

Draft Annual Governance Statement 2021/2022

Scope of Responsibility

This Annual Governance Statement (AGS) reflects the activities of the Authority for the year ending 31st March 2022 and up to the date of approval of this Statement and the Statement of Accounts.

West Midlands Combined Authority (WMCA) was established on 17th June 2016 by the West Midlands Combined Authority Order 2016 and is made up of seven district councils, constituent and non-constituent members and three Local Enterprise Partnerships (LEPs), observers and a co-opted member.

The Mayor is the Chair of the WMCA and having been re-elected on 10th May 2021, will remain in office until May 2024. The Authority's Constituent member authorities consist of the seven district councils across the region:

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

The non-Constituent members of the Authority are comprised of non-constituent authorities and LEP members:

Non-constituent authorities

- 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

LEP members

- Black Country LEP
- Coventry and Warwickshire LEP
- Greater Birmingham and Solihull LEP

There are four Observers of the Authority. These are:

- Herefordshire Council
- The Marches LEP
- West Midlands Fire and Rescue Authority
- West Midlands Police and Crime Commissioner

There is one member co-opted on to the WMCA Board at the discretion of the WMCA Board. They are:

- Trade Union Congress (TUC)

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The Authority currently has seven active Arm's Length Company relationships, namely;

No.	Company Name	Stake	Accounting Treatment
a.	West Midlands Rail Limited	50%	Associate
b.	West Midlands Development Capital Limited	100%	Subsidiary
c.	Midland Metro Limited	100%	Subsidiary
d.	West Midlands Growth Company Limited	5.3%	Investment
e.	WM5G Limited	100%	Subsidiary
f.	HTO1 LLP	50%	Associate
g.	HTO2 LLP	50%	Associate

For each of the arm's length companies where the Authority owns a 50% or greater share of the organisation, an assurance and governance review is regularly completed to confirm all legal and financial controls have been satisfied.

The Purpose of the Governance Framework

The Authority is responsible for ensuring that business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for and delivers value for money. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

To demonstrate good corporate governance, the Authority carries out its functions in a way that provides accountability, transparency, effectiveness, integrity and inclusivity; enabling the Authority to pursue its vision and secure its agreed objectives in the most effective and efficient manner and in line with the approved Constitution.

In discharging this overall responsibility, the Strategic Leadership Team and Statutory officers are responsible for putting in place proper arrangements (known as a Governance Framework) which comprises the legislative requirements, systems and processes, cultures and values.

This enables the Authority to govern its affairs, facilitate the effective exercise of its functions, which includes arrangements for the management of risk, in addition to exercising leadership and being held accountable for its decisions and activities.

The Authority has put in place a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives; and evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Authority has a strategic risk register, which is regularly reported to and reviewed by Audit, Risk and Assurance Committee (ARAC) and the Senior Leadership Team. A revised Strategic Risk Framework has been developed to provide visibility of risk at strategic, operational, and programme levels and to ensure consistency across Directorates in how risks are identified, managed, monitored and escalated. The aim is for an integrated approach to risk management and processes are being developed alongside the organisation's performance management framework along with training and support to embed this new approach.

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Annual Governance Statement

This Annual Governance Statement meets the requirements of Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015 which requires all relevant public bodies to prepare an annual governance statement and include it within its Statement of Accounts.

It is a document which looks back retrospectively over the past year and identifies where the WMCA has demonstrated good governance and looks forward to areas where focus should be given in relation to governance in the coming year.

The Authority demonstrates compliance with the seven core principles of good governance as set out in the 2016 CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

These seven principles are:

- (a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (b) Ensuring openness and comprehensive stakeholder engagement.
- (c) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- (d) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- (e) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- (f) Managing risks and performance through robust internal control and strong public financial management.
- (g) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

The table below sets out examples of how the Authority has demonstrated compliance with these principles.

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Code of Conduct is laid out in the Constitution and was updated in March 2021 following the issue of a revised model of the Code of Conduct by the Local Government Association (LGA) which incorporates recommendations made by the Committee on Standards in Public Life (CSPL); this defines the standards of behaviour for Members and officers working on behalf of the Authority.

Following consideration by ARAC the revised code was adopted by the WMCA Board on 22nd March 2021. The Interim Director of Law and Governance who is the Monitoring Officer deals with issues of conduct and promotes high standards among officers, Members and the Mayor. ARAC performs the role of Standards Committee.

The WMCA has undertaken to review the governance of its formal decision-making bodies to ensure that these arrangements reflect the evolving role and remit of the WMCA as it develops from the organisation that was established in 2016. The first review to be undertaken has revised and refreshed the decision making in regard to its responsibilities relating to economic growth, culminating in the establishment of a new Economic Growth Board. This was approved by the WMCA Board at its meeting in November 2021. Further governance reviews are due to be undertaken in respect of transport, wellbeing and public service reform responsibilities.

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WMCA is committed to a better connected, more prosperous, fairer, greener and healthier region. This is our vision and will be achieved through living our values which are central to how we work and interact with our wider partners and stakeholders:

Collaborative

- Team Focused – working as part of a team, managing and leading
- Service Driven – customer, resident and partner focused

Driven

- Empowered and Accountable – taking ownership and leading when needed
- Performance Focused – being ambitious and going the extra mile

Inclusive

- One Organisation Mindset – believe in each other's expertise
- Open and Honest Communication – we do what we say we are going to do

Innovative

- Forward Thinking – embrace change and open to new possibilities
- Problem Solving – go for clear and simple wherever possible

The business of the Authority will also be conducted in accordance with the Seven Principles of Public Life identified in The Nolan Committee Report (1995), and defined as Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

2. Ensuring openness and comprehensive stakeholder engagement

We have established channels of communication with the community and other stakeholders, ensuring accountability and encouraging open consultation. All formal meetings are held in public and reports are in the public domain unless there are good reasons for confidentiality in individual cases.

All Committee meetings are held in public (other than in limited circumstances where consideration of confidential information requires the public to be excluded) with agenda and reports being accessible on the WMCA's external website. Following the restrictions imposed by Covid 19, all public meetings are now live streamed with recordings accessible through YouTube on-demand.

The Authority has in place a Publication Scheme proactively publishing information and is designed to make information readily available to the public without the need for specific written requests. Any information not published is available, subject to assessment, under the provisions of the Freedom of Information Act 2000. Details of how to make a request for information are available on our website.

We incorporate good governance arrangements with our partnerships and reflect these in our overall governance arrangements, and assess the effectiveness of relationship frameworks in order to identify any changes required.

Where consultation is required, we adhere to the principles of good consultation of “the Gunning Principles” and a variety of measures are used to seek the views of the public. For example, public consultation will be incorporated into any plans where a change to public transport policy is being considered.

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Overview & Scrutiny Committee has responsibility to ensure that the decisions of the WMCA have taken into account all relevant information, are proportionate to the outcomes desired, and have been made in the best interests of the region. It is able to 'call in' any decision for further scrutiny that it considers may not meet these standards. It also conducts Q&A sessions with the Mayor twice a year, focusing on policy delivery and budget setting. All of its meetings are held in public and streamed online.

3. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Authority ensures the vision and implications for governance arrangement are regularly reviewed including the monitoring of its achievement of intended outcomes from social, economic, environmental and organisational health perspectives through the budget, performance framework, and project delivery process.

The Authority is focussed on delivering value for money and success, and in this respect reviewed by independent auditors in line with the National Audit Office's Code of Audit Practice and Auditor's Guidance Note AGN03. The results of the Value for Money audit work and the key messages arising will be reported in the Audit Findings Report and, in the Auditor's, Annual Report.

Each of these benefit categories are assessed in major project business case submissions. The Authority wants to ensure strategically important projects with high benefits for the region are progressed.

To ensure the purpose and vision of the Authority is clear and well communicated, an Annual Business Plan (ABP) is produced, falling from the WMCA Aims & Objectives, as agreed by WMCA Board in November 2021. The ABP outlines all activity to be undertaken in 2022/23 to deliver against the objectives, and progress is monitored through a number of outcome measures (both High Level Deliverables and profiled milestones) and reported monthly to the Strategic Leadership Team and bi-annually to WMCA Board. The 2022/23 outcome measures were agreed by WMCA Board in February 2022 as part of the Budget report.

The Aims & Objectives were approved by WMCA Board in November 2021 and are outlined below:

- Aim 1: To promote inclusive economic growth in every corner of the region and stimulate the creation of good jobs
- Aim 2: To ensure everyone has the opportunity to benefit as the region recovers from Covid 19, improves resilience and tackles long standing challenges
- Aim 3: To connect our communities by delivering transport and unlocking housing and regeneration.
- Aim 4: To reduce carbon emissions to net zero, enhance the environment and boost climate resilience
- Aim 5: To secure new powers and resources from central government, and demonstrate the strength of our regional partnership
- Aim 6: To develop our organisation and our role as a good regional partner.

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4. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Authority works closely with the relevant Government Departments, local and national stakeholders and constituent and non-constituent authorities to determine the necessary actions to achieve our Aims and objectives.

The Strategic Leadership Team oversees the corporate decision-making process and reports are considered at an appropriate level of the organisation in accordance with the provisions of the Constitution.

Corporate strategic decisions are primarily taken at meetings of the WMCA Board, although Investment Fund decisions up to the value of £20M are delegated to the Investment Board. Other thematic Boards have roles as set out under the Single Assurance Framework (SAF) in terms of overseeing and reviewing project initiation and delivery. This includes reviewing progress of outcomes against delivery plans.

5. Developing the entity's capacity, including the capability of its leadership and the individuals within it

We have defined and documented in our Constitution the roles and responsibilities of the Board, Scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. As the Authority develops, we are reviewing our governance arrangements and the Constitution to ensure they remain fit for purpose in a growing organisation. A scheme of delegation is laid out in the Constitution. In July 2020 the WMCA Board approved the revised Single Assurance Framework which has also been signed off by MHCLG.

The collective and individual roles and responsibilities of the Strategic Leadership Team has been reviewed following the recent appointment of the Chief Executive to support our ambition to become an agile, and high performing workforce, our approach to performance has been refreshed in line with our Re-set and Re-build programme.

Our new Performance Management and Monitoring & Evaluation Frameworks, together with a new performance reporting solution using Power Bi dashboards, provide a foundation for the journey towards data-driven and evidence-based decision making. This improves the visibility and transparency of reporting as a 'single version of the truth' and together with the introduction of a more dynamic business planning process enables regular conversations about the activity to be delivered and the resources, both financial and people required to achieve this. Our behavioural framework will be fundamental to our performance framework and will align to our goals – ensuring a 'golden thread' between the aims and objectives down to individual performance management goals enabling every one of our people to see their contribution to the vision. This will facilitate how we develop a culture that supports us all to be diverse, inclusive, innovative and proud to be part of the Authority.

We identify and aim to address the development needs of Members and officers in relation to their roles and support with appropriate induction and training. In addition, statutory training requirements are in place for all officers to ensure our duties under Equalities, Safeguarding and GDPR are met. In 2020/21 a considerable portion of the training budget was spent on the leadership of the organisation. Specifically in 2021/22, ARAC members received Risk Management and Finance training to allow them to understand the newly developed Risk Management Framework, financial accounts, financial reporting arrangements and the Authority's Treasury Management Strategy and practices.

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Each year, after the local elections have been held, the WMCA provides an 'induction day' for newly elected members to provide an introduction to the WMCA, its role and remit, how it operates, and the role of elected members who are attending its boards and committees. This induction also provides further details on the key corporate strategies of the WMCA, along with its current Annual Business Plan.

6. Managing risks and performance through robust internal control and strong public financial management

The Strategic Risk Management Framework (SRMF) was approved by the WMCA Strategic Leadership Team in November 2021. The Framework provides clear standards of risk management, including the governance of risk within the organisation; specifying risk management accountabilities; and documenting the key responsibilities of different groups of employees (the Lines of Defence). All of which we are now using to embed risk management into the culture of the organisation. The aim being that clear and consistent risk management across the lines of defence, will improve the WMCA's ability to operate within the risk appetite set by the Strategic Leadership Team for the six recognised risk categories.

The Authority ensures compliance with relevant laws and regulations, internal policies and procedures. We are rigorous and transparent about decision making and the recording of decisions. The Overview and Scrutiny Committee reviews and challenges the work and decisions of the Authority with policy review and development.

ARAC is independent of the executive and scrutiny function; it has an independent, external Chair. They monitor and review risk and governance processes, in order to provide assurance to the WMCA Board on the effectiveness of these arrangements. Appropriate controls are in place for arms-length companies and as good practice external auditors have been appointed for West Midlands Rail Limited, Midland Metro Limited, WM5G Limited, West Midlands Development Capital Limited, HT01 LLP and HT02 LLP.

Internal Audit provides the 'third line of defence' with the first line being policies, procedures and controls, and the second being managers' own checks of the control environment, along with independent Risk Management and Programme Assurance activities undertaken as part of the Single Assurance Framework. Professional advice and good quality information is provided to ensure those making decisions are provided with relevant information that is fit for purpose.

The Single Assurance Framework was approved by WMCA Board in July 2020. This enhanced the previous document ensuring a consistent and proportionate approach to initiation, development and approval of projects and programmes with robust processes. This supports good governance with enhanced assurance tools and appraisal of projects, including identification of risks and issues of the project and the investment and how they are managed, reviewed, and escalated. The new assurance framework has been expanded to include assurance requirements for the new and proposed devolution deals, was approved by DfT, Department for Education (DfE) and MHCLG and is aligned to the National Single Pot Assurance Guidance.

Implementation of the Single Assurance Framework has been supplemented by the introduction of the reviewed governance arrangements to support Investment Programme decision making in the form of an Investment Panel and Investment Board. There are clear Terms of Reference for these groups and training has been provided to the members of these groups to support the undertaking of their roles and to understand the risks around these proposals. The introduction of the Assurance Toolkit and Risk & Investment Appraisal

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process review of project business cases through the Single Assurance Framework systematically seeks confidence and evidence for potential risks.

In 2021 the majority of the Authority's audits of its Key Financial Systems received a 'substantial' internal audit rating.

7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Authority has begun implementation of the WMCA Assurance Framework which was approved by MHCLG (previously Department of Communities and Local Government (DCLG)) in July 2020.

We continue to maintain close links with all relevant Government Departments and have regular conversations regarding issues including funding, delivery and devolution objectives.

The Authority has a monitoring officer who sits on both the Senior Leadership Team and attends the WMCA Board meetings to ensure all of our activity is legal. Our high level of Governance standards includes the publishing of agendas, minutes and reports in the public domain and only limited use of confidential reporting. The 2021/22 internal audit plan was approved at ARAC's March 2021 meeting.

A checklist has been implemented for the arm's length companies of the Authority to ascertain confidence in governance and assurance arrangements. This action came out of the ARAC, to develop a checklist of questions that would provide a consistent mechanism of assurance to the Committee that could provide overall assurance on all the Authority's activities. All relationships are reviewed at least once per year.

A Whistleblowing Policy and procedure is in place, last reviewed in May 2021. The Policy is intended to encourage and enable employees and stakeholders to raise serious concerns about any wrongdoing considered to be in the public interest, with the ability for confidential and anonymous reporting of claims to be made through the WMCA website.

Any issues raised are considered by the Monitoring Officer in conjunction with Internal Audit, the Finance Director and Chair of ARAC to determine the progression of claims.

Annual Review of Effectiveness of Governance Framework

The Opinion of the Interim Director of Law and Governance 2021/2022

CIPFA (The Chartered Institute of Public Finance & Accountancy) defines the role of Governance and the Chief Financial Officer as follows:

- Governance is defined as "The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an economical, effective, efficient and ethical manner" and;
- The Chief Financial Officer is "The organisation's most senior executive role charged with leading and directing financial strategy and operations."

These statements have been confirmed and agreed by the Interim Director of Law and Governance and the Executive Finance Director respectively.

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The Interim Director of Law and Governance is satisfied that the system of internal assurance is robust and provides visibility of risk and reasonable assurance to the Strategic Leadership Team.

The opinion is based on the results of an on-going programme of activities and review, the outcomes of which were considered by ARAC. Activities include:

- a) External audit
- b) Internal audit
- c) The Risk Management Process, particularly the Strategic Risk Register
- d) Performance information
- e) Programme Appraisal and Assurance

During 2021/22, the outcome of the audit of Key Financial systems resulted in Substantial ratings for all systems aside from Accounts Payable which was rated Satisfactory. All audit recommendations for Accounts Payable have been accepted and will be resolved by June 2022. A wide range of audits have been undertaken by the Internal Audit service (provided by City of Wolverhampton Council) throughout the year with the outcome of each being awarded either Substantial or Satisfactory audit ratings, with only one exception of a limited assurance report regarding the Longbridge Park and Ride income management and charging arrangements, and all audit recommendations being accepted by users. The monitoring of progress on delivery of audit actions has been introduced by ARAC in 21/22 to support delivery within the expected timeframe. This demonstrates the continued effectiveness of systems and processes supporting Audit, Risk and Governance.

Since March 2021, the scope of the Single Assurance Framework (SAF) Implementation Project was expanded to ensure all WMCA Project Portfolios were aligned to SAF. This objective has substantially been met meeting the directive from the WMCA Statutory Officers. There has been considerable increase in the number of business cases and change requests developed from Investment Programme and other Project Portfolios demonstrating increased project controls and standard processes are being deployed across WMCA. Regular updates on progress with an evidence base insight information has been shared with the Strategic Leadership Team and ARAC throughout 2021/22.

Progress of the 2021/22 High Level Deliverables was monitored on a monthly basis by the Strategic Leadership Team by exception reporting and against identification of key risks that could impact on delivery. In addition, performance was reported to WMCA Board mid-year and an outturn report.

Operational Risk Registers are in place within directorates and review meetings take place across all the Authority's activities enabling full visibility of key risks with the potential to impact on the organisation. The Strategic Risk Management Framework includes an escalation process that allows for risks to be escalated, ultimately to the WMCA Strategic Risk Register. Regular meetings are in place with the management team of each business area to monitor the status of risks and to ascertain the level of risk exposure in each of these areas to determine the assurance conclusions. Additionally, the Strategic Risk Register is reviewed by Strategic Leadership Team on a quarterly basis. Risk Management, Performance Management and Business Planning activity is being brought together to provide a strong evidence base to substantiate the risk assumptions and improve decision making.

In accordance with the recently ratified Digital and Data Strategy, the organisation has adopted cabinet office levels of protective security. These mandated standards will allow for increasing maturity across the business by adherence to articulated mandates and best practice advice and guidance. Any non-conformity constitutes risk and can then be managed appropriately.

The last two years has seen an unprecedented challenge in the shape of the COVID-19 pandemic. This has affected every area of life in the UK and clearly these issues have affected the Authority as with others. Through agile working and the implementation of our corporate resilience arrangements we have been able to continue to manage workloads and delivery. We have worked

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with public transport providers to ensure that appropriate measures are in place to safeguard the public. We have taken a key role in regional response and recovery arrangements and are leading work to ensure that the economic recovery of the West Midlands is put on a secure footing. Through the use of remote meeting technology, we were able to ensure the continuation of political meetings and decision-making and controls have remained robust.

The Authority has set itself a demanding programme of work and is ambitious for itself and the benefits that it hopes to bring to the region. It has been successful in negotiations for a second Devolution Deal and has recruited an able team of experienced professionals to form the leadership team. There is significant pressure on resources however, particularly in matching staff resources to the tasks in hand and this is being carefully monitored by the Authority and a plan in place to mitigate these pressures accordingly.

This Annual Governance Statement identifies that WMCA has effective arrangements in place; however, the organisation realises the need to monitor its governance arrangements on an ongoing basis given the ever-changing environment within which it operates, and due to the organisation continuing to evolve. Whilst the organisation has not identified any significant Governance issues, a number of areas for development have been outlined within the table below and appropriate action is being taken to ensure these do not transpire into anything of significance.

Area	Action to be taken
Governance arrangements between Midland Metro and WMCA	An independent review of the governance arrangements between both parties is currently in progress with the outcome and recommendations to be considered and implemented as appropriate.
Safeguarding arrangements	WMCA's safeguarding policy to be reviewed to ensure it continues to meet our obligations and ensures the safety of all young persons engaged with the organisation.
Single Assurance Framework (SAF)	A periodic re-assessment and update of the Single Assurance Framework to be undertaken ensuring it continues to meet all legislative requirements including the introduction of Assurance arrangements for Adult Education services.
Corporate Aims and Objectives	Continued embedding of the performance management arrangements, providing management with reporting arrangements to demonstrate its achievement in delivering the Corporate Aims and Annual Business Plan.
Governance review	Recommendations arising from the Governance review undertaken in 21/22 will be implemented as set out in the associated report including the; <ul style="list-style-type: none"> • Rationalisation of decision-making and advisory bodies within service areas • Refinement of reporting and engagement processes • Engagement with Constituent and non-Constituent members • Review of arrangements for Member Allowances
Freedom of Information / GDPR	Review to be undertaken of our data protection and security policies.

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Conclusion

In undertaking the review of internal control and governance framework, the Authority is satisfied the systems of internal control that facilitate the effective exercise of the organisation's functions are in place and that all issues raised through the Audit, Risk and Assurance Committee have been appropriately addressed and actions have been assigned an appropriate owner.

On behalf of the West Midlands Combined Authority

Andy Street
Mayor and Chair of the West Midlands Combined Authority
Date:

Laura Shoaf
Chief Executive
Date: