



Audit, Risk & Assurance Committee

Date	12 November 2018
Report title	WMCA Assurance Overview November 2018
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Report to be/has been considered by	None

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- a) Note the assurance reviews and activities that have been undertaken since the last reporting period (paragraphs 4-35).
- b) Confirm that ARAC are satisfied with the assurance activity April – October 2018.

Purpose of Report

1. The report provides members the views of WMCA's Corporate Assurance Manager's opinion this reporting period April 2018 - October 2018 on the Authority's systems for:
 - a. Project & Programme Assurance
 - b. Business Assurance (including Risk Management, Internal Audit and Business Continuity & resilience)
 - c. Performance Assurance

Background

2. The intention of the report is to summarise the assurance activity since the last reporting period and highlight any matters that are of concern that require further consideration or additional assurance activity.
3. Since the last update and supporting the transitional arrangements to WMCA, the Corporate Assurance team have continued to develop and refine appropriate assurance processes for the West Midlands Combined Authority. A brief summary of this activity is also provided in this report for note at this point in time.

Project & Programme Assurance

TfWM/ Corporate Services Minor Project Assurance Summary

4. A total of 25 project assurance reviews have been undertaken by the Programme Assurance Team in this period, (April – October 2018) covering 21 different projects.
5. These projects generally follow the WMCA Gated Project Management Life Cycle for minor projects however recent projects have been reviewed against the Treasury Five Case Business Case model. These have included a review of the project to define a Regional Transport Co-ordination Centre and a separate project to rebuild University Rail Station as a precursor to the location being used as a venue for the 2022 Commonwealth Games.
6. Of the remaining reviews, three considered projects which are in excess of the £5m threshold normally applied to minor projects. These were UK Connected Autonomous Vehicles (for which a Health Check review was undertaken), Real Time Information upgrade and Perry Barr Station (where formal assurance reviews at Gateway -3, Problem/Opportunity Statement were undertaken in line with process).
7. It is recognised that WMCA's Project & Programme portfolio will become more complex and will require working with different delivery partners. Work will need to be initiated with the Programme Management Office to ensure that the project methodology, governance, assurance and appraisal mechanisms are in place and are effective to meet changing organisational requirements.
8. All future reviews will be in line with a revised way of working for Programme Assurance. Assurance reviews will be in line with industry best practice and proportionate to the complexity and risk posed by the project to the WMCA. The detail of this new way of working is being developed and will require a collaborative approach with Programme Management Office to operationalise the change. The revised Programme Assurance Operating Model principles have been endorsed by the Director of Finance and is currently being tested and expect to be launched in January 2019.
9. The TfWM Capital Programme 2018/19 was approved by the WMCA Board on 9th February 2018. Within the programme a total of 3 reviews have been undertaken relating to 'Keeping the Key Route Network Safer', Bradley Lane Park and Ride; and Walsall Bus Station Mid-life refresh. The Transport Delivery Committee (TDC)

undertake an assurance role for the progression of minor work transport capital funded projects/ programmes. A programme delivery progress report is scheduled to be reviewed by TDC in November 2018.

10. From February 2018, the approach of Programme Assurance has changed to become much more holistic for projects that fall into the 'Minor' works category. This means that a greater level of insight is provided for the overall performance of the project. This is down to a change in the way that a project is assessed based on the control document being submitted relative to the overall project life-cycle rather than the control document in isolation, as was the case historically. The impact of results in a more accurate and enriched picture can be seen and shared with the Business. The former approach provided a snapshot at any point in the project life-cycle where the new approach takes into account the overall performance of the project, throughout its life-cycle providing a richer picture / insight for performance.

WMCA Investment Programme Major Project Assurance Summary

11. Programme Assurance arrangements for major projects within the Investment Programme have continued to be undertaken in accordance to the approved WMCA Assurance Framework and project investment process. Technical Appraisal Panel provide initial assurance on submission of business cases for funding for Investment Programme funding.
12. Programme Assurance aim to deliver a best-in-class service that will enable proactive assurance insights that will promote a preventative approach to project, programme and portfolio risks, issues and challenges. As stated above, Programme Assurance team has recently reviewed it's operating model and the will change the way it operates in order to ensure that public funds are being spent responsibly in the development and delivery of projects, programmes and portfolios. The key principles that underpin the way that Programme Assurance will operate include:
 - Impartiality
 - Proactive and evidence based
 - Complexity driven (ensuring that the level of assurance sought is proportionate to the level of risk associated with the Project, Programme or Portfolio)
 - Aligned with industry best practice (and responsive to differing project/programme life-cycle requirements)
13. Covering the period April – October 2018, 8 business cases have been reviewed by Technical Appraisal Panel (TAP) for the Investment Programme. Namely;
 - Coventry UKC+ Coventry City Centre First (SOC) - £600k
 - UKC Infrastructure – Solihull Town Centre Access Improvements (SOC) - £911k
 - UKC Infrastructure A34 Enhancements (SOC) - £782k
 - UKC Infrastructure A452 Enhancements (SOC) - £881k
 - Innovation 5G (SOC) - £250k
 - A45 to Town Centre & UKC Hub Strategy Cycle Link (FBC) - £2m
 - Coventry UKC+ A46 Link Road p1 (FBC) - £6.6m

- Coventry UKC+ Coventry City Centre First (FBC) - £61m

14. 6 change requests were received in Investment Programme in this period:
 - a. Approved: 1
 - b. Withdrawn: 2
 - c. Pending: 3
15. The change request approved within this period for the Investment Programme was in relation to the WMCA New Stations Programme, change approval request value is £1.3m and was approved by Investment Board with assurance provided by the Technical Appraisal Panel.

WMCA Investment Programme – Programme Prioritisation Exercise

16. In relation to the Investment Programme funding gap, the challenge of £200m remains. A number of strategies are being developed in partnership with Senior Leadership Team and Investment Board along with Chief Executives and Leaders of Local Authorities. Strategy owners have been identified and have been tasked with developing a solution by March 2019. The Investment Board with the Director of Finance are continuing to take a lead on this and assurances are being provided by the Finance team and Programme Management Office to support the decision making process.

WMCA Investment Programme – Appointed Resources

17. The resources supporting the Investment Programme have been further strengthened with the appointments of Head of Strategic Programme Delivery, 2 Programme Officers, Programme Benefits Manager and Programme Risk Manager. An independent Major Programme Assurance Specialist consultancy has been appointed in the Corporate Assurance Team.

WMCA Investment Programme – Programme Activity

18. The Programme Management Office Risk Manager is developing the Investment Programme risk management processes. An Investment Programme Risk Register has now been implemented. The revised mechanism will be developed to interface with the strategic and corporate risk management processes.
19. The most significant risks highlighted on the Investment Programme Risk Register are in relation to funding sources and funding gaps in the programme. These risks have remained steady since their last review and have allocated leads for mitigation plans.
20. New high risks have been added in relation to monitoring and evaluation and SQW gainshare review. Assurance on the SQW Gainshare work has been received. Through discussions with WMCA and SQW, the scope of the review is being determined together. Performance reporting for interventions in scope proposed and will start in November 2018. This will allow WMCA to receive internal assurance confidence on the current performance of these projects.

Business Assurance

WMCA Business Continuity & Resilience:

21. In September 2018, the 16 Summer Corporate On Call arrangements were launched with a new Silver and Gold Command On Call. This helped to strengthen the arrangements that were in place to support Transport On Call. An internal audit has been initiated to review the arrangements in place for both teams. This will be presented to the next ARAC in January 2019. No significant business continuity arrangements have been initiated during this reporting period that resulted in a full incident management team being established.

Risk Management:

22. Regular risk management review meetings are now in place across all WMCA activities including Commissions to enable full visibility of key risks having the potential to impact on the organisation.
23. An extensive review of operational risk registers was initiated with all existing and emerging directorates in September 2018. The Corporate Assurance team supports the development and review cycle of 6 Operational Risk Registers as well as the WMCA Strategic Risk Register.
24. Risk discussions have been facilitated with each of the directorates and operational risk registers have now been established for the new departments. The risk governance arrangements and integration of risk management within performance management arrangement is also being developed
25. A detailed Strategic Risk Report is being presented to the Audit, Risk & Assurance Committee separately for further information.

Internal Audit:

26. For the period April – September 2018, a total of 2 internal audits were undertaken: The audits covered:
 - Asset Management - Satisfactory
 - Health & Safety - Satisfactory
27. 3 audits at the time of producing this assurance report are still in draft form and are awaiting final sign off. Further information is to be provided in the Internal Audit summary at Audit, Risk & Assurance Committee in November 2018.

Arm's Length Companies

28. Work has initiated to review the governance and assurance arrangements for WMCA's relationship with the arm's length companies. There are 4 active live companies that WMCA has a connected relationship with, these being:
 - a. West Midlands Rail

- b. Midland Metro Ltd
- c. West Midlands Growth Company
- d. Capital Development Ltd

29. WMCA have requested assurance and governance information from all the organisations and internal specialist officers from across WMCA will be reviewing the information provided. A joint report from Corporate Assurance Manager, Head of Governance and Head of Finance will be presented to the Audit, Risk & Assurance Committee in January 2019 with the output and considered opinion on whether satisfactory assurance arrangements are in place.

Performance Assurance

Business Plan 2018/19 Progress:

30. The Annual Business Plan 2018/19 commenced in April 2018. The Business Plan for this current year covers the annual priorities for both TfWM and Corporate Services (as the new directorates had not been established at the time this plan was initiated). The Annual Business Plan is monitored monthly by internal Management Boards with key risks impacting on its delivery, being escalated to the corporate risk register.

31. At a midway point review, at the end of September 2018 the reporting confirmed the following trends for mid-level objectives achievement;

- 41% - Green (On track to complete within target date)
- 33% - Amber (On track but at risk)
- 26% - Red (Behind schedule)

32. Development of the 2019/20 Annual Business Plan has been initiated and expected to be finalised and commence in April 2019. The 2019/20 Annual Business Plan will cover all WMCA directorates.

WMCA Transition:

33. Almost all Directors have now been appointed and commenced their roles with WMCA. One last appointment is Director of Communications who will be commencing their role shortly. The new directorates are mobilising with the appointments of their new teams. Significant recruitment drive has taken place for both the Productivity & Skills directorate and Housing & Regeneration. Transport of West Midlands are also expanding to meet the demand of new transport programmes, Metro and Sprint.

34. The WMCA has secured further devolved funding 5G and with the Housing Programme. Adult Education Budget funding will devolve to the WMCA from 1 August 2019. It is expected that the West Midlands Fire Service Governance will transfer to WMCA on 1st April 2019. The WMCA will be held accountable for demonstrating and operating effective systems of internal control, governance and assurance for further devolved funding. Assurance Frameworks and Governance structures are specially being developed for Adult Education Budget and Housing/ Land Remediation. The Assurance requirements will be incorporated into the West Midlands Combined Authority Framework. Internal audit committee arrangements are also being

developed and will be discussed with Audit, Risk & Assurance Committee at appropriate timeframes to engage views.

35. The formal Annual Conversation with the WMCA Chief Executive and the Leadership team with BEIS (Department for Business, Energy and Industrial Strategy) was held in April 2018. The Annual conversation will cover providing assurance to BEIS against progress of devolution actions, strategy, governance and capacity. A positive response was received back from the department for the work that had been undertaken to date.

Conclusion

36. Since the last Assurance Report update, stability has been introduced to the West Midlands Combined Authority with the appointment of the permanent Senior Leadership Team.
37. The West Midlands Combined Authority is going through substantial growth and change. Through discussion at the Senior Leadership Team, it is recognised that the West Midlands Combined Authority has set off on an ambitious programme to deliver devolution and the mayoral priorities. In the next few years there will be increased scrutiny and increased pressure to deliver on a number of high profile commitments.
38. It is an assuring sign that with the permanent Senior Leadership Team that are now developing good governance practices by strengthening risk management practices and implementing an organisation-wide performance management framework to cover all directorates. This will allow WMCA to keep a breath with pressures that could impact the successful achievement of wider strategic objectives.