, includes approval stages.
- Business World is used to process supplier amendment forms. Spreadsheet uploads
- Sampled transactions processed via uploading spreadsheets directly into Business World were confirmed as accurate

- 3.4 However, the audit identified 5 amber issues where improvements could be made, leading to a 'satisfactory' assurance rating, arising from the following:
- Goods receipting was not always completed promptly, and some invoices were paid outside the expected payment period of 30 days.
 - CHAPS / Telephonic Transfer forms were not always fully completed and evidence of approval throughout the process was not always evident.
 - Payment runs (BACS processing) did not always show evidence of approval throughout each stage of the process.
 - New and amended supplier supporting information to validate changes made was not always evident, and the completion of finance officer checks was not always evident.
 - A budget manager had approved a high value spreadsheet upload transaction; however, this was above the level defined in the Scheme of Delegation.
- 3.5 All of the audit recommendations made were agreed by the Accounts Payable / Accounts Receivable Manager and are either already complete or in progress. The audit recommendations along with their status and progress made to date are set out overleaf.
- 3.6 Good progress has been made towards implementing the recommendations set out in the audit report with 4 out of 5 recommendations completed and work progressing well on the 5th, laying the foundations for a more effective Accounts Payable control environment.

Recommendation	Progress to date
<p>1. Purchase requisitions / orders and invoices</p> <p>Wherever possible:</p> <ul style="list-style-type: none"> • Purchase orders should be raised prior to receipt of the invoice or the invoice tax date. • Goods receipting should be promptly undertaken following the receipt of goods / services. • Invoices should be paid within 30 days to avoid any potential late interest payment charges. <p>Status: IN PROGRESS</p>	<p>This recommendation highlights issues experienced by many authorities who are operating a No PO No Pay Policy. The Combined Authority's approach was launched some years ago and it is now felt that a refresh of approach is needed including relaunching the No PO No Pay Policy and raising awareness of the Purchase to Pay (P2P) process across the business and with our suppliers.</p> <p>We have therefore set up a P2P project team to address these issues longer term. The team comprising members of the Procurement and Finance teams will report on and deliver a number of actions in the autumn, using evidence obtained from the Business World finance system to highlight where problem areas are, including:</p> <ul style="list-style-type: none"> • Raising awareness of the P2P process across the Combined Authority and with our suppliers • Providing training courses and online training material to ensure Budget Holders and system users are aware of the Combined Authority's No PO No Pay Policy • Routinely returning invoices to suppliers where a valid PO number is not quoted <p>This approach is intended to improve the processing times for purchase orders, goods receipting and invoice approvals by raising awareness of the P2P process and No PO No Pay Policy across the business and with our suppliers.</p>

<p>2. CHAPS / TT Payments</p> <ul style="list-style-type: none">• CHAPS / TT forms should be fully completed and evidenced as approved to show a separation of duties in accordance with the Scheme of Delegation.• Approvals for CHAPS payments, whether by email or TEAMS, should be recorded on the form or should be easily retrievable and provided for inspection on request.• Checks to confirm that prices are correct, goods had been received and checked should be certified within the relevant section by a responsible officer within a service area.• Incomplete and / or unauthorised forms should be returned for remedial action by the initiating service area to ensure payments are only made based on fully completed and authorised forms. <p>Status: COMPLETE</p>	<p>CHAPS and TT payments are both mechanisms for making same day payments to suppliers. A review was undertaken over the summer and CHAPS forms have now been updated to ensure that they are fit for purpose and include a valid reason for a same day payment, owing to the increased control risk in this area. Evidence collected over the summer also highlighted that the numbers of payments were increasing, therefore, additional Deputy s151 officer approval was introduced in August 2023 to ensure that same day payment is appropriate and necessary with challenge back to the initiator where necessary. The AP/AR team have also improved their checks on documentation and are returning incomplete forms to initiators.</p>
<p>3. Payment runs</p> <ul style="list-style-type: none">• Approvals or evidence of approvals throughout the payment run / BACS process should be retained and be easily retrievable for review. <p>Status: COMPLETE</p>	<p>Evidence of all approvals throughout the payment run / BACS process are now automatically held on the Finance team's BACS channel on MS Teams.</p>

<p>4. New / Amended Supplier Records</p> <ul style="list-style-type: none"> • Supporting evidence used for bank detail verification checks as well as the corresponding online form should be held centrally together within Business World and attached to the supplier record within the supplier master file to create a central record. This would provide a clear audit trail when records are requested for query / inspection. • Documents / letters received that do not comply with WMCA processes should be challenged with the supplier, recorded on the Bank Details Log and further appropriate documentation (e.g. letterheaded / signed) should be obtained. <p>Status: COMPLETE</p>	<p>Evidence relating to new and amended supplier records is now held centrally within the Business World system. Documents that do not comply are also routinely returned to suppliers.</p>
<p>5. AP Spreadsheet Uploads</p> <ul style="list-style-type: none"> • Approval in accordance with the Scheme of Delegation should be suitably evidenced. <p>Status: COMPLETE</p>	<p>The Accounts Payable team have been reminded of the strict Scheme of Delegation requirements particularly where payments are made via spreadsheet upload.</p>

4. Financial Implications

4.1 There are no direct financial implications arising from this report , however a failure to implement the recommendations set out in the internal audit report will expose the Combined Authority to unnecessary financial risk.

5. Legal Implications

5.1 There are no direct legal implications in relation to this report.

6. Equalities Implications

6.1 Not applicable.

7. Inclusive Growth Implications

7.1 Not applicable.

8. Geographical Area of Report's Implications

8.1 Not applicable.

9. Other Implications

9.1 Not applicable.

10. Schedule of Background Papers

10.1 Internal Audit Report: WMCA Key Financial Systems 2022/23 [Final updated Consolidated KFS Report 202223.pdf \(wmca.org.uk\)](#)



Audit, Risk & Assurance Committee

Date	4 October 2023
Report title	Housing Investigation – Action Plan Update
Accountable Chief Executive	Laura Shoaf, Chief Executive, West Midlands Combined Authority Email: laura.shoaf@wmca.org.uk Tel: (0121) 214 7444
Accountable Employee	John Godfrey, Interim Executive Director of Housing, Property and Regeneration, West Midlands Combined Authority Email: john.godfrey@wmca.org.uk Helen Edwards, Director of Law and Governance, West Midlands Combined Authority Email: helen.edwards@wmca.org.uk Tel: (0121) 214 7478
Report has been considered by	

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

1. To note progress on the action plan presented and agreed at ARAC in January 2023.
2. Recognise the need to embed policies as part of the Action Plan for the Single Property & Estates Strategy to be approved later this year.

1. Purpose

To provide an update on the Action Plan agreed at ARAC in January 2023 in response to the recommendations from the independent investigation carried out by CBRE.

2. Background

Following a complaint received by the WMCA on 19 January 2022, and following consideration by the WMCA's complaints procedure an independent investigation was initiated and completed by CBRE.

The complaint raised two concerns;

- I. That the WMCA was distorting the real estate market by purchasing sites at higher values and was not taking into account affordable housing and reclamation requirements properly, thus increasing market prices,
- II. That the WMCA was funding private developers by providing grant funding to address reclamation costs and affordable housing requirements.

As part of the investigation CBRE considered the following areas in relation to a number of identified sites:

- Context – how the site was bought to the WMCA attention
- Determination to process to acquisition/grant
- Instruction to the valuer
- Review of the valuations
- Consideration of the Investment Panel/Committee report

The recommendations contained in the report were:

- I. Acquisition valuations should more clearly reference assumption and these should be articulated in decision making reports.
- II. WMCA should re consider the practice which appears to be common place of instructing valuers to assume no S106/affordable housing provision. Valuers should seek to reach their own conclusions on these issues and allow for these items/planning risk as they fit. This should eliminate the potential for market distortion.
- III. Given WMCA's policy requirement to ensure 20% affordable housing on sites it supports and the potential confusion that this can cause CBRE would suggest that valuations should include a market valuation in line with recommendation 2 above, accompanied by a valuation which includes the assumption of 20% affordable housing. These should be references in reports to Investment Board etc.

- IV. There is need for WMCA to review its decision making process for all housing and regeneration investments including those to Investment Panel and Investment Board. This review should include the Directors of Housing, Finance and Governance.
- V. Where there are cases when elected members might choose to exceed red book valuations for sites such as the costs of a CPO, or strategic rationales to assemble wider sites, then these should be articulated and where possible quantified.
- VI. Where grants are being made to developers, reports should set out more clearly the rationale for acceptable market norms for profit margins where this is used as a justification for the amount of grant to be paid.

An Action plan was presented and agreed at ARAC in January 2023 (attached at Appendix 1). The Action Plan addresses the concerns identified in the CBRE report, to mitigate against any future similar concerns being raised and to continually improve the service the WMCA is able to provide to its residents.

This further report shows progress and delivery in the attached appendix.

Whilst no further acquisitions for onward disposal or disposals have yet been completed or brought for Board approval, potential forthcoming acquisitions or disposals are being valued on the basis of both open market and scheme valuations for comparison, so that when approvals are sought there is an explicit decision made on these and any differential.

Upon the approval of a draft Single Property & Estates Strategy due later in 2023, an Acquisition Strategy will be created in support of the high level principles which will formalise and embed the actions approved.

3. Financial Implications

Failure to implement the planned actions as set out in the appendix could lead to continuing challenge from our external auditors around securing Value for Money and could potentially affect the Authority's audit opinion adversely.

4. Legal Implications

There are no direct legal implications in relation to this report. However a failure to implement the changes in process and procedure recommended within the action plan could lead to decisions being less robust, and potentially open to challenge.

5. Equalities Implications

Not applicable.

6. Inclusive Growth Implications

Not applicable.

- 7. Geographical Area of Report's Implications**
Future investment in the Housing and Regeneration programme may consider investment and funding opportunities in all districts across all Constituent and Non-constituent areas.
- 8. Other Implications**
Not applicable.
- 9. Schedule of Background Papers**
Appendix 1 – Housing Action plan

Housing Investigation October 2022

Recommendations and Action Plan – draft v0.2

Recommendation	Agreed Action Responsibility	Due date	Current position September 2023
Acquisition valuations should more clearly reference assumptions, and these should be articulated in decision making reports.	<p>Agreed action: All future valuations will be based on current market conditions and prevailing planning policy and all assumptions will be made clear within any related decision-making reports.</p> <p>Where assumptions are being made, a valuation based upon the Open market Value without assumptions and one with assumption (stating what these are) shall be included in the decision making document, together with an explicit statement as to the risks associated with those assumptions and any mitigants.</p> <p>Any variation to the proposed use will have an alternative valuation undertaken for comparison.</p> <p>Responsibility: Nigel Ford, Head of Property & Strategic Assets</p>	With immediate effect	<p>All valuations are Red Book based on open market valuations.</p> <p>There have not yet been any proposed onward disposal or new sites acquired requiring board approval.</p> <p>The policy & process will however be embedded as part of the Implementation of the Single Property & Estates Strategy to be adopted before the end of the calendar year. An acquisition Strategy will follow in support.</p>
WMCA should reconsider the practice which appears to be commonplace of instructing valuers to assume no S106/affordable housing provision.	<p>Agreed action: All acquisitions and disposals to have both an open market value reflecting current market conditions and local prevailing planning policy alongside any valuation that reflects a different proposal e.g. higher affordable nos.; density; net zero carbon; any construction requirements (e.g. modular), design quality etc. that is prevailing WMCA corporate policy or a scheme specific requirement.</p> <p>Responsibility: Nigel Ford, Head of Property & Strategic Assets</p>	With immediate effect with any new acquisition or disposal with full policy/procedure in place by end March '23.	As above
Given WMCA's (current) policy requirement to ensure 20% affordable housing on sites it supports and the potential confusion that this can cause, CBRE would suggest that valuations should include a market valuation in line with recommendation 2 above, accompanied by a valuation which includes the assumption of 20%	<p>Agreed action: All acquisitions and disposals to have both an open market value reflecting current market conditions and local prevailing planning policy alongside any valuation that reflects a different proposal e.g. higher affordable nos.; density; net zero carbon; any construction requirements (e.g. modular), design quality etc. that is prevailing WMCA corporate policy or a scheme specific requirement.</p> <p>Responsibility: Nigel Ford, Head of Property & Strategic Assets</p>	With immediate effect with any new acquisition or disposal with full policy/procedure in place by end March '23.	As above

Housing Investigation October 2022

Recommendations and Action Plan – draft v0.2

<p>affordable housing. These should be referenced in reports to Investment Board etc.</p>			
<p>There is need for WMCA to review its decision-making process for all housing and regeneration investments including those to Investment Panel and Investment Board. This review should include the Directors of Housing and Regeneration, Finance, and Governance.</p>	<p>Agreed action: Review of process to be undertaken, including of the report template, clearance and sign-off process and terms of reference for Investment Board and Investment Panel. Review training needs of Investment Panel members to ensure there is clarity over their role and purpose.</p> <p>Responsibility: Dan Essex, Governance & Scrutiny Manager</p>	<p>June '23 – to align with WMCA AGM.</p>	<p>Review of report template and sign-off arrangements for Investment Board / Panel undertaken and implemented.</p> <p>Currently undertaking a review of decision-making boards, including Investment Board / Panel, which will recommend changes. Training will be provided as part of the implementation of the new arrangements.</p>
<p>Where there are cases when the approval body (Executive Director, Statutory Officers, Investment Board or WMCA Board) might choose to exceed red book valuations for sites such as the costs of CPO, or strategic rationales to assemble wider sites then these should be articulated and where possible quantified.</p>	<p>Agreed action: This will be a standard approach for all future acquisitions and equally for any sale under market value to reflect any constraints / obligations that the market would not normally withstand. Subject to approval of new procedure and stance to be verified by Strategic Assets Board.</p> <hr/> <p>Where there is a recommended sale below market value or acquisition above market value, recommendations will need to be explicit in the wider benefits of such a decision given the role of WMCA in regeneration and other outputs e.g. acting as a catalyst to stimulate additional external investment. The decision should be documented to note what has been considered.</p>	<p>With immediate effect for all new acquisition or disposals, and full policy and procedure in place by end March '23.</p> <p>With Immediate effect.</p>	<p>No sites have come forward as yet to evidence this but it will be embedded as part of the Acquisition Strategy moving forward – see above.</p>

Housing Investigation October 2022

Recommendations and Action Plan – draft v0.2

	<p>Before Investment Board approval schemes must be signed off by statutory officers under delegated sign off.</p> <p>Responsibility: Nigel Ford, Head of Property & Strategic Assets</p>		
<p>Where grants are being made to developers, reports should set out more clearly the rationale for acceptable market norms for profit margins where this is used as a justification for the amount of grant to be paid.</p>	<p>Agreed action: Investment Case reports to include agreed text setting out profit margin rationale and market comparisons as part of standard template.</p> <p>Responsibility: Nigel Ford, Head of Property & Strategic Assets Rob Lamond, Head of Strategy & Analysis (Housing, Land & Regeneration)</p>	<p>Feb '23</p>	<p>Templates are being revised as part of the ongoing work with the SAF team & this will be picked up in those revised docs</p>

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Audit, Risk & Assurance Committee

Date	4 October 2023
Report title	Single Assurance Framework (SAF) Assurance Performance Report – April to June 2023
Accountable Director	Linda Horne, Executive Director of Finance and Business Hub, West Midlands Combined Authority Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Accountable Employee	Joti Sharma, Head of Programme Assurance & Appraisal, West Midlands Combined Authority Email: Joti.Sharma@wmca.org.uk Tel: (0121) 214 7389
Report has been considered by	WMCA Executive Board

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

Read this report and note its contents for information. The report provides reassurance that the WMCA continues to support embedding the Single Assurance Framework (SAF) arrangements at WMCA (this is to support increase in project management capability within the organisation).

This report follows on from the Single Assurance Framework (SAF) update shared with Audit, Risk & Assurance Committee (ARAC) in July 2023. ARAC had requested that Programme Assurance & Appraisal Team present assurance thematic performance information on a quarterly basis. The report focuses on Programme Assurance and Appraisal Team activity from April to June 2023.

1. Purpose

- 1.1 This report details thematic programme assurance information from WMCA projects that have been assured through the Single Assurance Framework (SAF) – this applies to projects funded through devolved investment funds only. This report will help demonstrate progress being made by projects and WMCA directorates transitioning to new SAF assurance and governance arrangements.

2. Background

Single Assurance Framework (SAF) Implementation Progress

- 2.1 As reported to ARAC previously, the WMCA SAF has been implemented across all WMCA directorates and the SAF Framework document has been updated to reflect national guidance and approved by WMCA Board accordingly to meet annual refresh expectations. This was to mitigate the risk of non-compliance to mandatory devolution commitments.
- 2.2 The tables below summarise Programme Assurance and Appraisal Team activity between April 2022 and June 2023. It demonstrates engagement across all WMCA Directorates and an overall increase in activity over time.

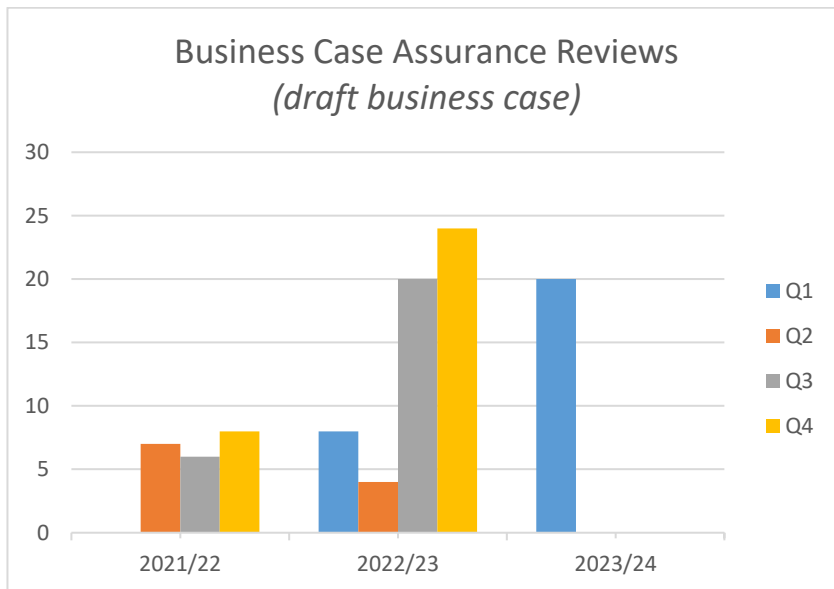
REPORTING PERIOD	DIRECTORATE/ EXTERNAL ORG.	Business Case Assessment (BCAT)	Health Check	Risk & Investment Appraisal	Change Requests
April – June 2022 (Q1)	TfWM	5	0	9	0
	Strategy, Innovation & Net Zero (SINZ)	0	1	2	0
	Greater Birmingham & Solihull LEP	0	1	1	0
	Economy, Skills & Communities	3	0	1	0
	Investment Programme	2	0	2	1
2022/ Q1 TOTAL		8	2	15	1
July – Aug 2022 ¹ (Q2 – 2 months)	TfWM	1	0	2	1
	Strategy, Innovation & Net Zero (SINZ)	1	1	1	0
	Economy, Skills & Communities	1	1	0	0
	Investment Programme	1	0	0	1
2022 Q2 TOTAL		4	2	3	2
Oct – Dec 2022 (Q3)	TfWM	15	0	11	4
	Strategy, Innovation & Net Zero (SINZ)	1	0	1	1
	Economy, Skills & Communities	1	37	2	1
	Investment Programme	3	0	3	7
2022 Q3 TOTAL		20	37	17	13

Jan – Mar 2023 (Q4)	TfWM	13	0	9	1
	Strategy, Innovation & Net Zero (SINZ)	5	0	3	0
	Economy, Skills & Communities	4	0	4	6
	Housing, Property & Regeneration	1	0	1	0
	Investment Programme	1	0	0	0
2023 Q4 TOTAL		24	0	17	7

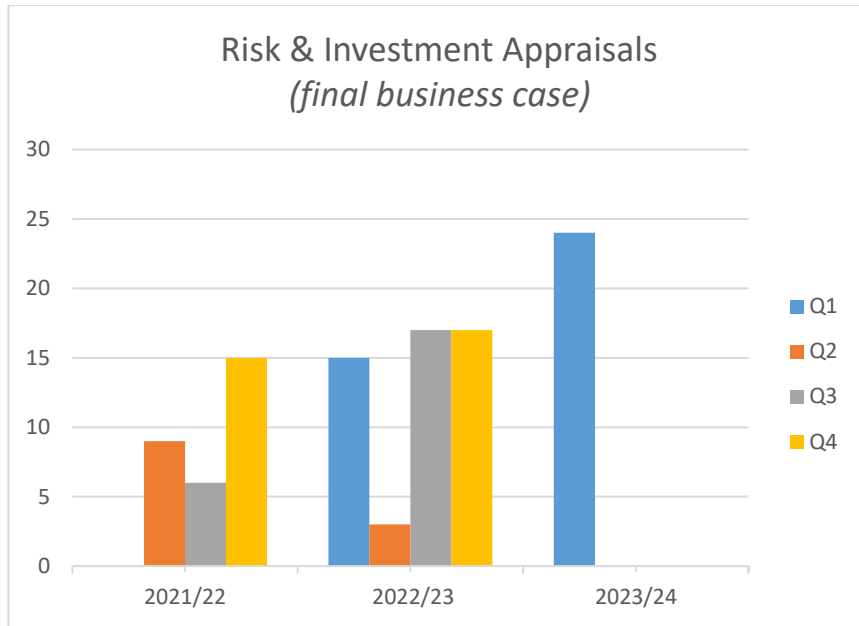
Apr – Jun 2023 (Q1)	TfWM	5	1	7	10
	Strategy, Innovation & Net Zero (SINZ)	4	1	6	0
	Economy, Skills & Communities	10	0	10	0
	Housing, Property & Regeneration	1	0	1	0
	Investment Programme	0	0	0	1
2023 Q1 TOTAL		20	2	24	11

High Level SAF Trend Observations

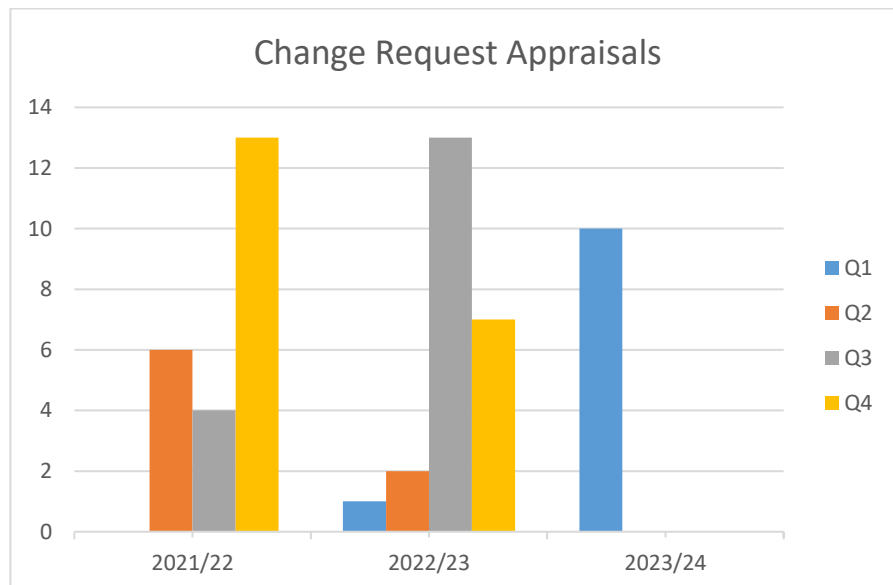
2.3 The number of Business Case Assurance Reviews (BCATs) completed has decreased 17% in this quarter, however there was an increase of 150% compared to the same period in the last financial year. This has helped drive improvements to draft business cases prior to them being submitted for formal Risk & Investment Appraisal. Most importantly the assurance activity and strengthening of the draft business cases reduces WMCA risks exposures at the point when the formal investment and risk appraisal is undertaken on the final business case.



2.4 The number of Risk & Investment Appraisals undertaken by the team increased by 41% in this quarter. This is a further increase in comparison to the same period last year (by 60%). Q3 last year was considered busy at the large Transport programme was being initiated at that time. So as appraisal activity has grown further still in comparison to last year is a positive sign.



2.5 The number of Change Requests undergoing formal independent Risk & Investment Appraisal increased by 43% in this quarter and an increase by 900% compared to the same period in the last financial year. This has been identified as an area of additional focus for next year. A training module and refreshed communications are going to be shared with WMCA Delivery Directorates.

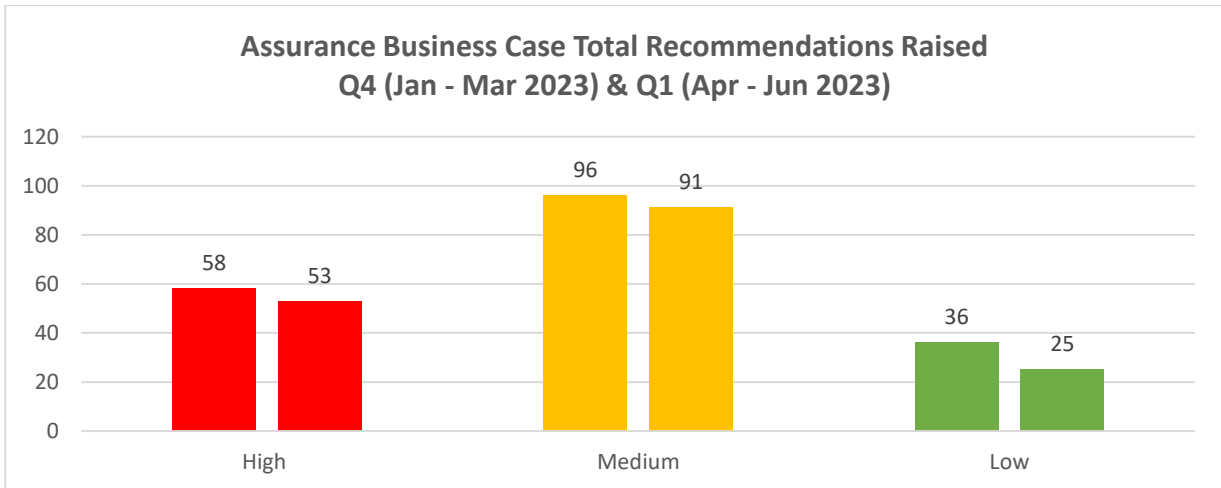


Assurance Performance Analytical Insights Q1 (April – June 2023)

3. Business Case Maturity Assurance Reviews (BCAT)

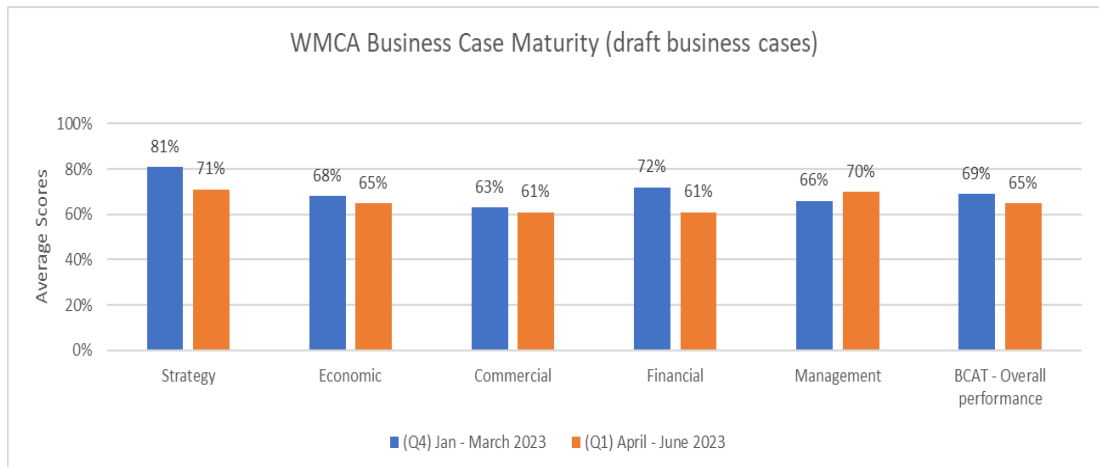
3.1 In Q1 (Apr – June) 20 Business case maturity assessments were undertaken in this period, with 53 high priority recommendations raised. This is compared to 24 business case maturity assessments completed and 58 high priority recommendations in Q4 (Jan - Mar.)

3.2 The graph next shows the trend during the period Jan – Mar (Q4) & April – June 2023 (Q1). There were fewer overall recommendations as there were fewer business case reviews. However, encouragingly the trend demonstrates, there are fewer red rated recommendations in comparison to amber and green overall. The formal risk and investment appraisal review will confirm to decision makers how many of the recommendations have been accepted and closed out. Greater focus is given to ensure red rated recommendations have been closed out by the time a final business case is presented for approval or there is a plan to address the risk raised.



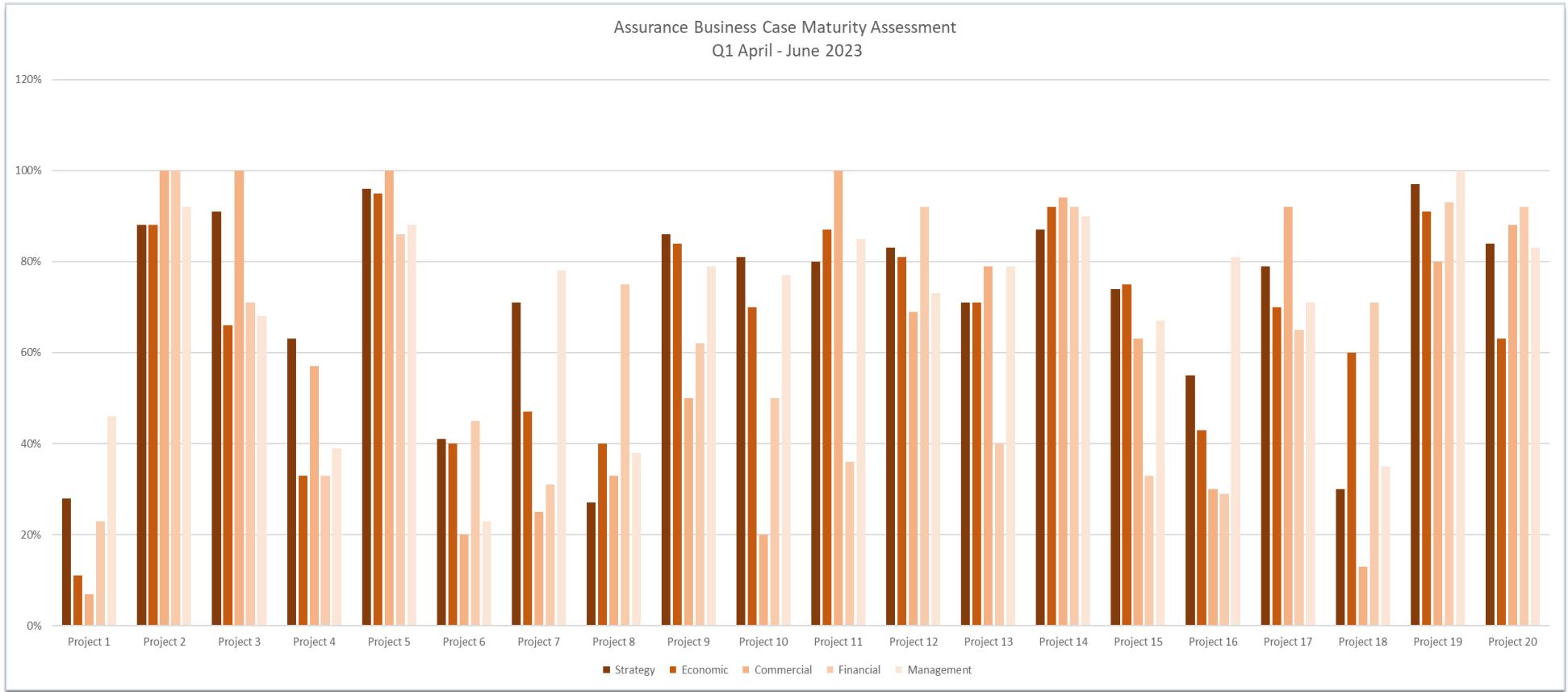
3.3 The following chart compares business case maturity in the current and previous quarter. It demonstrates that the business case maturity (draft business cases) was reduced slightly during April – June (Q1) compared to the previous quarter.

OBJ



3.4 Some of this reduction could be contributed to a new programme that needed to be developed at pace with short notice of financial confirmation of funding from Central Government. Two business cases developed in relation to the a specific programme and another business case had poor maturity assessments that reduced the scores in Q1. There is only a slight variance, and this may be experienced on other occasions too. The maturity of business cases is assessed on those reviewed in that period, there are several external factors that could impact business case maturity – the amount of time available to develop a business case, the lead authority developing the business case and if this is a similar project that has been developed previously or new/ innovative project? Reassuringly, the Management dimension of the business case strengthened. The assurance review in this section assessed whether effective programme management arrangements, roles and responsibilities and a plan for reviews during delivery are in place. So despite business cases with a greater level of risk being assessed in this period, the feedback from the assurance review allowed for greater mitigations and control systems to be put in place in preparation for the delivery phase.

3.5 The following chart provides a detailed overview of business case maturity by project against the 5 dimensions stipulated in HMT Green Book 5 Case Model:



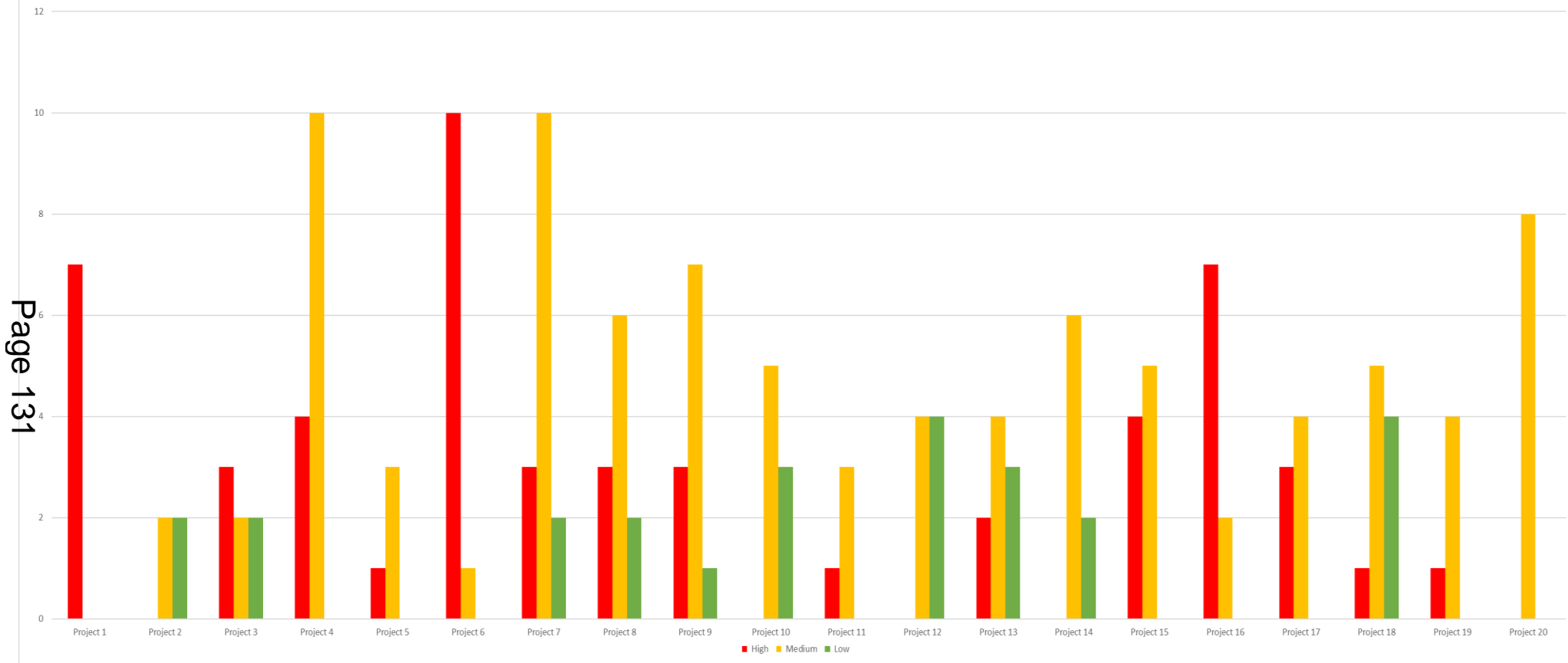
3.6 Key Observations between Q4 & Q1 (Business Case Maturity against HMT Green Book – Central Government Guidance on Appraisal & Evaluation)

- As stated in 3.4, the variance in business case maturity and the overall trend assessment in this area is difficult, several external factors could have an impact. At a macro level, the graph demonstrates that there were highly developed and mature business cases and likewise there were some much lesser developed business cases. A number of these were in relation to the same programme and were impacted by government timeframe expectations.
- To provide comfort, this programme was subject to full SAF, no dilution was sanctioned. WMCA Statutory Officer requested that the sub-projects were subject to a higher degree of scrutiny and went through a higher level of governance approval than ordinarily required. A programme-level health check to assess programme delivery readiness conditions has already been undertaken. In addition, a lesson learned exercise was undertaken with senior officers to ensure that lessons could be learnt and applied in any future programme which is impacted by similar levels of external constraints.

3.7 Key Observations between Q4 & Q1 – Assurance Recommendations:

The number of business cases decreased in Q1 compared to Q4 because the number of recommendations in Q4 was significantly higher. This was largely due to the project business cases referred to in 3.4 and 3.7. As a reminder these are recommendations raised on the draft business cases. The business cases would have been strengthened by the time the final business case was submitted with risk and investment appraisal.

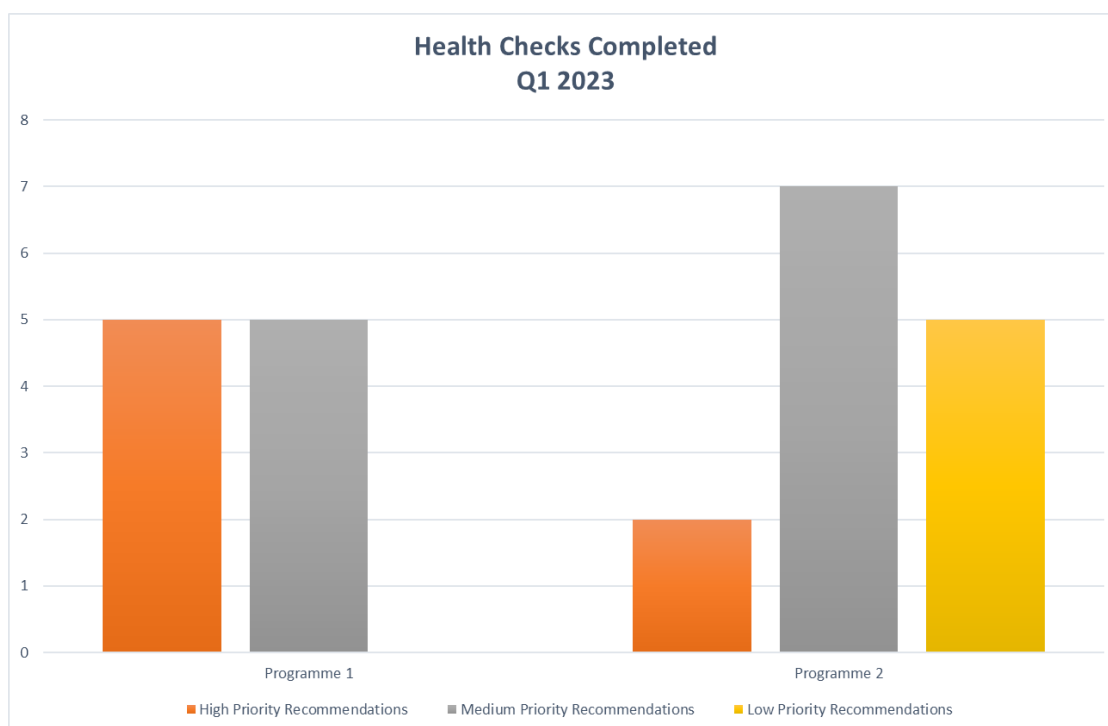
Assurance Business Case Maturity Assessment Recommendations Raised
Q1 April - June 2023



Project & Programme Health Check Reviews

3.10 A Programme of risk-based Health Check programme was approved by WMCA Senior Leadership Team in March 2023. This is to be implemented throughout 2023-24 to help drive organisational improvements in Project and Programme Management activity. It is anticipated that approximately 10 programme level health checks will be undertaken throughout the year. In Q1, 2 Project Health were undertaken. The team found:

- Good engagement throughout with responsible directorate/Programme Sponsors
- Improvement plans agreed and being worked on
- Follow-up activity will take place to check on progress/learning etc



Risk & Investment Appraisals Reviews

3.11 A total of 24 Risk & Investment Appraisals were completed by the Appraisal team during the period, in comparison to the 19 undertaken in the last reporting period. A summary of these is detailed in the table below:

Funding Source	Business Cases Appraised
Active Travel England	1
City Region Sustainable Transport Settlement (CRSTS)	5
Commonwealth Games Legacy Fund (from DCMS)	10
Department for Environment, Food and Rural Affairs (DEFRA)	1
Department for Levelling Up, Housing and Communities (DLUHC)	4
Office of Government Property	1
Sport England	1
Internal TBC	1

3.12 Many business cases received during this period were <£5m with approval delegated to Executive Director or Executive Board. Investment Board reviewed all the Commonwealth Games funded projects and one other, with a further item still pending approval at WMCA Board. The Appraisal team continue to recommend most business cases for approval, though with some conditions to address weaknesses where this is felt appropriate. The appraisal team felt that adequate planning and risk mitigations were in place to provide confidence to commence project delivery. The most common causes of risks being identified are:

- Misalignment between government delivery timescales/documentation requirements and SAF is resulting in the identification of both delivery risks and governance risks
- Lack of input/engagement from internal stakeholders when developing the business case, leading to potential weaknesses in project delivery
- Limited knowledge and skills within WMCA to produce effective economic appraisals
- Weak linkage between business cases and delivery, with a need to strengthen monitoring and evaluation planning in business case development

3.13 To mitigate the above risks, the SAF Business Case templates and guidance material will enter an annual review and update cycle in July 2023. The changes required were based on the need to strengthen input from enabling services and to encourage all projects and programmes to demonstrate alignment to the Inclusive Growth Framework.

Change Request Reviews

3.14 A total of 11 Change Requests appraisals were processed by the Programme Risk & Investment Appraisal team during the period. The change trends include time extensions due to delays because of Covid-19 and re-scoping programmes that were originally scoped in 2016. However the case for change has weakened over time hence an updated baseline with new outputs and outcomes were required. There are also 3 change requests identified as 'opportunities' due the availability of increased Central Government funding to enhance the scope and value of existing projects and programmes.

3.15 Most Change Requests have been received from Investment Programme, this is because it is the most mature programme with SAF controls, most projects are in delivery stage and are closely monitored by the Investment team. A deep dive review of the Investment Programme was undertaken during this reporting period with project teams which resulted in several Change Requests being received. All Change Requests were reviewed by the Appraisal team prior to approval being sought.

3.16 A summary of these changed is detailed in the table below:

Funding Source	No. Change Requests Appraised
City Region Sustainable Transport Settlement (CRSTS)	1
Department for Transport (DfT)	2
Investment Programme	8
Change Request Type	No. Change Requests by type (note, some changes fall into multiple change types)
Scope (Objective Changes)	0
Value (Cost)	3
Schedule (Time)	8
Change Request Root Cause	No. Change Requests by type (note, some changes fall into multiple root causes)
Governance	0
Economic	0
Reputation	0
Financial	5
Opportunity	2
Operations	0
Delivery	3
Political	0

Change Requests Appraised		Time	Cost	Scope
Q2 – April – Sept 2022	3	2	2	1
Q3 – Oct – Dec 2022	12	10	4	6
Q4 – Jan – March 2023	9	5	5	3
Q1 – April – June 2023	11	8	0	3
TOTALS:	35	25	11	13

4 Assurance Performance Trends & Themes Identified (April – June 2023)

4.1 Key emerging assurance themes emerging from this reporting period are:

- a. Referring to tables presented in 2.2 to 2.5 demonstrates a positive trend that the number of business case assurance reviews, health checks, programme risk & appraisal reviews and change requests have all increased significantly since SAF Transition across all devolved Investment funds.
- b. The increase in projects in the Skills and Net Zero directorates gives an indication of Central Government priorities and new opportunities have arisen in these areas with Government requesting WMCA to deliver additional similar projects in the past quarter. This is evidence that WMCA is seen as a trusted delivery partner. Due to there being existing Programme Business cases in these areas and already an

alignment to SAF, it was proven to be quicker to respond to government with planning proposal for proposed projects aligned to these agenda – again embedding the value of SAF within WMCA.

- c. The same data set indicates that business cases development from the Housing, Property and Regeneration Directorate in comparison to other WMCA Delivery Directorates has been slower. An assurance and appraisal review on the Programme Business Case has been undertaken and a pipeline of proposed projects has also been shared. The new interim Executive Director has confirmed that projects will be developed in accordance with SAF.
- d. Overall, the number of red assurance recommendations on the draft business cases is less in comparison to amber and green rated recommendations.
- e. The programme assurance insights shared in this report are being split by Directorate are also being shared with Delivery Teams by Programme Assurance & Appraisal team on at least a quarterly basis. These meetings will focus on good practice and areas for improvement.

5 Executive Board Support

- 5.1 The SAF Implementation project's SRO is the Director of Finance. The Executive receive monthly progress reports of the SAF Implementation project via the Executive Director of Finance.
- 5.2 SAF Phase 3 Project – SAF Continuous Improvement with Enabling Services functions has been approved by WMCA Executive Board. This is where all corporate and directorates processes that interface with SAF will be reviewed for effectiveness and efficiency, building upon success to date and driving further improvements in programme management delivery.

6. Financial Implications

- 6.1 No implications.

7. Legal Implications

- 7.1 No implications.

8. Equalities Implications

- 8.1 No implications.

9. Inclusive Growth Implications

- 9.1 No implications.

10. Geographical Area of Report's Implications

10.1 All areas.

11. Other Implications

11.1 N/A

12. Schedule of Background Papers

12.1 N/A



Audit, Risk & Assurance Committee

Date	4 October 2023
Report title	Single Assurance Framework (SAF) Annual Refresh 2023
Accountable Director	Linda Horne, Executive Director of Finance and Business Hub, West Midlands Combined Authority Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Accountable Employee	Joti Sharma, Head of Programme Assurance & Appraisal, West Midlands Combined Authority Email: Joti.Sharma@wmca.org.uk Tel: (0121) 214 7389
Report has been considered by	WMCA Executive Board

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

Read this report and note its contents for information. The report provides background information on the requirement for the Single Assurance Framework (SAF) update and the changes made as part of this year's annual review and refresh.

To note SAF updates have been undertaken and endorse the SAF 2023 version to progress to WMCA Board for approval.

1. Purpose

WMCA is required to undertake an annual refresh of WMCA Single Assurance Framework document in accordance with Department for Levelling Up, Housing & Communities (DLUHC) document: The National Local Growth Framework (September 2021). This framework sets out government's guidance for places that are required to develop their own local assurance framework. The report provides the background to the updated Single Assurance Framework, highlighting the key changes. The updated Single Assurance Framework is also attached.

2. Background

The SAF applies to all existing and new major investment funding and projects that place a financial liability onto the WMCA. It provides consistency of approach and standards for programme assurance, appraisal, and decision-making for these major programmes. It also enables a proportionate approach to be applied for the development of business cases – compliant with HMT Green Book (meeting government's expectations for projects to develop **'better business cases for better outcomes.'**)

Within WMCA, the SAF is a valuable tool to enable the WMCA to deliver successful projects and explain the clear rationale through the development of business cases, detailing how objectives will be delivered, using HM Treasury Green Book principles.

In September 2022, the WMCA Executive Board approved a revised Single Assurance Framework which had a major rewrite. This year the changes are quite minor. The key changes are:

- Clearer highlighting of Governance role and approvals
- Inclusion of Socio-Economic Duty
- Updates to Inclusive Growth Framework
- Inclusion on Modern.gov for Approvals
- Change from Statutory Officers Panel to Designated Sign-Off meeting.
- Changes of name and process for approval from SLT to Executive Board
- Updates to Adult Education Budget Programme

3. Advice

The request is to endorse the attached SAF, it will be submitted to the following:

- 03/11/2023 - Mayor & Portfolio Leads Liaison (this is a new stage requested by Governance)
- 17/11/2023 - WMCA Board for endorsement.

4. Executive Board Support

To note, the updated document was approved by WMCA Executive Board on 6th September 2023.

5. Financial Implications

By adherence to the Single Assurance Framework, the Government Departments will continue to have confidence in the ability of WMCA to manage funds. The SAF does not have any funding requirements, there is no financial approval being requested.

6. Legal Implications

This report outlines the key changes of the Single Assurance Framework which has been updated in accordance with annual review requirements. The updated SAF Guide has been reviewed by:

- Director of Law & Governance
- Head of Legal Services
- Head of Corporate Support & Governance

7. Equalities Implications

No implications.

8. Inclusive Growth Implications

The Single Assurance Framework and supporting proforma have been written to ensure that Inclusive Growth and equalities are part of the considerations when writing business cases. The framework was reviewed by:

- Strategic Lead for Inclusive Growth
- Head of Research, Intelligence and Inclusive Growth
- Equalities and Diversity Manager

9. Geographical Area of Report's Implications

All areas.

10. Other Implications

N/A

11. Schedule of Background Papers

Appended – Single Assurance Framework (SAF) 2023 version.

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Single Assurance Framework

September 2022



VERSION CONTROL SHEET

Version No.	Date	Approver	Update
V3.0	September 2022	WMCA Board	<ul style="list-style-type: none"> Review to update SAF, to include Appendices on Housing, AEB, and Transport, removal of duplication.
V4.0	September 2023	WMCA Board	<ul style="list-style-type: none"> Clearer highlighting of Governance role and approvals Inclusion of Socio-Economic Duty Updates to Inclusive Growth Framework Inclusion on Modern.gov for Approvals Change from Statutory Officers Panel to Designated Sign-off meeting. Changes in approval from SLT to Executive Board Updates to Adult Education Budget Programme

This Framework will be reviewed, as a minimum, annually as per requirements, and also amended in response to Government or organisational changes. Every effort will be made to ensure individual users of this Framework and other key stakeholders are made aware of changes when they occur. The next scheduled review is due to be completed in September 2024.

Advice and guidance regarding this policy Framework can be obtained from the West Midlands Combined Authority's Programme Centre of Excellence: ProgrammeAssuranceandAppraisal@wmca.org.uk

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1. INTRODUCTION

HM Treasury define Assurance Frameworks as ‘An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation.’

The aim of this document is to set out how the West Midlands Combined Authority (WMCA) will spend or invest public money responsibly, both openly and transparently, and achieve Value for Money (VFM). It provides a proportionate and consistent approach for the application and approval of all funding opportunities and the initiation, development and delivery of projects, programmes and activity that places a financial liability onto the WMCA that is not classed as Business as Usual (BAU).

1.1 The Purpose of the Single Assurance Framework

This document outlines:

- the WMCA response to the [National Local Growth Assurance Framework](#)
- the respective roles and responsibilities of the WMCA Mayor, the Mayoral Combined Authority (MCA) and other elements of the decision-making
- the key processes for ensuring accountability, probity, transparency, legal compliance, and VFM
- how potential investments will be assured, appraised, prioritised, approved and delivered, and
- how the progress and impacts of these investments will be monitored and evaluated.

The Single Assurance Framework (SAF) sits alongside the following WMCA governance and policy documents:

- [WMCA Constitution](#)
- [Financial Regulations](#)
- [Single Commissioning Framework](#)
- [Investing With Us](#)
- Strategic Risk Management Framework
- [WMCA Aims and Objectives](#)
- [Annual Business Plan](#)
- [Plan for Growth](#)
- [Inclusive Growth Framework](#). The Assurance Framework has been written to ensure that projects are developed to deliver inclusive growth in a more balanced West Midlands economy.
- Health and Equity Impact Assessments

The SAF has been developed in response to the ‘National Local Growth Assurance Framework’ ([National Local Growth Assurance Framework](#)). It applies to all existing and new funding and projects that place a financial liability onto the WMCA. It provides consistency of approach and standards for programme assurance, appraisal and decision-making. It also enables a proportionate approach to be applied for the development of business cases.

The SAF is a set of systems, processes and protocols designed to provide an evidence base and independent assessment of the governance, risk management, and funding processes of a funding or grant applications. It enables WMCA to monitor, measure and scrutinise how well Policy Aims are being met and risks are being managed. It also details processes to be implemented that will help to ensure an adequate response if risks or performance go into exception.

WMCA also operates according to:

- Local Government Financial Framework, as set out in the Department for Levelling Up, Housing and Communities' Local Government System Statement. [Local Government Finance Settlements](#)
- HM Treasury Guide to developing the project business case [Guide](#)
- HM Treasury Guide to Assuring and Appraising Projects: [Green Book](#)
- [Orange Book](#) (Strategic Risk)
- [Magenta Book](#) (Evaluation)

The SAF provides assurance to the Departmental Accounting Officer by explaining how funding granted or devolved to the WMCA is allocated, and that there are robust local systems and controls in place which ensure resources are spent with regularity, propriety and value for money.

Within WMCA, the SAF is a valuable tool to enable the WMCA to deliver successful projects and explain the clear rationale through the development of business cases, detailing how objectives will be delivered, using HM Treasury Green Book principles.

2. ABOUT THE WEST MIDLANDS

2.1 The Mayoral Combined Authority

WMCA is a Mayoral Combined Authority and is an accountable public body established under [Section 103](#) of the Local Democracy, Economic Development and Construction Act 2009. It was set up on 16 June 2016, with the mission of improving the quality of life for everyone who lives and works in the West Midlands. Its functions were provided or delegated to it by the following Orders:

- The West Midlands Combined Authority Order 2016
- The West Midlands (Functions and Amendment) Order 2017
- The West Midlands Combined Authority (Business Rate Supplements Functions and Amendments) Order 2018
- The West Midlands Combined Authority (Adult Education Functions) Order 2018

As and when Government officially devolves further powers to the Combined Authority, in order to deliver against new policy and agenda, this will be reflected in the SAF.

2.2 Regional and Local Leadership

The leadership of the WMCA disseminates from the Mayor and the seven constituent local authorities, who have full voting rights. These are:

- Birmingham City Council
- Coventry City Council
- Dudley Metropolitan Borough Council
- Sandwell Metropolitan Borough Council
- Solihull Metropolitan Council
- Walsall Metropolitan Borough Council
- City of Wolverhampton Council

There is also non-Constituent representation from Local Authorities outside of the West Midlands Constituent areas which can sign up for more than one Combined Authority. They are:

- Cannock Chase District Council
- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Redditch Borough Council
- Rugby Borough Council
- Shropshire Council
- Stratford-on-Avon District Council
- Tamworth Borough Council
- Telford and Wrekin Council
- Warwickshire County Council

2.3 Vision and Priorities

The WMCA vision is to build “a more prosperous and better connected West Midlands which is fairer, greener and healthier.” The WMCA does this through its [Inclusive Growth Framework Fundamentals](#), which focuses all types of investment – public, private, capital, revenue, time, attention – on the same set of social and environmental missions.

This is expressed through the six WMCA Aims and Objectives which are operationalised through the annual business planning process.

When WMCA refreshes its near-term strategy it consults with stakeholders.

3 GOVERNANCE AND DECISION MAKING

3.1 The Mayor

The WMCA Mayor has a manifesto of commitments on which they were directly elected by the electorate across the West Midlands constituent areas. The Mayor executes certain powers and functions that are devolved to the WMCA by Central Government, to deliver their manifesto of commitments to constituents.

The Mayor is the Chair of the WMCA Board. The Mayor provides leadership in terms of proposing a Mayoral budget and as part of the Board in agreeing the revenue and capital budgets for WMCA and ensuring the appropriate use of these budgets.

3.2 The WMCA Board

The WMCA Board is the legal and accountable body for funding devolved to the WMCA. It is responsible for a range of functions including transport, housing, skills, economic development, and regeneration functions including post 18 education and training across the West Midlands region.

The WMCA Board exercises all its powers and duties in accordance with the law and the Constitution and agrees policies and delegated responsibilities to conduct its business. [WMCA Constitution](#)

The Constitution details WMCA meetings and Boards, which have either decision-making powers or are advisory. Those with decision-making powers have their Terms of Reference which can be found within the Constitution.

The current Governance Review has produced a diagram showing the different Boards and this can be provided.

3.2.1 Recruitment of New Members

Members of the WMCA Board are appointed by the Constituent and Non-Constituent Authorities designated by the Orders establishing the WMCA. Members must be elected Members of their appointing Authority and must be replaced if they are no longer elected Members.

Members of other Committees of WMCA are nominated by their Authority and appointed to Committees by the WMCA Board.

3.2.2 Induction

New Board members will undergo Induction training covering the senior management structure and their roles, the governance structures including the SAF, how the combined authority is funded, risk, and the annual aims and objectives.

3.2.3 Code of Conduct

The Code of Conduct for members is set out within the WMCA Constitution ([WMCA Constitution](#)), and reminds members that they act on behalf of the whole region's interest and not just their particular area of the region. The Nolan Principles of Public Life ([Nolan](#)) provides a framework for the members and officers of WMCA.

3.2.4 Equality, Diversity and Inclusion

The Board is comprised of elected representatives appointed to the Board by the Constituent and Non- Constituent Authorities and so the composition of the Board is outside of the control of the Combined Authority. However, as a Combined Authority, we'd like to have a Board that reflects the population of the WM region, and so support constituent and non-constituent authority efforts to have elected representatives reflective of their constituent population.

As of June-2023, the gender breakdown of the WMCA Board as a whole (Mayor, constituent authority representatives, non-constituent authority representatives) is 19 men (79%) and 5 women (21%). There is also currently one vacancy on the board.

3.2.5 Remuneration

WMCA does not pay any allowances to the Board Members other than the Mayor and Deputy Mayor whose allowance is agreed by the Board following the recommendation of an Independent Remuneration Panel. Chairs of the Audit and Scrutiny Committees are remunerated as agreed by the WMCA Board following the recommendations made by the Independent Remuneration Panel.

The WMCA Board on 09 June 2023 agreed payments to be made to all Members of Audit and Scrutiny Committees subject to Levelling Up and Regeneration Bill being passed into legislation at which point they will back dated to the start of the Municipal year.

3.3 Audit, Risk and Assurance Committee

WMCA has established an Audit, Risk and Assurance Committee (ARAC) in accordance with the requirements of the Combined Authorities (Overview and Scrutiny, Access to Information and Audit) Regulations 2017. The Authority has delegated to the Committee the following powers to deal with matters concerning internal audit and the Committee has the following role and functions:

- reviewing and scrutinising the Authority's and the Mayor's financial affairs.
- reviewing and assessing the Authority's and the Mayor's risk management, internal control and corporate governance arrangements.
- reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the Authority's and the Mayor's functions.
- making reports and recommendations to the Authority and the Mayor in relation to reviews conducted under Standing Orders 11.1(a), 11.1 (b) and 11.1 (c).
- to promote and maintain high standards of conduct and ethical governance by the Mayor, Members, and co-opted Members of the Authority.
- to appoint Sub-Committees with delegated power to consider investigation reports; to conduct hearings (including the imposition of sanctions); at the request of the complainant, to review decisions of the Monitoring Officer to take no action on a complaint;

and at the request of the subject member, to review findings of failure to comply with the Code of Conduct and action taken in respect thereof.

- to grant dispensations to the Mayor, Members and co-opted Members from requirements relating to interests set out in the Code of Conduct for Members and co-opted Members.
- to exercise any functions which the Authority and Mayor may consider appropriate from time to time.

3.4 Overview and Scrutiny Committee

WMCA has established an Overview and Scrutiny Committee in accordance with the Regulations with the powers to:

- review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are the responsibility of the Mayor and/or the Authority
- make reports or recommendations to the Mayor and/or the Authority on matters that affect the Authority area or the inhabitants of the area
- make reports or recommendations to the Mayor and/or the Authority with respect to the discharge of any functions which are the responsibility of the Mayor and/or the Authority
- where a decision has been made by the Mayor, the Authority, or an Officer and was not treated as being a key decision and a relevant Overview and Scrutiny Committee is of the opinion that the decision should have been treated as a key decision, that Overview and Scrutiny Committee may require the decision maker to submit a report to the Authority within such reasonable period as the committee may specify.

WMCA has also established a Transport Delivery Overview and Scrutiny Committee in accordance with the Regulations for monitoring and oversight of the performance of the transport capital programme delivery for projects being delivered under CRSTS and other funding allocations.

The members of the Committee are nominated by the Constituent and Non-Constituent Authorities forming the Combined Authority.

3.5 Investment Board

WMCA has established an Investment Board as a Sub-Committee of the WMCA Board chaired by the Portfolio Lead for Finance and Investment, which makes investment and financial decisions to proposals between £5million and £20million. The financial delegation between £1million and £5million is made at the Designated Sign-off Meetings. The Investment Board also provide guidance to the WMCA Board for Investment and financial decisions above £20million.

3.6 Statutory Officers

3.6.1 Head of Paid Service

It is the role of the Head of Paid Service, also known as the Chief Executive, to ensure that all the authority's functions are properly co-ordinated as well as organising staff and appointing appropriate management.

The duties and responsibilities of the post include:

- the statutory responsibilities of the Head of Paid Service to manage the budgets and funding allocations available to the Combined Authority, in partnership with the s151 officer
- leading the Executive Directors to deliver the strategic direction for the Combined Authority as outlined by West Midlands Combined Authority Board
- co-ordinate strategy, development and delivery ensuring a joined-up partnership approach to deliver the aspirations of the West Midlands Combined Authority
- ensure the champion the delivery of the strategic priorities of the Combined Authority and put in place the resources necessary to achieve this. efficient and effective implementation of WMCA's programmes and policies across all services and the effective deployment of the authority's resources to those ends
- advise the Combined Authority, its Board meetings on all matters of general policy and all other matters upon which his or her advice is necessary, with the right of attendance at all Board meetings and other meetings as appropriate
- advising the elected Mayor on the delivery of strategic priorities
- represent the Combined Authority at local, regional and national level in partnership with the Mayor
- act on advice given by the Monitoring Officer on any situations that could put the Combined Authority in jeopardy of unlawfulness or maladministration, or protect the Combined Authority against any reputational risks.

3.6.2 Section 151 Officer

The WMCA Executive Director of Finance and Business Hub fulfils the role of the Section 151 Officer, in accordance with Section 151 of the Local Government Act 1972, extended in Section 114 of the Local Government Finance Act 1988 – England and Wales.

The responsibilities of the Executive Director of Finance and Business Hub reflect those documented are documented in the CIPFA published document [The Role of the Chief Financial Officer in Local Government | CIPFA](#) It details five Principles:

- the Chief Financial Officer in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's Policy Aims sustainably and in the public interest
- the CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy
- the CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively
- the CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose
- the CFO in a local authority must be professionally qualified and suitably experienced.

In WMCA the Executive Director of the Finance and Business Hub is a member of the Executive Board and has oversight of and an ability to influence all major decisions of the Authority. The Executive Director of Finance and Business Hub has ensured that the Authority has robust systems of internal controls and appropriate separation of duties to ensure the legality and probity of financial transactions.

These processes are set out in the Financial Regulations and Contract Standing Orders and other policies such as the Money Laundering Policy and the Anti-Fraud and Corruption Policy.

All reports to Boards and Committees include the financial, legal and risk implications of proposals. The Executive Director of Finance and Business Hub and the Finance Team review all reports before they are presented to the WMCA Board or other decision-making Committees.

3.6.3 Monitoring Officer

The Director of Law and Governance has been appointed as the WMCA Monitoring Officer and discharges the functions in relation to WMCA as set out in section five of the Local Government and Housing Act 1989. Their responsibilities regarding the Assurance Framework are:

- Providing advice on, and maintaining an up-to-date version of the Constitution and ensuring that it is widely available for consultation by members, employees, and the public
- After consulting with the Head of Paid Service and Chief Finance Officer, report to the Authority if they consider that any proposal, decision, or omission would give rise to or has given rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposed decisions being implemented until the report has been formally considered by the WMCA Board
- Ensuring that decisions, together with the reasons for those decisions and relevant officer reports and background papers are made publicly available as soon as possible
- Advising whether decisions are within budget and policy framework and whether any decisions or proposed decision constitutes a key decision
- Providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to the Mayor, members and officers, and generally support and advise members and officers in their roles.

Contributing to the promotion and maintenance of high standards of conduct, The Authority has delegated to the Monitoring Officer powers to deal with matters of conduct and ethical standards in accordance with the requirements of the Localism Act 2011:

- Discharging the functions under any enactment (whenever passed) of a Monitoring Officer, proper officer, or responsible officer, concerning the Authority's legal affairs and arrangements, including compliance with the law.

The Monitoring Officer and the Legal Team should review all reports to ensure that legal implications are correctly identified before they are presented to the WMCA Board or other decision-making bodies.

3.7 Related Processes and Procedures

3.7.1 Inclusive Growth

The Inclusive Growth Framework is in place to ensure that WMCA delivers inclusive growth, “a more deliberate and socially purposeful model of economic growth – measured not only by how fast or aggressive it is; but also by how well it is created and shared across the whole population and place, and by the social and environmental outcomes it realises for our people.”

This requires all WMCA activities to consider the [eight fundamentals of inclusive growth](#), ensuring all projects, programmes and investments reflect a commitment to social, economic and environmental missions.

3.7.2 Equality, Diversity and the Socio-Economic Duty

A procedure is in place to ensure that WMCA and its constituent authorities will take into consideration section 149 of the Equality Act, ensuring that any project considers: Policies

- in particular, Part/Section 1 where "An authority to which this section applies must, when making decisions of a strategic nature about how to exercise its functions, have due regard to the desirability of exercising them in a way that is designed to reduce the inequalities of outcome which result from socio-economic disadvantage"
- the need to eliminate unlawful discrimination, harassment, victimisation, and other conduct prohibited by the Act
- the need to advance equality of opportunity between people who share a protected characteristic and people who do not
- the need to foster good relationships between people who share a protected characteristic and those who do not.

3.7.3 Whistleblowing

WMCA has adopted a [Whistleblowing Policy](#) to enable and encourage employees to raise concerns about wrongdoing by the Authority, the Mayor Officers or contractors without fear of reprisal or detriment.

3.7.4 Complaints Procedure

A [Complaints Procedure](#) is in place to ensure that any complaints relating to the arrangements, processes or decision making associated with a project is dealt with fairly and effectively.

3.7.5 Gifts and Hospitality

A Gifts and Hospitality policy is in place to ensure that no WMCA Member or WMCA officer receives remuneration or expenses in relation to its activities, other than their salary and in accordance with policy which has a procedure in respect of declaring gifts and hospitality.

3.7.6 Registration and Declaration of Interests

WMCA Board and Committee Members are required to make a declaration of any interest they have in an item of business at Meetings of the Board. Officers are required to declare any interests they have in contracts. The completed registration of Members' interest forms are accessible via the WMCA website: [Declarations of interest](#) In addition, elected Local Authority members will have completed their Local Authority's Register of Interest. Where Members have a prejudicial interest in an item of business the WMCA Members Code of Conduct requires that they should leave the meeting while the item is considered.

3.7.7 Freedom of Information

A [Freedom of Information](#) (FOI) procedure is in place to manage requests related to the activities of the WMCA. Appropriate data protection arrangements are in place within this process.

3.7.8 Treatment of Risk

Our Strategic Risk Management Framework (SRMF) provides the process and structures for undertaking risk management at the WMCA in accordance with HM Treasury Orange Book. The SRMF supports the consistent identification, assessment, monitoring and escalation of risks across Directorates, so as to provide visibility at strategic, operational, programme and project levels.

The SAF has an important role to play in ensuring that risk is managed appropriately by supporting the application of the SRMF across all SAF Projects and Programmes.

3.7.9 Transparency

The WMCA is subject to the same Transparency Code that applies to Local Authorities. [Transparency](#). The WMCA website wmca.org.uk contains a comprehensive set of information and there are links to key documents, referenced within this document.

A Mayoral update is distributed to stakeholders throughout the West Midlands informing them of current and planned WMCA activity and how they can get involved. WMCA has a continuous communications strategy, including using social media to provide the public and stakeholders with updates on activity. Stakeholders and the public can contact the WMCA via the website [Contact Us](#) and by responding to social media posts. A [Calendar](#) of events is available on the WMCA website detailing the dates of all key meetings. Where there is a requirement as a condition of funding, WMCA will ensure that Government (and other funders) branding is used in any publicity material.

3.7.10 Inviting Applications for Funding

WMCA publishes details of its tender opportunities on the [Procurement](#) section of its website, In addition, the Housing, Property and Regeneration Directorate has devolved housing and land funds to develop housing and regeneration projects in the West Midlands through equity, loan and grant. Developers and Investors who are interested can contact WMCA on invest@wmca.org.uk More details can be found on [Investing with us, Commercial Development Funding - WMCA CIF - FDC. West Midlands Innovation Programme – Innovation Alliance for the West Midlands](#) also offer opportunities, for Innovation Funding.

3.7.11 Publishing Meeting Minutes

The schedule of meetings for the calendar year is published on the WMCA website. The notice of meetings, the agenda and the accompanying papers for formal Board and Committee Meetings are published five clear working days in the advance of the meeting. WMCA includes its Forward Plan in the Agenda of the Board and Overview and Scrutiny Committee Meetings. Where papers contain commercially sensitive information or are subject to one of the exemptions under the Local Government act 1972 Schedule 12A or the Freedom of Information Act 2000,

they are categorised as a private item and are not published. The Monitoring Officer will give advice regarding whether the item should be classified as private, but Members have to make a decision to go into private session unless a confidential item has been declared confidential by the Government in which case it must be taken in private.

Draft minutes of meetings are published as soon as practicable after the meetings on the WMCA website. All WMCA Board minutes are signed at the next suitable meeting and published.

3.7.12 Publishing Decisions

WMCA publish a Forward Plan of key decisions that will be taken by the WMCA at least 28 days before the decision is made to enable members of the public the opportunity to view and comment upon them. Details of all key decisions made by the WMCA are recorded within a log accessible at: [Decisions](#) The WMCA maintains a live Activity Register to support the Executive Board, this is in addition to a Contracts register which provides details of all contacts and agreements signed by the WMCA.

4 THE SINGLE ASSURANCE FRAMEWORK: PROJECT LIFECYCLE PROCESS

4.1 Introduction to the Single Assurance Framework (SAF)

The SAF is designed to be used as guidance to project developers and sponsors to understand the processes associated with the application and the route to approval of all external funding opportunities. Where financial liability is placed onto the WMCA, the SAF is applicable throughout the four stages of the project or programme lifecycle: initiation, development, approvals and delivery. The SAF provides consistency of approach for Assurance, independent Appraisal, and smart decision-making across all funding pots. Furthermore, it allows proportionality to be applied for the development of business cases via defined development routes. The SAF does not apply to projects or programmes that are defined as corporate, continuous improvement or BAU activity.

4.1.1 A Corporate Project

A corporate project is created to address an internal business need, benefitting the organisation, for example, a change to the operating systems of the organisation. Risk Management should be considered with risks reviewed as part of activity. Once a corporate project is completed, it may become BAU. A Corporate Project should aim to address Corporate Aim 6. (Develop our organisation and be a Good Regional Partner). A corporate project can go through the Change Gateway, a sub-group of CMT (Corporate Management Team) where specialists in Finance, Projects, Digital & Data and Human Resources where applicable will review and support the strengthening of the business case and the identified benefits including whether the resources, both financial and people, are in place to deliver.

4.1.2 A SAF Project

Projects and Programmes which follow the SAF are focussed on achieving positive outcomes for the local community. They are typically funded by external sources such as devolution deals and bid applications/grant awards from Central Government, for example, the City Region Sustainable Transport Settlement (CRSTS) and the Investment Programme, where the WMCA is the accountable body. The SAF is applied flexibly and proportionately, dependent upon the level of risk associated with a Project or Programme. The SAF enables an independent assessment and appraisal of an investment opportunity. Programmes and Projects following the SAF route should aim to address one or more of the Corporate Aims (1 to 5).

The SAF process enables accountability, including public engagement, probity, transparency, legal compliance and VFM to be applied, and includes processes for oversight of projects, programmes and how the progress and impacts of these investments will be monitored, reported on and evaluated.

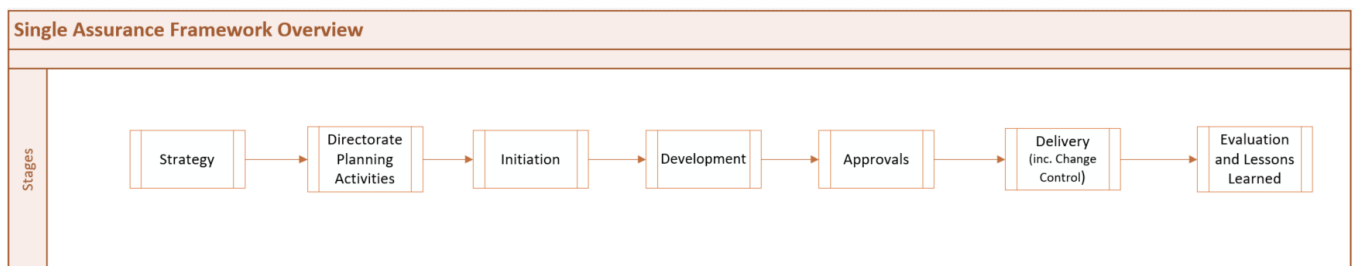
The SAF has been developed to ensure:

- significant financial and governance protections exist for the stewardship of public funds
- delivery of high standards of project development, approval, delivery and oversight
- trust is built in the organisation's officer expertise
- that consistency, controls and clarity are embedded to deliver confidence in the WMCA's decision-making and ability to deliver
- political and reputational risk is effectively managed

- additional funding is secured into the region, by driving continuous improvement of the quality of external funding applications/submissions.

The SAF sets out the appropriate process for the risk and investment profile of a Project or Programme and incorporates guidance on business case and supporting project management documentation required together with the standards and criteria that need to be met to help drive effective project management. Out of Directorate second line of defence assurance and appraisal processes are also incorporated within SAF processes together with additional guidance and templates to drive consistency of approach. These are available on [Single Assurance Framework](#) internet page and on the intranet.

The following diagram provides an overview of the SAF process.



4.2 Value for Money

A key objective of the SAF is to support WMCA in making investments that represent the best VFM. All business cases seeking approval are assessed against HM Treasury Green Book and the 5-case model.

4.3 Pre-Initiation

The development of project ideas, and external funding opportunities are Directorate-led and co-ordinated/managed using Directorate Activity Registers and the External Funding Application Register. Appendix 5.6 details the External Funding Application Process. This process ensures that the Section 151 Officer and the Executive Board are aware of all potential applications for funding ensuring risks, any conditions of funding, and the resources needed to deliver a project or programme of activity are considered, (with approval given to proceed) should the application be successful.

4.4 Purpose of The Annual Plan

The WMCA Annual Business Plan demonstrates how organisational objectives, Directorate plans and programme and project activity support overarching economic strategies, demonstrating a 'golden thread' approach. The purpose of the Annual Business Plan is to:

- articulate the WMCA priorities for the year so that partners and stakeholders understand the key areas of focus
- provide a strategic context for the WMCA as an organisation so its plans and operational activity are aligned to the overall vision and priorities
- enable oversight and review of performance against priorities. It helps to demonstrate how High-Level Deliverables (HLDs) contribute towards delivering the overarching WMCA Policy Aims.

4.5 In-Year Proposals for the initiation of Projects/Programmes

Partner organisations may submit in-year Project/Programme Project Initiation Documents that are not included within the current Annual Plan. These will still be considered by the appropriate delegated authority.

4.6 New Funding Opportunities

During the year, there may be further unexpected funding opportunities that need to be pursued because of new or changes to existing Government initiatives and priorities or where there is a need to address emerging priorities. Initially, these opportunities will be discussed at Directorate level and progressed through Executive Board meetings. Where these instances emerge, they will be incorporated within the Directorate Activity Register and enter the SAF Initiation stage. Where necessary and appropriate, processes will be expedited to ensure that funding can be accessed quickly.

4.7 SAF Stage 1: Initiation

The Initiation stage is the first step to developing a Business Case, a proposal, idea or ambition. All proposals will be required to complete a Project Initiation Document (PID) before they can progress to the project development stage.

Project initiation, like the project development process that follows, is a Directorate led process. The Project Initiation Document (PID) contains key information about the proposal including its strategic fit, development route to be followed, affordability/funding requirements and equality assessment. Directorates should engage the following subject matter experts when developing a PID:

- Finance Representative/Business Partner
- Legal Business Partner
- Procurement Business Partner
- Programme Assurance & Appraisal Team Representative

When a PID is developed, the project is also added to Directorate Activity Registers for discussion at Directorate Pipeline Meetings. The decision to proceed is made according to the delegated authorities.

The PID/project proposal will either:

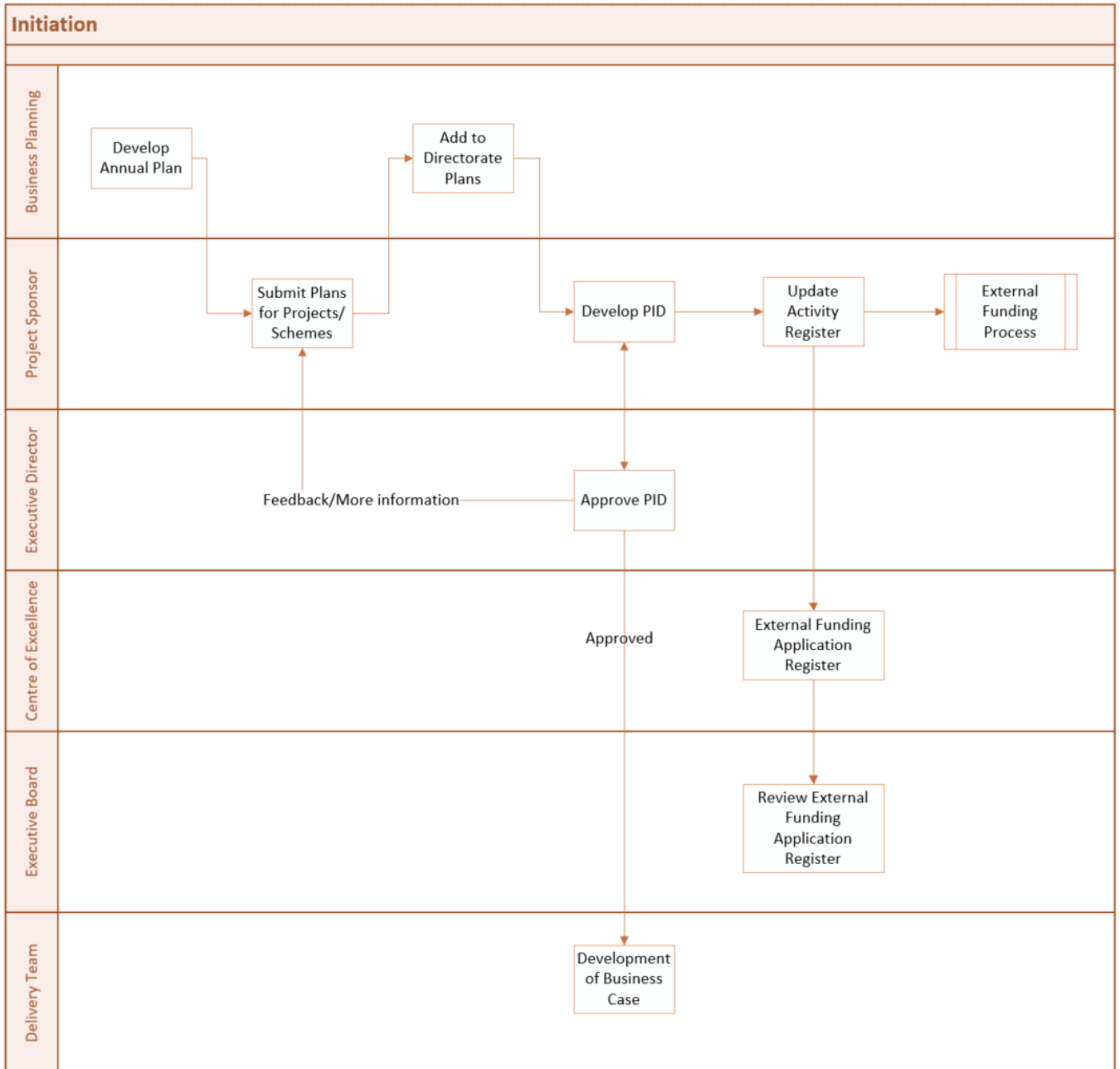
- enter the strategic planning stage, if it is an in-year submission not included in the Annual Business Plan. In such a circumstance the Executive Director can accept the principle of the proposal and submit it to the strategic planning process for consideration for inclusion in future Annual Plans, or,
- be rejected/deferred.

A decision to reject will be taken if:

- it is decided that an Annual Business Plan item is no longer deliverable
- or a strategic fit exists due to changes that have occurred since it was added to the Annual Plan

- if an in-year submission is not deemed to fit strategically with the WMCAs Strategic Objectives.

The PID must be completed and have received Finance (S151) approval, before moving to the development stage. The decision to proceed, also mandates any initial (seed) funding to complete any feasibility study and/or development of the project.



4.8 Directorate Pipeline Meetings:

Each Directorate records its own project activity on the Directorate Activity Register. Directorate project leads log projects that are in one of the stages of development and delivery and, whether external funding is being bid for, or being offered by the sponsoring Government Department. The Directorate Meeting is held with the Programme Assurance and Appraisal's Centre of Excellence (CoE), along with wider members of Enabling Services such as Finance Business Partners, Procurement and Business Improvement Team members. External Funding Applications, grants or projects are reviewed to ensure that the project developers have the information/templates they need to develop the project. The CoE will also provide indicative dates of the stages that the project will go through to approval.

The WMCA Executive Board receive a monthly External Funding Application Register for review and approval during their scheduled meetings, and with the appropriate Executive Director held accountable for all Initiation decisions they make. From a scrutiny perspective, the Policy Working Group will also review the register to ensure strategic alignment to WMCA and regional priorities.

If a business case crosses several Directorates/Portfolios, then CoE should advise on who the lead Directorate is.

4.9 SAF Stage 2: Development

The Development Phase follows Initiation; this is the stage where the relevant business case(s) is/are developed, and where out of Directorate assurance activity takes place prior to the business case progressing onto the approvals stage. This stage needs to be repeated whenever a business case is developed and requires approval. Support and guidance through this stage is provided by the Programme Assurance and Appraisal team. The CoE will provide guidance on the business case development route of a project is, i.e., the number and type of business cases to be completed.

The business case is developed by the sponsoring Directorate or external delivery partner, ensuring that its content meets the required standard defined within WMCA guidance ([Templates and Guidance.](#)) All WMCA business case templates and guidance incorporate HM Treasury Green Book requirements and capture how the scheme will support WMCA Policy Aims and Objectives. The business case sponsor is required to demonstrate within the business case how the scheme will meet any funding conditions and/or delivery milestone dates/requirements. Where the sponsors/delivery partners are external to the WMCA. they will be supported through the process by the lead Directorate within the WMCA. The sponsor is responsible for engaging subject matter experts from key enabling services in the development of their business case:

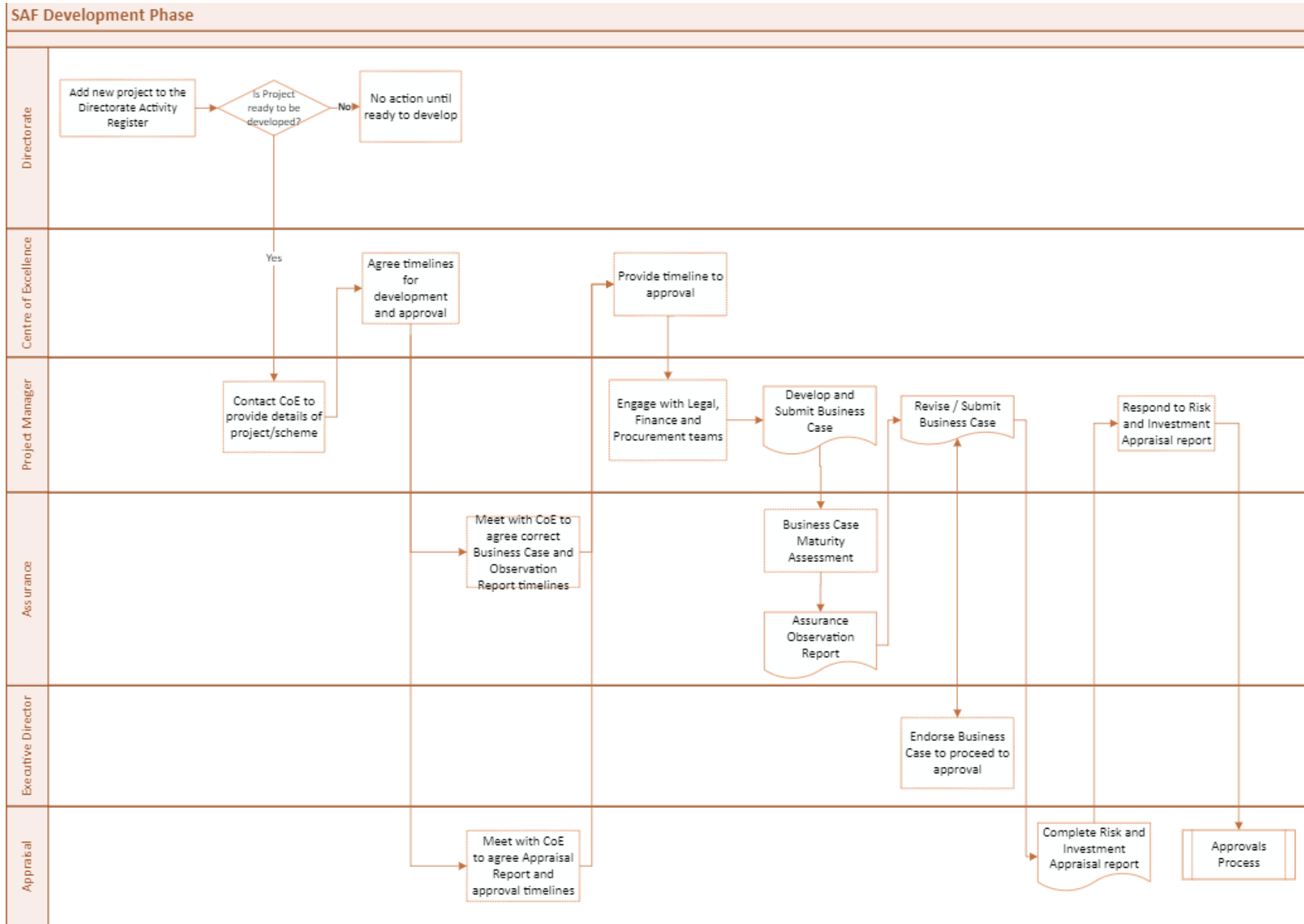
- the Finance Business Partner should review/input/provide assurance of the Financial Case
- the Procurement Business Partner should review/input into the Commercial Case to ensure an appropriate procurement strategy is developed
- the Legal Business Partner should review content/input into the Commercial Case to ensure any funding agreements and/or contractual arrangements are developed appropriately

- technical input may be required for subject matter experts within delivery directorates (e.g., specific input for transport and active travel schemes). The Delivery Directorate and/or CoE will advise on the engagement required.

The Programme Assurance and Appraisal team, via the CoE should be engaged prior to the development of a business case, to ensure an appropriate development route and timeline through to approval is agreed.

The lead Directorate is responsible for ensuring they, any partners, or the sponsor meet deadlines, engage the appropriate subject matter experts and technical appraisers and adhere to required formats when developing a business case. The Programme Assurance and Appraisal team can provide advice on the requirements of the SAF if needed, at the start of and during the Business Case development stage. Sponsors must ensure their business case is developed and is aligned with any external development and assurance requirements (driven by Government Departments), with the aim to eliminate duplication of effort. Where projects are funded through multiple funding streams, the proportionate SAF approach will be agreed by the appropriate delegated authority and implemented.

Early engagement with the Programme Assurance and Appraisal Team is key to ensure any recommendations will be addressed and business cases can be updated within the timescales agreed.



4.10 SAF Stage 3: Approvals (Governance)

In order to achieve better decision making, the SAF looks to enable:

- the appropriate initiation process that drives strategic fit
- the proportionate business case development process that meets national and WMCA standards of best practice development
- expertise within Directorates to be used develop required business cases
- out of Directorate/second line of defence assurance principles and processes to assess the maturity of business cases and undertake risk & investment appraisal
- support to focus Board considerations and inform the decision-making process.

In addition to an Assurance Observations Report being produced following the maturity assessment and subsequent update of business cases, a summary Investment Risk and Appraisal will be produced to the decision-making process of the key risks and opportunities associated with the business case.

The process enables:

- decision-makers at all levels to base their decisions upon objective, evidence-based out of Directorate findings and recommendations- in turn driving better decision-makings
- increased Executive Director ownership and delegation
- increased Statutory Officer ownership and oversight
- increased levels of Assurance and Appraisal team support to Panels and Boards
- approvals based on proportionate financial delegation i.e., a request of £50,000 will not scrutinised to the same level of a request for £5million
- the time taken to reach an approval decision being reflective of the level of financial ask.

The business case route is dictated by delegated approval authority/Approval level or the value of the Project. The approval process begins following successful progression through WMCAs Development stage.

4.10.1 Key SAF documentation

The level of approval required is required is determined by the level of financial commitment, The following diagram provides an overview of the documentation is needed depending on the approval route:



Further details regarding the purpose of each business case can be found in Appendix 5.5

4.11 Risk & Investment Appraisal

All approvals are required to undergo an independent Risk & Investment Appraisal of a business case that is designed to provide the sponsor/Directorate assessment. The independent Risk & Investment Appraisal is undertaken by Programme Investment Appraisers within the Programme Assurance & Appraisal team, its purpose is to provide a report identifying the risk and opportunities profile to help inform decision-makers. A proportionate approach is applied to the level of Appraisal completed in lieu of the financial ask; a one-day Summary Appraisal is completed for items under £1million whereas a five-day comprehensive Appraisal Report is created for items over £1million.

The Risk & Investment Appraisal involves analysis of information within a business case, providing an objective perspective on:

- analysis of content across HMT's 5-case model as outlined within the Green Book
- validation of the evidence base/ content of the Economic Case
- analysis of Net Present Social Value and Social Impact
- analysis of risks and opportunities associated with delivery/cost/time/funding
- analysis of financial, regulatory, investment, reputational and other risks and proposed risk mitigations as outlined within the WMCA's Strategic Risk Framework.

The report will set out:

- an assessment of the level of risks and opportunities in approving that Business Case
- observations on how the level of risk could be mitigated, including cost, including the post mitigation risk level.

4.12 Approval Levels

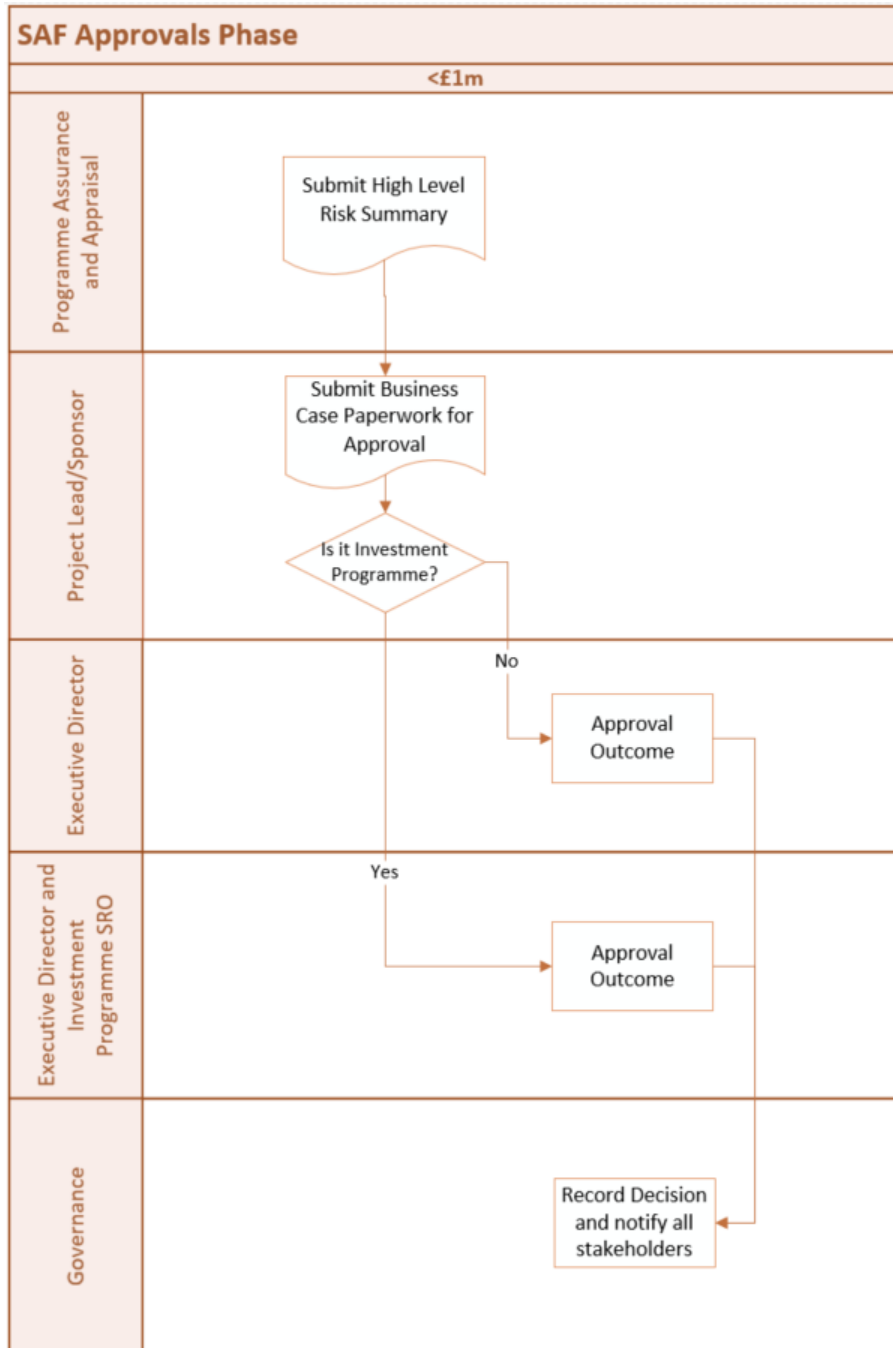
4.12.1 Approvals Up to £1million

For Project / Programme approvals, the relevant Executive Directors have delegated approval for business cases up to the value of £1million.

For Investment Programme approvals, the relevant Executive Director will also require the approval of the Investment Programme Senior Responsible Officer (SRO).

A high-level Risk and Investment Appraisal Report is completed to inform the decision-maker of the key risks, opportunities, and approval recommendation to inform their decision. This Report is submitted to the Executive Director alongside sponsor owned documentation such as the Business Case and any required appendices. Decisions taken by the Executive Director are captured in a log held in the Directorate.

The Project Lead/Sponsor will communicate the decision to Enabling Services and any external applicant (if applicable). This will ensure effective mobilisation of the project.



4.12.2 Approvals Between £1million - £5million

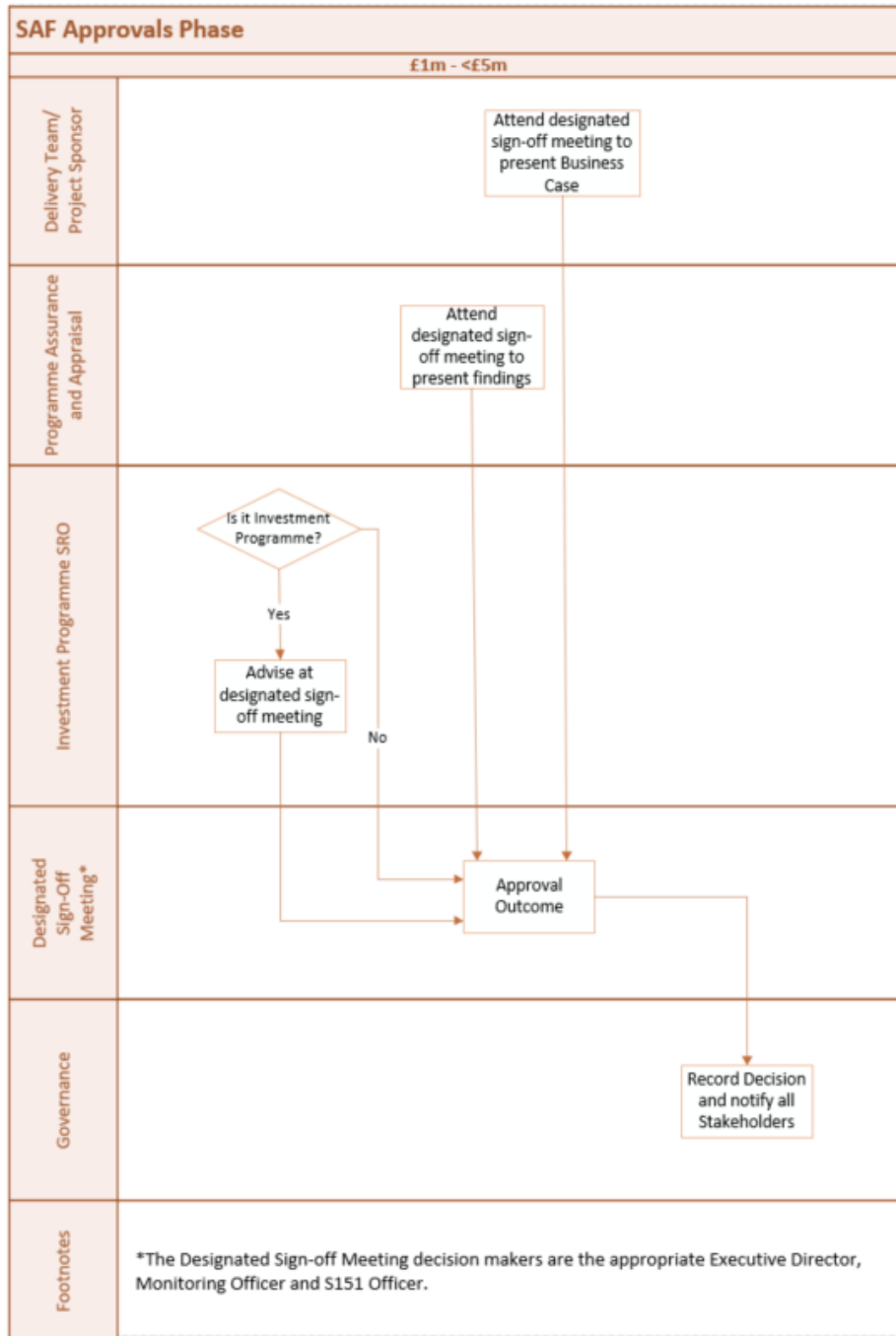
These are considered to be Key Decisions and as such must be published on the WMCA public facing website at least 28 days before the decision is due to be made.

For these, Programme and Project paperwork will be submitted via the Modern.Gov platform including a covering report. Appraisal will upload the Risk and Investment Appraisal report ahead of the meeting where the decision will be made.

The Project Sponsor will submit Project paperwork, including a Cover Report. In tandem, the Appraisal Team will submit a Risk and Investment Appraisal Report. Approvals between £1million and £5million are reviewed and approved at the Designated Sign-Off Meeting, which consists of the following WMCA Officers:

- Relevant Executive Director
- Director of Finance (Section 151 Officer)
- Director of Law and Governance (Monitoring Officer)
- Project Lead/Sponsor (for the section of the meeting for the project requiring a decision)
- Appraisal representative (to advise risks, opportunities and recommendation based on the outcome of appraisal activity.)

Non-Investment Programme funded business cases and approvals only require Designated Sign-Off Meeting consideration: however, Investment Programme funded business cases and approvals also require the involvement of the Investment Programme Senior Responsible Officer who, in such circumstances, will attend the meeting to provide input into the decision-making process. The Risk and Investment Appraisal Report highlights the key risks for consideration. Governance will record the decision taken (with any conditions) and will communicate it to the Project Lead/Sponsor and Enabling Services. If the Delivery Partner is external, the Project Lead/Sponsor will communicate the decision to them.



4.12.3 Approvals of £5million and above

These are considered to be Key Decisions and as such must be published on the WMCA public facing website at least 28 days before the decision is due to be made.

For these, the Project Lead/Sponsor will submit all Programme and Project paperwork via the Modern.Gov platform including an Investment Board covering report. Appraisal will upload the Risk and Investment Appraisal report at least 6 clear working days ahead of the Investment Board Meeting.

Approvals above £5million are above the levels of officer approval delegations and must therefore be considered and approved by Boards consisting of regional political representatives. Decision-makers are asked to consider the Business Case and the Risk & Investment Appraisal Report when making a decision.

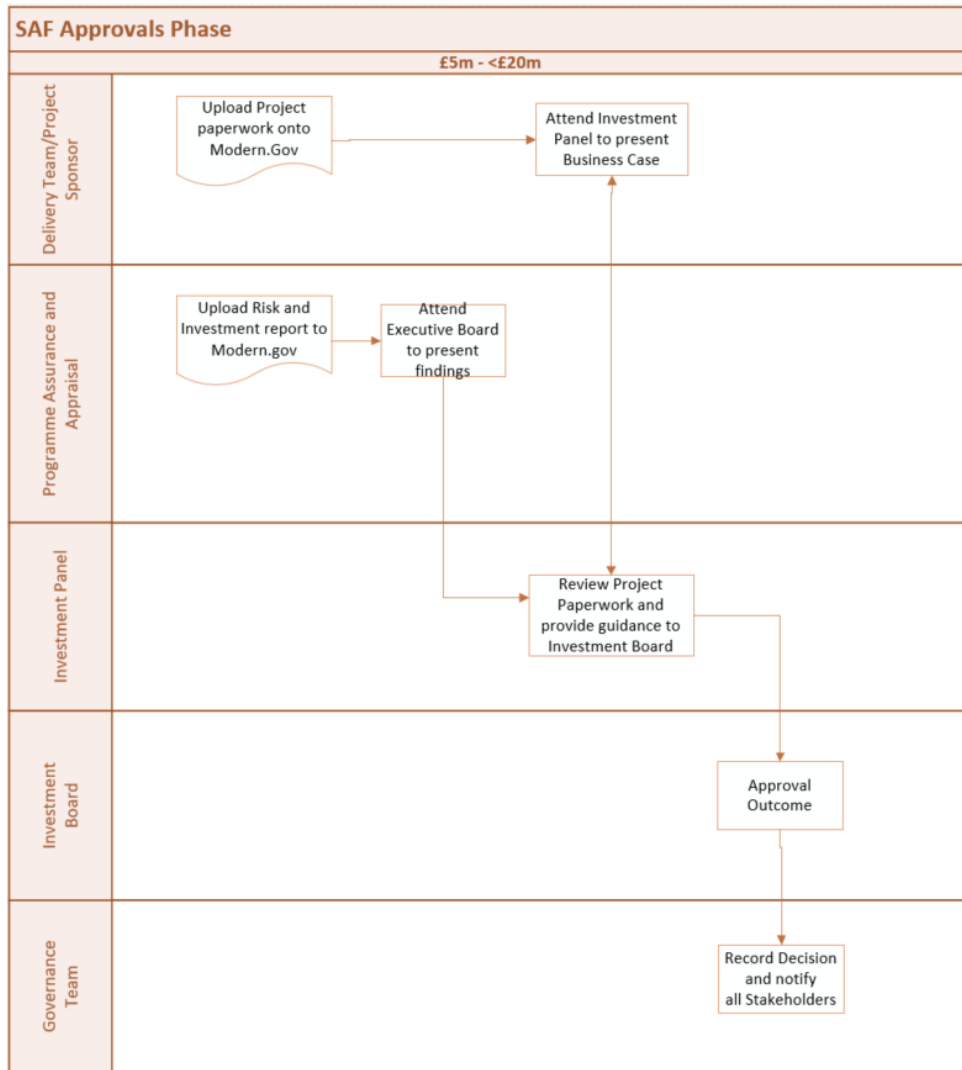
The Project Lead/Sponsor attends the meeting to present the Business Case and answer any queries. Whilst the Appraisal representative attends to highlight any key risks, opportunities and their recommendation to the decision-makers.

To support decision-making boards, and the Investment Panel will review business cases and supporting documentation to support effective decision-making by:

- identifying key lines of enquiry for the Investment Board to focus on
- validating and challenging business case content
- validating and challenging external review of the business case
- validating and challenging the quality and robustness of business case content
- ensuring a consistent approach to challenging HM Treasury's 5 case elements within Business Cases
- examining the Risk and Investment Appraisal to understand key risks, opportunities and recommendations.

The Investment Panel will provide the Investment Board with a recorded discussion for each proposal, noting observations to consider, including the strengths and weaknesses of a proposal, observations on the level of investment risk and providing any recommendations for improvement or to mitigate risks. This may lead to additional conditions to be added to funding agreements, conditions for withdrawal of support, additions to M&E plans.

Governance will record the decision taken (with any conditions) and will communicate it to the Project Lead/Sponsor and Enabling Services. If the Delivery Partner is external, the Project Lead/Sponsor will communicate the decision to them.

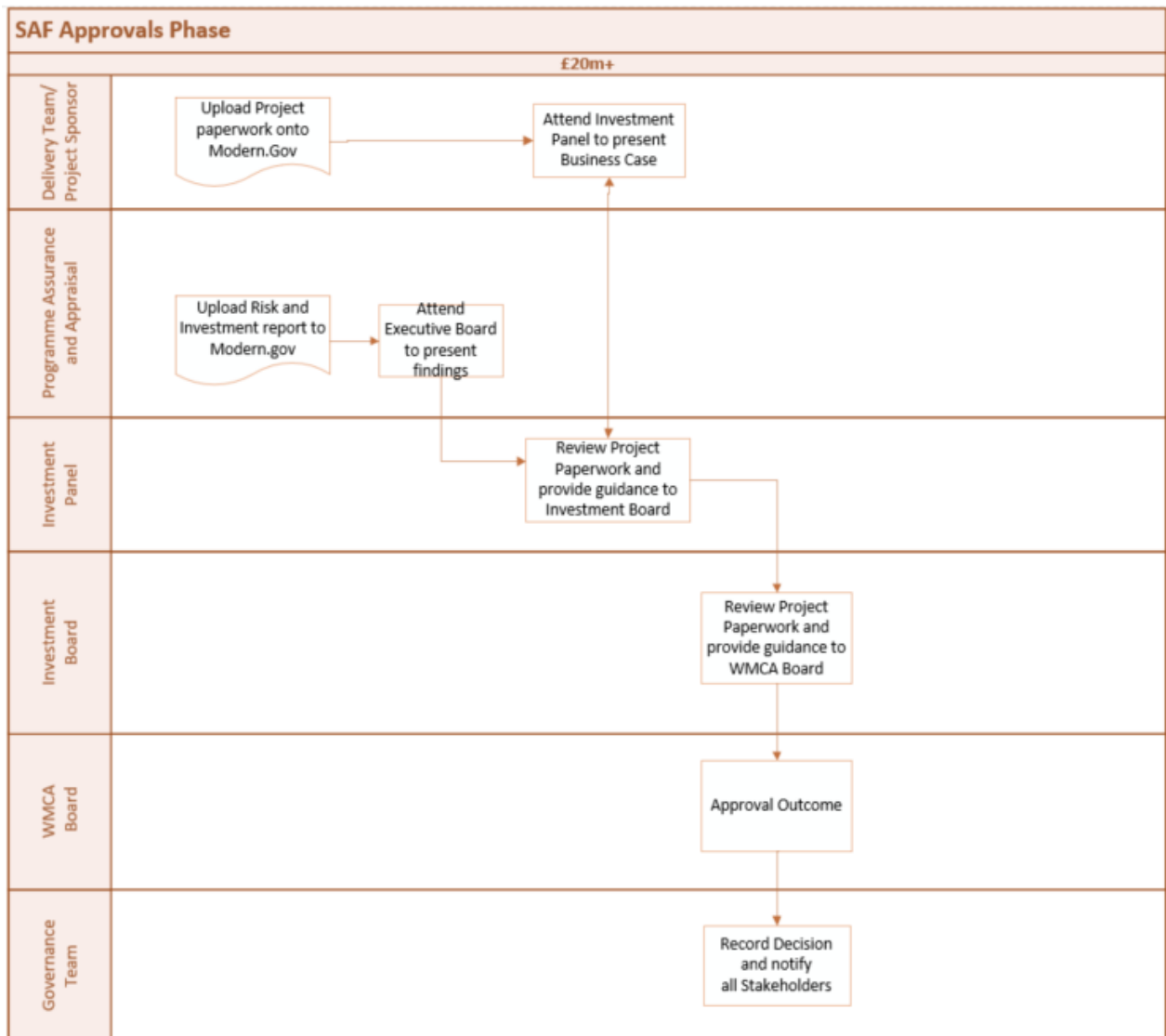


4.12.4 Approvals of £20million and above

These are considered to be Key Decisions and as such must be published on the WMCA public facing website at least 28 days before the decision is due to be made.

There is an additional role for WMCA Board in approving Programmes and Project approvals that are above £20million. For these, Programme and Project paperwork will be submitted via the Modern.Gov platform including the Board Report and Appraisal will upload the final Risk and Investment Appraisal report at least 6 days ahead of the WMCA Board Meeting. The proposal will first be considered by the Investment Board who will then make recommendations to the WMCA Board.

Governance will record the decision taken (with any conditions) on Modern.Gov and will communicate it to the Project Lead/Sponsor and Enabling Services. If the Delivery Partner is external, the Project Lead/Sponsor will communicate the decision to them.



4.12.5 Summary of Approval Levels

SAF Approvals Phase				
	<£1m	£1m - <£5m	£5m - <£20m	£20m +
Programme Assurance and Appraisal	Assurance → Risk & Appraisal	Assurance → Risk & Appraisal	Assurance → Risk & Appraisal	
Executive Director		Executive Director Approval		
Designated sign-off Meeting		Approval at designated sign-off meeting*		
Investment Panel			Investment Panel Feedback	
Investment Board			Investment Board Approval	
WMCA Board			>£20m only → WMCA Board Approval	
Footnotes		*The Designated Sign-off Meeting decision makers are the appropriate Executive Director, Monitoring Officer and S151 Officer.		

4.13 Subsidy Control

WMCA will ensure that all projects comply with Subsidy Control law (formerly State Aid).

Subsidy is where a public authority provides support to an enterprise that gives them an economic advantage, meaning equivalent support could not have been obtained on commercial terms. This could include, for example, a cash payment, a loan with interest below the market rate or the free use of equipment or office space.

Subsidies should be given in the public interest, to address a market failure or equity concern.

To minimise these risks and increase the likelihood that subsidies achieve positive outcomes, the UK subsidy control regime regulates subsidies given in the UK to prevent any excessively distortive or harmful effects. Subsidy control considerations will be made with the advice of relevant professionals in accordance with guidance.

4.14 Management of Contracts

Following approval, the Legal Team will send out a Funding Offer Letter, which includes the following: Project Name, Applicant, Maximum Funding Contribution (£), with details regarding when payment was to be issued, (usually connected to milestones), what is Eligible Expenditure, Commencement and Completion dates. Contracts are managed within the individual Directorates to provide a link to the outputs and outcomes of the projects/programmes.

4.15 Monitoring and Evaluation

The WMCA Performance Management Framework has been developed in accordance with HM Treasury's Magenta (Guidance for Evaluation) and Green (Guidance on Appraisal and Evaluation) Books. The overall approach to monitoring and evaluation is underpinned by the following key principles:

- robust internal controls providing a second line of defence
- adequate resources are in place and detailed in the business case
- monitoring requirements are locally defined, proportionate and reported to the Executive Board in a consistent fashion
- baseline information is consistent across key projects and programmes
- basic process evaluation is conducted internally and more detailed evaluation is commissioned
- data is collected once and used many times to inform other critical documents, such as the Annual Business Plan.
- lessons learned are used to inform future projects and programmes.

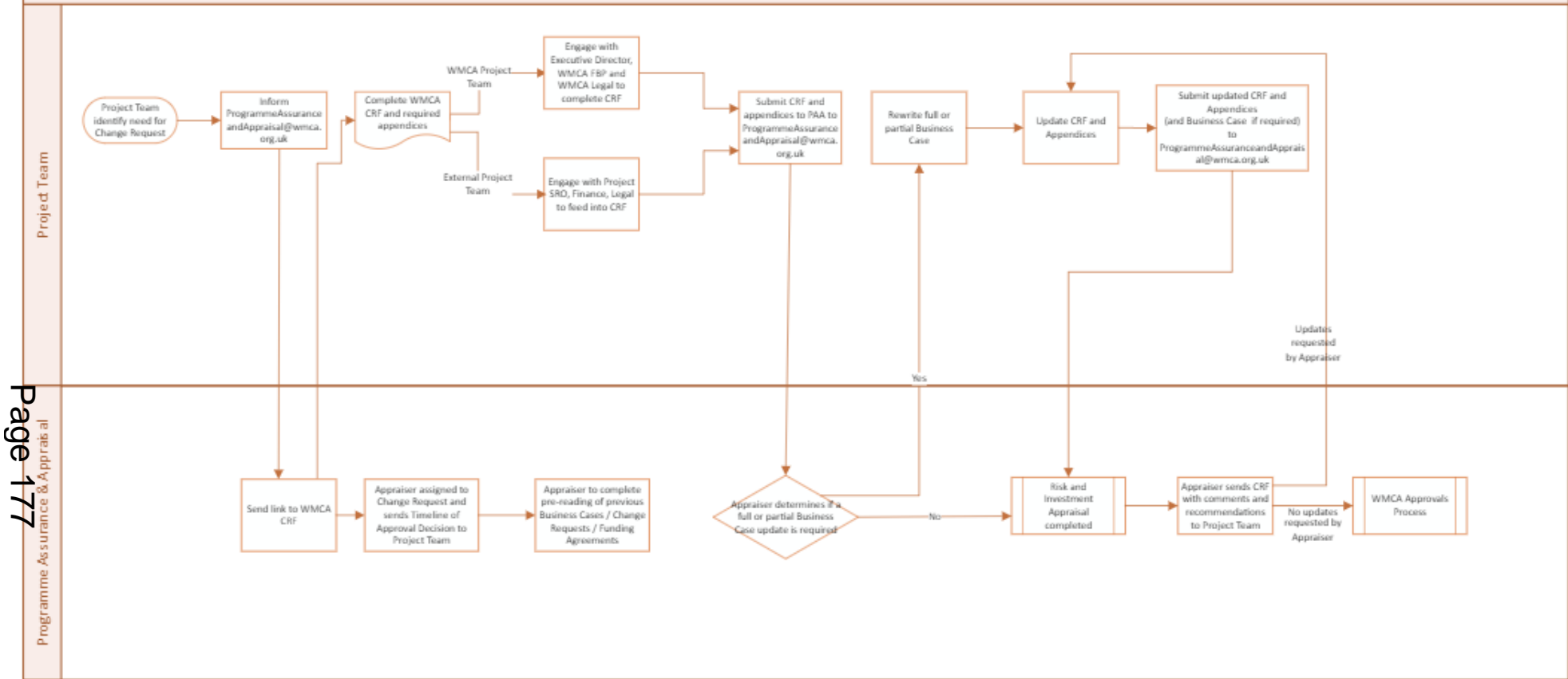
All projects that go through our SAF, will have an effective monitoring and evaluation M&E plan in place which will form a key part of the business case. This will help assess the effectiveness and impact of investing public funds, and the identification of best practice and lessons learnt that can inform decisions about future delivery. Logic chains will guide the collection of data from individual projects during both stages of M&E and will be designed to ensure that it meets the requirements of WMCA and the Government.

This framework aims to ensure that these commitments are delivered by setting out the approach, principles, role and responsibilities for the monitoring and evaluation of projects and programmes both in the Devolution Deal and within any wider Combined Authority activity.

4.16 Change Requests

Approval routes should always be led by the delegation amount; therefore, Change Requests do not need to be approved by the 'original approver' i.e., if it was approved by WMCA Board it does not need to go back to Board. The reason for this is that the original business case was approved by Board and to be sighted on a minor change could delay project progress and cause further time delays whilst awaiting the next meeting. On the occasion the change is deemed contentious, for example, where the scope of the original approved project has changed dramatically or by more than of 10% (generally measured by output quantity). In such instances, the approval decision will be made by the original approver.

WMCA Single Assurance Framework Change Control Process v2.0



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Key	
CRF	Change Request Form
PA&A	Programme Assurance & Appraisal Team
Finance BP	Finance Business Partner
SRO	Senior Responsible Officer

4.17 Evaluation/Project Closure

Investment Programme Projects are evaluated in two stages. The first stage is led internally by the WMCA's Investment Programme Monitoring and Evaluation Team and comprises the production of a Project Closure and Lessons Learnt Report in accordance with HM Treasury's Green and Magenta Books. It reviews the milestones and success factors of the project vis-à-vis its proposed Delivery Plan:

- to confirm outstanding issues, risks and mitigations, recommendations, and proposed course of action to resolve them
- outline outstanding tasks and activities required to close the project, and
- identify project highlights and best practice for future interventions.

As part of the funding agreement, the WMCA is required to undertake 5-year Gateway Reviews to assess the impact delivered by our investments led by an independent National Evaluation Panel.

The purpose of the National Evaluation Panel is to evaluate the impact of locally appraised interventions on economic growth in each locality to inform the Gateway Review and Ministerial decision-making on future funding.

5 APPENDICES

5.1 Transport Projects

For the CRSTS programme (and other transport led projects, regardless of funding streams) there is a requirement that an Annual Programme Business Case be developed and reviewed and updated annually. The Programme Business Case will be subject to the SAF process. Most schemes will also require a standalone Transport Analysis Guidance (TAG) business case to be developed. This business case will be used to complete the appropriate Board templates or additional documentation checklists.

The Programme Assurance and Appraisal Team will apply a flexible and proportionate approach, to its activities for transport business cases to retain the benefits of local assurance in terms of speed of decision making, where appropriate.

To ensure that the scope of the business case meets the requirements of relevant funding streams, involving Transport for the West Midlands (TfWM) and the Programme Assurance and Appraisal Team will work together to ensure that the project meets strategic and funding requirements.

The Business Case will be clearly articulate how the project/programme will be monitored and evaluated, in collaboration with the national evaluator as part of the development of the national Monitoring and Evaluation framework.

To provide the additional context and evidence required for approval, updated plans, strategies and documents and responses to key questions within the Transport Additional Appendix across the five-case model will also be submitted with the business case. This appendix provides as a 'checklist' of information which should be provided either with the TAG business case or as separate documents.

It is expected that a transport project will usually have both a TAG business case and a WMCA Board-friendly summary document, plus the required supplementary appendices. With the Transport Additional Appendix, there is a table showing the questions completed at each stage of the business case cycle. This does not preclude early completion if the information is available. Information entered in previous stages should be retained and updated where necessary.

5.2 Housing Projects

For the Housing, Property and Regeneration Investment Programme (and other Housing, Property and Regeneration led projects) regardless of funding streams will be subject to the SAF. The programmes and projects for funding streams awarded pre-2023 will be required to develop an Annual Programme Business Case. The Programme Business will be updated to include new funding streams where the proposed outcomes and delivery mechanisms are aligned. If a separate Programme (or other) Business Case is considered more appropriate, this will be subject to the same assurance arrangements. Individual projects aligned to a Programme Business Case will be required to produce a Business Case, which will also follow the SAF.

Individual Housing, Property and Regeneration projects will also be subject to the [Single Commissioning Framework](#). Expressions of Interest will be assessed by housing and development internal experts, external advisers and legal and finance business partners to ensure they meet key WMCA priorities and suitability criteria, before being invited to submit an application. Applications are also subject to scrutiny by the same team, to ensure that the project meets funding and strategic requirements, including a Red Book valuation, development appraisal and other supporting studies, for example, cost assessment, remediation studies.

5.3 Adult Education Budget Programme

An overarching Skills Programme Business Case has been developed which provides a framework and overview of the Programme including the following confirmed funding received.

Adult Education Budget (AEB)
National Skills Fund 'Free Courses for Jobs'
National Skills Fund 'Technical Bootcamp'
Multiply
UK Shared Prosperity Fund

This Programme Business Case confirms the Economy and Skills Directorate's objectives for the next five years and will support future planned funding and unknown funding opportunities which the West Midlands Combined Authority receives. Any activity/projects/opportunities arising from this funding will be articulated in business cases that will evidence how they will contribute to the overarching Programme's objectives (and conditions of DfE funding).

All business cases developed by the Directorate are subject to existing SAF processes.

This programme of activity is closely monitored and managed and is subject to an annual audit process and reporting.

Monitoring and Evaluation arrangements are implemented to manage performance with outputs reported regularly at the monthly Delegated Sign Off (DSO) meeting. This is attended by Executive Director of Skills, Health and Communities, the S151 Officer, Director of Law and Governance and the Head of Programme Assurance and Appraisal. Should performance be considered to fall below what has been planned and agreed, corrective action will be taken, including the option of undertaking an Assurance 'Health Check.'

5.3.1 Health Check Format and Approach

The Programme Assurance and Appraisal Team implement an annual 'Health Check' Plan across WMCA. The Projects and Programmes that form part of this annual plan are determined through an ongoing assessment of risk and performance.

The purpose of the Health Check is to give confidence to senior managers and decision-makers on a project or programme's performance and ability to achieve its objectives/positive outcomes. It will help drive continuous improvement and focus on key lines of enquiry around the following categories:

- Client and Scope
- Organisational Capability & Culture
- Stakeholder Engagement & Communication
- Risk Management
- Planning & Scheduling
- Health & Safety, Social Responsibility, Sustainability
- Governance
- Supply Chain
- Solution
- Finance
- Performance

5.3.2 Oversight of Recommendations

The findings and recommendations following a Health Check will be detailed within an Assurance Observations Report for consideration and agreement by the Quality Manager and Delivery Manager (Operations) and submitted to the DSO Meeting to ensure progress towards any improvement recommendations is monitored and reported.

5.3.3 Timescales

Dates and timings of health checks will be agreed with the AEB Lead/representative and the Programme Assurance Specialist as part of the process. It is expected that the health check will take approximately two weeks to complete.

5.4 SAF Templates

5.4.1 Project Initiation Document (PID)

The PID is a high-level planning document that will be completed and approved during the Initiation Stage to gather outline information which validates the strategic fit of the intended intervention such as alignment to WMCA Objectives and Aims, potential risks and target benefits. The document will also be used to agree the Business Case development route and provide assurance that key stakeholders at the WMCA have been sighted on the proposal from the outset (Finance, Legal, Procurement and Executive Director).

5.4.2 Business Justification Case (BJC)

The BJC is a single stage business case that is available for schemes that require less development. To use a BJC, projects must not be novel or contentious so options analysis is reduced, where firm fixed prices are available, they should be evidenced from historical delivery. A specific procurement phase is not required as pre-competed procurement arrangement can be utilised.

5.4.3 Programme Business Case (PBC)

The PBC is produced when a strategically linked series of projects requires authorisation to progress. A programme is a series of planned measures, related events and co-ordinated activity in pursuit of an organisations long term goals. The PBC will outline the programme projects dossier including the indicative timeline, costs and the overarching management strategies.

5.4.4 Project Case (PC)

The PC is produced for projects seeking lower level of spend and follow on from a previously approved Programme Business Case. There should be clear alignment to the PBC within the Project Case in terms of how the outputs contribute to the Programme benefits and outcomes.

5.4.5 Strategic Outline Case (SOC)

The SOC or the Strategic Outline Business Case provides the strategic rationale for the intervention and identifies the critical success factors. The preferred option is derived via an options analysis to demonstrate how optimum VFM and social value will be achieved. Stakeholders will understand the robustness of the proposal and the future direction of travel including an updated whole life cost estimation.

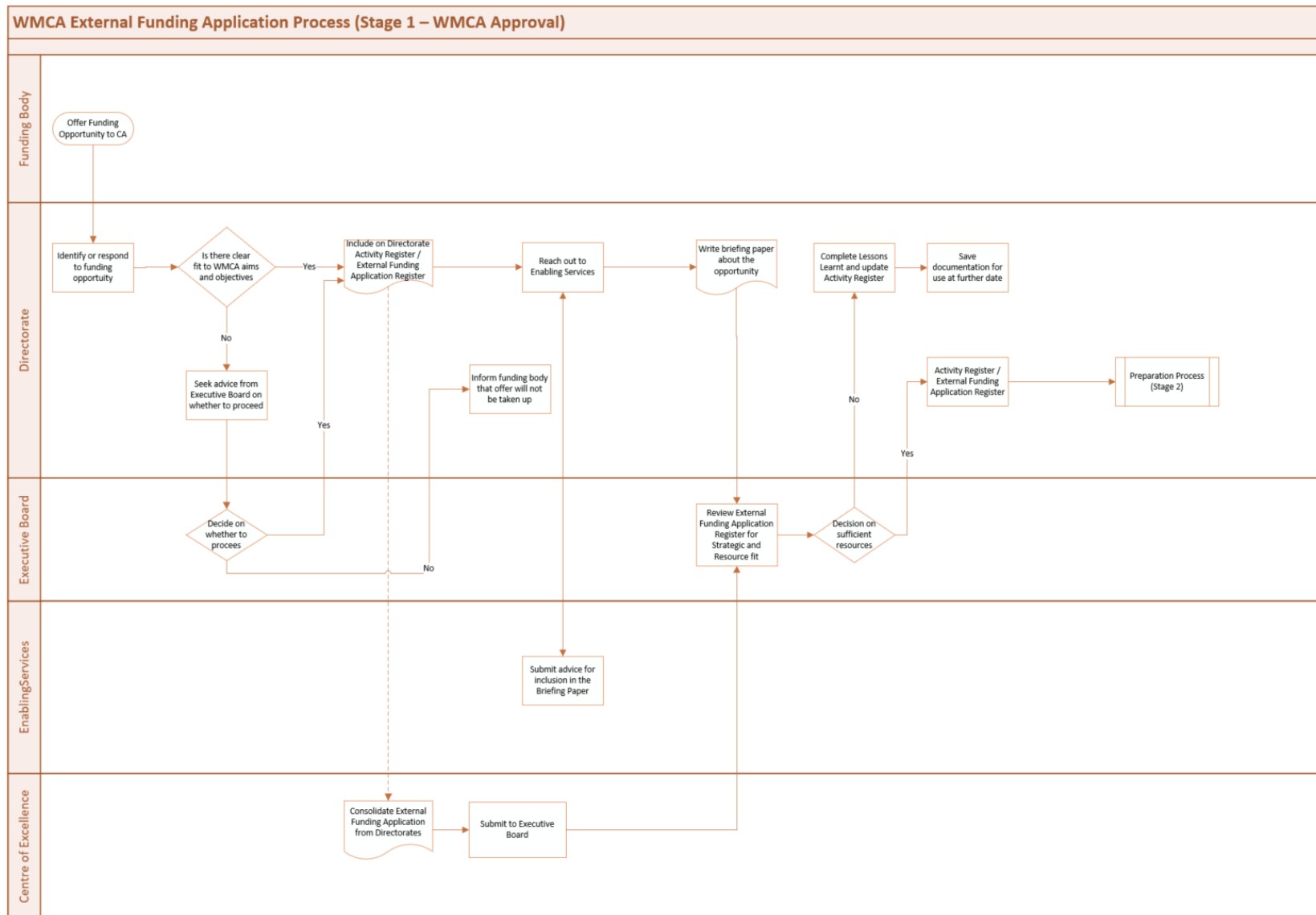
5.4.6 Outline Business Case (OBC)

The OBC determines VFM and prepares for the potential procurement by ascertaining affordability, the procurement proposal and funding requirement. At the conclusion of the OBC stage consent should be able to be established for the procurement phase of the project to go ahead or not.

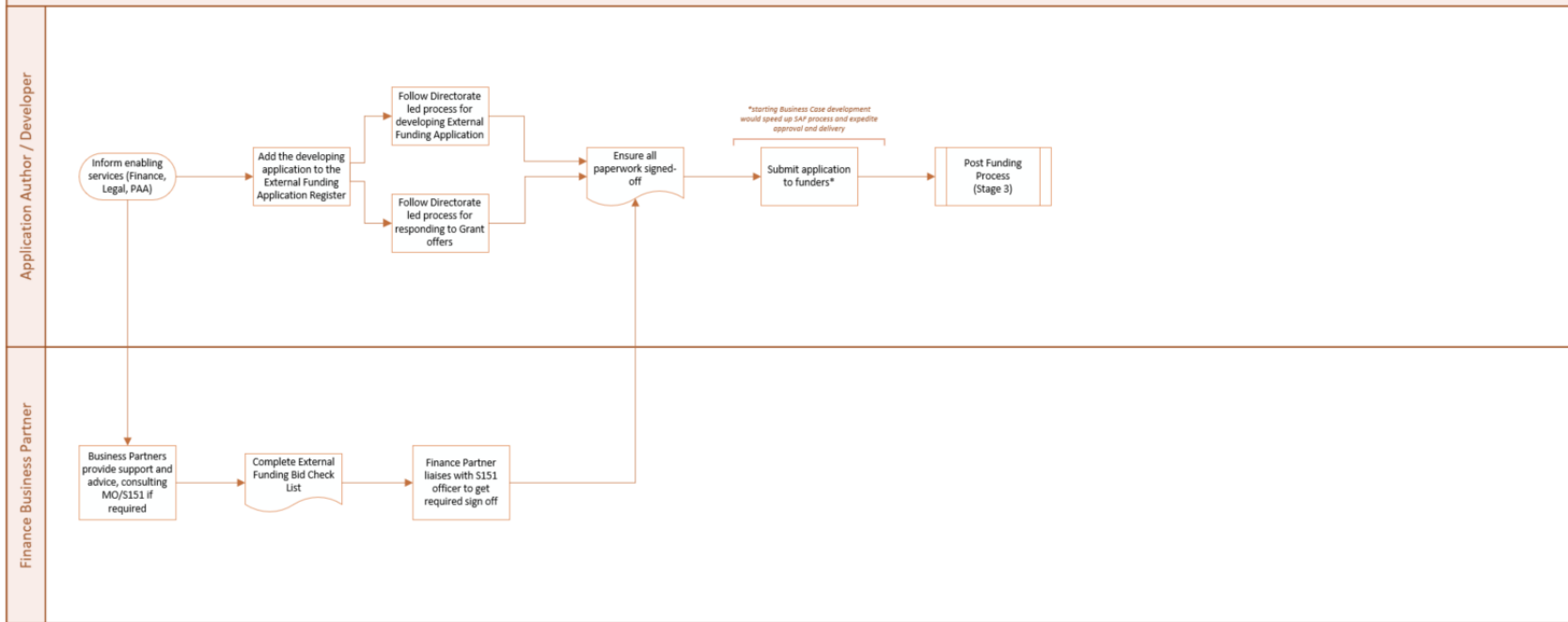
5.4.7 Full Business Case (FBC)

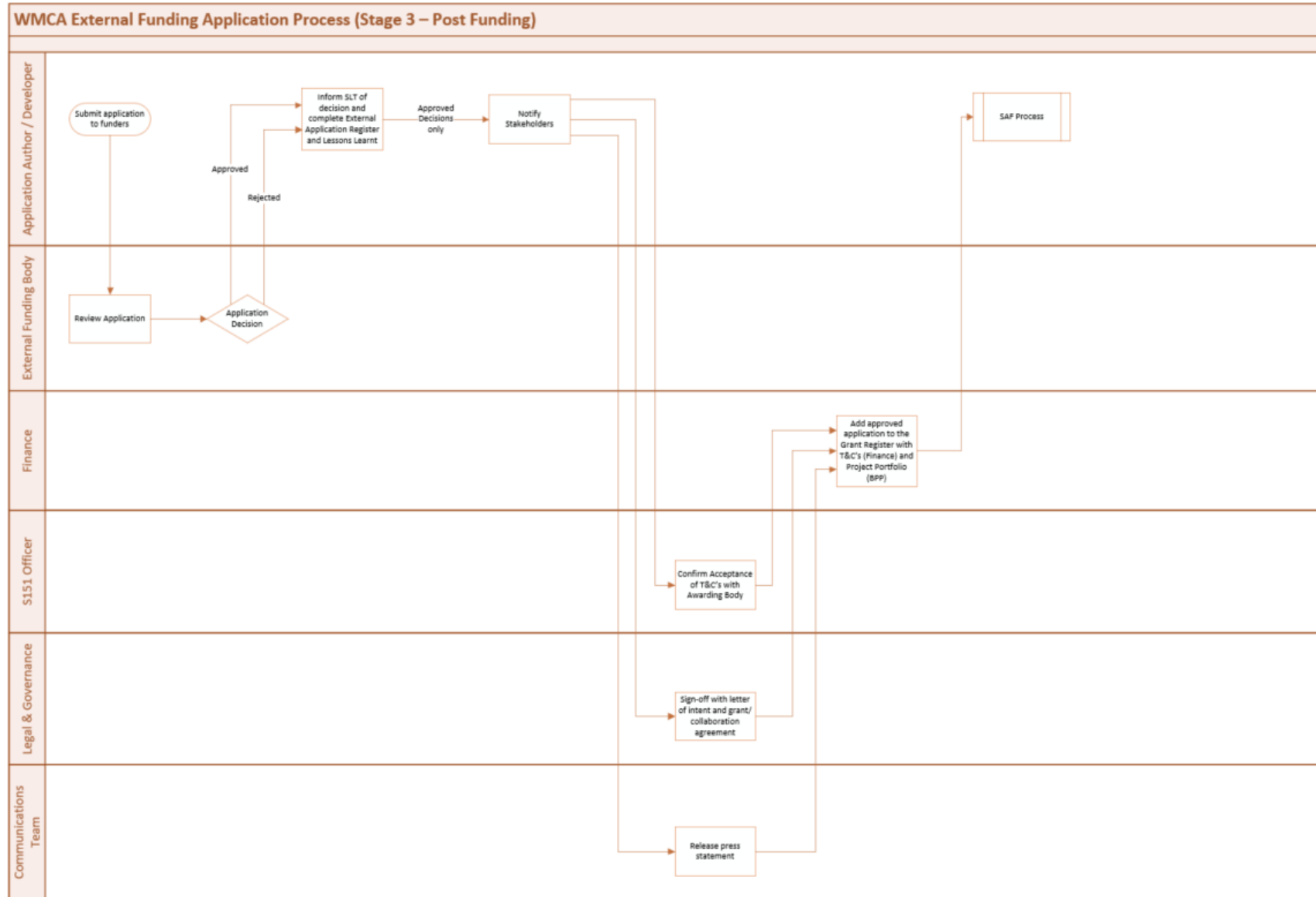
The FBC enables the procurement of the VFM solution, contracting the appropriate deal and planning for successful delivery. At the conclusion of the FBC all dimensions of the five-case model will have been completed and be fully matured including a finalisation of all management arrangements. Key to this is firm fixed and accurate costs, Monitoring & Evaluation arrangements and delivery capability.

5.5 External Funding Process



WMCA External Funding Application Process (Stage 2 – Preparation)





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Audit, Risk & Assurance Committee

Date	4 October 2023
Report title	Summary of WMCA Arm's Length Companies
Portfolio Lead	Councillor Bob Sleigh, Finance
Accountable Chief Executive	Laura Shoaf, Chief Executive, West Midlands Combined Authority Email: Laura.Shoaf@wmca.org.uk Tel: (0121) 214 7444
Accountable Employee	Helen Edwards, Director of Law and Governance, West Midlands Combined Authority Email: Helen.Edwards@wmca.org.uk Tel: (0121) 214 7478
Report has been considered by	WMCA Executive Board

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee recommended to:

- (1) Note the information provided in this report.
- (2) Note that the Executive Board is reviewing monitoring arrangements for each of the companies and invites ARAC members to make suggestions for consideration.
- (3) Agree that the monitoring arrangements proposed will be reported to a future ARAC committee

1. Purpose

- 1.1 To inform ARAC of the companies in which WMCA has an interest, as previously requested by the committee.
- 1.2 To enable ARAC to share thoughts on appropriate monitoring arrangements for the companies.

2. Background

- 2.1 ARAC has previously requested that a summary of companies in which WMCA has an interest should be brought before the committee. This arose from concerns about other authorities who had been involved in well publicised failures of public authority owned companies.
- 2.2 There is ongoing work within the legal & governance and finance teams of the WMCA to review the arrangements for all the wholly owned companies, including review of shareholder agreements where necessary. This will include consideration of appropriate reporting mechanisms and monitoring of the companies. It is likely that the subsequent recommendation will be that an annual report in respect of the companies, highlighting any specific issues or risks, should be brought to ARAC towards the end of each municipal year.
- 2.3 The Grant Thornton Report from September 2022 entitled “Lessons from Public Interest Reports and other interventions” ¹refers to potential difficulties with public owned companies. The Report identified a number of issues that they had come across:
 - A **lack of understanding** of roles and responsibilities
 - A **lack of strategic rationale** surrounding the creation of companies
 - A **lack of skills** around commercial decision making
 - An **optimism bias** that does not reflect the true position or performance of a company or a lack of an appropriate business case.
 - **Inadequate financial governance and monitoring** of group entities.
 - A **lack of scrutiny** over investment or loan decisions to companies
 - A **reluctance** from some members and senior officers **to listen to challenges**
- 2.4 The report made a number of recommendations which perhaps have some relevance to the companies referred to in this Report.
 - If entering into complex or large company arrangements, focus on accessing the **right financial and legal advice**. This should include advice on Companies Act, tax and group accounting requirements. This advice should be from a suitably qualified party with no interest in or relationship with the deal and include a suitably comprehensive appraisal of all risk factors.
 - **Provide formal training in external companies** and update this regularly, for both members and officers.
 - Assess whether the **directors appointed to a company are equipped with suitable skills**. Directors should be able to interrogate management accounts and

¹ [Grant Thornton Report from September 2022 entitled “Lessons from Public Interest Reports and other interventions” - Search \(bing.com\)](#)

the assumptions upon which the cashflow and any profit is founded. Members should then be able to hold a company to account through the shareholder or service commissioning functions.

- There should be **explicit shareholder agreements** in place and the appointment of nominated shareholder representatives. Where these are already in place, consider whether they continue to reflect current circumstances.
- Consider whether the **focus of reporting on the work and activities of companies is appropriate**. Is there an appropriate separation of the strategic oversight from operational service delivery reporting? Governance arrangements over companies should be regularly reviewed to ensure they remain appropriate for the size

3. Details of companies

3.1 WM5G Ltd – Company Limited by Guarantee (amount is not exceeding £1)

WM5G was established to deliver and develop 5G infrastructure in the West Midlands. It aims to be the regional technology catalyst, developing the case for 5G in the area.

WM5G was incorporated on 26 February 2019. The Directors are listed at Companies House as Robert Alan Franks, Ninder Johal, Ian Martin, Mark Stansfield, Tracey Westhall.

WMCA is a person with significant control and has the right directly or indirectly to remove the majority of the Board of Directors. There is a Member's Agreement dated 23 May 2019 which was subsequently amended via a Deed of Amendment and Reinstatement dated 3 August 2022.

The Member is WMCA, and there is a regular shareholder meeting.

3.2 Midland Metro Ltd (MML) - private company limited by Shares (100 shares with a total value of £100)

This company is responsible for the operation of the tram network, and for developing and expanding the network over the coming years. As the network grows, it will continue to ensure customers remain the forefront of its plans, delivering a safe and secure, reliable, and sustainable tram service which meets and exceeds expectation.

The current directors of MML are Sophie Allison, Linda Horne and Laura Shoaf.

The Shareholder representative is the Director of Law and Governance

The Shareholder's agreement states that *"The Shareholder will appoint one Director who is not an employee of the Shareholder as the Chair of the Board. The Chair will be entitled to vote at meetings of the Directors. In the event of a deadlock, the Chair's vote shall be discounted"*. A recruitment process for an Independent Chair is currently underway.

The shareholder agreement is about to be reviewed.

3.3 West Midlands Development Capital Ltd (WMDC) - Private Company Limited by shares (100 shares with a total value of £100)

The directors are John Handley, Linda Horne, Suzanne Summers.

WMDC is a wholly owned subsidiary of WMCA, and in turn sub-contracts with Frontier Development Capital for support and advice.

3.4 West Midlands Growth Company Ltd- Private company limited by guarantee without share capital (not exceeding £1)

The West Midlands Growth Company is owned by the West Midlands Combined Authority and its Constituent Members. It uses its core local authority funding to attract additional funding from the private sector and other sources.

Its aim is to be the leading regional investment promotion and economic development agency, unlocking potential for the West Midlands and the UK and build a region of choice which attracts investment and grows the economy through partnership across all sectors.

It was incorporated on 26 April 1982 and was known by other names prior to April 2017. There are currently 20 Directors. There are Company Members and Directors of the Board, a distinction which needs to be made. Company Members are:

A Members:

WMCA
Birmingham City Council
Coventry City Council
Dudley MBC
Solihull MBC
Sandwell MBC
Walsall
City of Wolverhampton Council

B Members

Aston University
Birmingham City University
University of Birmingham
University of Warwick
University of Wolverhampton
Stratford Upon Avon DC.

A Members each appoint a Director to the Board and collectively, the **B** Members appoint 3 Directors. In addition, **A** Members are entitled to appoint further Directors (so the total number of **A** Directors is not exceeding 22). All are entitled and invited to attend General Meetings but it is only Members of the Company who are allowed to vote on reserved matters. Such reserved matters are set out in the Articles of Association. Currently the Directors are as follows:

A Directors

Cllr Ian Ward (Birmingham)
Vacant (Wolverhampton)
Cllr Patrick Harley (Dudley)
Tim Johnson (Wolverhampton)
Andy Williams (Coventry)
Laura Shoaf (WMCA)
Mary Morrissey (Solihull)

Matt Hammond (PwC)
Rob Valentine (Bruntwood)
Sally Scott (Advanced)
Paul Thandi (NEC Group)
Andrew Lovett (Black County Living Museum)
Tom Westley (The Westley Group)
Charlotte Horobin (Make UK)
Jane Whitlock (Deloitte)

B Directors

Cllr Tony Jefferson
Prof Adam Tickell (University of Birmingham)
Prof Philip Plowden (BCU)

The AGM is the formal appointment process for directors but that the Nominations and Remunerations Committee at WMGC receive and review the nominations, subsequently making a recommendation to the Board. As the appointment and the removal of Directors is a reserved matter to Members, only Members are allowed to vote on such items (the other Directors may be present but would not vote).

3.5 Midlands Development Capital Ltd - Private company limited by shares (100 = £100)
Only one director which is Linda Horne. This is a dormant company.

3.6 Network West Midlands Ltd – Private company limited by shares (100 = £100)
Directors are Pete Bond, Linda Horne and Laura Shoaf. This is a dormant company

3.7 West Midlands Rail Limited - Private company limited by guarantee without share capital. Not for profit.

West Midlands Rail Executive (WMRE) is a not-for-profit company owned by local authorities in the region. It works with the Department for Transport, Network Rail and other organisations and its roles:

- specify and manage the **West Midlands Railway** train service contract
- upgrade train stations and build new ones on behalf of **Transport for West Midlands** and other partners
- support improvements for passenger and freight train services
- plan future network improvements in the region
- maximise the benefits of the rail network for local communities.

It works closely with Network Rail, the Department for Transport and Midlands Connect to plan improvements to the region's rail network. It does not operate stations or run the trains.

Incorporated 10 April 2014 and currently has the following directors:

Councillor Pervez Akhtar – Director

Cllr Adrian Andrews – Director

Michael Bird – Director

Vacant – Director

Peter Butlin – Director

Andrea Goddard – Director

Cllr Ian Courts – Director

John Harrington – Director

Kenneth Hawkins – Director

Christopher Hitchener – Director

Peter Hughes – Director

Phillip Larratt – Director

Richard Marshall – Director

James O'Boyle – Director

Richard Overton – Director

Simon Phipps – Director

Michael Rouse – Director

Cllr Isabelle Seccombe – Director

Stephen Simkins – Director

Philip White – Director

David Williams – Director

The Mayor of WMCA is the Chair and is entitled to speak at the meetings but not vote.

An Audit Report in May 2020 led to a Governance note and SLA being approved by the WMR Board in March 2022. The Governance Note and process says that:

1. Any matters affecting the strategic interests of the WMCA that are in contemplation of a decision paper for the WMR Board shall be reported in to WMCA through the SLT and considered for additional reporting where appropriate.
2. The WMCA SLT will act both as a critical forum and as an enabler to ensure all proposals going forward will be in a form capable of achieving approval by the Board. The Director of the WMR is a member of the SLT and will be responsible for bringing matters before that body for discussion.
3. The WMCA will, as required, undertake an examination of the operation of the decision making and governance processes operated with WMR through a scrutiny exercise undertaken by the WMCA utilising one of its scrutiny Committees or its Audit and Risk Assurance Committee and resulting recommendations will be implemented to ensure good governance at all times.

There is a Service Level Agreement (SLA) with the WMCA for the provision of certain support services particularly in respect of governance, finance and legal services. WMCA will provide services for the arrangements and conduct of its WMR board meetings.

3.8 Black Country Innovative Manufacturing Organisation Ltd (BCIMO) – Private Limited Company by guarantee without share capital use of 'Limited' exemption

BCIMO) is a not-for-profit company limited by guarantee and the driving force behind a state-of-the-art research and development facility based in Dudley. This multi-purpose centre, situated at the heart of the Black Country, offers a host of unique facilities including a Rail Development and Test Site, Engineering Laboratories, Serviced Offices and an Events Suite.

TfWM has been registered as a person of significant control (this should have been WMCA and will be corrected at Companies House). Sandeep Shingadia has recently replaced Malcolm Holmes as a director.

There are currently discussions underway with Dudley (also listed as a person with significant control) and the company, about its future operating model.

3.9 Help to Own - H2O1 Incorporated 3 March 2021 and H2O2 on 9 March 2021 both as Limited Liability Partnership

H2O1 LLP is “the Group”. A Limited Liability Partnership and H2O2 LLP is the vehicle that carries out the Marches development and investment in 100 homes at The Marches.

Ian Martin acts as Chair for the HTO meeting. Ian Martin and Carl Pearson are appointed as Member Representatives. The Members are Wolverhampton City Council and WMCA for each LLP, which is owned and run by its Members. Neither of the member representatives have any fiduciary duty to the LLP but rather there is an appointed manager who administers such activity and the Member representatives rely upon their reports.

It is reported on Housing and Land dashboards received by Investment Board on a monthly basis, and anything significantly outside the approved business plan is taken back to Investment Board for decision.

3.10 WMCA JV Ltd

This company was recently established (incorporated in March 2023) as a vehicle for the investments into WM Co-Investment Fund. Its directors are Ian Martin and Carl Pearson.

4. Strategic Aims and Objectives

4.1 Not applicable

5. Financial Implications

5.1 WMCA’s Finance team are involved with the wholly owned companies, to differing levels, as appropriate in the circumstances. There are no specific finance implications to this report.

6. Legal Implications

- 6.1 When companies have been established, legal advice has been provided whether by the WMCA internal legal team, or in some cases by external lawyers. Legal advice is sought and given on any matters affecting the companies or the WMCA in relation to the companies, as appropriate. Companies are established only when it is not possible to achieve the required outcomes through WMCA. There are no specific legal implications to this report.

7. Single Assurance Framework Implications

- 7.1 Not applicable

8. Equalities Implications

- 8.1 Not applicable

9. Inclusive Growth Implications

- 9.1 Not applicable

10. Geographical Area of Report's Implications

- 10.1 The companies identified in this report work across and relate to the whole of the geographic area of WMCA.

11. Other Implications

- 11.1 None

12. Schedule of Background Papers

- 12.1 None

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 December	23 November	<ul style="list-style-type: none"> • Internal Audit Report (Helen Edwards) • Assurance Performance Report (Joti Sharma) • Transport Programme Capital Governance Review (TfWM) Findings (Helen Edwards) • WMCA Annual Accounts 2022/23 (Linda Horne) • Treasury Management Mid- Year Report (Mark Finnegan) 	14 November	9 November
30 January 2024	19 January	<ul style="list-style-type: none"> • Internal Audit Report (Helen Edwards) • 2024/25 Treasury Management Policy, Strategy and Practices (Mark Finnegan) • Draft Internal Audit Plan (Helen Edwards) • Strategic Risk Register (Peter Astrella) 	16 January	11 January
11 March 2024	29 February	<ul style="list-style-type: none"> • Internal Audit Report (Helen Edwards) • Assurance Performance Report (Joti Sharma) • Annual Health & Safety Report (Ben Gittings) 	23 February	20 February

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