

A meeting of the
WECA Audit Committee

will be held on

Date: Thursday, 27 February 2020
Time: 10.30 am
Place: Board Room, 3 Rivergate BS1 6EW

Notice of this meeting is given to members of the West of England Audit Committee as follows

Cllr Geoff Gollop, Bristol City Council
Cllr Tom Davies, Bath and North East Somerset Council
Cllr Andy Wait, Bath and North East Somerset Council
Cllr Tim Kent, Bristol City Council
Cllr Mark Bradshaw, Bristol City Council
Cllr Cleo Lake, Bristol City Council
Cllr Brenda Massey, Bristol City Council
Cllr Donald Alexander, Bristol City Council
Cllr John Ashe, South Gloucestershire Council
Cllr John O'Neill, South Gloucestershire Council
Cllr Brenda Langley, South Gloucestershire Council

Enquiries to:

Tim Milgate
West of England Combined Authority Office
Rivergate 3
Temple Way
Bristol, BS1 6ER
Email: democratic.services@westofengland-ca.gov.uk
Tel: 0117 456 6982

West of England Combined Authority Committee Agenda

YOU HAVE THE RIGHT TO:-

- Attend all WECA, Committee and Sub-Committee meetings unless the business to be dealt with would disclose 'confidential' or 'exempt' information.
- Inspect agendas and public reports five days before the date of the meeting
- Inspect agendas, reports and minutes of the WECA and all WECA Committees and Sub-Committees for up to six years following a meeting.
- Inspect background papers used to prepare public reports for a period public reports for a period of up to four years from the date of the meeting. (A list of background papers to a report is given at the end of each report.) A background paper is a document on which the officer has relied in writing the report.
- Have access to the public register of names, addresses and wards of all Councillors sitting on WECA, Committees and Sub-Committees with details of the membership of all Committees and Sub-Committees.
- Have a reasonable number of copies of agendas and reports (relating to items to be considered in public) made available to the public attending meetings of WECA, Committees and Sub-Committees
- Have access to a list setting out the decisions making powers the WECA has delegated to their officers and the title of those officers.
- Copy any of the documents mentioned above to which you have a right of access. There is a charge of 15p for each side of A4, subject to a minimum charge of £4.
- For further information about this agenda or how the Council works please contact Democratic Services, telephone 0117 42 86210 or e-mail: democratic.services@westofengland-ca.gov.uk

OTHER LANGUAGES AND FORMATS

**This information can be made available in other languages, in large print, braille or on audio tape.
Please phone 0117 42 86210**

Guidance for press and public attending this meeting

The Openness of Local Government Bodies Regulations 2014 mean that any member of the public or press attending this meeting may take photographs, film or audio record proceedings and may report on the meeting including by use of social media (oral commentary is not permitted during the meeting as it would be disruptive). This will apply to the whole of the meeting except where there are confidential or exempt items, which may need to be considered in the absence of the press or public.

If you intend to film or audio record this meeting please contact the Democratic Services Officer named on the front of the agenda papers beforehand, so that all necessary arrangements can be made.

Some of our meetings are webcast. By entering the meeting room and using the public seating areas you are consenting to being filmed, photographed or recorded. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

An archived recording of the proceedings will also be available for viewing after the meeting. The Combined Authority may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

To comply with the Data Protection Act 2018, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator.

1. EVACUATION PROCEDURE

In the event of a fire, please await direction from the West of England Combined Authority staff who will help assist with the evacuation. Please do not return to the building until instructed to do so by the fire warden(s).

2. APOLOGIES FOR ABSENCE

To receive apologies for absence from Members.

3. DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011

Members who consider that they have an interest to declare are asked to: a) State the item number in which they have an interest, b) The nature of the interest, c) Whether the interest is a disclosable pecuniary interest, non-disclosable pecuniary interest or non-pecuniary interest. Any Member who is unsure about the above should seek advice from the Monitoring Officer prior to the meeting in order to expedite matters at the meeting itself.

4. MINUTES

5 - 8

To consider and approve the minutes from 16 October 2019 of the West of England Combined Authority Audit Committee.

5. ITEMS FROM THE PUBLIC

Members of the public can speak for up to 3 minutes each. The total time for this session is 30 minutes so speaking time will be reduced if more than 10 people wish to speak.

*If you wish to present a petition or make a statement and speak at the meeting, you are required to give notice of your intention by noon on the working day before the meeting by e-mail to democratic.services@westofengland-ca.gov.uk. For this meeting, this means that your submission must be received in this office by **12noon on Wednesday 26 February 2020***

*If you wish to ask a question at the meeting, you are required to submit the question in writing to democratic.services@westofengland-ca.gov.uk no later than 3 working days before the meeting. For this meeting, this means that your question(s) must be received in this office by **5pm on Friday 21 February 2020**.*

6. PETITIONS

Any member of the public in the West of England Combined Authority may present a petition at a West of England Combined Authority Audit Meeting.

7. CHANGES MADE TO THE 2018/19 STATEMENT OF ACCOUNTS

9 - 14

To inform the committee of a few minor narrative changes that have been made to the published Statement of Accounts for the 2018/19 financial year.

8. GRANT THORNTON ANNUAL AUDIT LETTER FOR YEAR ENDING 31 MARCH 2019

15 - 34

The Annual Audit Letter summarises the key findings arising from the external audit work that Grant Thornton has carried out at the West of England Combined Authority for the year ended 31 March 2019

9. EXTERNAL AUDIT PLAN FOR YEAR ENDING 31 MARCH 2020

35 - 62

To approve the (Grant Thornton) External Audit Plan for year ended 31 March 2020.

10. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE	63 - 80
<i>To note the (Grant Thornton) external audit progress report and sector update.</i>	
11. AUDIT PLAN CONSULTATION - 2020/21	81 - 96
<i>This report updates the Audit Committee on the methodology used to create the Internal Audit Plan, asks it to support an increase in the level of coverage along with any comments on areas or themes they would like to be considered within the plan for 2020/21.</i>	
12. TREASURY MANAGEMENT STRATEGY 2020/21 AND UPDATE ON CURRENT PERFORMANCE	97 - 118
<i>To note the WECA Treasury Management Strategy for 2020/21 and update on the current investment portfolio and performance.</i>	
13. RISK MANAGEMENT UPDATE	119 - 142
<i>This is the annual update to Audit Committee on WECA's approach to risk management</i>	
14. WECA MONITORING & EVALUATION FRAMEWORK 2020	143 - 208
<i>To provide an updated WECA Monitoring & Evaluation Framework for Audit Committee approval.</i>	
15. WOE LOCAL GROWTH ASSURANCE FRAMEWORK	209 - 256
<i>To review, and note, the West of England Local Growth Assurance Framework (as detailed in Appendix 1).</i>	

Next meeting: To Be Arranged

Agenda Item 4

West of England Combined Authority WECA Audit Committee

Wednesday, 16 October 2019, 10am

The Boardroom, WECA Offices, 3 Rivergate, Temple Quay, Bristol, BS1 6EW

Present:

Cllr Geoff Gollop (Chair), Bristol City Council
Cllr Andy Wait, Bath and North East Somerset
Council
Cllr Tim Kent, Bristol City Council
Cllr Mark Bradshaw, Bristol City Council
Cllr Brenda Massey, Bristol City Council

Cllr Donald Alexander, Bristol City Council
Cllr John Ashe, South Gloucestershire Council
Cllr John O'Neill, South Gloucestershire Council
Cllr Brenda Langley, South Gloucestershire
Council

Officers In Attendance:

Malcolm Coe, Director of Investment and
Corporate Services

Selonge Russell, Head of Finance
Tim Milgate, Democratic Services Officer

Also in Attendance:

Jeff Wring, Audit West (Internal Audit)
Barrie Morris, Grant Thornton (External Audit)
Michelle Burge, Grant Thornton (External Audit)

Apologies:

Cllr Tom Davies, Bath and North East Somerset
Council

Minutes

1	EVACUATION PROCEDURE The evacuation procedure was set out.
2	APOLOGIES FOR ABSENCE An apology for absence was received from Cllr Tom Davies.
3	DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011 There were no declarations of interest declared under the Localism Act 2011.
4	MINUTES OF THE LAST MEETING The minutes of the meeting held on 31 July 2019 were agreed as a correct record and signed by the Chair.
5	ITEMS FROM THE PUBLIC No items from the public had been received.
6	PETITIONS No petitions had been received from any member of the committee.

7

STATUTORY ACCOUNTS 2018/19

The Director of Investment and Corporate Services introduced a report which presented the West of England Combined Authority (WECA) Annual Statement of Accounts for 2018-19 for their review and approval.

The report stated that the audit of the accounts by the Authority's external auditors, Grant Thornton, had initially been planned for July 2019. However, due to the incompleteness of information within the financial statements, the full audit was delayed until September 2019. The WECA Audit Committee had considered an initial draft of the External Auditor's report on audit findings (ISA 260 report) at its meeting on 31 July 2019. This draft had now been updated and had been appended to the report.

WECA would continue to review the lessons learnt from the 2018/19 accounts closedown process and implement various improvements over the coming months. A high-level action plan itemising planned improvements whilst giving consideration to the external auditor findings, was set out in Appendix 4. One of the actions referred to WECA's transition to a new provider for ICT services with an implementation plan, detailing key milestones, set out in Appendix 5.

The following were appended:

- Appendix 1 – Grant Thornton (ISA 260) Audit Findings Report;
- Appendix 2 – Statement of Accounts for Year Ended 31 March 2019;
- Appendix 3 – Letter of Representation;
- Appendix 4 – WECA Statement of Accounts high level improvement plan;
- Appendix 5 – WECA ICT implementation plan.

Barrie Morris and Michelle Burge, Grant Thornton (External Auditors) gave a detailed assessment of the Audit Findings. Changes to the report since the last meeting on 31 July 2019 were highlighted in red. The following points were raised:

- A question was raised regarding the formalisation of SMART objectives. In response it was stated that these would be developed by the end of 2019 and be included in the budget papers for next year;
- The Committee requested that work on the Medium Term Financial Plan be progressed and a regular update be brought to the Committee on progress.
- The WECA Assurance Framework would be considered at a future Audit Committee meeting;
- Members stated that they would like a future briefing session/workshop on the presentation of the statement of accounts as parts of the document were very technical in its language. It was noted that PWC had written the Statement of Accounts this time but from next year WECA would be the author so some parts could be redesigned. Barrie Morris stated that there was currently a government review into the layout of public sector authority accounts and representations had been made about the accounting requirements to CIPFA. The Chair stated that he was happy to make similar representations on behalf of the Audit Committee. He would speak to Malcolm Coe regarding the wording of a letter that would be circulated to Committee members for approval;
- Variances in the mayoral budget fund were due to the timings of projects and the financial year they were being reported in the accounts;
- A query was raised regarding the transfer of £2.6m into reserves. The specific breakdown is detailed in Note 23, (page 75), of the Accounts;

- A discussion took place regarding the setting of the Audit Fees as detailed in Appendix D. An additional fee of £17,000 had been included which took into account the extra work caused by the delay with information being provided alongside the low initial audit fees that have been set across all Combined Authorities. Members felt that the fees had been set too low and this was a necessary consequence of the regulators increasing expectations on the auditors. It was asked that regular updates be brought to the Committee on any likely pressures or delays that may affect the Audit Fees going forward.

The Letter of Representation, having been approved, was signed by the Chair and by the Director of Investment and Corporate Services on behalf of the Committee.

The WECA Audit Committee also considered the 2018/19 Statement of Accounts – Improvement Plan (October 2019). It was reported that the Combined Authority was moving to a new “Agresso” IT system to reduce over-reliance on manual processes and transactions. The Committee asked that an update be provided on the new system as soon as possible so that any teething problems could be identified early.

Agreed:

(1) That the content of the External Auditor ISA 260 Audit Findings report be noted;

(2) That approval be given to the West of England Combined Authority Annual Statement of Accounts for 2018-19;

(3) That further updates be brought to the Committee on the various issues raised as set out above;

Monday, 25 November 2019, 10.00 am, TBC

This page is intentionally left blank



ITEM: 7

REPORT TO: AUDIT COMMITTEE

DATE: 27 FEBRUARY 2020

REPORT TITLE: CHANGES MADE TO THE 2018/19 STATEMENT OF ACCOUNTS

DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

AUTHOR: SELONGE RUSSELL, HEAD OF FINANCE AND PROCUREMENT

Purpose of Report

- 1 To inform the committee of a few minor narrative changes that have been made to the published Statement of Accounts for the 2018/19 financial year.

Recommendation

- To note a small number of narrative changes to the 2018/19 Statement of Accounts, (detailed in Appendix 1), as approved by the Chair of the Audit Committee.

Background / Issues for Consideration

- 2 The 2018/19 draft Statement of Accounts were published on the WECA website by the required statutory deadline of 31 May 2019. The audit committee initially considered these accounts on 31 July 2019 before providing final approval on 16 October 2019.
 - 2.1 Upon final reading of the narrative, a few minor changes were made to the text, subsequent to 16 October, as approved by the Chair of the audit committee. For completeness, these changes are detailed in Appendix 1.

Consultation

- 3 The WECA draft statement of accounts were published on the authority's website on 31 May 2019 and made available for public inspection as required under the Accounts and Audit Regulations (England) 2015.
 - 3.1 The Chair of the audit committee has been kept fully informed of any proposed changes to the accounts and has approved all changes within the final published version.

- 3.2 Regular dialogue continues to take place between the Director for Investment and Corporate Services and the Section 151 Officers from the constituent authorities on all financial issues that impact on the West of England.

Other Options Considered

- 4 The Statement of Accounts are produced in compliance within the required regulatory framework, guidance and policies. As such, no alternative options are considered.

Risk Management/Assessment

- 5 The publication of the Authority's Financial Statements forms a core part of WECA's governance and risk management processes. As required by statute, an Annual Governance Statement has been published and is integrated within the core Statement of Accounts document.
- 5.1 The Authority has been assessed as a viable 'going concern' although future uncertainty on volatile funding streams, such as 100% Business Rate Retention and Mayoral Capacity funding, remains a risk that is kept under regular review.

Public Sector Equality Duties

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 6.1 The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 6.3 The authority's Statement of Accounts can be made available in different formats and / or languages, as required, in order to improve ease of access.

Finance Implications, including economic impact assessment where appropriate:

- 7 The Statement of Accounts reflect the financial accounting position of the Combined Authority as at 31 March 2019 (as required by legislation). Management Accounting reports are published throughout the year evidencing progress, and spend, against the authority's set budget.

Advice given by: Malcolm Coe, Director of Investment and Corporate Services

Legal Implications:

- 8 The publication, and audit, of the Authority's Financial Statements is in accordance with the Accounts and Audit Regulations (England) 2015.

Advice given by: Shahzia Daya, Director of Legal Services

Climate Change Implications

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 This report purely relates to minor changes to the narrative statement within the authority's published accounts and, as such, does not have any direct impact on Climate Change issues.

Appendices:

Appendix 1 – Narrative changes made to the Statement of Accounts post 16 October 2019

Background papers:

WECA Draft Statement of Accounts 2018-19:

<https://www.westofengland-ca.gov.uk/wp-content/uploads/2019/05/WECA-financial-statements-31.3.19-310519-FINAL-Unaudited-V2.pdf>

Statutory Accounts 2018/19 – report to the audit committee on 16 October 2019

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

Amendments made, (post 16 October 2019), to the WECA Statement of Accounts 2018/19

P1	Changed the comparative year on page 1 paragraph 4 on the staff number from 2017 to 2018.
P2	Removed the reference to the Joint Spatial Plan (JSP) in first paragraph under section 1 Infrastructure.
P2	Removed the paragraph that starts 'We will continue to work closely with Government....'
P3	Insertion on last sentence on first paragraph. 'This will help address core employment and skills required per annum...'
P'5	Removed the word 'However' in first paragraph and removed 'at a relatively early stage of' within the same sentence.
P8	Included a footnote to explain the expenses category - The total figure covers a wide range of organisational costs including; staff travel, business mileage, staff expenses conferences, room hire / venue hire, software licences, professional subscriptions and memberships, training and non-recoverable VAT.
P12	Removed the paragraph that starts 'WECA have been granted additional powers to shape public transport policy...' as this is not a new responsibility.
P21	Section 5.7 – added the word 'organisational' next to the word support.
P23	On the box "Engaging comprehensively with institutional stakeholders" – removed the Role of LEP in the last column.
P23	On the box "Engaging with individual citizens and service users effectively" – removed wider process to be devised in the last box.
P26	On the box "Developing the Entity's Capacity" – removed 'Workforce Development Strategy (Draft)' in the last column and added reference to training plan.
P26	On the box "Developing the capability of the entities leadership and other individuals" – removed 'Workforce Development Strategy (in draft)' and removed the word 'draft' after Learning and Development Strategy and Leadership Development Strategy. Added reference to training plan.
P63	CE Salary – updated the date on the previous year salary as per the audited accounts to March 2018 from 1.04.2017 to 01.05.2017.

This page is intentionally left blank



ITEM: 8

REPORT TO: AUDIT COMMITTEE

DATE: 27 FEBRUARY 2020

REPORT TITLE: GRANT THORNTON ANNUAL AUDIT LETTER FOR YEAR ENDING 31 MARCH 2019

DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

AUTHOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

Purpose of Report

- 1 The Annual Audit Letter summarises the key findings arising from the external audit work that Grant Thornton has carried out at the West of England Combined Authority for the year ended 31 March 2019.

Recommendation

- To note the (Grant Thornton) Annual Audit Letter for year ended 31 March 2019.

Background / Issues for Consideration

- 2 Grant Thornton are the appointed external auditors for the WECA. They have carried out their audit in accordance with the National Audit Office's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. The auditor's key responsibilities are to:

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

- 2.1 The Annual Audit Letter is attached as Appendix 1.

Consultation

- 3 The (Grant Thornton) External Audit plan for the year ended 31 March 2019 was presented to, and approved by, the WECA Audit Committee on 21 February 2019.

- 3.1 Findings from the work undertaken by the external auditor are published, alongside the authority's Statement of Accounts, on the WECA website.

Other Options Considered

- 4 Grant Thornton have been appointed as the external auditor for the West of England Combined Authority through an open process governed by Public Sector Audit Appointments (PSAA). Having an independent external audit service is a statutory requirement for the authority.

Risk Management/Assessment

- 5 Internal and external audit set their annual work programmes using a risk-based approach, focusing on areas of materiality and higher risk.
- 5.1 An Annual Governance Statement is published as an integral part of the WECA Statement of Accounts detailing the risk management and assurance framework.
- 5.2 Grant Thornton have detailed their 'significant audit risks', along with the work that they have undertaken and resulting findings, within the Annual Audit Letter.

Public Sector Equality Duties

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 6.1 The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 6.3 The authority's core financial documents are made available in different formats and / or languages, as required, in order to improve ease of access.

Finance Implications, including economic impact assessment where appropriate:

- 7 The annual (external) audit fee is determined through the Public Sector Audit Appointments framework. Additional costs of £17k were incurred by WECA through the 2018/19 audit process. However, these costs have been fully recovered through a corresponding reduction in spend on consultancy support used for the statement of accounts process.

Advice given by: Malcolm Coe, Director of Investment and Corporate Services

Legal Implications:

- 8 The publication, and audit, of the Authority's Financial Statements is in accordance with the Accounts and Audit Regulations (England) 2015.
- 8.1 External audit work has been undertaken in accordance with the National Audit Office's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014.

Advice given by: Shahzia Daya, Director of Legal Services

Climate Change Implications

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 There are no direct climate change implications from the external audit work undertaken in 2018/19.

Appendices:

Appendix 1: (Grant Thornton) Annual Audit Letter for the year ending 31 March 2019.

Background papers:

External Audit Plan for year ending 31 March 2019: Report to audit committee on 21 February 2019

Statutory Accounts 2018/19: Report to the audit committee on 16 October 2019

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.service@westofengland-ca.gov.uk

The Annual Audit Letter for West of England Combined Authority

Page 10
Year ended 31 March 2019
6 November 2019



Contents



Your key Grant Thornton
team members are:

Page 20

Barrie Morris

Key Audit Partner

T: 0117 305 7708

E: barrie.morris@uk.gt.com

Michelle Burge

Manager

T: 0117 305 7886

E: michelle.burge@uk.gt.com

Rob Patterson

In Charge Auditor

T: 0117 305 7767

E: rob.j.patterson@uk.gt.com

Section

	Page
1. Executive Summary	3
2. Audit of the Financial Statements	4
3. Value for Money conclusion	8

Appendices

- A Reports issued and fees
- B Action Plan

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at West of England Combined Authority (the Authority) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Authority and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Authority's Audit Committee as those charged with governance in our Audit Findings Report on 16 October 2019.

Our work

Materiality	We determined materiality for the audit of the Authority's financial statements to be £994,000, which was 2% of the Authority's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Authority's financial statements on 25 October 2019.
Whole of Government Accounts (WGA)	We completed work on the Authority's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Authority on 16 October 2019.
Certificate	We certified that we have completed the audit of the financial statements of West of England Combined Authority in accordance with the requirements of the Code of Audit Practice on 25 October 2019.

Working with the Authority

During the year we have delivered a number of successful outcomes with you:

- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your teams with training on financial statements.

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

Respective responsibilities

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

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

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

Audit of the Financial Statements

Our audit approach

Materiality

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

We determined materiality for the audit of the Authority's financial statements to be £994,000, which is 2% of the Authority's gross revenue expenditure. We used this benchmark as, in our view, users of Authority's financial statements are most interested in where the Authority has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration of £20,000.

We set a lower threshold of £49,000 above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

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

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

We also read the remainder of the financial statements to check it is consistent with our understanding of the Authority.

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

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

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

Audit of the Financial Statements

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of net pension liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£2.6 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuations; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing additional procedures suggested within the report. 	<p>Our audit work has not identified any issues in respect of valuation of pension fund net liability. .</p> <p>The Authority requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was a possible increase in pension liabilities of £99k and an increase in service costs for the 2019/20 year of £20k. A £35k adjustment was also made to reflect the actual investment performance in the financial year of the fund (the original IAS 19 calculation was based on an estimate).</p> <p>The Authority agreed to incorporate the revised actuarial valuation into its 2018-19 financial statements. We assessed the reasonableness of the adjustment and were satisfied that the approach and assumptions used by the actuary in the calculation of the estimate were reasonable.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the main course of business as a significant risk.</p>	<p>We:</p> <ul style="list-style-type: none"> gained an understanding of the accounting estimates, critical judgements applied and decisions made by management and consider their reasonableness evaluated the design effectiveness of management controls over journal entries for appropriateness obtained a full listing of journal entries, identify and tested unusual journal entries for appropriateness and corroboration evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work at the Authority did not identify any issues in respect of management override of control.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Authority's financial statements on 25 October 2019.

Preparation of the financial statements

Our audit work commenced on site during July 2019, draft accounts were published in accordance with the statutory deadline by the 31 May 2019. However, when our audit visit began on the 15 July 2019, we identified that the published primary statements were not finalised. We were unable to agree the accounts to a working trial balance and whilst an updated version of the trial balance was supplied on the 23 July 2019, we identified that there were likely to be further amendments arising. Following regular discussion with officers we agreed to defer the audit until September 2019 when a full set of accounts that both the Authority and accounts preparation team (PWC) had confidence in.

During July and August 2019 the finance team and PWC worked on understanding potential errors within both the debtors, creditors and agency liability note and corresponding impact on the comprehensive income and expenditure statement (CIES) and other disclosures throughout the accounts. A revised statement of accounts and supporting working papers were provided to us on 9 September 2019. Our additional audit work was undertaken in September and October 2019.

We issued our opinion on your 2018/19 Statement of Accounts on 25 October 2019. There were a number of minor changes to the accounts, which were contextual in nature, after the accounts were approved by the Audit Committee, as those charged with governance. This resulted in additional delays to the issue of our audit opinion. Whilst we were satisfied that these changes did not require full reapproval by the Audit Committee, in future we would expect that the accounts are fully reviewed prior to their submission to the Audit Committee for approval.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Authority's Audit Committee on 16 October 2019.

In addition to the key audit risks reported above, we identified adjustments to the financial statements that resulted in a £139k adjustment to the Authority's Total Comprehensive Income and Expenditure Statement and Balance Sheet including a £37k increase in the reported surplus on provision of services. A number of changes were also made to the supporting statements and disclosure notes as a result of the adjustments. We also raised recommendations for management as a result of our audit work that we have asked the Authority's management to address for the next financial year (see appendix B).

Annual Governance Statement and Narrative Report

We are required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines. Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.

Whole of Government Accounts (WGA)

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

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and to raise objections received in relation to the accounts. We have not exercised any of our additional statutory powers or duties.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of West of England Combined Authority in accordance with the requirements of the Code of Audit Practice on 25 October 2019.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Authority in October 2019, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Medium Term Financial Plan (MTFP)</p> <p>The Combined Authority is an evolving organisation taking on more responsibilities as it becomes more established and new opportunities arise. Consequently there are a number of emerging factors which will have an impact on it's financial sustainability and medium term financial plan.</p> <p>We will review the revised MTFP prepared as part of the 2019/20 budget process to assess the clarity of the information provided and the factors used to inform the assumptions that underpin the strategy</p>	<p>As part of our work we have:</p> <p>Reviewed the revised MTFP prepared as part of the 2019/20 budget process to assess the clarity of the information provided and the factors used to inform the assumptions that underpin the strategy</p>	<p>The proposed budget for 2019/20 and MTFP was presented to the West of England Combined Authority Committee in February 2019. This included a four year capital programme of £118 million which includes both approved and proposed capital schemes. At the same meeting approval was provided for a prioritisation process to develop an indicative 20 years financial allocation for capital investment. The mayoral budget also included a 5 year medium term forecast for running costs based on reasonable assumptions in respect of pay and inflation.</p> <p>Due to the uncertainty that surrounds the future funding and timing of responsibilities of the Combined Authority, in February 2018 a narrative MTFP was presented to the West of England Combined Authority Committee which detailed key assumptions and known increases in income and expenditure. This summarised the financial considerations for the next three years and included the sustainability of funding, alignment of investment proposals with the strategic plan and the key financial challenges and opportunities. This was not formally updated within the 2019/20 budget papers although financial considerations in terms of known income and expenditure for the medium term and were included along with known risks.</p> <p>The draft 2018/19 financial statements contain a narrative section in relation to WECA's medium term financial outlook highlighting the potential risks which could affect WECA finances over the short and medium term including the end of the 100% business rate retention pilot, housing capacity funding which has been allocated over three years to 2020/21 and £2m of funding which has only been allocated to 2019/20 to provide programme management and delivery capacity specifically within the Combined Authority.</p> <p>Nationally, a reformed system of Local Government Finance, including 75% Business Rates Retention and a review of Fairer Funding, will be introduced in 2020/21. Unless the Combined Authority is included in some way in that system of financing, the direct capital grants from DfT will need to be re-instated. WECA have developed a four year prioritised Investment Programme to the period 2023, linked to both its Investment Fund and Transforming Cities Fund. Allocations are linked to WECA's strategic objectives and regional priority outcomes and objectives as set out in the WECA operating framework. A report presented to the July 2019 WECA committee meeting approved the allocation of £350m to progress a significant number of projects to the delivery stage. £20m is also set aside to respond to future opportunities and challenges.</p> <p>Conclusion</p> <ul style="list-style-type: none"> • We recognise that WECA is an evolving organisation meaning that there are a number of emerging factors which will have an impact on it's financial sustainability and medium term financial plan. • Now that plans are being developed to prioritise resources and develop detailed projects, WECA should look to formalise a MTFP which reflects known and agreed projects and associated funding streams once they are confirmed. The plan should remain flexible as new opportunities for projects and funding are identified.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Measuring and Monitoring Performance</p> <p>Recognising 2017/18 was the first full year of operation, good progress was made to develop priorities, objectives and tasks from which the performance of the Combined Authority can be measured in future years. The Authority should ensure that it monitors the performance of the Combined Authority through the performance management framework. The performance management framework should ensure that all objectives have measurable metrics, either based on inputs, outputs or outcomes, against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and tax payers.</p>	<p>As part of our work we: Will review progress made in developing and monitoring performance metrics to measure and monitor the performance of the Combined Authority.</p>	<p>The Authority has published an Operating Framework and business plan centred around WECA's objectives. The activities that will be performed to achieve the objectives are set out in detail in the Authority's Annual Report. This provides a summary of key projects and activities delivered during 2018/19 and includes a detailed section on each of the activities included in the 2018/19 business plan, outlining progress made against individual projects. It also includes details of the LEP delivery plan focused on specific metrics for LEP-funded activity including Local Growth Fund, Growth Hub and Invest in Bristol and Bath. The LEP delivery plan references relevant indicators for LEP funded activities including businesses supported, jobs created, funding provided and leveraged.</p> <p>The Authority's Business Plan sets out the activities that WECA will deliver over the 2018-2020 period, including plans to bring further investment into transport, infrastructure to enable more homes, businesses and skills to ensure the West of England is at the forefront of growth and innovation.</p> <p>The 2019/20 business plan was agreed by WECA and the Joint Committee in February 2019. Progress in delivering the business plan is reported quarterly to WECA and Joint Committee.</p> <p>As the Authority's main source of funding, the Investment Fund is the most flexible in terms of timing and availability of both revenue and capital. The process of prioritisation has been more involved and a substantial focus of the fund so far has been on feasibility and business case development work across a number of projects and programmes, it is therefore difficult at this stage to monitor performance through measurable metrics. WECA have recently produced a four year, prioritised investment programme, each approved scheme business case has it's own monitoring and evaluation plans.</p> <p>WECA's overall aim of achieving clean economic growth will require longer term measurement which takes into account the impact of key schemes that are yet to be delivered. WECA has commissioned an economic model which is providing a baseline against which to evaluate longer term progress and which can be used to evaluate the economic impact of potential schemes. A baseline has been developed in a number of areas although some are in the process of being identified.</p> <p>It will be important to be able to provide some robust evidence of outputs both to the public and as part of the first government gateway review scheduled to report in December 2020 on the impact achieved by the Investment Fund.</p> <p>Conclusion</p> <p>Progress has been made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. It is now important that a baseline is formalised and SMART objectives developed against key projects and key metrics against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and taxpayers.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and confirm there were no fees for the provision of non audit services.

Reports issued

Report	Date issued
Audit Plan	February 2019
Audit Findings Report	October 2019
Annual Audit Letter	November 2019

Fees

	Planned £	Actual fees £	2017/18 fees £
Statutory audit	18,634	18,634	24,200
Additional fee*		18,500	
Total fees	18,634	37,134	24,200

*Additional audit fees are subject to confirmation by PSAA.

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £18,634 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Pensions – IAS 19	The Financial Reporting Authority has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	1,500
Additional fees due to delayed information	The scale fee is based on the assumption that a full statement of accounts is available together with appropriate supporting schedules at the commencement of the audit. As identified earlier in this report, this has not been the case for the Authority in 2019-20 and additional audit work has been undertaken to progress the audit within a reasonable timescale and ensure that sufficient evidence has been gained to provide assurance over the accuracy of the figures within the financial statements. This work is above and beyond the expectations set out within the Audit Fee Letter. Consequently, additional audit fees will be levied in respect of this additional work. This has been discussed and agreed with officers.	17,000
Total		18,500

Fee variations are subject to PSAA approval.

A. Reports issued and fees continued

We confirm there were no fees for the provision of non audit services.



Fees for non-audit services

Service	Fees £
Audit related services - None	Nil
Non-Audit related services None	Nil

Page
30




B Action plan

We have identified four recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.



	Assessment	Issue and risk	Recommendations
1	 Red	<ul style="list-style-type: none"> Draft accounts that the Authority or accounts preparation team (PWC) had confidence in was not available from the start of the audit and, consequently, the delivery of the audit was deferred by mutual agreement, to September 2019. This resulted in delays in the progress of the audit. 	<p>The 2019/20 account closedown process should be improved to ensure the draft accounts published by 31 May 2020 are complete and have been subject to review by senior officers.</p> <p>The structure of the General Ledger (Chart of Accounts) should be reviewed to enable the accounts to be prepared directly from the general ledger.</p> <p>Management response</p> <p>We fully recognise this issue. The substantial growth in transactions within the ledger during 2018/19 has also affected the ability to produce the statement of accounts. As a priority both the close down process and the current chart of accounts and mapping to the ledger will be reviewed to ensure the processes going forward are improved and streamlined.</p>
2	 Amber	<ul style="list-style-type: none"> A detailed MTFP has not yet been developed. We recognise that WECA is an evolving organisation meaning that there are a number of emerging factors which will have an impact on its financial sustainability and medium-term financial plan. Plans have been developed to prioritise resources to 2022/23 and detailed projects are developing. 	<p>WECA should look to formalise a MTFP which reflects known and agreed projects and associated funding streams once they are confirmed. The plan should remain flexible as new opportunities for projects and funding are identified.</p> <p>Management response</p> <p>The Investment Fund report to the 19 July 2019 WECA committee details a regional investment programme of £350m up to March 2023. Having finalised this, WECA will revise its future funding assumptions and formalise an MTFP as an integral part of setting the 2020/21 budget (at which point we are expecting more clarity/certainty on future revenue streams)</p>

Page 31

Key




-  High priority – Significant effect on Authority’s control systems or financial environment that requires urgent attention
-  Medium priority – There is some impact on Authority’s control systems or financial environment that requires attention to address in the medium term
-  Low priority – To move the Authority to best practice

B Action plan (continued)

	Assessment	Issue and risk	Recommendations
3	 Amber	<p>Progress has been made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects this has meant that SMART objectives have not yet been developed.</p>	<p>It is now important that a baseline is formalised and SMART objectives developed for key projects and key metrics against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and taxpayers.</p> <p>Management response</p> <p>Each individual project is evaluated and prioritised against defined assessment criteria. Outcomes and metrics are in place at individual project level. In addition, longer term metrics are specified in core strategic documents such as the Local Industrial Strategy. What we now need to develop is SMART objectives and planned outcomes linked to our £350m Investment Programme up to March 2023 – demonstrating the forecasted impact of a combination of projects against each strategic theme. This will be developed by the end of 2019.</p>
4	 Amber	<p>The memorandum of understanding which sets out the operation and allocation of risk for the IBB has not been formally updated to reflect the fact that the West of England Combined Authority is now the accountable body. A 'deed of novation of contract' is currently in the process of being drafted by the Authority's legal department.</p>	<p>The novation of contract between the IBB, the Combined Authority, Bristol City Council and Bath and North East Somerset Council should be finalised to reflect the fact the West of England Combined Authority is now the accountable body.</p> <p>Management response</p> <p>This is currently with our legal team.</p>

Page 32

Key

-  High priority – Significant effect on Authority's control systems or financial environment that requires urgent attention
-  Medium priority – There is some impact on Authority's control systems or financial environment that requires attention to address in the medium term
-  Low priority – To move the Authority to best practice



© 2019 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank



ITEM: 9

REPORT TO: AUDIT COMMITTEE

DATE: 27 FEBRUARY 2020

REPORT TITLE: EXTERNAL AUDIT PLAN FOR YEAR ENDING 31 MARCH 2020

DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

AUTHOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

Purpose of Report

- 1 The External Audit Plan details the key industry and local risks that feed into the planned external audit work that will be undertaken by Grant Thornton for the year ended 31 March 2020.

Recommendation

- To approve the (Grant Thornton) External Audit Plan for year ended 31 March 2020.

Background / Issues for Consideration

- 2 Grant Thornton are the appointed external auditors for the WECA. They carry out their audit work in accordance with the National Audit Office's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. The auditor's key responsibilities are to:

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

- 2.1 The External Audit Plan is attached as Appendix 1.

Consultation

- 3 The (Grant Thornton) External Audit plan for the year ended 31 March 2019 was presented to, and approved by, the WECA Audit Committee on 21 February 2019.

- 3.1 Findings from the work undertaken by the external auditor are published, alongside the authority's Statement of Accounts, on the WECA website following reports to the audit committee on 31 July 2019 and 16 October 2019.
- 3.2 This report enables the committee to consider, and comment on, the planned external audit work for the current financial year.

Other Options Considered

- 4 Grant Thornton have been appointed as the external auditor for the West of England Combined Authority through an open process governed by Public Sector Audit Appointments (PSAA). Having an independent external audit service is a statutory requirement for the authority.

Risk Management/Assessment

- 5 Internal and external audit set their annual work programmes using a risk-based approach, focusing on areas of materiality and higher risk.
 - 5.1 An Annual Governance Statement is published as an integral part of the WECA Statement of Accounts detailing the risk management and assurance framework.
 - 5.2 Grant Thornton detail their 'significant audit risks', 'reason for risk identification' and proposed work that they plan to undertake, within the Audit Plan for year ending 31 March 2020.

Public Sector Equality Duties

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 6.1 The Act explains that having due regard for advancing equality involves:
 - Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

- 6.3 The authority's core financial documents are made available in different formats and / or languages, as required, in order to improve ease of access.

Finance Implications, including economic impact assessment where appropriate:

- 7 The annual (external) audit fee is determined through the Public Sector Audit Appointments framework. Additional costs of £17k were incurred by WECA through the 2018/19 audit process. However, these costs were fully recovered by a corresponding reduction in spend on consultancy support used for the statement of accounts process.
- 7.1 The proposed fee of £30,384 reflects the growing complexity of WECA's financial operations alongside a national upward trend in auditing standards and coverage. This fee represents a significant reduction on the total external audit costs of £37,134 incurred through the 2018/19 audit process.

Advice given by: Malcolm Coe, Director of Investment and Corporate Services

Legal Implications:

- 8 The publication, and audit, of the Authority's Financial Statements is in accordance with the Accounts and Audit Regulations (England) 2015.
- 8.1 External audit work is undertaken in accordance with the National Audit Office's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014.

Advice given by: Shahzia Daya, Director of Legal Services

Climate Change Implications

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

9.1 There are no direct climate change implications from the proposed external audit work to be undertaken in 2019/20.

Appendices:

Appendix 1: (Grant Thornton) External Audit Plan for the year ending 31 March 2020.

Background papers:

External Audit Plan for year ending 31 March 2019: Report to audit committee on 21 February 2019

Statutory Accounts 2018/19: Report to the audit committee on 16 October 2019

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.service@westofengland-ca.gov.uk



External Audit Plan

Year ending 31 March 2020

West of England Combined Authority
3 February 2020

Page 39



Contents



Your key Grant Thornton
team members are:

Page 40

Barrie Morris

Key Audit Partner

T: 0117 305 7708

E: barrie.morris@uk.gt.com

Michelle Burge

Manager

T: 0117 305 7886

E: michelle.burge@uk.gt.com

Liam Royle

Assistant Manager

T: 0117 305 7687

E: liam.c.royle@uk.gt.com

Section	Page
1. Introduction & headlines	3
2. Key matters impacting our audit	4
3. Significant risks	5
4. Other risks identified	7
5. Other matters	8
6. Materiality	9
8. Value for Money arrangements	10
9. Audit logistics & team	11
10. Audit fees	12
11. Independence & non-audit services	14
Appendix	
A. Audit quality – national context	16

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the West of England Combined Authority ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the West of England Combined Authority. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

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

Significant risks

Page 41

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.50m (PY £994k) for the Authority, which equates to 1.5% (PY 2%) of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £79k (PY £49k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Development of detailed Medium Term Financial Plan (MTFP) to support the Combined Authority's strategic objectives
- Development of performance management framework against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and tax payers.

Audit logistics

Our interim visit will take place in March and our final visit will take place in August and September 2020. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £30,384 (PY: £37,134 (subject to PSAA approval)) for the Authority, subject to the Authority meeting our requirements set out on page 12 and PSAA approval.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

2. Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand. For the West of England Combined Authority discussions are ongoing with the Treasury in relation to future funding. The medium term financial plan will be updated and more detail included as part of the 2020/21 budget process.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty (update as appropriate). The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, funding, it's longer term strategy and on its support for local people and businesses.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

Change in payroll system

The Combined Authority migrated to Agilisys payroll system (via North Somerset Council) in November 2019.

Implementation of IFRS 16 Leases

The public sector will implement this standard from 1 April 2020. Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments. In accordance with IAS 8 and the CIPFA/LASAAC code of practice on local authority accounting, disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements.

Our response

We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.

Due to delays and challenges in producing accurate financial statements with adequate supporting schedules and working papers experienced in the 2018/19 accounts preparation and audit process, we recommended that the accounts closedown process should be improved and structure of general ledger reviewed. We will consider the Authority's progress against this previously agreed recommendation

During the course of the 2018/19 audit, we also made recommendations in respect of a formalised MTFP, the need for SMART objectives and outcomes linked to the £350m Investment and to finalise the 'deed of novation of contract' in respect of the IBB. We will consider the Authority's progress against these previously agreed recommendations.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Investment and Corporate Services and is subject to PSAA agreement.

We identified a audit risk relating to the data migration to the new payroll system – see page 7

We will review the process over the data migration and ensure the data transfer is complete and accurate.

We will assess the adequacy of your disclosure about the financial impact of implementing IFRS 16 – Leases from 1 April 2020. See page 7 for further detail.

4. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of combined authorities, including {West of England Combined Authority}, mean that all forms of fraud are seen as unacceptable 	<p>Therefore we do not consider this to be a significant risk for West of England Combined Authority.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£2.7 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Page 44

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in September 2020.

5. Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)	<p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p> <p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements. Assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC Local Authority Leasing Briefings.
Incomplete or inaccurate financial information and standing data transferred to the new payroll system	<p>In November 2019, the Authority implemented a new payroll system for the 2019/20 financial year hosted by North Somerset Council. When implementing a new significant business critical system it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of the data transfer from the previous payroll system.</p> <p>We therefore identified the completeness and accuracy of the transfer of balances and standing data to the new payroll system as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> complete an information technology (IT) environment review to document, evaluate and test the IT controls operating within the payroll system hosted by North Somerset Council. map the closing balances from the payroll system to the opening balance position in the new payroll system to ensure accuracy and completeness of the financial information and standing data.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in September 2020.

6. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

7. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

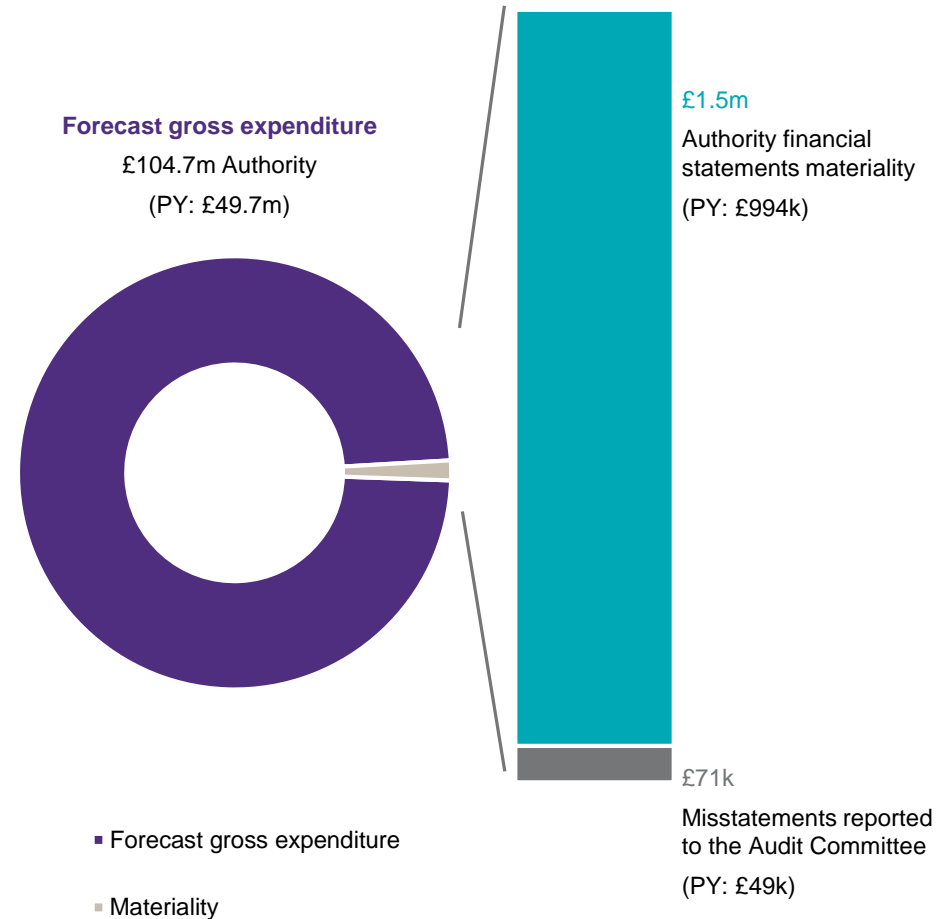
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.50m (PY £994k) for the Authority, which equates to 1.5% of your forecast gross expenditure for the year. The reduction in percentage of gross expenditure compared to the previous year reflects the higher profile of local audit following external reviews such as those led by Sir John Kingman and Sir Tony Redman. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £20k for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £78k (PY £0.49k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



8. Value for Money arrangements

Background to our VFM approach

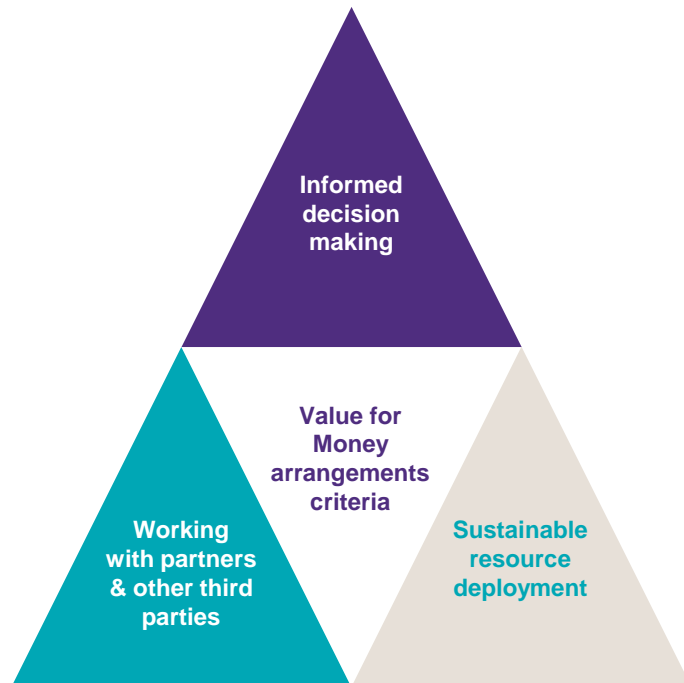
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:

Page 48



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Medium Term Financial Plan (MTFP)

The Combined Authority did not develop a detailed MTFP in 2018/19. We recognised that WECA is an evolving organisation meaning there are a number of emerging factors which will have an impact on its financial sustainability and medium term financial plan.

Following the approval in July 2019 of the regional investment programme of £350m to March 2023. WECA has revised its future funding assumptions and formalised a MTFP

We will review the revised MTFP prepared as part of the 2020/21 budget process to assess the clarity of the information provided and the factors used to inform the assumptions that underpin the strategy.

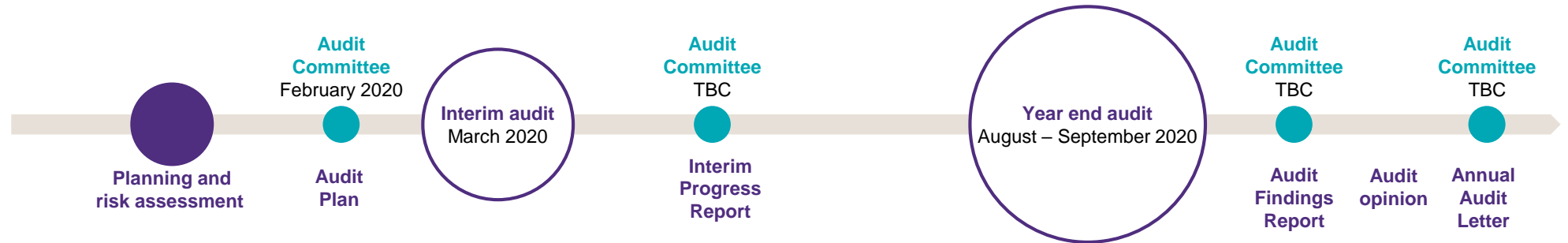


Measuring and Monitoring Performance

Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes should now be linked to the £350m Investment Programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and tax payers.

We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.

9. Audit logistics & team



Barrie Morris, Key Audit Partner

Barrie leads our relationship with you and is a key contact for the Chief Executive, Director of Investment and Corporate Services and Audit Committee. Barrie takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Combined Authority.



Michelle Burge, Audit Manager

Michelle's role involves overseeing the day to day planning and execution of the audit, ensuring the audit requirements are fully complied with and producing reports for the Audit Committee. She will respond to ad-hoc queries whenever raised and meet regularly with the Director of Investment and Corporate Services and members of the finance team.



Liam Royle, Audit Incharge

Liam's role is to co-ordinate the on-site delivery of audit tasks through his own work and that of junior team members. He liaises with the finance team throughout audit visits and will keep them up to date on progress and any issues arising throughout the year.

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

10. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Director of Investment and Corporate Services and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Authority Audit	£24,200	£37,134	£30,384
Total audit fees (excluding VAT)	£24,200	£37,134	£30,384

Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	18,634	
Raising the bar	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	£1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
Developments, new standards and local issues	£7,500	The role and scope of the West of England Combined Authority's functions have changed significantly over the last two years due to its success in applying for, and obtaining, funding for new projects and initiatives beyond their original scope and objectives. As a consequence of this growth, the Authority has become more complex with a wider range of risks and increased sample sizes and testing. In addition, the Authority has had challenges in producing accurate financial statements with adequate supporting schedules and working papers. The increased complexity of the organisation and its activities presents further risks to the timely delivery of the financial statements. You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we will be responding to the introduction of IFRS16 as set out on page 7. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements. Additional work will be required for IFRS16 implementation and corresponding disclosure required in 2019/20 under IAS8.
Revised scale fee (to be approved by PSAA)	£30,384	

11. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No other services were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

Appendices

A. Audit Quality – national context

Page 53

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



© 2020 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank



Grant Thornton

An instinct for growth™

Malcolm Coe
 Director of Investment and Corporate Services
 West of England Combined Authority
 3 Rivergate
 Temple Quay
 Bristol
 BS1 6EW

15 January 2019

Grant Thornton UK LLP
 2nd Floor, 2 Glass Wharf
 Bristol
 BS2 0EL

Dear Malcolm

Audit scope and additional work 2019/20

In recent conversations, including at West of England Combined Authority's Audit Committee, we have discussed the increased regulatory focus facing all audit suppliers and the impact this will have on the scope of our work for 2019/20 and beyond. You will have also recently received a letter via email from Tony Crawley of PSAA explaining the changing regulatory landscape. In his letter, Mr Crawley highlights: *"significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations."*

I promised I would set out in more detail the likely impact of this on our audit, and I am pleased to do so in this letter. Should further matters arise during the course of the audit they could also have fee and timetable implications that we would need to address at that point.

Across all suppliers and sectors (public and private), the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, as well as to undertake additional and more robust testing. There is a general 'raising of the quality bar' following a number of recent, high-profile company failures that have also been attributed to audit performance. Alongside the FRC, other key stakeholders including the Department for Business, Energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. The FRC has been clear to us that it expects audit quality in local audit to meet the same standards as in the corporate world and the current level of financial risk within local audit bodies supports this position.

As a firm, we are absolutely committed to meeting the expectations of the FRC and other key stakeholders with regard to audit quality and public sector financial reporting. To ensure the increased regulatory focus and expectations are fully met, we anticipate that, as first seen in 2018/19, we will need to commit more time in discharging our statutory responsibilities, which will necessitate an increase in costs. I set out below the implications of this for your Authority's audit.

Increased challenge and depth of work – raising the quality bar

The FRC has raised the threshold of what it assesses as a good quality audit. The FRC currently uses a four-point scale to describe the quality of the files it reviews, as follows:

Score	Description
1 or 2a	Acceptable with Limited Improvements Required
2b	Improvements required
3	Significant Improvements Required

Historically, the FRC's definition for 2b was 'acceptable but with improvements required' and, as such, both the Audit Commission and PSAA considered a '2b' to represent an acceptance level of audit quality for contract delivery purposes. The FRC has now set a 100% target for all audits (including local audits) to achieve a '2a'. Its threshold for achieving a '2a' is challenging and failure to achieve this level is reputationally damaging for individual engagement leads and their firm. Non-achievement of the standard can result in enforcement action, including fines and disqualification, by the FRC. Inevitably, we need to increase the managerial oversight to manage this risk. In addition, you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. We will be required to undertake additional work in the following areas, amongst others:

- use of specialists
- information provided by the entity (IPE)
- journals
- management review of controls
- revenue
- accounting estimates
- financial resilience and going concern
- related parties and similar areas.

As part of our planning, we have also reflected on the level of materiality which is appropriate for your audit. As outlined above, the profile of local audit has increased considerably over the past year. The reviews led by Sir John Kingman, Sir Donald Brydon and Sir Tony Redmond are focusing attention on the work of auditors everywhere. Parliament, through the work of its Scrutiny Committees, has made clear its expectations that auditors will increase the quality of their work.

As a result, you may find the audit process for 2019/20 and beyond even more challenging than previous audits. This mirrors the changes we are seeing in the commercial sectors.

Property, plant and equipment (PPE or 'Fixed Assets')

The FRC has highlighted that auditors need to improve the quality of audit challenge on Property, Plant and Equipment (PPE) valuations across the sector. The Authority does not currently own any PPE assets and therefore we do not need to complete any work in this area. However, should this position change, additional audit procedures will be required to audit any PPE balances and ensure that they are accurately valued at Fair Value. This will result in an additional cost to the Authority.

Pensions (IAS 19)

The FRC has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Specifically, for the following areas, we will increase the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting. Our planned additional procedures include:

- verification of the accuracy and completeness of the data provided to the actuary by both the admitted body and the administering authority
- checking the value of the Pension Fund Assets at 31 March per the Authority's financial statements against the share of assets in the Pension Fund statements
- review and assess whether the significant assumptions applied by the actuary are reasonable and are followed up on areas identified by either our review or PwC as outliers

- ensuring that the instructions from the audit team to the Pension Fund auditor include enquiries in respect of service organisation reports as well as testing in respect of material level 3 pension assets (please note that this is outside the scope of PSAA's fee variation process)

Complex accounting issues and new accounting standards

You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we will both be responding to the introduction of IFRS16. IFRS16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset with a corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements.

We know the Authority has appreciated our responsiveness in the past and we would wish to continue to be able to do this in the future.

Local issues

The role and scope of the West of England Combined Authority's functions have changed significantly over the last two years due to its success in applying for, and obtaining, funding for new projects and initiatives beyond their original scope and objectives. Specifically:

- expenditure has increased significantly since inception and is projected to continue to increase significantly in future years as a result of new projects and initiatives and the number of employees has doubled in the past year;
- since WECA was established an additional £180 million in extra funding has been secured from government to invest in the region in addition to the original devolution deal;
- from 2019/20 the Authority will take control of the Adult Education Budget for the WECA area. The amount of grant allocated from August 2019 to 31 March 2020 is £9.2m and from 1 April 2020 to 31 July 2020 £5.5m;
- WECA has been granted additional powers to shape public transport policy and delivery across the region. £500k is to be drawdown against the Investment Fund for 2019/20 with a further £500k in 2020/21 to create this strategic capacity; and
- In June 2019 the WECA committee approved the allocation of £350 million to progress a significant number of projects to delivery stage which will form part of WECA's Capital programme to 2023.

As a consequence of this growth, the Authority has become more complex with a wider range of risks and increased sample sizes and testing. In addition, the Authority has had challenges in producing accurate financial statements with adequate supporting schedules and working papers. The increased complexity of the organisation and its activities presents further risks to the timely delivery of the financial statements.

Impact on the audit and associated costs

You will note we did not raise additional fees across the sector as a whole in 2018/19 in respect of the additional work required in response to the implementation of IFRS9 and IFRS15. This was a goodwill decision we took in support of the strong relationship we have with the sector. However, the volume of additional work now being required, as set out above, means we are no longer able to sustain that position. This is an issue not just across public services but also in the private sector where fees are being increased by all of the major suppliers by more than 20%.

We benefit from effective and constructive working relationships which we have established during our engagement with you to date. This allows us to absorb some of the impact of these changes. Using our strong working knowledge of you and efficiencies that we are continuously seeking to implement as part of our focus on continued collaborative working with you, we have sought to contain the impact as much as possible to below the market average.

We have assessed the impact of the above as follows for 2019/20, with the comparative position for the two previous years shown. Please note these are subject to approval by PSAA in line with PSAA's normal process. Should other risks arise during the course of the audit which we have not envisaged, we may need to make a further adjustment to the fee.

Area	Cost £		
	2019/20	2018/19	2017/18
Scale Fee	£18,634	£18,634	£24,200
Increased challenge and depth of work	£2,500	-	-
Pensions	£1,750	£1,500	-
New standards / developments and local issues	£7,500	£17,000	-
Total	£30,384	£37,134	£24,200

This would give a scale fee for the statutory accounts audit for 2019/20 of £18,634 plus VAT plus a variation of £11,750 plus VAT, giving a total fee of £30,384 plus VAT.

Please note that PSAA's arrangements require a separation of fees and remuneration, which means that Grant Thornton does not receive 100% of the current fees charged.

The additional work we are now planning across the whole of our portfolio will inevitably have an impact on the audit timetable and whether or not your audit can be delivered to appropriate quality standards by the 31 July 2020. Grant Thornton remains the largest trainer of CIPFA qualified accountants in the UK and is committed to continue to resource its local audits with suitably specialised and experienced staff but the pool of such staff is relatively finite in the short-term. I will be happy to explain the impact of the further work we are planning to undertake on our delivery timetable for your audit, which at this stage is planned to be delivered by 30 September 2019.

Future changes to audit scope

As I have previously mentioned in meetings and at the audit and risk committee, the National Audit Office is currently consulting on revisions to the Code of Audit Practice and has also indicated its intention to consult on the accompanying Auditor Guidance Notes. This defines the scope of audit work in the public sector. The most significant change is in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- b) Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under each of these criteria, statutory guidance will set out the procedures that auditors will need to undertake. An initial review of arrangements will consist of mandatory procedures to be undertaken at every local public body plus any local risk-based work. The consultation closed on 22 November 2019. A new Code will be laid before Parliament in April 2020 and will apply from audits of local bodies' 2020/21 financial statements onwards.

Until the consultation is finalised and more details emerge of what is expected of auditors, it is difficult to cost the impact. However, as soon as the requirements are finalised and it is clear exactly what the expectations will be, I will share with you further thoughts on the potential impact on the audit and associated costs.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. We will be sharing our detailed Audit Plan with you in due course. We look forward to working with you again this year,

Yours sincerely

A handwritten signature in black ink, appearing to read "Ben Alderson".

Engagement Lead and Key Audit Partner

For and on behalf of Grant Thornton UK LLP

This page is intentionally left blank



ITEM: 10

REPORT TO: AUDIT COMMITTEE

DATE: 27 FEBRUARY 2020

REPORT TITLE: EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

AUTHOR: BARRIE MORRIS, ENGAGEMENT LEAD, GRANT THORNTON

Purpose of Report

- 1 This report provides an update on the delivered, and planned, work from WECA's external auditors, Grant Thornton. A sector update is also provided which summarises emerging national issues and developments which may have an impact on WECA, the wider local government sector and/or the public sector as a whole.

Recommendation

- To note the (Grant Thornton) external audit progress report and sector update.

Background / Issues for Consideration

- 2 Grant Thornton are the appointed external auditors for the WECA. They carry out their audit work in accordance with the National Audit Office's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. The auditor's key responsibilities are to:

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

- 2.1 The External Audit progress report and sector update is detailed as Appendix 1.

Consultation

- 3 The (Grant Thornton) External Audit plan for the year ended 31 March 2019 was presented to, and approved by, the WECA Audit Committee on 21 February 2019.

- 3.1 Findings from the work undertaken by the external auditor are published, alongside the authority's Statement of Accounts, on the WECA website following reports to the audit committee on 31 July 2019 and 16 October 2019.
- 3.2 Planned external work for the 2019/20 financial year is considered as a separate report detailed elsewhere on this audit committee agenda.

Other Options Considered

- 4 Grant Thornton have been appointed as the external auditor for the West of England Combined Authority through an open process governed by Public Sector Audit Appointments (PSAA). Having an independent external audit service is a statutory requirement for the authority.

Risk Management/Assessment

- 5 Internal and external audit set their annual work programmes using a risk-based approach, focusing on areas of materiality and higher risk.
 - 5.1 An Annual Governance Statement is published as an integral part of the WECA Statement of Accounts detailing the risk management and assurance framework.
 - 5.2 Grant Thornton detail their 'significant audit risks', 'reason for risk identification' and proposed work that they plan to undertake, within their annual Audit Plans which are considered, and approved through the audit committee.

Public Sector Equality Duties

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 6.1 The Act explains that having due regard for advancing equality involves:
 - Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

- 6.3 The authority's core financial documents are made available in different formats and / or languages, as required, in order to improve ease of access.

Finance Implications, including economic impact assessment where appropriate:

- 7 The annual (external) audit fee is determined through the Public Sector Audit Appointments framework. Additional costs of £17k were incurred by WECA through the 2018/19 audit process. However, these costs were fully recovered by a corresponding reduction in spend on consultancy support used for the statement of accounts process.
- 7.1 The proposed fee for 2019/20 audit work of £30,384 reflects the growing complexity of WECA's financial operations alongside a national upward trend in auditing standards and coverage. This fee represents a significant reduction on the total external audit costs of £37,134 incurred through the 2018/19 audit process.

Advice given by: Malcolm Coe, Director of Investment and Corporate Services

Legal Implications:

- 8 The publication, and audit, of the Authority's Financial Statements is in accordance with the Accounts and Audit Regulations (England) 2015.
- 8.1 External audit work is undertaken in accordance with the National Audit Office's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014.

Advice given by: Shahzia Daya, Director of Legal Services

Climate Change Implications

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 There are no direct climate change implications from the work undertaken by Grant Thornton on the 2018/19 accounts or proposed external audit work to be undertaken in 2019/20.

Appendices:

Appendix 1: External Audit Progress Report and Sector update.

Background papers:

External Audit Plan for year ending 31 March 2019: Report to audit committee on 21 February 2019

Statutory Accounts 2018/19: Report to the audit committee on 16 October 2019

(Grant Thornton) External Audit Plan for the year ending 31 March 2020: Reported elsewhere on this

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.service@westofengland-ca.gov.uk

Audit Progress Report and Sector Update

West of England Combined Authority
Year ending 31 March 2020

Page 67
February 2020



Contents

Section	Page
Introduction	3
Progress at February 2020	4
Audit Deliverables	6
Sector Update	7

Introduction



Barrie Morris

Engagement Lead

T 0117 305 7600
M 07771 976684
E barrie.morris@uk.gt.com

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a combined authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Page 69



Michelle Burge

Engagement Manager

T 0117 305 7886
M 07825 028771
E michelle.burge@uk.gt.com

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at February 2020

Financial Statements Audit

We issued our opinion on your 2018/19 Statement of Accounts on 25 October 2019. There were a number of minor changes to the accounts, which were contextual in nature, after the accounts were approved by the Audit Committee, as those charged with governance. This resulted in additional delays to the issue of our audit opinion. Whilst we were satisfied that these changes did not require full reapproval by the Audit Committee, in future we would expect that the accounts are fully reviewed prior to their submission to the Audit Committee for approval.

We began our planning for the 2019/20 audit in January and have issued as a separate agenda item a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2019/20 financial statements.

We will begin our interim audit in March 2020. Our interim fieldwork includes:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report our work in the Audit Findings Report at the conclusion of our audit work.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach is included in our Audit Plan.

We will report our work in the Audit Findings Report at the conclusion of our audit work.

Progress at February 2020 (Cont.)

Other areas

Meetings

We met with Finance Officers in October 2019 and January 2020 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in October 2019 to discuss the Authority's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Members of your finance team attended our Financial Reporting Workshop in January, which will help ensure officers are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, the Combined Authority has continued to evolve and increase the scope of its functions. In addition, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the past two years at the Combined Authority has shown that the arrangements for producing the accounts are not sufficiently robust and there have been a number of audit adjustments and delays in getting appropriate supporting evidence. In addition, our wider work within the Local Government sector in 2018-19 has highlighted areas where financial reporting, in particular, pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. All of these factors, combined with the FRC requirement that all Local Government audits are assessed at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these factors on both the cost and timing in the delivery of local government audits and, in particular, the West of England Combined Authority audit. We have discussed this with your Chief Finance Officer including proposed variations to the Scale Fee set by PSAA Limited, this is presented as a separate agenda item.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<p>Audit Findings Report</p> <p>The Audit Findings Report was reported to the October Audit Committee.</p>	October 2019	Complete
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	October 2019	Complete
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	November 2019	Complete
2019/20 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2018/19.</p>	April 2019	Complete
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2019-20 financial statements.</p>	February 2020	Complete
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	April 2020	Not yet due
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the July Audit Committee.</p>	September 2020	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	September 2020	Not yet due
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	October 2020	Not yet due

Sector Update

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Insights from sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.grantthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>



What is the future for local audit?

Paul Dossett, Head of Local Government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it enforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements within local government are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”

In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.



Local Government Association – Profit with a purpose – delivering social value through commercial activity

The Local Government Association (LGA) report 'Profit with a purpose' focuses on some of the practicalities of how local authorities can deliver social value through their commercial activity.

Through 'key questions' to ask, the guidance supports local authorities to face the challenge of how to undertake commercial activity and achieve greater value for the public purse in ways that better meet society's needs and outcomes for people and communities.

In addition, the publication features a number of short case studies highlighting some of the innovative commercial practice already achieving results for communities.

The LGA comments that the best approaches ensure the generation of social value is the primary factor driving commercial activity; from the initial decision to develop a commercial vision to how the approach is developed, and implemented, which are pulling ahead ensure social value is placed centre stage.

The guidance starts with an overview of what the LGA understands by 'profit with a purpose', the guidance explores different types of social value and the role of local authorities in driving social value alongside their commercial ambition.

The guidance then looks at how consideration and delivery of social value should be practically considered when deciding on whether to embark on commercial activity, the need for social value to be prioritised alongside financial return and the key questions local authorities should consider when embarking on a commercial initiative.

Following on from this, there are specific chapters on; embedding social value in governance of alternative service delivery vehicles, the role of procurement in contracting services that deliver social value and finally how to contract and performance manage social value through your service providers.

Each chapter outlines the factors that need to be considered and the 'key questions' local authorities should be asking themselves.

In addition, a number of short case studies are provided to highlight some of the innovative commercial practice already achieving results for communities.

The report can be downloaded from the LGA website:

<https://www.local.gov.uk/profit-purpose-delivering-social-value-through-commercial-activity>



Profit with a purpose

Delivering social value through commercial activity

Profit with a purpose



Challenge question:

If your Authority is looking at commercial activity, have you considered the LGA report?

National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include combined authorities.

Local auditors must comply with the Code of Audit Practice.

Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

Stage 1 involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

This stage of the consultation is now closed. The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

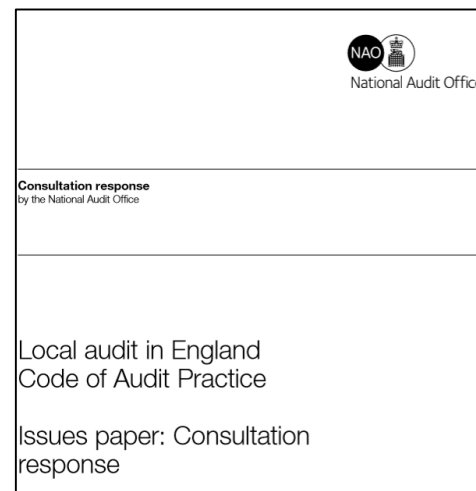
Stage 2 of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation is open until 22 November 2019. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>



This page is intentionally left blank



ITEM 11

REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT COMMITTEE

DATE: 27 February 2020

REPORT TITLE: AUDIT PLAN CONSULTATION - 2020/21

AUTHOR: JEFF WRING – AUDIT WEST (INTERNAL AUDIT)

Purpose of Report

1. This report updates the Audit Committee on the methodology used to create the Internal Audit Plan, asks it to support an increase in the level of coverage along with any comments on areas or themes they would like to be considered within the plan for 2020/21.

Recommendation:

The Audit Committee is asked to:

- Support an increase in the level of Internal Audit coverage to 100 days from 2020/21
- Comment on any areas or themes they would like to be considered in relation to the Internal Audit Plan for 2020/21.

Issues for Consideration

2. The work of the Internal Audit Service is to provide independent assurance to the council's senior officers and members that governance, risk management and controls are sufficient in ensuring delivery of the authority's objectives.
3. The Audit Committee is asked for its views on the level of assurance they require so that a final plan can be presented at the next meeting of the Committee in April.

Report Narrative / Main Content

4.1 BACKGROUND – INTERNAL AUDIT ROLE & LEVEL OF COVERAGE

- 4.2 The planning process is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Chief Internal Auditor to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year. In a stable environment where an

organisation has been long established there are a number of reliable sources for benchmarking sufficient coverage. However Combined Authority's are a relatively new entity and so our initial coverage totalled 80 days per year to reflect that WECA as a new organisation was just forming and its core governance mechanisms were still being devised and implemented.

4.3 The Committee has seen during the last 12 months that the level and complexity of transactions has increased significantly with issues identified around the Annual Accounts. Coupled with a fairly rapid transfer of funding streams and responsibilities to WECA during the last 24 months notably Adult Education and Integrated Transport functions its level of risk and size is increasing. The organisation is now at a point where it has consulted widely on its strategic aims and a number of its key strategic objectives – such as transport – and is now moving into a new phase of delivery on its objectives.

4.4 This shifting arena also impacts on the risk and control framework and directly into the level of coverage from an Internal Audit perspective. Due to this growth the Audit Committee's views are therefore sought to support an increase in the level of audit coverage so that it receives the right level of assurances to fulfil its role.

4.5 As background information the level of annual Internal Audit coverage in 2019/20 in Combined Authority's across the country is variable as individual 'deals' and working arrangements are different –

Greater Manchester – 487 Days

Sheffield City Region – 310 Days

Liverpool – 200 Days

North of Tyne – 200 Days

West Midlands – 185 Days

WECA – 80 Days

Tees Valley – Audit Manager from Stockton-on-Tees LA plus 50 days from RSM

4.6 Whilst the internal control framework of WECA is currently sound the framework is changing and expanding as detailed above and so it is our view that in order to provide a reasonable assurance opinion a level of coverage needs to increase and in the short term to at least 100 days in order to fulfil all our responsibilities.

If coverage is maintained at the current level of 80 days for any sustained period then a limited level of assurance can only be provided. For 2020/21 based on a new level of 100 days this will entail us focussing on the following core areas with indicative days as follows –

LEP – 10 Days

Corporate Governance – 15 Days

Core (Financial) Systems – 15 Days

Core Grant Audit Certification – 10 Days

IT Audit – 5 Days

Counter Fraud & Corruption – 5 Days

Risk Management – 5 Days

Follow-Up Audits – 5 Days

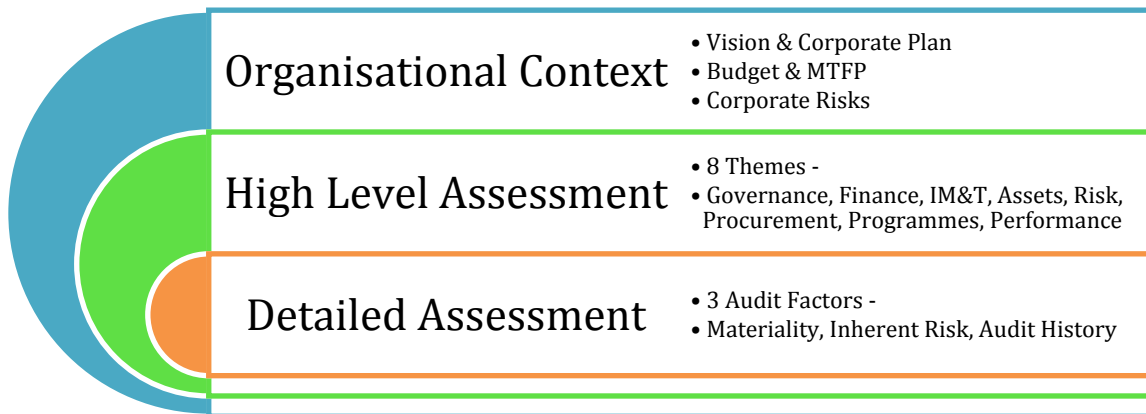
30 Days available for allocation through the plan process

The views of the Committee are therefore sought to assist in this process.

4.7 BACKGROUND - AUDIT PLAN METHODOLOGY

Our planning process is based around the Reasonable Assurance Model which was created and adopted in conjunction with a number of other councils in the South West and indeed its approach won a Public Finance award in 2017.

- 4.8 The outline of the model has previously been presented to the Audit Committee but for the benefit of new Members to the Committee is as follows with the key elements in the middle section which introduced a high level assessment of themes based on good governance.



4.9 Reasonable Assurance Model – Purpose

- Focussed on Corporate Governance & Organisational Health
- Considers Thematic Risk and levels of Assurance
- Not a Performance Metric
- Adaptable to different Organisations
- Acts as a Prioritisation & Planning Tool
- Supports Audit Planning & Annual Governance Statement
- Supports Organisational Improvement
- Not static and refreshed periodically

4.10 Reasonable Assurance Model – Principles

- Plan should be a strategic top down assessment which is risk based
- Levels of assurance should be compared to levels of risk
- Resources should be focussed first on areas where assurance is low and risk is high
- Plan should be dynamic and not fixed, no need for a fixed Audit Universe
- Risk Assessment should be simplified around a small number of key factors
- Plan should lead to sufficient reviews to reach a 'reasonable assurance' opinion

4.11 The plan will be developed in three key stages as detailed below –

- 1) High Level Assessment of Reasonable Assurance Model
- 2) Detailed Risk Assessment of auditable areas
- 3) Consultation & Approval

4.12 Risk Assessment – Reasonable Assurance Model

The model assesses level of Assurance in place over eight themes. Each Theme has a set of overview questions which assess the level of assurance and the level of risk for each theme. (An example of these has been provided at the informal Committee briefing meetings)

Purpose is to identify what assurance there is that sound strategies, policies and procedures are in place to deliver a healthy organisation that we can rely on or that enables us to rely on assurance provided by a third party.

The results should enable audit resources to be prioritised on areas where assurance is low and risk is high and also identify gaps or areas of high risk that we need to include in our Audit Plan. This therefore creates a new Audit Universe each year.



- Overall Governance Framework/ Ethical Framework
- Vision & High Level Priorities
- Constitution, Structure & Decision Making
- Codes of Conduct/Ethical Framework

Theme 2 – Financial Management

- Medium Term Finance & Resource Planning
- Annual Budget Setting
- Financial Performance & Resilience – Revenue/Capital/Reserves
- Key Financial Management Systems/Rules & Regulations

Theme 3 – Risk Management

- Risk Management Strategy & Framework
- Decision Making Guidance
- Corporate/Strategic/Operational/Major Project Risks

Theme 4 – Performance Management

- Corporate Plan & Corporate Performance
- Service Planning & Service Performance
- Internal & External Benchmarking

Theme 5 – Procurement & Commissioning

- Procurement & Commissioning Framework
- Contract & Commercial Management
- Governance & Gateways/Knowledge & Skills

Theme 6 – Programme & Project Management

- Programme/Project Management Methodologies
- Major Project Governance/Change Control/Project Reporting
- Benefit Realisation

Theme 7 – Information Management

- Information Management Strategy/ Standards & Security Requirements
- Information Security/Compliance/Data Quality, Classification & Integrity
- Business Continuity & Disaster Recovery

Theme 8 – Asset Management

- Asset Management Strategy (& Plans)
- Safeguarding & Security/Asset Utilisation (& Realisation)
- Workforce Planning/HR Framework/ Skills & Organisational Development

4.14 Risk Assessment – Audit Factors

Using the results of –

- a) Reasonable Assurance Model Work
- b) Views & Requests of Senior Management/Audit Committee
- c) Views & Requests of Audit West Senior Management/National/Regional Factors

We then carry out a risk assessment of audit areas using the following factors –

MATERIALITY
INHERENT RISK
AUDIT HISTORY

Each area would then have a simple risk assessment which would generate a long list of areas which could then be refined into a suitable audit plan which could be matched to available resources and then prepared for consultation.

4.15 Consultation & Input – Audit Committee

The Audit Committee is a key stakeholder and ultimately approve the Audit Plan and therefore the request is for any feedback on areas of concern or issues which the planning process can consider and take account of before it is finalised at the end of March.

Along with the issues identified earlier in the report and to help in this process the Chartered Institute of Internal Auditors has drawn up ten key areas for 2020 which organisations should take account of in preparing their audit plans and these are detailed below as a point of reference to help the committee in understanding where they feel audit coverage may be beneficial.

- Increasing expectations from GDPR on Cybersecurity & Data Privacy;
- Level of Regulatory/Statutory Burden;
- Increasing Digitilisation of Services;
- Delivery of Services through Third parties & Contract Management;
- Maintaining Business Resilience;
- Increasing Financial Risks;
- Level of Political instability and economic impacts;
- Organisational Development & Skills;
- Maintaining high standards of Ethics & Culture;
- Developing appropriate response to Climate Change.

Views of the Committee are therefore sought to finalise the Audit Plan before its next meeting.

Consultation:

- 5. Report and work undertaken is consulted with the Director of Investment & Corporate Services.

Public Sector Equality Duties:

- 6. No direct implications.

Economic Impact Assessment:

7. No direct implications.

Finance Implications:

8. Any increase in coverage will consequently increase costs, the recommendation is for an increase in the level of days to 100 which is 20% higher than 2019/20.

Legal Implications:

9 No direct implications.

Land/Property Implications;

10 No direct implications.

Human Resources Implications:

11 No direct implications.

Report Author: Jeff Wring

West of England Combined Authority Contact: Jeff Wring – Audit West

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

This page is intentionally left blank

Internal Audit Plan 2019/20



Page 89

Audit West

Delivering Independent Assurance to the Public Sector

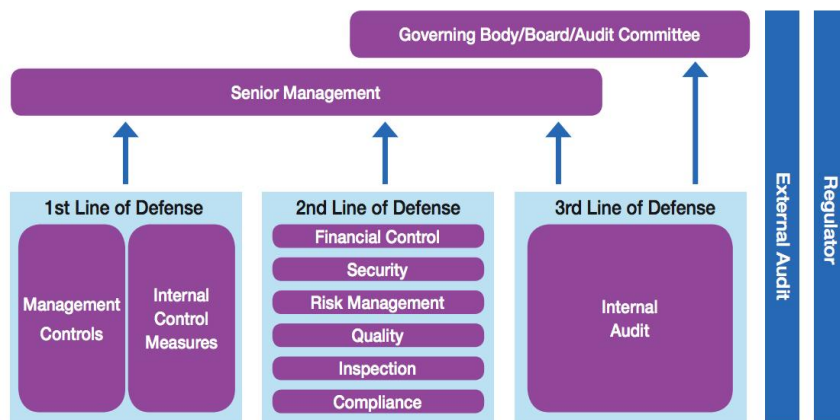
1. Our Role

Introduction

The West of England Combined Authority is striving to be a driving force for clean and inclusive economic growth in the West of England with the aim to ensure that people benefit from more job opportunities, a stronger economy and a higher quality of life. To achieve this the Authority has recognised the importance of excellence in resource management and sound governance as fundamental to achieving these priorities.

Audit West fully recognizes its need to be flexible and agile in the face of the significant changes affecting the whole of the public sector and meet the needs of its stakeholders. Independent assurance which is strong but supportive can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Authority is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

Three Lines of Defence Model



By being independent of management Audit West maintain the third line of defence and we continue to do this effectively by working with all our stakeholders - especially the Audit Committee, Statutory Officers and Senior Management – to improve the service we offer but also to provide an independent voice in supporting service change and transformation.

We also aim to offer continued value to all our clients based on the following key priorities –

- **Use of our Reasonable Assurance Model**
- **Maximising Use of Technology**
- **Investment in Skills**
- **Offering complimentary assurance services**
- **Providing Value for Money**

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2019/20.

2. Your Priorities & Plans

OPERATING FRAMEWORK

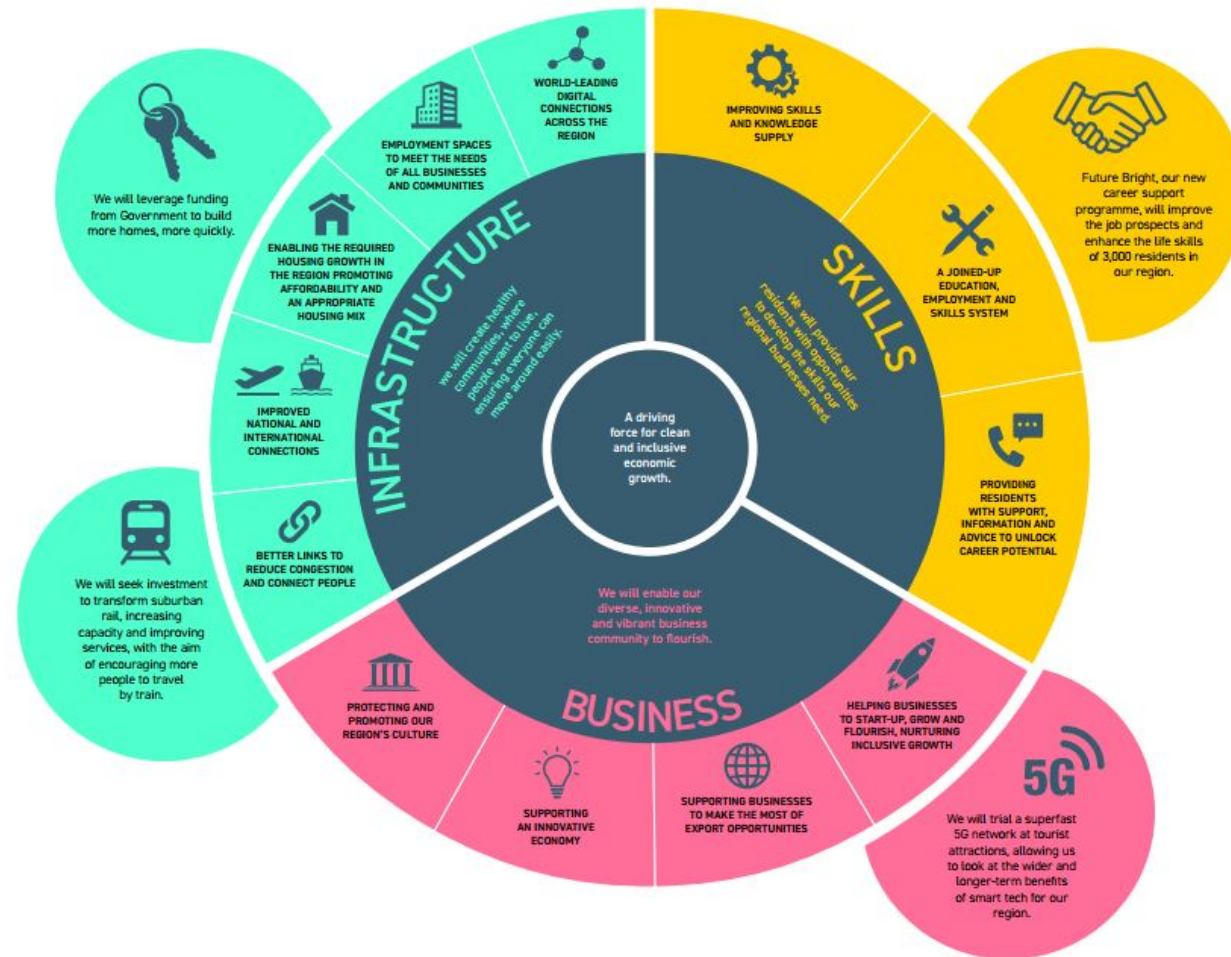
Our operating framework sets out our priorities for clean and inclusive economic growth in the West of England.

OUR AMBITIONS

The West of England is a place of growth and innovation, where economic, cultural and environmental diversity is celebrated and forms the foundation of prosperity for all.

We are investing in people and places - including jobs, skills, transport, homes, and digital connections - to ensure we are creating healthy communities where people want to live, work and visit.

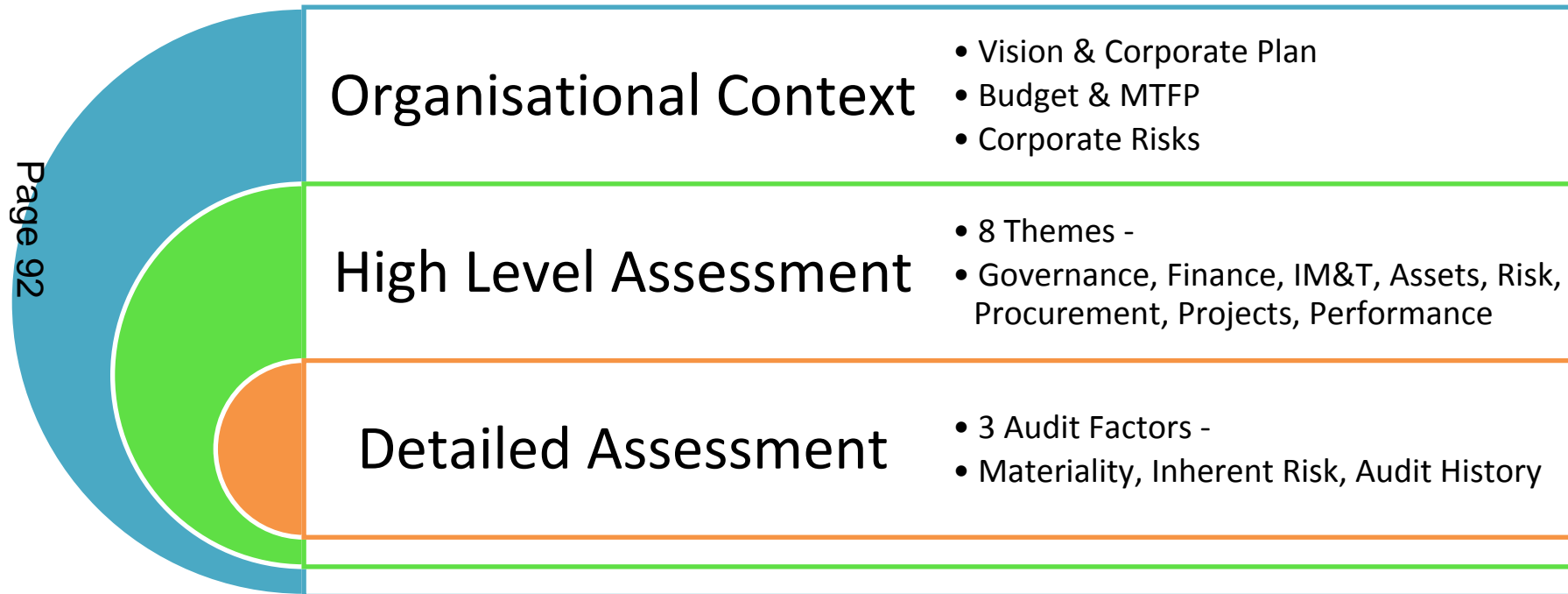
We will achieve our ambitions by investing in three priority areas: infrastructure, skills and business.



3. Reasonable Assurance Model – Producing the Audit Plan

The model is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Head of Audit to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year.

This involves considering current context of the Authority, what a 'healthy organisation' requires to operate effectively and then assessing independently against this in a staged process as follows –



HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE

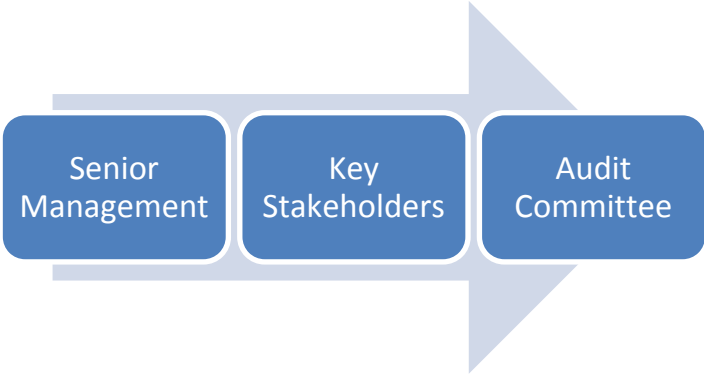


Page 93

DETAILED CRITERIA – AUDIT PLAN LISTING



CONSULTATION & APPROVAL



Results of our Reasonable Assurance Model Risk Assessment –

HIGH		PROGRAMME & PROJECT MANAGEMENT			
		CORPORATE GOVERNANCE	PROCUREMENT		
		FINANCIAL MANAGEMENT	PERFORMANCE MANAGEMENT	RISK MANAGEMENT	
			INFORMATION MANAGEMENT		
			ASSET MANAGEMENT		
HIGH		LEVEL OF ASSURANCE			LOW

4 Areas for Review – 2019/20

Internal Audit Areas	Reasonable Assurance Theme
Infrastructure & Investment (50 Days)	
Treasury Management	Financial Management/Corporate Governance
ICT & Financial Systems Programme	Financial Management/Programme & Project Management/ Corporate Governance
Land Acquisition Fund	Financial Management/ Programme & Project Management/ Corporate Governance
Housing Infrastructure Fund	Financial Management/ Programme & Project Management/ Corporate Governance
Corporate Governance (20 Days)	
Annual Governance Review (AGS)	Corporate Governance
Reasonable Assurance Model – Corporate Governance	Corporate Governance
Reasonable Assurance Model – Financial Management	Financial Management
Reasonable Assurance Model – Performance Management	Performance Management
Reasonable Assurance Model – Risk Management	Risk Management
Reasonable Assurance Model – Programme & Project Management	Programme & Project Management
Reasonable Assurance Model – Procurement	Procurement
Reasonable Assurance Model – Information Management	Information Management & Technology
Reasonable Assurance Model – Asset Management	Asset Management
Follow-Up Reviews (10 Days)	
Accounting Ledger – Control A/C Reconciliation	Financial Management
Bank Account Reconciliation	Financial Management
Risk Management	Risk Management
Counter Fraud Arrangements	Risk Management
Adult Education Budget	Risk & Performance Management
Future Bright	Risk & Performance Management
Grant Funding (i.e. Local Growth Fund)	Financial Management
Grant Certification – LEP/Accountable Body (10 Days)	
West of England – Local Growth Fund - (LEP/Accountable Body)	Financial Management/ Corporate Governance
West of England - Growth Hub Grant Claim – Certification	Financial Management
West of England - Enterprise Network Adviser Grant Claim - Certification	Financial Management
West of England - Apprenticeship Grant Claim – Certification	Risk Management
West of England - Careers Enterprise Grant Claim - Certification	Risk Management

5 Contact Details

Engagement Lead –	Jeff Wring 01225 477323 jeff_wring@bathnes.gov.uk
Audit Manager -	Mark Wheeler 01225 477286 Mark_wheeler@bathnes.gov.uk
Address	One West Bath & North East Somerset Council The Guildhall High Street BATH, BA1 5AW



ITEM:12

REPORT TO: AUDIT COMMITTEE

DATE: 27 FEBRUARY 2020

REPORT TITLE: TREASURY MANAGEMENT STRATEGY 2020/21 AND UPDATE ON CURRENT PERFORMANCE

DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

AUTHOR: STEPHEN FINNEGAN, FINANCIAL ACCOUNTANT

Purpose of Report

- 1 The Chartered Institute of Public Finance and Accountancy's, (CIPFA), Treasury Management in the Public Services Code of Practice, requires the authority to approve a Treasury Management Strategy before the start of each financial year. The 2020/21 Strategy was approved by the WECA Committee, (as part of the Capital Strategy), on 31 January 2020 and is now presented to the audit committee for consideration and review.

Recommendation

- To note the WECA Treasury Management Strategy for 2020/21 and update on the current investment portfolio and performance.

Background / Issues for Consideration

- 2 The 2019/20 Treasury Management Strategy, as informed through our Treasury advisors, ArlingClose, was approved by the WECA Committee on 21 February 2019. The 2020/21 Strategy builds on the foundations of the previous year and has been updated to reflect economic factors, credit risk and cash flow forecasts.
 - 2.1 WECA's Treasury Transactions are entirely investment based at present with the authority being debt free with no identified need for borrowing within the immediate future. From April 2019, WECA took on responsibility for managing its own investment portfolio, a service that was previously managed on our behalf by Bath and North East Somerset, (BANES), Council.
 - 2.2 In the early years of operation, WECA has continued to maintain significant cash balances as detailed business cases and feasibility studies are developed. The focus of Treasury Management is to protect the security of public funding whilst continuing

to generate healthy financial returns from our cash holdings.

- 2.3 The 2020/21 Treasury Management Strategy, and update on 2019/20 performance, is detailed as Appendix 1 to this report.

Consultation

3. Decisions on treasury management investment and borrowing are made daily as delegated to the Director of Investment and Corporate Services, (and designated staff), who must act in compliance with the Treasury Management Strategy. Reports on treasury management activity are presented to the WECA Committee, with the Audit Committee being responsible for scrutinising the governance framework that drives treasury management decisions.
- 3.1 Regular dialogue is maintained with our treasury advisor's, ArlingClose, particularly in relation to the consideration of longer-term investment opportunities.

Other Options Considered

- 4 Consideration was given to maintaining the operational Treasury management contract with BANES which provided all of our day to day treasury transactions. However, our investment portfolio, and needs, as a Combined Authority, are significantly different to those of a Unitary Council and, as such, WECA took the service 'in house' with effect from April 2019.

Risk Management/Assessment

- 5 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code).
- 5.1 The primary objective of the strategy is to safeguard public funding whilst generating reasonable financial returns from cash balances held. Within the strategy, there is a list of approved investment options with financial values and durations firmly linked to the credit worthiness, and risk, of each investment option.
- 5.2 ArlingClose provide regular updates in terms of changes to individual credit ratings and/or economic outlooks which might impact on current or future investment holdings.

Public Sector Equality Duties

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.

- 6.1 The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 6.3 The authority's Treasury Management Strategy can be made available in different formats and / or languages, as required, in order to improve ease of access.

Finance Implications, including economic impact assessment where appropriate:

- 7 The base budget for income generated from investments is £520k per annum. For 2019/20 this was increased to £820k, and further increased to £1,020k for 2020/21, in recognition of the high level of cash balances held and increased returns gained through diversifying the authority's investment portfolio.

Advice given by: Malcolm Coe, Director of Investment and Corporate Services

Legal Implications:

- 8 Treasury management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Advice given by: Shahzia Daya, Director of Legal Services

Climate Change Implications

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision-making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?

- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 The majority of the authority's current investment portfolio is held through loans to other local authorities. The ethical nature of an external organisation is considered prior to entering into any longer-term investments.

Appendices:

Appendix 1 – WECA Treasury Management Strategy 2020/21

Background papers:

WECA Treasury Management Strategy 2019/20 – approved by WECA Committee on 21 February 2019

WECA Capital Strategy (incorporating the WECA Investment Strategy and Treasury Management Strategy) – approved by the WECA Committee on 31 January 2020.

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

West of England Combined Authority
Treasury Management Strategy Statement 2020/21

1. Introduction

- 1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has substantial sums of money invested and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

2. External Context

- 2.1 **Economic background:** The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21.
- 2.2 UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month and below target. The most recent labour market data, for the three months to August 2019, showed the unemployment rate as 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

- 2.3 GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.
- 2.4 The Bank of England maintained Bank Rate as 0.75% in November 2019 following a 7-2 vote by the Monetary Policy Committee (MPC). Despite keeping rates on hold, MPC members did confirm that if global growth fails to recover, they are prepared to cut interest rates as required.
- 2.5 **Credit outlook:** Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.
- 2.6 Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers. Looking forward, the detail of Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.
- 2.7 **Interest rate forecast:** The Authority's treasury management adviser Arlingclose is forecasting that the Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside given the need for greater clarity on Brexit and the continuing global economic slowdown.
- 2.8 Gilt yields have risen but remain at low levels and only some modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside.
- 2.9 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 1.0% for WECA balances, and 0.9% for LGF and RIF balances.

3. Local Context

- 3.1 On 30th November 2019, the Authority held £205m of investments and no borrowing. This is set out in further detail at **Appendix A**.
- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.
- 3.3 The Authority is currently debt free and its capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall to £150m by the end of 2020/21 as capital grants are used to finance capital expenditure and earmarked reserves are spent on their intended purpose.

4. Investment Strategy

- 4.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since 1 April 2019, the Authority's investment balance has ranged between £165m and £235m, and similarly for 2020/21 the balances are expected to range between £100m and £210m (slightly lower due to capital grants and reserves being used to finance spend).
- 4.2 As well as holding investments in its own right, the Authority also acts as Accountable Body for the West of England Revolving Investment Fund (RIF) and Local Growth Fund (LGF), holding Government Grants until they are ready to be distributed to Local Authorities and other organisations for approved project spend over the coming years.
- 4.3 The funds are invested primarily to protect the capital and, to achieve a high level of capital security, investments are made predominantly with Central Government, Local Authorities and Banks with high credit ratings. See **Appendix B** for Treasury Monitoring.
- 4.4 Interest earned on RIF investments is re-invested into the Fund. LGF investment returns are earmarked to fund the corporate support and governance costs that come with performing the Accountable Body function for the Local Enterprise Partnership (LEP).
- 4.5 **Objectives:** The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to

be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Given the current level of CPI at 1.7% this will be difficult to achieve with fixed term deposits alone. However, we will continue to consider further longer-term investments within our overall investment portfolio, such as pooled funds, which will achieve a higher rate of return. Any temporary liquidity issues that may arise throughout the year will be dealt with by short term borrowing.

- 4.6 **Negative interest rates:** If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 4.7 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2020/21. A reduced proportion of the Authority's surplus cash remains invested in short-term unsecured bank deposits and money market funds. This diversification will represent a continuation of the strategy adopted in 2019/20 with outer limits set for treasury management operations.
- 4.8 **Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 4.9 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types as detailed in *Figure 1*, subject to the cash limits (per counterparty), and the time limits shown.

Figure 1: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£10m 5 years	£15m 20 years	£10m 50 years	£10m 20 years	£5m 20 years
AA+	£10m 5 years	£15m 10 years	£15m 25 years	£5m 10 years	£5m 10 years
AA	£10m 4 years	£15m 5 years	£15m 15 years	£5m 5 years	£5m 10 years
AA-	£10m 3 years	£15m 4 years	£10m 10 years	£5m 4 years	£5m 10 years
A+	£10m 2 years	£15m 3 years	£10m 5 years	£5m 3 years	£5m 5 years
A	£10m 13 months	£10m 2 years	£10m 5 years	£5m 2 years	£5m 5 years
A-	£10m 6 months	£10m 13 months	£10m 5 years	£5m 13 months	£5m 5 years
None	£1m 6 months	n/a	£10m 5 years	£50,000 5 years	£3m 5 years
Pooled funds and real estate investment trusts		£10m per fund or trust			

This table must be read in conjunction with the following notes

- a) **Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.
- b) **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

- c) **Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- d) **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- e) **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £50,000 per company as part of a diversified pool in order to spread the risk widely.
- f) **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- g) **Pooled funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

The Authority may consider further investment in Pooled Funds during 2020/21 with a view to providing further diversification and the potential for earning a higher investment yield on long-term investment balances. Cash that is not required to meet any short or medium-term liquidity can be invested for the

longer term with a greater emphasis on achieving returns that will support spending on local WECA services.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

- h) **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- i) **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £250,000 per bank. This is a relatively low risk as deposits tend to be only held overnight and can be moved without notice. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
- j) **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, ArlingClose, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will

not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

- k) **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will either be deposited with the UK Government, (via the Debt Management Office), invested in government treasury bills or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

- l) **Investment limits:** The maximum that will be lent to any one organisation, (other than the UK Government), will be £10 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries. The Authority's revenue reserves, which could be made available to cover any investment losses, are forecast to be £1.3 million on 31st March 2020.

Figure 2: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£15m per country (AAA sovereign rating)
	£10m per country (AA+ sovereign rating)
Registered providers and registered social landlords	£50m in total
Unsecured investments with building societies	£20m in total
Loans to unrated corporates	£20m in total
Money market funds	£100m in total
Real estate investment trusts	£50m in total

m) **Liquidity management:** The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

5. Borrowing Strategy

5.1 The Authority currently holds no borrowing. The balance sheet forecast shows that the Authority does not expect to need to borrow in 2020/21.

5.2 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

5.3 **Strategy:** The Authority does not currently have any underlying need to borrow long-term to fund capital expenditure. WECA holds no long-term loans and no long-term borrowing is anticipated during 2020/21. Therefore, a debt-free strategy will be maintained until such time as the Authority determines that its capital strategy and prioritised programme of investment requires consideration of any borrowing decision.

5.4 As part of its approach to liquidity management, the Authority may borrow short-term loans to cover any unplanned cash flow shortages as they arise. Rather than always keeping cash on instant access for unplanned cash flows, (where security and liquidity will mean yields will be low), the Authority will retain the option of short-term borrowing at current low rates to enable it to explore increasing investments in longer-term and more diversified assets. The Authority will test access to borrowing occasionally even where this is not required to ensure liquidity is available.

5.5 **Sources of borrowing:** The approved sources of short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Avon Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

5.6 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

5.7 **Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits as detailed in the treasury management indicators.

6. Treasury Management Indicators

6.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

6.2 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

Credit risk indicator	Target
Minimum portfolio average credit rating	A-

6.3 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice.

Liquidity risk indicator	Target
Total sum borrowed in past 3 months without prior notice	£30m

6.4 **Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£900k

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

6.5 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£100m	£75m	£50m

7. Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

7.1 Financial Derivatives: In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

7.2 Markets in Financial Instruments Directive (MiFID II): As a result of the directive, Local Authorities will be treated as retail clients, but can opt up to professional client status, providing that they meet certain criteria which includes having an investment balance of at least £10m and the persons authorised to make investment decisions on behalf of WECA having at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies must assess that these persons have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

8. Financial Implications

8.1 The budget for WECA investment income in 2020/21 is £1.02 million, based on an average investment portfolio of **£110 million** at an interest rate of **1.00%** and making an allowance for impairment as required. In addition, the budget for the LEP investment income in 2020/21 is £0.2 million, based on an average investment of £21 million at an interest rate of 0.9%. The differing levels of interest expected to be achieved reflect the ability to invest WECA funds for longer terms and hence achieve a higher return. Longer term investment of LEP funds is limited as LGF grant will be fully spent by March 2021. Actual levels of investments, and interest rates attained, will updated in budget monitoring reports to committee throughout the financial year.

9. Other Options Considered

- 9.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the West of England Mayor and Chief Executive, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Appendix A – Existing Investment & Debt Portfolio Position

	30-Nov-19 Actual Portfolio £m	30-Nov-19 Average Rate %
External borrowing:	0	0
Other long-term liabilities:	0	0
Total gross external debt	0	0
Treasury investments:		
Banks & building societies (unsecured)	20	0.89
Covered bonds & repo (secured)	0	0
Government (incl. local authorities)	135	0.97
Corporate bonds and loans	0	0
Money Market Funds	30	0.73
Other pooled funds		
CCLA Property Fund	10	4.11
Investec	7	3.00
Kames	3	3.00
Real estate investment trusts	0	0
Total treasury investments	205	1.19
Net debt	0	0

Appendix B – Treasury Management Monitoring

The Authority's investment position as at 30th November 2019 is detailed below. This shows a balance held of £205m which is an increase from £170m at 31st March 2019.

As shown in the charts, the investment portfolio has been diversified across UK banks, Building Societies and Local Authorities. The Authority also uses AAA rated Money Market Funds to maintain short term liquidity with £30.3m invested as at 30th November 2019. The Authority also retains units in pooled funds with £10m invested with the CCLA Property Fund, £7m with Investec and £3m with Kames.

The forecast investment income to 31st March 2020 is £1.4m with an average rate of interest earned of circa 1.2%.

Investments are forecast to fall to £150m by the end of the 2019/20 financial year as capital grants are used to finance capital expenditure and project spend. Investments have been staggered, in terms of maturity dates, to ensure that there is a reasonable balance of available liquidity to finance required spend.

The Authority's term of investments are as follows:	Balance as at 30th Nov 2019 £000s
Instant Access Funds	30,300
Pooled	19,957
Up to 1 month	19,800
1 month to 3 months	40,000
4 month to 6 months	40,000
6 month to 12 months	35,000
More than 12 months	20,000
	205,057

Type / Lendee	Credit Rating	Amount	Average Rate	Start	End
Notice					
Goldman Sachs - 95 Days	A	10,000,000			
Lloyds - 95 Day	A	10,000,000			
		20,000,000	0.89%		
Money Market Funds					
Aberdeen Liquidity	AAA	600,000			
Federated	AAA	10,000,000			
Blackrock	AAA	9,850,000			
Insight	AAA	9,850,000			
		30,300,000	0.73%		
Pooled Funds					
CCLA		9,956,738			
Investec		7,000,000			
Kames		3,000,000			
		19,956,738	3.37%		
Local Authorities & Banks					
DMO (Debt Management Workshop)	LA	1,800,000		19/11/2019	02/12/2019
Thurrock Council	LA	8,000,000		19/06/2019	19/12/2019
Slough Borough Council	LA	5,000,000		25/02/2019	02/01/2020
Highland Council	LA	5,000,000		20/02/2019	27/01/2020
West Dumbartonshire Council	LA	10,000,000		26/04/2019	27/01/2020
Dundee City Council	LA	5,000,000		29/01/2019	28/01/2020
Birmingham City Council	LA	5,000,000		31/07/2019	31/01/2020
Warrington BC	LA	5,000,000		19/06/2019	19/02/2020
Yarmouth Borough Council	LA	10,000,000		16/05/2018	15/05/2020
Salford City Council	LA	5,000,000		01/08/2019	01/06/2020
Rotherham MBC	LA	10,000,000		26/04/2019	01/06/2020
Suffolk County Council	LA	5,000,000		09/08/2019	09/06/2020
Liverpool City Council	LA	5,000,000		04/10/2019	06/07/2020
Mid Suffolk District Council	LA	5,000,000		06/07/2018	06/07/2020
South Ayrshire Council	LA	5,000,000		19/08/2019	20/07/2020
London Borough of Croydon	LA	5,000,000		30/07/2019	28/07/2020
London Borough of Brent	LA	5,000,000		28/11/2019	28/08/2020
Liverpool City Council	LA	5,000,000		29/11/2019	28/08/2020
Aberdeenshire Council	LA	10,000,000		29/10/2019	02/09/2020
Lancashire Council	LA	10,000,000		31/10/2019	29/10/2020
North Lanarkshire Council	LA	5,000,000		29/01/2019	29/01/2021
Cambridgeshire County Council	LA	5,000,000		01/02/2019	01/02/2021
		134,800,000	0.97%		
		205,056,738	1.19%		

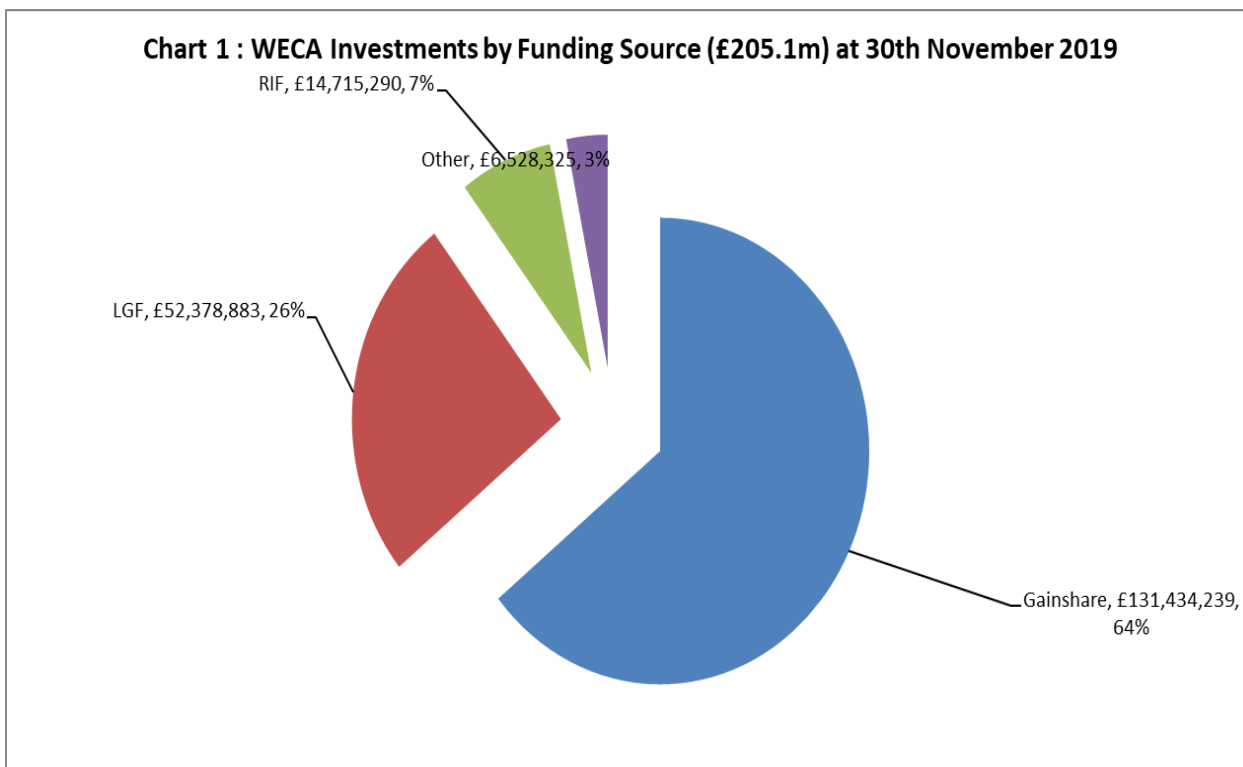


Chart 2: WECA Investments per lowest equivalent Long Term credit rating (£205.1m) at 30th November 2019

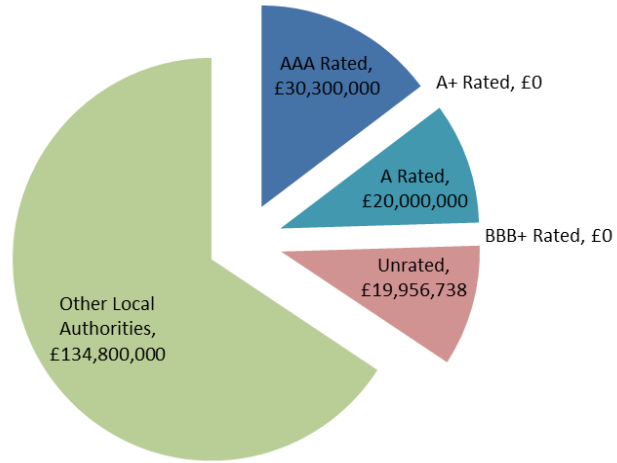
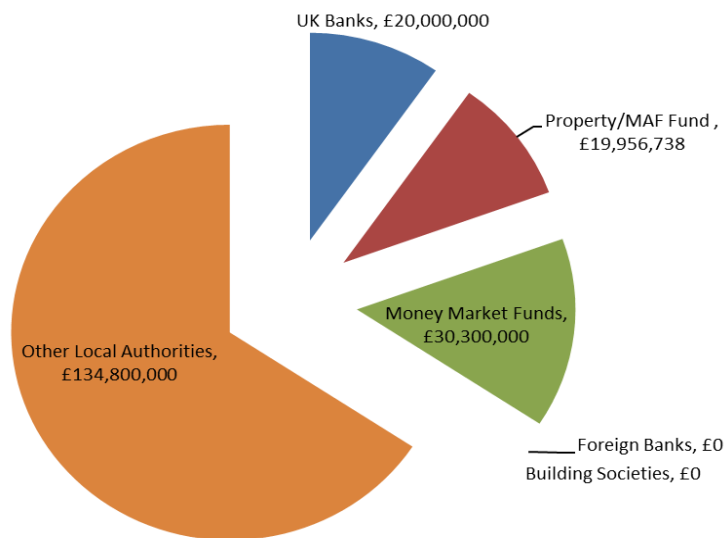


Chart 3: WECA Investments by Type (205.1m) as at 30th November 2019



This page is intentionally left blank



ITEM: 13

REPORT TO: AUDIT COMMITTEE

DATE: 27th FEBRUARY 2020

REPORT TITLE: RISK MANAGEMENT UPDATE

DIRECTOR: MALCOLM COE, DIRECTOR OF FINANCE

AUTHOR: LYNDA BIRD, HEAD OF PERFORMANCE, PLANNING & PROJECTS

Purpose of Report

- 1 This is the annual update to Audit Committee on WECA's approach to risk management

Recommendation

- That Members endorse the updated risk management framework.

Background / Issues for Consideration

- 2 The West of England Combined Authority is committed to deliver its strategic objectives of clean and inclusive economic growth whilst retaining a clear focus on the potential risks and opportunities associated with the activities set out in the annual business plan.
 - 2.1 During 2018 work was undertaken with Internal Audit colleagues to develop WECA's risk management approach and a draft framework was presented to Audit Committee members on 8th November 2018.
 - 2.2 Implementation of this approach was reviewed by Internal Audit in February 2019. Their report, attached as appendix one, concluded that the risk management framework was effective and good progress had been made in implementation to date, noting that it was early days with regards to embedding processes.
 - 2.3 It was agreed that a further review would be scheduled into the Internal Audit work programme for 2019/20. This has been concluded satisfactorily and the follow up report is included as appendix two.

Risk Management Process

- 2.4 During 2019 WECA has embedded the risk management processes as set out in the framework with a focus on the following reporting mechanisms:
- The WECA Senior Management Team have reviewed the Corporate Risk Register and Service Risk Registers each month.
 - The quarterly progress report on delivery of the business plan, which are taken to WECA and to Joint Committee, include a summary of the corporate risks associated with delivery of the business plan.
- 2.5 The risk management process was discussed at the WECA Senior Management Team meeting on 24th September 2019 and it was agreed to take the opportunity to widen the discussion on Corporate Risks to include the broader Management Team (including Heads of Service). This following revised reporting arrangements were proposed:
- Directorate Management Teams to continue to review service risk registers on a monthly basis.
 - A full update on Service and Corporate Risks will be brought to WECA's Management Team (Directors and Heads of Service) every two months, with a verbal update on key risks in the alternate months. This will ensure the mechanism for escalating items to the Corporate Risk Register remains a monthly activity.
 - SMT to review WECA Corporate Risk Register and Service Risk Registers each quarter, as part of the preparations for the quarterly business plan progress report.
- 2.6 The risk management framework has been updated to reflect this development in reporting cycles.
- 2.7 In discussion with WECA's Senior Management Team the risk evaluation criteria have been expanded to split the financial category into costs and benefits and to include further detail on the thresholds for these..
- 2.8 A draft of the updated risk management framework is attached as appendix three to this report.

Corporate Risk Register

- 2.7 WECA's full Corporate Risk Register is attached as appendix four to this report. This categorises the strategic risks to delivery of the business plan, their impacts and mitigations.

Consultation

- 3 The updated risk management framework has been discussed and endorsed by WECA's Senior Management Team, which includes the Director of Investment and Corporate Services.

Other Options Considered

- 4 None.

Risk Management/Assessment

- 5 Without a formal risk management framework and processes WECA will not be able to anticipate and take preventative action to avoid risk and will instead incur time and cost in managing the consequences of unplanned events.

Public Sector Equality Duties

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 6.1 The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 6.3 There are no equality implications arising directly from this paper. Equalities implications are considered as part of the planning and implementation of specific activities.

Finance Implications, including economic impact assessment where appropriate:

- 7 Core financial risks to the Combined Authority, together with mitigating actions, are highlighted in the Corporate Risk Register.

Advice given by: Malcolm Coe, Director of Investment and Corporate Services

Legal Implications:

- 8 The Accounts and Audit (England) Regulations 2015 state that “A relevant authority (the Council) must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk”. This framework meets this requirement and is an essential part of good governance for the Combined Authority.

Advice given by: Shahzia Daya, Director of Legal

Climate Change Implications

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region’s residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region’s resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 *Taking the above specifically into account, please comment on any climate change implications arising as a result of this report, and include details of any mitigation:*
- 9.2 Risks arising from the declaration of the Climate Change Emergency, in relation to the delivery of WECA’s business plan, are highlighted in the Corporate Risk Register.

Land/property implications

- 10 n/a

Human Resources Implications:

- 11 There are no Human Resource implications arising directly from this report.
- 11.1 If specific workforce risks are identified through this process, they will be

managed in line with policy and best practice in consultation with the Human Resources Team.

Advice given by: Alex Holly, Head of People and Assets

Appendices:

List any appendices to the report:

Appendix 1 – Internal Audit Report: Risk Management, February 2019

Appendix 2 – Internal Audit Report: Risk Management, November 2019

Appendix 3 - WECA Draft Risk Management Framework 2020

Appendix 4 – WECA Corporate Risk Register

Background papers:

None

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

This page is intentionally left blank



**Draft Internal Audit Report
Confidential**

WECA - Risk Management

February 2019

Executive Summary

Audit Opinion:

Assurance Rating	Opinion
Level 5	The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary
Level 4	The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan
Level 2	The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
Level 1	The systems of internal controls are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee

Assurance Summary:

Assessment	Key Control Objectives
Satisfactory	To ensure that management and staff understand and comply with formally adopted systems / processes
Satisfactory	To ensure 'Organisation' Risk Registers (Service and Corporate) are maintained, reflect current and emerging risks and enable mitigating action to be monitored
Satisfactory	To ensure that decision making is informed through a risk and opportunity assessment process
Good	To ensure that a Risk Management Strategy has been established and appropriately approved

Detailed Report

Opinion:

Internal Audit has undertaken a review of the risks and controls related to WECA - Risk Management and assessed the framework of internal control at **Level 3**. A total of **1 audit recommendations** are detailed in the Action Plan.

Scope and Objectives:

The scope and objectives of our audit were set out in the Audit Brief and a summary of our opinion against each of the specific areas reviewed has been detailed in the Assurance Summary section above.

Draft Internal Audit Report – WECA - Risk Management

Context & Audit Comment:

Following a review of the eight themes of good governance using its 'Reasonable Assurance Model' at the end of 2017/18, Audit West identified that the West of England Combined Authority (WECA) did not have a formally adopted Corporate system in place to identify, manage and monitor risks. As a result, an audit review of the Authorities proposed risk management strategy and framework was included in the Annual Audit Plan for 2018/19. The purpose of this Internal Audit review was to assess the current arrangements for Risk & Opportunity Management within the WECA and to explore new approaches for the WECA to adopt in order to improve risk & opportunity management.

The Audit Review was undertaken in two phases;

- Phase One – Consultation on Risk Management Strategy
- Phase Two – Progress on implementing the adopted Risk Management Strategy

Phase one took place in the second quarter of 2018/19; this involved providing guidance and support to WECA risk management best practice. Using the guidance provided and their own expertise WECA developed a Risk Management Strategy which was presented to the Senior Management Team and was formally adopted by the Audit Committee on 8th November 2018. Following feedback received from these meetings, management commenced the implementation of the risk management strategy in November 2018.

Phase two of the audit review took place in the third quarter of 2018/19; this piece of work involved reviewing the implementation and ongoing use of the adopted Risk Management Strategy.

Current Position on Risk Management

It is the opinion of Audit West that WECA have adopted an effective Risk Management Strategy and it has received the support from the Senior Management Team and the Audit Committee. Good progress has been made with the implementation of the strategy, however, it is still early days with regard to the embedding process. Indeed, feedback on the strategy is being received and as a result processes are still being refined and amended.

Processes are being developed across WECA so that Corporate and Service Risk Registers are updated and presented to Senior Management Team (SMT) in accordance with the WECA performance reporting process documented within the Risk Management Strategy.

Risks are being escalated from Service Risk Registers to the Corporate Risk Register upon agreement from SMT. Action plans are created from SMT meetings but there are no meeting minutes to support this.

As a separate project but related to risk management, WECA are working on aligning all project risk registers to standardise the project risk reporting. Discussions have started on what would be expected to be reported within a project risk register.

WECA should continue to work on processes that embed the Risk Management Strategy within the authority.

We identified the following strengths:

- A Risk Management Strategy has been established by WECA; the Strategy and how to complete risk registers has been effectively communicated to the risk register owners.
- Structured processes have been established to help identify record and manage risks.
- Updated service area and corporate risk registers have been presented to SMT monthly (November and December 2018) in accordance with the Risk Management Strategy
- Risk and opportunity management is formally considered as part of the decision making process at WECA Committee and senior management level.

Draft Internal Audit Report – WECA - Risk Management

We identified the following weaknesses:

- All the necessary components recorded in the Risk Registers are not always updated as part of the monthly updating process

Audit & Risk Personnel:

Lead Auditor: Harriet Hodge

Acknowledgements:

Sincere thanks to Lynda Bird and all service staff for their help and assistance provided throughout the Audit review.

Draft Internal Audit Report – WECA

ACTION PLAN

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M1	<p>Risk Registers Service Area Risk Registers have not always been fully completed to show:</p> <ul style="list-style-type: none"> • Action plan owner • Proposed action plan • Action plan updates • Date last updated <p>Risk Registers are currently updated on a monthly basis, however, the "date last updated" column does not always reflect this. As a result, it is not clear whether all risks identified have been reviewed.</p> <p>It is acknowledged that Risk Registers have been established for each of the Service Areas using templates provided in the Risk Management Strategy.</p>	<p>If the Risk Registers are not updated there is a risk that they do not reflect current and emerging risks and mitigating actions.</p> <p>There is a risk that risks will not be effectively managed.</p>	<p>In order to enhance the completion and use of Risk Registers it is recommended that the risk management owners should ensure that all columns on the risk register template are completed in full and that updates to the action plan are reported within the register and reported to SMT on at least a monthly basis</p> <p>WECA should continue to update the Risk Registers on at least a monthly basis.</p>	<p>We recognise that the process for managing Service Area Risk Registers needs to be formalised. This was discussed at WECA SMT on 12th February 19 where it was agreed that each Directorate would take responsibility for maintaining its Service Risk register and a timetable would be established for providing monthly updates on these to SMT.</p> <p>Lynda Bird Head of Performance, Planning & Projects 25/02/2019</p>

Client / Service	West of England Combined Authority
Report Name	Risk Management
Date Final Report Issued	February 2019

ACTION PLAN (AUDIT FOLLOW-UP REVIEW)

Rec No.	Report Recommendation	Responsible Officer, Management Comments and Implementation Date	Management Comments on Implementation	Implementation Status
M1	<p>Risk Registers</p> <p>In order to enhance the completion and use of Risk Registers it is recommended that the risk management owners should ensure that all columns on the risk register template are completed in full and that updates to the action plan are reported within the register and reported to SMT on at least a monthly basis</p> <p>WECA should continue to update the Risk Registers on at least a monthly basis.</p>	<p>Head of Performance, Planning & Projects</p> <p>To be implemented by the end of September 2019.</p>	<p>Service risk registers are now fully completed and are reviewed by Directorate Management Teams on a monthly basis.</p> <p>Since the implementation of the Risk Management Framework these Service Risk Registers have been presented to SMT on a monthly basis for review, alongside the Corporate Risk Register.</p> <p>Following a discussion at SMT in September 2019 it has proposed that we widen our risk management reporting to include the broader WECA Management Team. We will take an updated Risk Management Framework to Audit Committee to reflect this additional reporting process:</p> <ul style="list-style-type: none"> - The monthly review of service risks registers by Directorate Management Teams will continue. - A full update on Service and Corporate Risks will be brought to Management Team every two months, with a verbal update on key risks in the alternate months. This will ensure the mechanism for escalating items to the Corporate Risk Register remains a monthly activity. - Quarterly update to SMT in line with business plan progress reporting. 	Implemented

This page is intentionally left blank

**WEST OF ENGLAND COMBINED AUTHORITY
CORPORATE RISK FRAMEWORK 2020**

DRAFT

Introduction

This document sets out WECA's approach to risk management. It sets out the process and activities WECA will adopt for identifying and managing risk and sets out the roles and responsibilities for employees.

The West of England Combined Authority (WECA) is committed to deliver its strategic objectives whilst having a clear focus on the potential risks and opportunities that face our business activities on an ongoing basis.

The key purpose of the corporate risk framework is to ensure that key risks to WECA's delivery are identified, managed and monitored.

Risk can be defined as the 'effect of uncertainty on objectives'. This effect can either be a positive or negative deviation from what is expected (ISO 31000).

The focus of good risk management is the identification, evaluation, control and review of risks and opportunities to enable the delivery of key objectives. This is a responsibility of all employees at WECA.

There is significant value in the effective management of risk, including:

- Informing business decisions
- Enabling effective use of resources
- Enhancing strategic and business planning
- Overcoming threats impacting on delivery
- Providing confidence in our ability to achieve our objectives
- Making informed investment decisions
- Strengthening contingency planning

Policy Statement

WECA will demonstrate a proactive approach to risk management based on the following key principles:

- Risk management activity will be aligned to corporate and business plan aims, objectives and priorities. It will encompass all strategic and operational areas that may prevent the Combined Authority from fulfilling its strategic aims
- It will anticipate and take preventative action to avoid risk rather than managing the consequences
- It will seek to realise opportunities that arise from the monitoring of risk
- A consistent approach for the identification, assessment and management of risk will be embedded throughout the organisation
- Risk control and mitigation will be effective, appropriate, proportionate and affordable
- All employees are required to take responsibility for the effective management of risk throughout the organisation
- WECA SMT and Heads of Services are responsible for implementing this policy and for the escalation of risks to the Corporate Risk Register as required

Risk Management Structure and Approach

Risk management is an integral part of WECA's Performance reporting process as set out in figure one.

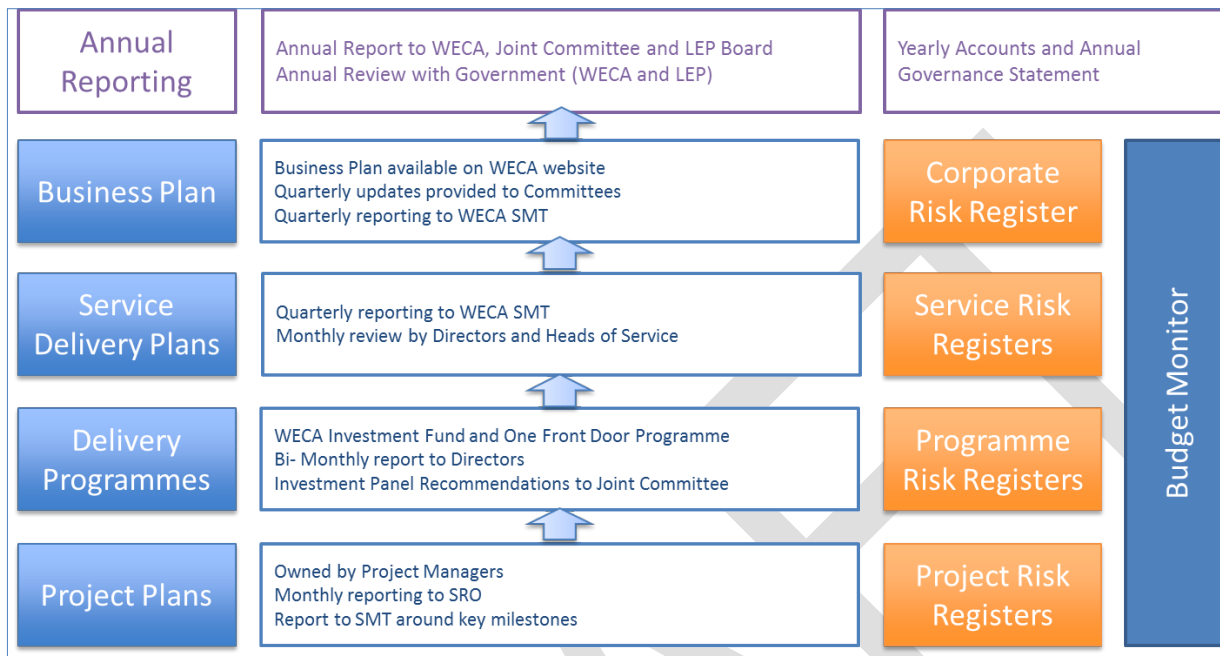


Figure one: WECA performance reporting process

Risk management is a cyclic process and activity to identify and manage risks, which is achieved through regular monitoring of progress against the objectives in the business plan and following the process illustrated in figure two.



Figure two: WECA risk management process

Evaluation Criteria and Risk Appetite

Each risk is clearly defined by stating the cause and consequence of each risk. Six key risk categories have been identified that have the potential to create a significant impact onto delivery if not managed effectively. These are: Cost, Benefits, Reputation, Delivery, Legal & Governance and Health & Safety.

The impact of each risk is evaluated on a five-point scale, with one representing a minimal risk and five a critical risk. Detailed criteria for each of the risk impact categories are provided in Appendix 1.

The likelihood of each risk occurring is also evaluated on a five-point scale with one indicating very low to five which indicates a very high likelihood of occurrence.

Management of Risk

Once assessed risks will be mapped using a scoring matrix to ensure WECA has a clear view of its overall risk profile. An overall 'risk score' is generated (multiplying the impact and likelihood scores) to help identify the key risks requiring immediate intervention. Risks will be recorded on a risk register which will capture the scoring for risks before and after proposed intervention (inherent and residual risks). The scoring matrix is set out in figure three and a template risk register is provided in Appendix 2.

5: Very high Highly likely to occur	5	10	15	20	25
4: High More likely to occur than not	4	8	12	16	20
3: Medium Could occur at some point	3	6	9	12	15
2: Low More likely not to occur	2	4	6	8	10
1: Very Low Very unlikely to occur	1	2	3	4	5
Probability	1: Minimal	2: Minor	3: Significant	4: Major	5: Critical
	Impact				

Key for interventions:




 High Risk	Urgent action required to ensure delivery can be achieved
 Medium Risk	Significant impact on delivery – intervention required
 Low Risk	Remedial action should be considered if appropriate

Figure three: WECA risk scoring matrix

Once assessed and ranked, four strategic options are available to manage risks and these should be considered along with the cost/benefit of the proposed intervention:

Treat	Take direct action to reduce the level of risk to an acceptable level. Actions must be SMART (specific, measurable, agreed, realistic, timed) and allocated to individuals.
Tolerate	No additional actions taken.
Transfer	Transfer the risk to another organisation or partner to resolve.
Terminate	The risk may be so serious that withdrawal from the activity should be considered.

Roles and Responsibilities

The management of risk is captured within all areas of WECA activity as set out below:

Role	Responsibility for Risk Management
WECA and Joint Committee	Oversee effective delivery of WECA's objectives and management of risk
WECA Audit Committee	Provide independent assurance of the risk management framework
WECA Scrutiny Committee	Provide scrutiny on progress to deliver the business plan
WECA SMT	Accountability for delivery of the business plan and management of the risks affecting its delivery. Ownership of Corporate Risk Register and departmental risk registers
Heads of Service	Ensure the risk management process is promoted, managed and implemented effectively in the organization. Manage departmental risks
Programme and Project Boards	Own programme and project risk registers, escalating risks to the WECA Head of Service/Director as appropriate
Employees	Identify and manage risk effectively in their jobs, liaising with their managers to identify new or changing risks
Internal Audit	Review the risk management process and provide assurance to officers and members on the effectiveness of controls

Appendix 1: Risk Impact Scoring Criteria

Consequence	1: Minimal	2: Minor	3: Significant	4: Major	5: Critical
Costs	Costs could increase by up to 1% or £10k and under whichever is lower.	Costs could increase between 1% and 5% or overspent between £10k to £50k whichever is lower.	Costs could increase between 6% to 15% or overspent between £50k and £250k whichever is lower.	Costs could increase between 16% to 25% above budget or between £250k and £500k whichever is lower.	Costs could exceed budget by greater than 25% or overspent of £500k or greater.
Benefits	Benefits could decrease by up to 1% or £10k and under whichever is lower.	Benefits could decrease between 1% and 5% or overspent between £10k to £50k whichever is lower.	Benefits could decrease between 6% to 15% or overspent between £50k and £250k whichever is lower.	Benefits could decrease between 16% to 25% above budget or between £250k and £500k whichever is lower.	Benefits could decrease exceed budget by a reduction of greater than 25% or decrease by £500k or greater.
Legal & Governance	All constitutional and legislative requirements have been met and WECA is acting within its statutory powers.	There is potential for legal action but measures to mitigate against any action can be demonstrated and no legislation has been breached. Litigation, claims or fines up to £10K	Discretionary opinion on the interpretation of legislation or contractual terms is applied to confirm WECA's ability to proceed with activities. Litigation, claims or fines up to £25K	Discretionary opinion is not followed and action taken contrary to advice of legal colleagues. Litigation, claims or fines up to £50k.	Failure to comply with legislation and contractual obligations leading to the possibility of a litigation, arbitration or adjudication claim being brought. Litigation, claims or fines up to £100K.
Delivery	Threat could have a minimal impact on the quality of, or delivery delays of up to 3 months.	Threat could have a minor impact on the quality of, or delivery delays of between 3 and 6 months.	Threat could have a significant impact on the quality of, or delivery delays of between 6 and 9 months.	Threat could have a significant impact on the quality of, or delivery delays of between 9 and 12 months.	Threat could have a critical impact on the quality of, non- delivery, or delivery delays of greater than 12 months.
Health & safety	Known H&S threats effectively managed through appropriate control measures.	Potential for minor injury to occur that can be satisfactorily managed through Safety Management Systems.	Potential for moderate injury or dangerous occurrence to be sustained, possible reporting to the Regulatory body.	Potential for a breach in H&S rules resulting in likely intervention by the Regulatory body.	Severe injury or fatality likely to occur. Regulatory body intervention probable with threat of statutory enforcement or prosecution.
Reputation	Minimal reputational impact.	Minor poor media coverage or negative stakeholder relations contained locally over a short period of time including social media.	Poor media coverage or negative stakeholder relations contained locally but over a prolonged period.	Inability to maintain relations with stakeholders. Potential for national media coverage impacting on stakeholder confidence of WECA.	Inability to deliver political policies. Serious negative media coverage over a sustained period of time leading to political and/or public loss of confidence in WECA. Breakdown in relations with key stakeholders.

Appendix Two: Risk Register Template

WECA Risk Register															
ID	Category	Date entered on register	Risk Description	Risk Impact	Inherent Risk Score			Mitigation	Residual Risk Score			Risk Owner	Action Owner	Status	Date of last update
					L	I	Score		L	I	Score				
Unique reference - allocated centrally	Financial / Reputation / Delivery / Health & Safety / Legal & Governance		Description of the risk	Description of the impact should the risk occur	Likelihood (Score 1-5)	Impact (Score 1-5)	Overall Score (Impact x Likelihood)	Proposed mitigations - including timeframes	Likelihood after mitigation (Score 1-5)	Impact after mitigation (Score 1-5)	Overall Score after mitigation (Impact x Likelihood)	Typically Director level	Officer responsible for mitigating actions	Open or Closed	

DRAFT

This page is intentionally left blank

WECA Risk Register

ID	Category	Date entered	Risk Description	Risk Impact	Inherent Risk Score			Mitigation	Timeframe	Residual Risk Score			Risk Owner	Status	Date of last update
					L	I	Score			L	I	Score			
CS-R002	Financial	19/07/2018	The way that Government funds Combined Authorities could impact on the future sustainability of WECA. WECA capacity is currently resourced through short term funding streams - Mayoral Capacity Fund and Business Rates Retention pilot.	WECA would not be able to retain high calibre staff, balance its budget or deliver against its priorities	4	5	20	Discussions ongoing with HMRC and Treasury. The medium term financial plan has been updated with more detail included to inform the 2020/21 Budget.	Ongoing	3	4	12	Section 151 officer	Open	18/02/20
PS-R002	Financial	02/04/2019	There is a risk that the criteria for accessing the shared prosperity fund may not be aligned with our Local Industrial Strategy.	We would be unable to secure the funding required to deliver our Local Industrial Strategy.	4	5	20	Engagement with BEIS, CLGU and LEP network to influence early thinking.	Nov-19	3	4	12	Head of Strategy & Policy	Open	18.02/20
WECA-R009	Financial	15/08/2019	There is a risk that WECA may not have enough evidence to meet the requirements of the 5-year Government Gateway Reviews to unlock future years funding as schemes are at early stages of delivery.	We would be unable to maximise investment into the region to deliver our priorities.	4	5	20	We have developed tangible metrics which are included in our Business Plan which set out anticipated progress to be made by 2023. We have an approved £350m programme allocated against strategic priorities up to 2023. We have agreed the scope of the review with the assessment partners.	Ongoing	3	4	12	Director of Investment & Corporate Services / Head of Performance, Planning & Projects	Open	12/02/2020
WECA-R008	Delivery	15/08/2019	There is a risk that some of the mitigating activities required to address the Climate Change Emergency are outside of WECA's responsibilities and control.	We may not have all the levers to deliver a regional economy and infrastructure that is fit for a low carbon future and resilient to climate change.	4	4	16	We have allocated £250K to develop business cases to respond to the Climate Emergency. We are working to map responsibilities at local authority, WECA and national government level and working with with partners from the public and private sector to develop a climate emergency action plan.	Ongoing	3	4	12	Senior Management Team	Open	04/11/2019
WECA-R006	Delivery	19/11/2018	There is a risk that the unpredictable impact of Brexit on Business across the region could lead to uncertainty and lack of confidence.	Businesses may be reluctant to make decisions regarding investment in the region.	4	4	16	WECA has convened a working group and has engaged with LEP Board and Business West to identify early issues and discuss approaches. Advice and signposting is available via Growth Hub website.	Ongoing	3	3	9	Head of Strategy & Policy	Open	04/11/2019
WECA-R002	Delivery	19/07/2018	There is a risk that national priorities may change over the course of the year.	This could potentially require significant alterations and additions to the business plan, impacting onto current delivery plans.	3	5	15	Regular discussions at both official and political level. Delivery of business plan monitored by WECA SMT and reported to WECA Chief Executives quarterly	Ongoing	3	4	12	Chief Executive	Open	25/07/2018
WECA-R007	Legal & Governance /	29/03/2019	There is a risk of fraud, bribery or corruption.	Financial loss, reputational damage.	3	4	12	Controls & prevention measures incorporated in key operational processes. Annual review of arrangements.	Ongoing	2	4	8	S151 Officer	Open	04/03/2019
WECA-R003	Delivery	19/07/2018	There is a risk that Committee members may be unable to reach agreement on key proposals.	WECA would be unable to realise the opportunities and benefits of the activities set out in the business plan.	2	5	10	Strong partnership working arrangements are in place to ensure that proposals are developed to support and complement the priorities and objectives of the constituent councils.	Ongoing	2	4	8	Chief Executive	Open	31/07/2019
WECA-R010	Delivery	19/08/2019	There is a risk that a number of strategies and plans are agreed and published but are not clearly aligned with our Local Industrial Strategy.	We would be unable to present a cohesive picture of the region and its challenges and to agree the priorities that will enable us to realise the full benefits of clean and inclusive economic growth that we have identified in our Local Industrial Strategy.	2	4	8	Our 2020/21 Business Plan aligns our operating framework and Local Industrial Strategy priorities to provide a longer term strategic overview that is linked to our Investment Priorities.	Ongoing	2	3	6	Director of Investment & Corporate Services / Head of Performance, Planning & Projects	Open	18/02/2020

This page is intentionally left blank



ITEM: 14

REPORT TO: AUDIT COMMITTEE

DATE: 27th FEBRUARY 2020

REPORT TITLE: WECA MONITORING & EVALUATION FRAMEWORK 2020

DIRECTOR: JESSICA LEE, HEAD OF STRATEGY & POLICY

AUTHOR: LYNDA BIRD, HEAD OF PERFORMANCE, PLANNING & PROJECTS

Purpose of Report

- 1 To provide an updated WECA Monitoring & Evaluation Framework for Audit Committee approval.

Recommendation

- Audit Committee to approve the Monitoring & Evaluation Framework for 2020.

Background / Issues for Consideration

- 2 WECA's Monitoring & Evaluation (M&E) framework sets out our overall approach to the monitoring and evaluation of activities across WECA and the Local Enterprise Partnership.
 - 2.1 As part of our devolution arrangements Government require us to submit an updated M&E framework relating to Investment-fund activity each year. This is included in our organisational M&E framework to ensure consistency of approach and to avoid duplication of effort.
 - 2.2 Our approach to monitoring and evaluation is based on the following principles:
 - Reporting requirements are locally defined and support delivery of local strategies
 - Evaluation is meaningful and proportionate
 - Data is collected once and used many times
 - Baseline information is consistent across key initiatives
 - Monitoring and evaluation is a core part of all activities
 - Lessons learned are used to inform future policy development

- 2.3 The draft M&E framework for 2020 is provided as appendix one to this report. It brings WECA's reporting requirements into a single document and sets out a reporting structure focused on the following:
- Delivery of the annual business plan which includes in-year activity to support WECA and the Local Enterprise Partnership. Our business plan for 2020/21 was approved by WECA and Joint Committee on 31st January 2020.
 - Project and Programme delivery, focused on schemes funded through the WECA Investment Fund, West of England One Front Door Programme and through other grant funds (e.g. Department for Digital, Culture, Media and Sport).
 - Longer term organisational impact, measured through the five-year gateway review, the first of which is due to take place during 2020.
- 2.4 An annexe to the document provides further details of specific evaluation approaches, where plans have not yet been completed and published.
- 2.5 WECA tracks a small number of regional indicators across the priorities of our Operating Framework. Whilst we do not have total control over these measures, we expect the activities set out in our business plan to contribute to positive change. These indicators were published with our 2020/21 business plan and are included as an annexe to the M&E plan.

Consultation

- 3 The M&E framework is updated annually each Autumn and is shared with Government. A draft was submitted in November 2019 which included some significant updates to reflect progress in bringing projects forwards, with links included to the M&E plans that are published as part of our Single Assurance Framework process.
- 3.1 Feedback from Government on the updated M&E framework has been positive, and noted that "overall, the document outlines a good monitoring strategy for the planned projects. It provides clear logic models, well specified data requirements and names the relevant SROs."

Other Options Considered

- 4 None. A monitoring and evaluation framework is both a requirement from Government, and is also good practice in ensuring consistency and efficiency of approach.

Risk Management/Assessment

- 5 Without a rigorous and consistent approach to monitoring and evaluation, we will be unable to demonstrate progress to meet the requirements of the 2020 Gateway Review.

Public Sector Equality Duties

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

6.1 The Act explains that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

6.3 There are no equality implications arising directly from this report. All projects are required to complete an equality impact assessment.

Finance Implications, including economic impact assessment where appropriate:

7 The monitoring and evaluation framework provides assurance that limited resources will be utilised to their best effect to ensure activity is appropriate and proportionate.

Advice given by: Malcolm Coe, Director of Investment and Corporate Services

Legal Implications:

8 Monitoring and evaluation is an essential part of the Combined Authority's governance. This report sets out the approach to be taken to evaluate the outcomes of our interventions.

Advice given by: Shahzia Daya, Director of Legal and Democratic Services

Climate Change Implications

9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?

* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 Taking the above specifically into account, please comment on any climate change implications arising as a result of this report, and include details of any mitigation:
- 9.2 WECA will be producing a Climate Emergency Action Plan in early 2020 and this will include a monitoring and evaluation plan for the activities identified within it.

Land/property implications

10 None arising as a result of this report.

Advice given by: David Carter, Director of Infrastructure

Human Resources Implications:

111 None arising from this report. Monitoring and evaluation activity should be included in project resource and budget plans.

Advice given by: Alex Holly, Head of People and Assets

Appendices:

List any appendices to the report:

Appendix 1 – WECA Monitoring & Evaluation Plan 2020 (draft)

Appendix 2 – WECA Monitoring & Evaluation Plan Annex 1 (draft)

Appendix 3 – WECA Monitoring & Evaluation Plan Annex 2: Regional Indicators

Background papers:

WECA Monitoring & Evaluation Plan November 2018

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

**WEST OF ENGLAND COMBINED AUTHORITY
MONITORING & EVALUATION FRAMEWORK 2019 - 2020**

Contents

1. Introduction	2
2. Background.....	2
3. Approach to Monitoring & Evaluation.....	2
4. Annual Business Plan	3
5. Key Performance Indicators.....	4
6. Risk Management	4
7. Equalities	4
8. Project and Programme Evaluation	5
9. Transport.....	5
10. Planning & Housing	7
11. Digital Infrastructure	7
12. Skills	8
13. Business	9
14. Corporate Services.....	11
15. Organisational Impact.....	11

1. Introduction

This document sets out the West of England Combined Authority’s approach to Monitoring and Evaluation.

2. Background

The West of England Combined Authority (WECA) was established in 2017 as part of a Devolution Deal with Government. Its overarching aim is to deliver clean and inclusive economic growth.

WECA is formed of three Councils, Bath & North-East Somerset, Bristol and South Gloucestershire. It is responsible for management of a devolution investment fund of £30M per year. Funding decisions relating to the WECA investment fund, and other WECA activities, are made by the West of England Combined Authority.

WECA also supports the West of England LEP, which includes North Somerset Council. Funding decisions relating to the Local Growth Fund, One Front Door Programme and LEP activities are made by the West of England Joint Committee.

These governance arrangements are illustrated below.

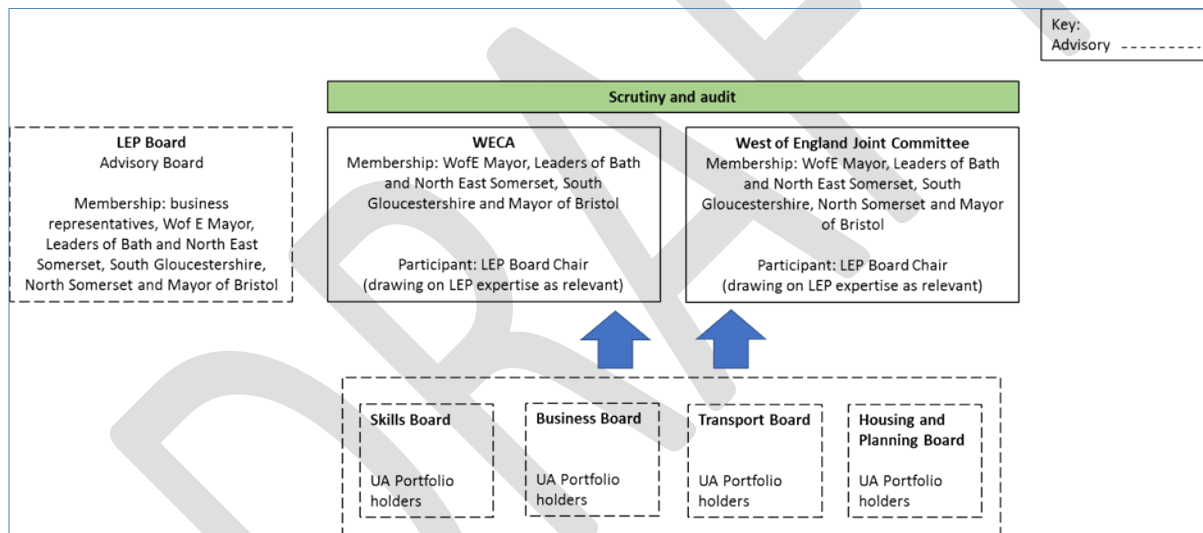


Diagram One: Governance Arrangements

The detailed processes for managing the WECA Investment Fund and West of England One Front Door Programme are set out in the [Local Growth Assurance Framework](#) which details the agreed prioritisation, appraisal, monitoring and evaluation requirements for each scheme. ¹

In June 2019 the WECA Committee agreed an overall funding envelope of £350m for the period up to March 2023, reflecting the strong ambitions to drive forward projects which would bring very significant, positive improvements and impacts for residents right across the region.

3. Approach to Monitoring & Evaluation

WECA’s overall approach to Monitoring and Evaluation is underpinned by the following key principles:

- Reporting requirements are locally defined and support delivery of local strategies

¹ A single, aligned, Local Growth Assurance Framework was agreed through the WECA and Joint Committees in April 2019. This brings together and replaced the WECA Single Pot Assurance Framework and LEP Assurance Framework.

- Evaluation is meaningful and proportionate
- Data is collected once and used many times
- Baseline information is consistent across key initiatives
- Monitoring and evaluation is a core part of all activities
- Lessons learned are used to inform future policy development

Our approach is structured around three levels which are illustrated in the diagram below, with details of each level set out in the following sections.

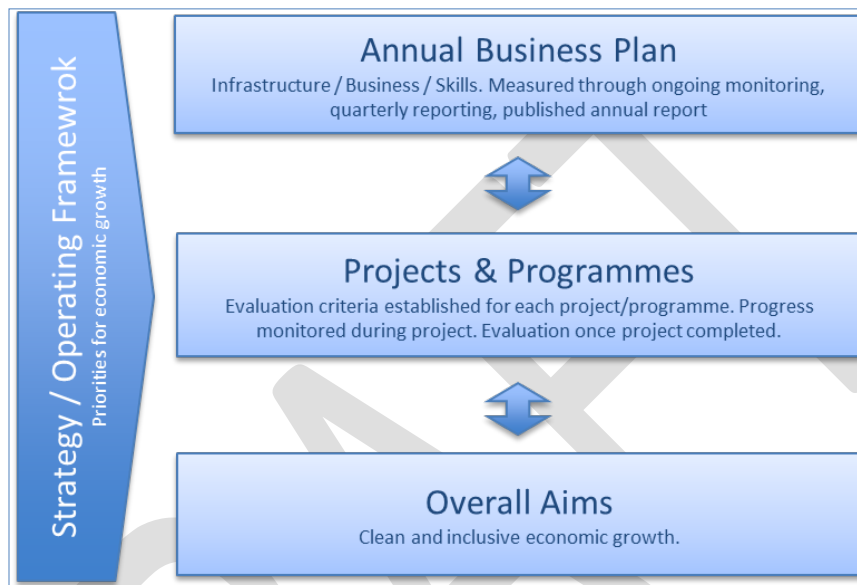


Diagram Two: Overall approach to Monitoring & Evaluation

4. Annual Business Plan and Local Industrial Strategy

WECA's operating framework sets out our overarching goal, to be a driving force for clean and inclusive economic growth. It identifies key priorities for infrastructure, skills and business and aligns with the themes of the West of England Local Industrial Strategy, which was published in July 2019.

WECA's business plan sets out the key activities that WECA will deliver each year. Whilst essentially a one-year plan, the business plan includes reference to activity that WECA is committed to in the coming years, including updates on longer-term project and programme delivery as well as activity to implement the West of England Devolution Deal.

The operating framework and business plan are published on the WECA website [here](#).

The Business Plan for 2020/21 was approved by WECA and Joint Committee on 31st January 2020 and reflects the ambition set out in the Local Industrial Strategy.

Quarterly reports on progress in delivering the business plan are taken to WECA and Joint Committee. Overall progress is presented in an [annual report](#) which includes specific details of the Local Enterprise Partnership Delivery Plan.

The cycle of reporting against the business plan is illustrated below.

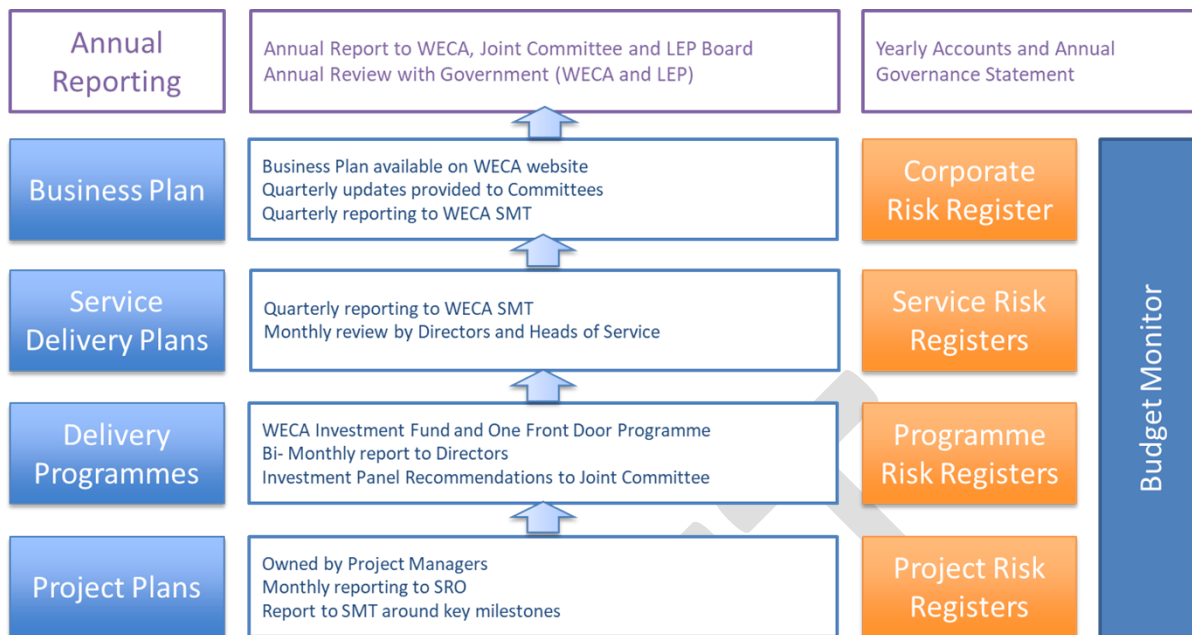


Diagram Three – Business plan reporting cycle

5. Key Performance Indicators

A number of outcomes and impacts are identified through the logic models that underpin the detailed evaluation plans which are linked from this document. WECA tracks a small number of indicators across the region, across the priorities of our Operating Framework.

The indicators, included as an annexe to this document, summarise the state of the region for each priority area, and we expect the activities set out in business plan to contribute to positive change. We do not have total control over these measures because many other factors play a role, but it is important we understand the current position.

6. Risk Management

WECA is committed to deliver its strategic objectives whilst having a clear focus on the potential risks and opportunities that face our business activities on an ongoing basis.

Risk management is an integral part of WECA's reporting against delivery of the business plan, as shown in diagram three. WECA's risk management framework is reviewed annually and will be brought to the February 2020 Audit Committee for approval.

7. Equalities

WECA is committed to achieving inclusive economic growth across the Region.

All schemes supported through the Investment Fund and LEP funding streams are required to produce an equalities analysis and plan as part of their full business case.

8. Project and Programme Evaluation

Monitoring and Evaluation (M&E) of WECA policies, investments and interventions enables the authority to:

- Demonstrate local accountability. Show how funding is being spent and benefits achieved against local strategies and action plans, demonstrating the value and effectiveness of local decision making and shaping future priorities
- Comply with external scrutiny. Together with the Assurance Framework demonstrate progress and delivery to the constituent council members, senior government officials and Ministers
- Understanding what works. Provide a feedback loop and enables the lessons learnt to be fed back into policy making and communicated to stakeholders, as well as supporting the case for further devolution and investment in the area.
- Developing an evidence base. Provide a mechanism for collecting, collating and analysing data which can be used across the organisation and by others, following the principle of collecting data once and using many times.
- Ensure quality assurance. For interventions funded through WECA investment fund and One Front Door Programmes a Monitoring & Evaluation plans form part of business case submissions and these are independently reviewed and published to support business case approval decisions by the WECA or Joint Committee

The following sections set out our approach and timeframes for the monitoring and evaluation of projects and programmes in our priority areas of transport, housing & planning, business and skills.

Funding streams are indicated for all activities. Funds devolved to WECA as part of the West of England Devolution Deal are referred to as 'Investment Fund'. The Investment Fund also incorporates the funding awarded through the Transforming Cities Fund in one integrated programme. Funds managed through the Local Enterprise Partnership are identified as 'West of England' or by fund name.

Where available links are included to individual scheme Monitoring & Evaluation plans. Where Monitoring & Evaluation plans are still in development the overall approach and logic models that will be applied are included as appendix two.

9. Transport

As set out in the WECA business plan, overall activity is focused on:

- Better links to reduce congestion and connect people
- Improve national and international connections

All transport schemes funded through the Investment Fund/LEP funding programmes will follow the guidance as set out by DfT and the approach taken to monitoring and evaluation will be proportionate to the scale of the intervention. Evaluation will include:

- Scheme build
- Delivered scheme
- Costs
- Scheme objectives
- Travel demand
- Travel times and their reliability
- Impacts on the economy
- Carbon impacts
- Noise
- Air quality
- Accidents
- Process and Impact Evaluation

We are working towards the following evaluation timetable:

Transport Activity	Funding Stream	Evaluation Timetable	M&E Arrangements
Single Transport Pot	Devolution Deal – DfT Funding	Reporting via business plan	Appendix One, B1
ITA Function: Concessionary Fares	Devolution Deal – Transport Levy	Reporting via business plan	Appendix One, B2.1
ITA Function: Community Transport	Devolution Deal – Transport Levy	Reporting via business plan	Appendix One, B2.2
ITA Function: Bus Service Information (including Real Time Information)	Devolution Deal – Transport Levy	Reporting via business plan	Appendix One, B2.3
Establish Key Route Network	Devolution Deal	Reporting via business plan	In development
Develop Bus Strategy	Investment Fund	Reporting via business plan	In development
Joint Local Transport Plan	West of England	Reporting via business plan ²	Targets to be signed off with plan early 2020
Cribbs Patchway Cycle Links	Investment Fund	Bi-monthly reporting to WECA Committee	M&E Plan
Cribbs Patchway Metrobus Extension	Investment Fund and EDF Funding	Bi-monthly reporting to WECA and Joint Committee	M&E Plan
On-Bus Contactless Bank Card Payment	Investment Fund	Bi-monthly reporting to WECA Committee	M&E Plan
Advanced Composites for Transport Infrastructure – Bridge Construction	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
MetroWest Phase 2 Development Costs (West of England wide)	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
West Wick Roundabout & North South Link	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
MetroWest Phase 1 (West of England wide) Development Costs	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Bath Quays Bridge	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Town Square, Weston-super-Mare	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
West of England Sustainable Transport Package 17/18	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Weston Super Mare Town Centre Transport Enhancement Scheme	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Keynsham Town Centre Improvements	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Sustainable Transport Package 2018-21	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan

We are exploring options to bring the Integrated Transport Authority Functions together into the West of England Combined Authority in 2020/21. Delivery is currently dispersed across the constituent unitary authorities. As part of this project we will develop a new Monitoring & Evaluation plan to monitor overall delivery.

² Targets to be signed off with plan, due for sign off early 2020

10. Planning & Housing

As set out in the WECA business plan, overall activity is focused on:

- Enabling the required housing growth in the region promoting affordability and an appropriate housing mix
- Employment spaces to meet the needs of all businesses and communities

It also relates to:

- Better links to reduce congestion and connect people.

We are working towards the following evaluation timetable, noting that evaluation of these and other related activities also occurs through regular monitoring and analysis that is embedded within them as evidence-based activities, and associated statutory obligations:

Housing & Planning Activity	Funding Stream	Evaluation Timetable	M&E Arrangements
Statutory and non-statutory Strategic Planning	West of England/Investment Fund	Statutory Plans must be reviewed every 5 years when in final form. Other work supports these, reporting via business plan	Appendix One, C1
Non statutory delivery support	Various inc. Investment Fund	To be agreed depending on the project, reporting via business plan	Appendix One, C2
Joint Green Infrastructure Strategy	West of England	Draft strategy to be agreed. Intended to be a living document with inbuilt monitoring and review on an at least annual basis.	Appendix One C1 plus additional in development
Infrastructure and Investment Delivery Plan	Grant Funding Evaluation	To be agreed through pilot process plus ongoing reporting via business plan	Appendix One C1
Bath Riverside	Investment Fund	Bi-monthly reporting to Joint Committee	M&E Plan

11. Digital Infrastructure

As set out in the WECA business plan, overall activity is focused on:

- World leading digital connections across the region

We are working towards the following evaluation timetable:

Digital Activity	Funding Stream	Evaluation Timetable	M&E Arrangements
5G Testbed and trial – Smart Tourism Project	DCMS		Pilot completed. Final report due late 2019
Open Programmable City Region (OPCR) – Bristol Infrastructure, Sensor Factory, CAV Access	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan

Network and KWMC Research Projects			
Superfast Broadband Extension Programme (SGC)	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Bristol Virtual Reality Lab	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Urban Multi Wireless Broadband and IoT Testing for Local Authority and Industrial Applications (Umbrella)	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan

12. Skills

As set out in the WECA business plan, overall activity is focused on:

- Improving skills and knowledge supply to meet existing and future demands
- A joined-up education, employment and skills system that meets the region's business needs
- Provide residents with support, information, advice and guidance to unlock their career potential

We are working towards the following evaluation timetable:

Skills Activity	Funding Stream	Evaluation Timetable	M&E Arrangements
Future Bright (and Future Bright Plus)	DWP Pilot, Investment Fund for rollout	Quarterly monitoring report. Final Evaluation report 2019/20	M&E Plan (Future Bright Plus) Future Bright Appendix One - D3
Adult Education Budget Devolution	Investment Fund	Reporting via business plan and annual report to Government commences Jan 2021	Appendix One, D1
Employment and Skills Plan	West of England	Reporting via business plan	Monitoring Framework included in plan
Careers Enterprise Hub	West of England	Reporting via business plan and evaluation by Careers and Enterprise Company	Careers Enterprise Company Report Enterprise Advisor Evaluation
Realising our Talent	Investment Fund	Bi-monthly report to WECA Committee	M&E Plan
South West Institute of Future Technology	Investment Fund	Bi-monthly report to WECA Committee	M&E Plan
Workforce for the Future	Investment Fund and ESF	Bi-monthly report to WECA Committee	M&E Plan

WE Work for Everyone	Investment Fund	Bi-monthly report to WECA Committee	M&E Plan
Research & Innovation Challenge Fund	Investment Fund plus ERDF match	Bi-monthly report to WECA Committee	M&E Plan
Increasing the Capacity of the BEMA Training Centre	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
South Bristol Construction Centre	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
STEAM Centre	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Catering & Hospitality Education and Training Hub	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Animal Management	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan

13. Business

As set out in the WECA business plan, overall activity is focused on:

- Helping businesses to start up, grow and flourish nurturing inclusive growth
- Supporting businesses to make the most of export opportunities
- Supporting an innovative economy
- Protecting and promoting our region's culture

We are working towards the following evaluation timetable:

Business Activity	Funding Stream	Evaluation Timetable	M&E Arrangements
Growth Hub	West of England	Reporting via business plan and annual report to BEIS	Appendix One, D2
Cultural Strategy and Cultural Compact	Investment Fund and Arts Council England	To be confirmed following agreement of strategy and implementation plan in early 2020	In development
Energy Strategy Action Plan	West of England	The basis for an Energy Strategy was signed off in February 2019. Work has begun, in partnership with UAs, to develop an action plan and M&E requirements will be defined as part of this work	In development

Invest in Bristol and Bath	West of England	Ongoing - reporting via business plan	M&E Plan
Low Carbon Challenge Fund	West of England (ERDF)	Bi-monthly reporting to WECA and Joint Committee.	In development
Women into Digital, Jobs, Education and Training (WIDJET)	DCMS	Reporting via business plan	National evaluation being procured by DCMS
Creative Scale Up Programme	DCMS	Reporting via business plan.	National evaluation being procured by DCMS
Love our High Streets Pilots	Investment Fund	Bi-monthly reporting to WECA Committee	Feasibility Study / Pilot reports to be taken to Committee
Avonmouth Severnside Enterprise Area Ecology Mitigation and Flood Defences	Economic Development Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Invest in Bristol and Bath	Economic Development Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Temple Quarter Enterprise Zone Programme Team	Economic Development Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Bath Riverside Enterprise Zone Team	Economic Development Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Bath Quays Phase 1a (South)	Economic Development Fund	Bi-monthly reporting to Joint Committee	M&E Plan
TQEZ Infrastructure Programme	Revolving Infrastructure Fund		
Weston-super-Mare co-working hub	Revolving Infrastructure Fund	Bi-monthly reporting to Joint Committee	M&E Plan
FoodWorks ^{SW} Innovation Centre	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
SGC Flagship - Purchase of land at Bristol & Bath Science Park	Local Growth Fund	Bi-monthly reporting to Joint Committee	
Institute of Advanced Automotive Propulsion Systems (IAAPS)	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Colston Hall Phase 2 Transformation Project	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
Grow-On2 Temporary Buildings	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan

Bath Quays North Initial Development Works	Local Growth Fund	Bi-monthly reporting to Joint Committee	M&E Plan
TQEZ Infrastructure Programme	Revolving Infrastructure Fund	Bi-monthly reporting to Joint Committee	
Weston-super-Mare Co-working Hub	Revolving Infrastructure Fund	Bi-monthly reporting to Joint Committee	M&E Plan

14. Corporate Services

The key objective for Corporate Services is to support the organisation to deliver the business plan. We are working towards the following evaluation timetable for specific activities:

Business Activity	Funding Stream	Evaluation Timetable	M&E Arrangements
Local Industrial Strategy	West of England	LIS published July 19. Implementation plan, including M&E, in development.	In development

15. Organisational Impact

WECA's overall aim of achieving clean and inclusive economic growth will require longer term measurement which takes into account the impact of key schemes that are yet to be delivered.

We are working closely with the national suppliers who are leading the Gateway review work across the Combined Authorities on the evaluation of the West of England Investment Fund. This work will be undertaken and finalised by December 2020 to inform the first Gateway Review of the fund. The plan has been developed by the National Evaluation Panel in partnership with relevant officers in the West of England.

The plan will include progress evaluation on the following schemes:

- Real Time Information System Upgrade (RTISU):** This project is designed to improve the reliability and 'user friendliness' of bus services. Specifically, the scheme has provided an improved real time information (RTI) system for bus services, involving: additional 'at stop' information (e.g. more accurate arrival time estimates and service disruption alerts); better digital services (e.g. apps and journey planners); better information for operators (e.g. improved use of data for fleet management and monitoring, to inform timetabling); remote fixing of faults; and extended use of selective bus priority at traffic lights. The project received £559,000 in IF funding and was delivered during 2018 and 2019.
- CPNN Cycle Links :** This is a package of five cycle schemes aimed at increasing use of active modes and which form a key element of a comprehensive sustainable transport package for the Filton Enterprise Area and Cribbs/Patchway New Neighbourhood. The implementation of the schemes is planned to commence in September 2019 and be completed by January 2021. This is a £3.125m project with full funding sought from the Investment Fund³.

³ CPNN Cycle Links Package Full Business Case (April 2019) (<https://www.westofengland-ca.gov.uk/wp-content/uploads/2019/05/SGC-cpnn-cycle-links-FBC-FINAL-V2-REDACTED-FOR-PUBLIC-Apps.pdf>)

- **On-Bus Contactless Bank Card Payment:** This is an initial building block towards the West of England's vision for smart ticketing and the emerging Bus Strategy, a Full Business Case has been submitted by WECA for the On-Bus Contactless Bank Card Payment project. This will support smaller bus operators, with a fleet size of less than 30 vehicles, to replace ageing equipment and introduce contactless bank card payment technology. The project will meet the capital cost of the equipment for 70 buses and enable these operators to lease the equipment which will cover ongoing revenue costs. The project will be rolled out over 2019/20-2020/21 and aims to reduce bus boarding times and deliver a common customer offer for payment. The overall project cost is £456,000 with £418,000 provided from the Investment Fund and the balance provided by North Somerset Council⁴.
- **South West Institute of Future Technology:** This project will involve the co-design of new technical higher skills and training programmes to support economic growth in Health & Life Sciences, Advanced Engineering & High Value Manufacturing, and Creative, Digital & High-Tech. Funding of £13.95m has been secured from the DfE to deliver the capital elements which will deliver 5,247 sq m of refurbished College estate and 400 sq m of new build facilities. WEIF revenue funding of £500,000 will complement partner contributions for the development and early years operation of SWIFT⁵.
- **Workforce for the Future:** This project will help businesses address skills gaps through advice, support and management. It aims to support at least 300 SME-led projects, increasing employer engagement in the skills system and individual progression. The number of learner participants will be around 900. £4 million from the WEIF will match £4m from the European Social Fund (ESF)⁶.
- **Bath Riverside:** Bath Western Riverside is a major component of Bath and North East Somerset Council's plans for housing delivery, although the project has stalled as a result of land and viability issues affecting the remaining phases of delivery (including community infrastructure, school provision and affordable housing). A scheme has been identified which will enable B&NES to acquire undeveloped land, giving it leverage over future residential delivery. This project has been approved for a WEIF allocation, and will utilise up to £9m from the £50m Land Acquisition Fund, 'ringfenced' within the Investment Fund.

⁴ On Bus Contactless Bank Card Payment Full Business Case (June 2019) (<https://www.westofengland-ca.gov.uk/wp-content/uploads/2019/07/Contactless-FBC-2.5.2-FINAL-Clean.pdf>)

⁵ SWIFT Full Business Case (2017) (<https://www.westofengland-ca.gov.uk/wp-content/uploads/2019/05/Redacted-SWIFT-Business-Case.pdf>)

⁶ Workforce for the Future Full Business Case (<https://www.westofengland-ca.gov.uk/wp-content/uploads/2019/06/WFTF-Full-Business-Casev2-post-FBC-coms.pdf>)

WECA MONITORING & EVALUATION FRAMEWORK APPENDICES

These appendices provide further detail of WECA’s Monitoring & Evaluation processes, including the Logic Models that support detailed evaluation plans. Where M&E plans are not yet published these are also included.

Contents

Contents

Appendix A: Single Investment Fund.....	2
Appendix B: Transport.....	4
B2. Transport Authority.....	7
B2.1 Concessionary Fares.....	7
B2.2 Supported Bus Services.....	10
B2.3 Bus Passenger Information (Including `Real Time` information).....	13
Appendix C: Housing and Planning.....	17
C1. Strategic Policy Framework for Planning and Housing.....	17
C2. Housing Delivery.....	22
Appendix D: Employment & Skills.....	25
D1. Adult Education Budget.....	25
D2. Growth Hub.....	27
D3. Future Bright.....	37

Appendix A: Single Investment Fund

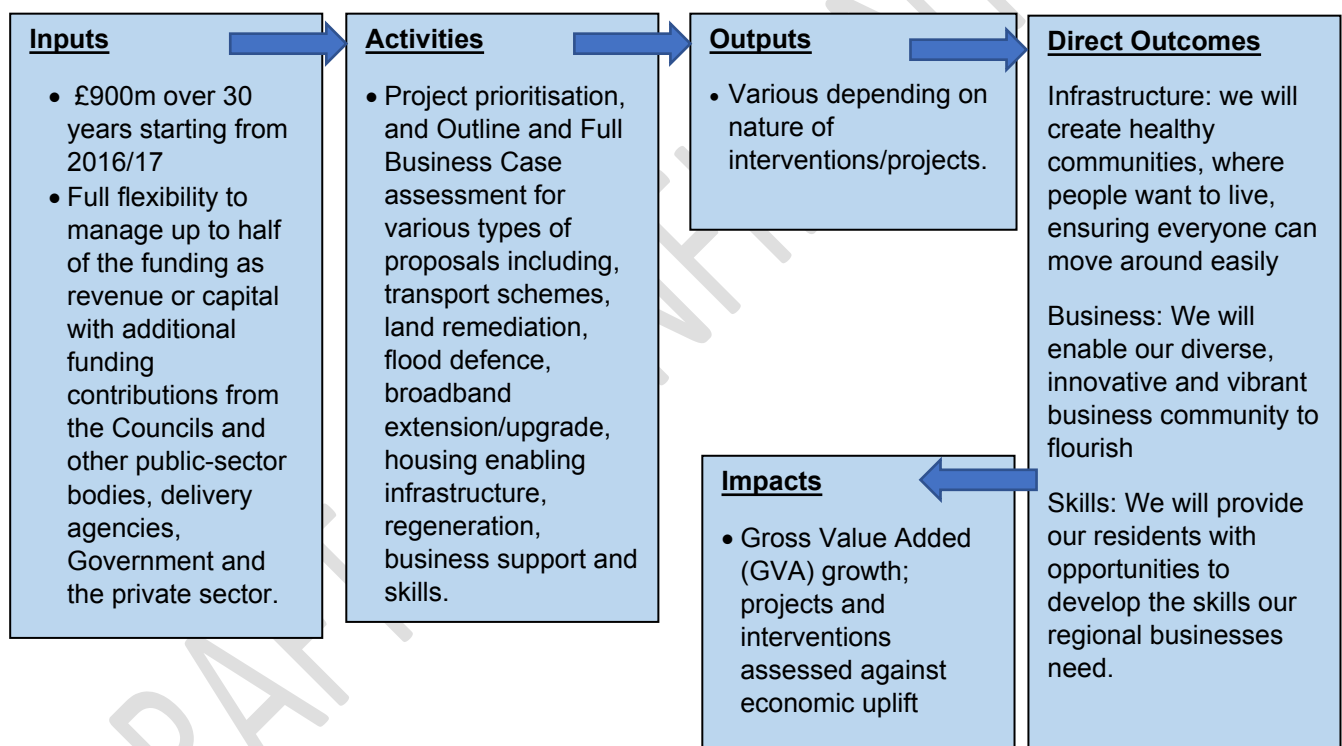
Devolved Power/Responsibility

£30m per year for 30 years, or £900m to create a West of England Investment Fund.

Logic Model

Objectives: Our operating framework sets out our vision to be a driving force for clean and inclusive economic growth in the region. The Single Investment Fund gives WECA the ability to deliver infrastructure investment and other interventions that lead to long-term economic growth.

Investment Fund – Logic Model



Implementation

The Local Industrial Strategy, Spatial Plan and Local Transport Plan inform the identification and prioritisation of interventions for the Investment Fund. Individual projects and interventions are supported by Outline and Full Business Cases and are subject to the fully accountable governance of WECA.

The detailed processes for managing the WECA Investment Fund and West of England One Front Door Programme are set out in published Assurance frameworks which detail the agreed prioritisation, appraisal, monitoring and evaluation requirements for each scheme.

All schemes are required to produce an effective Monitoring and Evaluation Plan as part of their Business Case and is considered as part of the approval process. These Plans will be proportionate and reflect the scale and nature of the scheme, whilst drawing on the latest Government guidance and good practice.

The Investment Fund is subject to gateway assessments by a national independent panel.

DRAFT - CONFIDENTIAL

Appendix B: Transport

B1. Single Transport Pot

The 'Single Transport Pot' incorporates annual transport block funding covering highway maintenance (including bridge strengthening and 'integrated transport'). The funding is provided directly to the Combined Authority to be allocated as appropriate to the constituent councils.

Intervention Lead	Head of Transport
Senior Responsible Officer	Director of Infrastructure

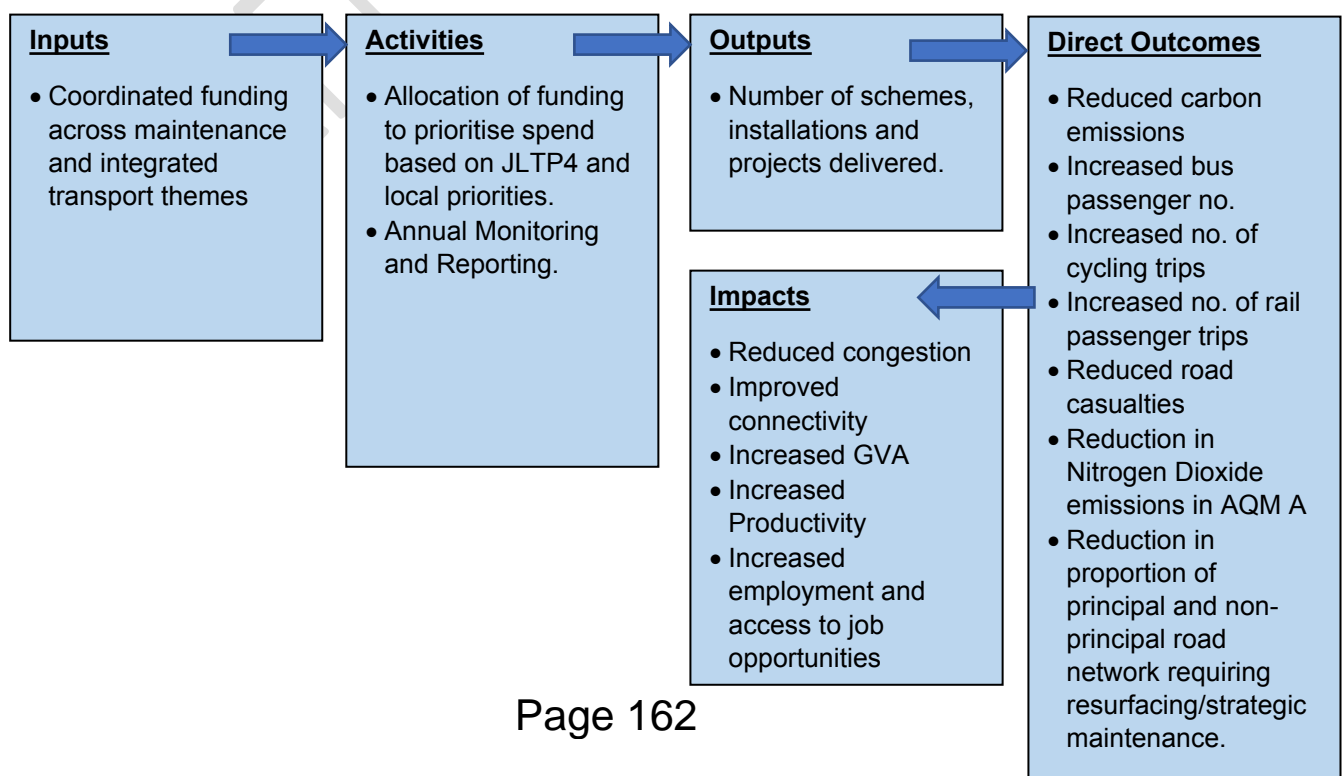
Logic Model

Objectives: As set out in our business plan our transport objectives are as follows:

- Better links to reduce congestion and connect people
- Improve national and international connections

This intervention also supports the following objectives as set out in the Joint Local Transport Plan:

- Support sustainable economic growth
- Enable equality and import accessibility
- Address poor air quality and take action against climate change
- Contribute to better health, wellbeing, safety and security
- Create better places



Data Requirements

Metric	Frequency	Source	Baseline
Inputs			
1. Funding total and allocations	Annual	Intervention Lead / Programme Manager	£14.7m (2018/19)
2. Council capital programmes	Annual	Intervention Lead / Programme Manager	£17.6m (2018/19)
Outputs			
1. Number and type of schemes delivered	Annual	Intervention Lead / Programme Manager	0
Outcomes*			
1. Reduced carbon emissions from transport	Annual	UK local authority and regional carbon dioxide emissions national statistics	1122.2 kt CO2 (2016)
2. Increased bus passenger boarding numbers	Annual	DfT, Table BUS0106	64.7 million (2016/17)
3. Increased number of cycling trips	Annual	Local Authorities	N/A
4. Increased number of rail passenger trips	Annual	West of England Rail Survey conducted by the Local Authorities	24,788,278 (2016/17)
5. Reduced road casualties across all users	Annual	DfT/local authorities	2,084
6. Reduction in Nitrogen Dioxide emissions in Air Quality Management Areas	Annual	Local Authority AQMA surveys	N/A
7. Reduction in proportion of principal and non-principal road network requiring resurfacing/strategic maintenance.	Annual	Intervention Lead / Programme Manager	N/A
Impacts			
1. Economic Impact (£) - GVA - Productivity	Annual/ Final programme report	Cost Benefit Analysis, external evaluator's calculation tool	TBC
2. Improved travel times during peak hours along KRN and improved access to employment	Annual	Greater Bristol Area Transport Model/DfTdata	TBC
3. Increase in Employment	Annual/ Final programme report	BRES, ONS	TBC

* Baselines for outputs subject to change and will be formally set through JLTP4

Analytical Approach

Qualitative process focused research will provide insight and guide investment of the single transport pot to achieve the objectives set out in the business plan and JLTP. The evidence base will be regularly reviewed and will itself assist in monitoring the policies for their effectiveness. The monitoring of the JLTP will be set out in an annual progress report.

Resources Required

Currently resources to support programmes funded through the Single Pot are identified through Governance Arrangements within each of the constituent UAs.

Local Authority and WECA officers are responsible for the collection of monitoring data.

Dissemination Strategy

An annual progress report on the JLTP will be produced incorporating a summary of delivery of capital-funded transport schemes across the area and their performance against the JLTP indicators as set out above. The annual progress report will be taken to the Infrastructure Advisory Board and Joint Committee, as well as being published online.

B2. Transport Authority

WECA is the Regional Transport Authority with responsibility establishing a KRN, preparing and adopting the Joint Local Transport Plan, management of Concessionary Fares (as well as Community Transport Grants), provision of bus service information (including 'Real Time' passenger Information) and exercising a joint responsibility with the West of England councils for the delivery of socially necessary bus services.

B2.1 Concessionary Fares

Continuous delivery of concessionary fares through the administration and management of the mandatory bus concessions for older and disabled people.

Performing the functions of the Travel Concession Authority (TCA) for the WECA area:

- Issuing and renewal of travel concession smart travelcards to eligible people within the geographical area of the scheme.
- Calculation, monitoring and reimbursement to bus operators for carrying concessionary passengers

Intervention Lead	Head of Transport
Senior Responsible Officer	Director of Infrastructure

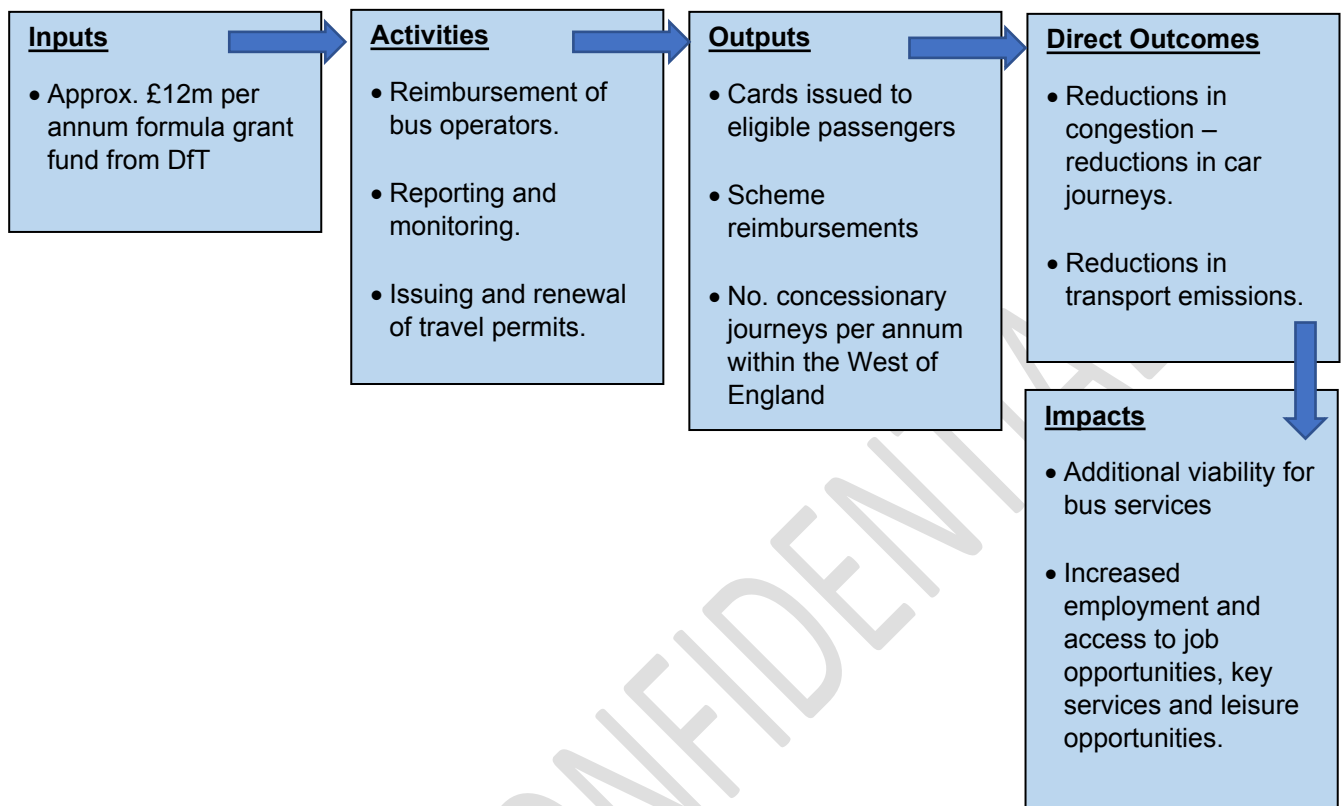
Logic Model

Objectives: This activity aligns with the following objective as set out in our business plan:

- Better links to reduce congestion and connect people

There is an existing agreement in place for the provision of concessionary fares across the four Councils (including North Somerset) coordinated through South Gloucestershire Council with existing monitoring and evaluation processes in place which we will continue to report on through the Joint Local Transport Plan Annual Progress Report.

Concessionary Fares Logic Model



Analytical Approach.

Qualitative process focused research will provide insight into the delivery of concessionary fares, the monitoring data will be constantly reviewed to understand the effectiveness and take up of concessionary fares.

Data Requirements

We are currently working with South Gloucestershire to collate the baseline.

Metric	Frequency	Source	Baseline
Inputs 1. Formula grant to Transport Concessionary Authority	Annual	DfT	approx. £12m (2018/19)
Outputs 1. Number of ENCTS card holders	Annual	UA CRM system / collated by WECA	TBC
2. Reimbursement payments to bus operators for carriage of concessionary card holders.	Annual	Local DTC scheme administrator (currently SGC)	TBC
Outcomes* 1. Number of concessionary bus journeys	Annual Annual	Bus operators	9.4 million TBC

2. Reduction in congestion -travel times on key routes?	Annual	Greater Bristol Area Transport Model/DfT data	
3. Reduction in carbon emissions	Annual	UK local authority and regional carbon dioxide emissions national statistics	1122.2 kt CO2 (2016)
4. Reduction in Nitrogen Dioxide emissions in AQMA	Annual	Local Authority AQMA surveys	TBC
Impacts 1. Economic Impact (£) - GVA - Productivity	Annual/ Final programme report	Cost Benefit Analysis, external evaluator's calculation tool	TBC

* Baselines for outputs subject to change and will be formally set through JLTP4

B2.2 Supported Bus Services

Coordination of tendered bus services which complement the commercial bus network to ensure communities can access key services by public transport.

Procurement of supported and socially necessary bus services, service management and monitoring of service performance including revenue, punctuality and passenger information

Intervention Lead	Head of Transport
Senior Responsible Officer	Director of Infrastructure

Logic Model

Objectives: This activity aligns with the following objective as set out in our business plan:

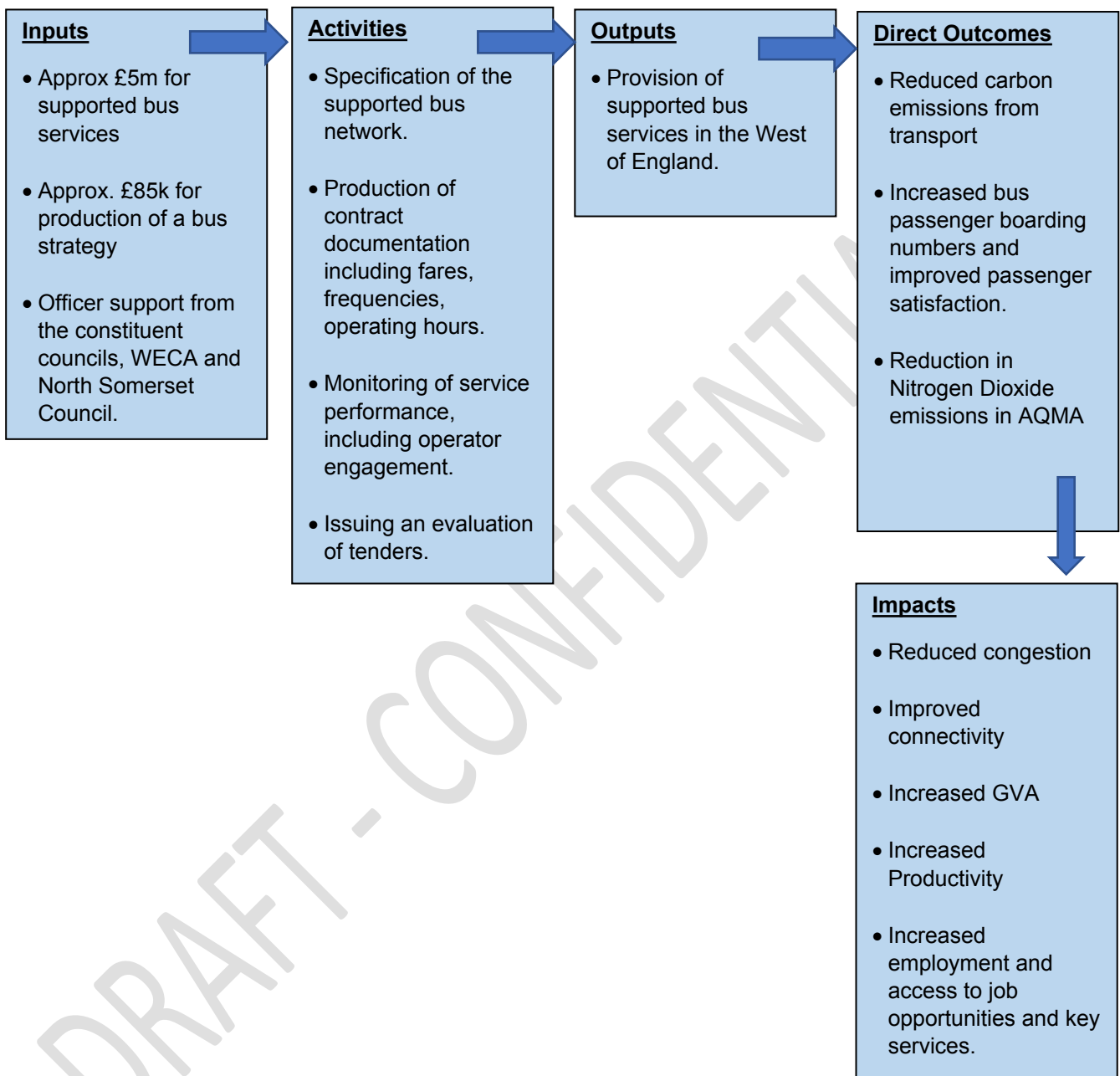
- Better links to reduce congestion and connect people

This activity also supports the following objectives as set out in the Joint Local Transport Plan:

- To improve quality of life
- To reduce carbon
- To stimulate economic growth
- To improve health, safety and security
- To improve accessibility

The project management of supported bus services is currently carried out by the respective constituent authorities on behalf of WECA using funding provided through the Transport Levy under the joint responsibility set out in the Devolution Deal.

Supported Bus Services - Logic Model



Analytical Approach.

Qualitative process focused research will provide insight into the delivery of supported bus services, the monitoring data will be constantly reviewed to understand the effectiveness of the initiative and will be reviewed in relation to the recommendations coming from the Bus Strategy.

Data Requirements

Project management is currently carried out by the constituent authorities on behalf of WECA; work is being undertaken with the authorities to collate the baseline.

Metric	Frequency	Source	Baseline
Inputs 1. Funding total – supported bus serves	Annual	Data provided by constituent councils and operators	£4.96m (17/18 supported bus services budget)
Outputs 1. Supported Bus Services	Annual	Data provided by constituent councils and operators	66 bus routes
Outcomes* 1. Reduced carbon emissions from transport 2. Increased bus passenger boarding numbers and bus journeys per capita 3. Improved passenger satisfaction. 4. Reduction in Nitrogen Dioxide emissions in Air Quality Management Areas	Annual Annual Annual Annual	UK local authority and regional carbon dioxide emissions national statistics DfT, Table BUS0106 Transport Focus survey Local Authority AQMA surveys	1122.2 kt CO2 (2016) 64.7 million (2016/17) N/A N/A
Impacts 1. Economic Impact (£) - GVA - Productivity	Annual/ Final programme report	Cost Benefit Analysis, external evaluator's calculation tool	TBC

* Baselines for outputs subject to change and will be formally set through JLTP4

B2.3 Bus Passenger Information (Including `Real Time` information)

The provision and upkeep of information for bus passengers covering bus routes, frequencies and arrival times. Includes paper-based timetable information at bus stops and on-line, and the provision of a `Real Time` passenger information (RTI) system, with electronic displays at stops predicting arrival times and available via a mobile phone app, as well as providing operating data to bus operators.

Provision of general bus information is currently undertaken by the three constituent councils on behalf of WECA, and North Somerset Council.

Intervention Lead	Head of Transport
Senior Responsible Officer	Director of Infrastructure

Logic Model

Objectives: This activity aligns with the following objective as set out in our business plan:

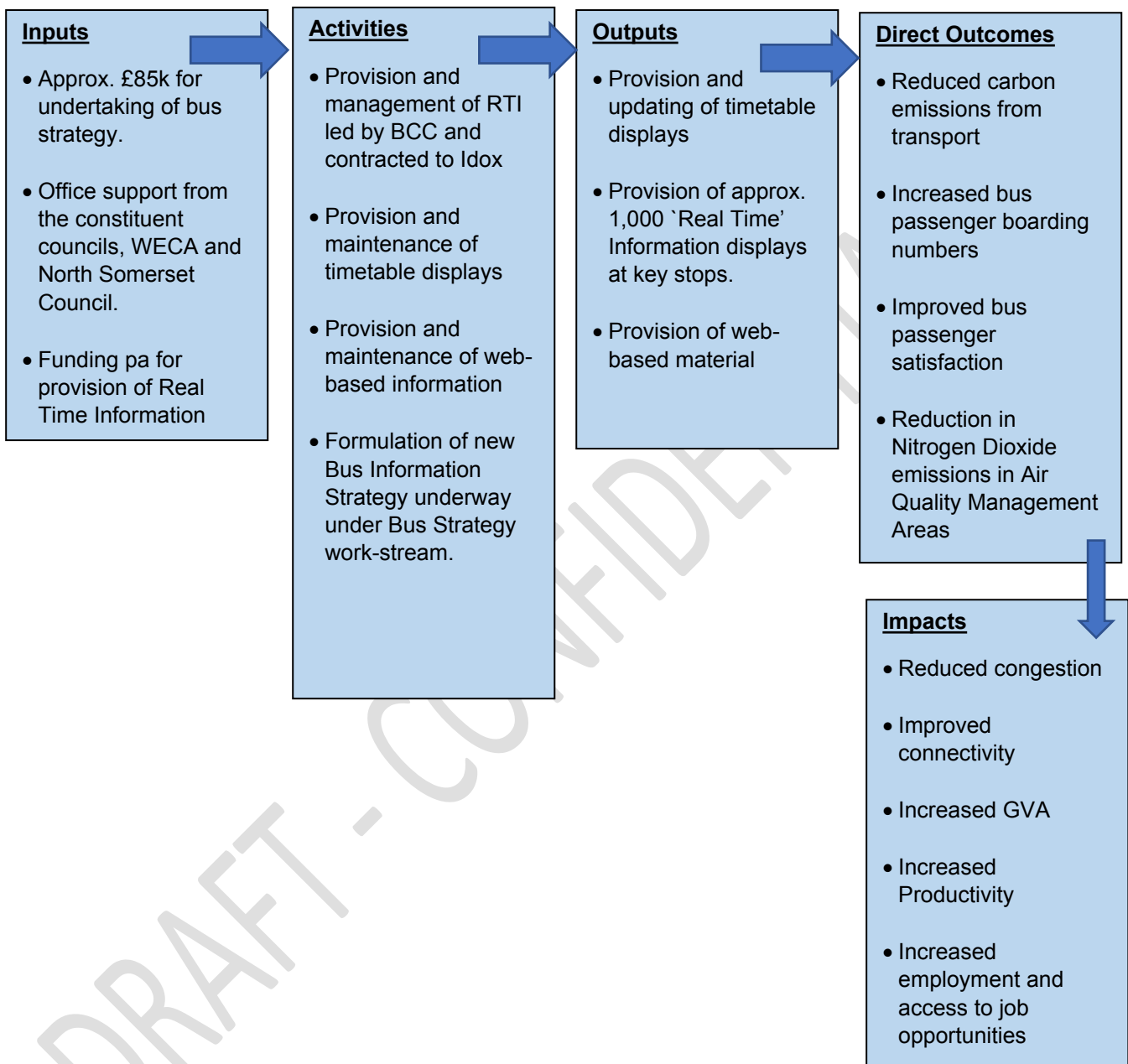
- Better links to reduce congestion and connect people

This activity also supports the following objectives as set out in the Bus strategy which has objectives nested within the Joint Local Transport Plan 4 (JLTP4) objectives, which are as follows:

- Support sustainable economic growth
- Enable equality and improve accessibility
- Address poor air quality and take action against climate change
- Contribute to better health, wellbeing, safety and security
- Create better places

Bristol City Council manage the joint provision of RTI on behalf of WECA and North Somerset Council. RTI supplier performance is monitored through a separate, joint, board with officers nominated by Heads of Transport and WECA. An upgrade to the RTI system has been part-funded through the WECA investment fund.

Bus Passenger Information - Logic Model



Analytical Approach.

Qualitative process focused research will provide insight into the delivery of bus passenger information, the monitoring data will be constantly reviewed to understand the effectiveness of the initiative and will be reviewed in relation to the recommendations coming from the Bus Strategy.

Data Requirements

Baselines due to be confirmed in early 2019 once new RTI system and reporting tools are in place.

Metric	Frequency	Source	Baseline
Inputs			
1. Percentage of bus stops with up to date timetable information.	Annual	RTI monitoring reports/UAs	TBC
2. Percentage of bus stops provided with a 'real time' information screen.	Annual	RTI monitoring reports/UAs	TBC
3. Reliability of RTI system.	Annual	RTI monitoring reports/UAs	TBC
Outputs			
1. Percentage of bus passengers satisfied or very satisfied with bus service information	Annual	Transport Focus survey	TBC
Outcomes*			
1. Reduced carbon emissions from transport	Annual	UK local authority and regional carbon dioxide emissions national statistics	1122.2 kt CO2 (2016)
2. Increased bus passenger boarding numbers	Annual	DfT, Table BUS0106	64.7m (2016/17)
3. Improved passenger satisfaction.	Annual	Transport Focus survey	N/A
4. Reduction in Nitrogen Dioxide emissions in Air Quality Management Areas	Annual	Local Authority AQMA surveys	N/A
Impact			
1. Economic Impact (£)	Annual/ Final Report	Cost Benefit Analysis, external evaluator's calculation tool.	TBC

* Baselines for outputs subject to change and will be formally set through JLTP4

Part of the RTI programme has been funded through the Single Investment Fund, this was approved by the WECA committee in October 2017. Details of the M&E arrangements for this funding are set out in the Business Case which can be viewed [online](#).

Resources

Local Authority and WECA officers are responsible for the collection of monitoring data in relation to the activities of the Transport Authority in achieving the objectives set in JLTP4. Additional resource to support more detailed evaluations on aspects of the Transport Authority have yet to be determined.

Dissemination Strategy

An annual progress report on the JLTP 4 will be produced incorporating a summary of delivery of capital-funded transport schemes across the area and their performance against the JLTP4 indicators as set out above. The annual progress report will be taken to the Infrastructure Advisory Board and Joint Committee, as well as being published online.

DRAFT - CONFIDENTIAL

Appendix C: Housing and Planning

C1. Strategic Policy Framework for Planning and Housing

The Planning and Housing team are working to progress and integrate statutory and non-statutory strategic plans, strategies and other frameworks to assess needs and influence and better manage investment and delivery of housing, jobs and economic development and supporting infrastructure in line with broader sub-regional aspirations.

This includes working to support strategic planning through evidence base commissioning, technical advice, facilitation and project management [preparation of an Infrastructure and Investment Delivery Plan (IIDP) and work to ensure alignment and complementarity with for example, the LIS, Energy Strategy and Joint Local Transport Plan.

A Joint Green Infrastructure (GI) Strategy is also in preparation to ensure that the multi-functional benefits of green infrastructure to support sustainable growth and climate change emergency are also properly understood, planned for and incorporated into the strategic planning policy framework.

The scope of the Mayoral Spatial Strategy (SDS) has yet to be determined but will be informed by the specific spatial development strategy regulations and the need to demonstrate additionality to other statutory and non-statutory plans, where possible supporting additional and accelerated housing and employment development in line with the Combined Authority's prioritisation of delivery.

Intervention Lead	Head of Regional Housing and Planning
Senior Responsible Officer:	Director of Infrastructure

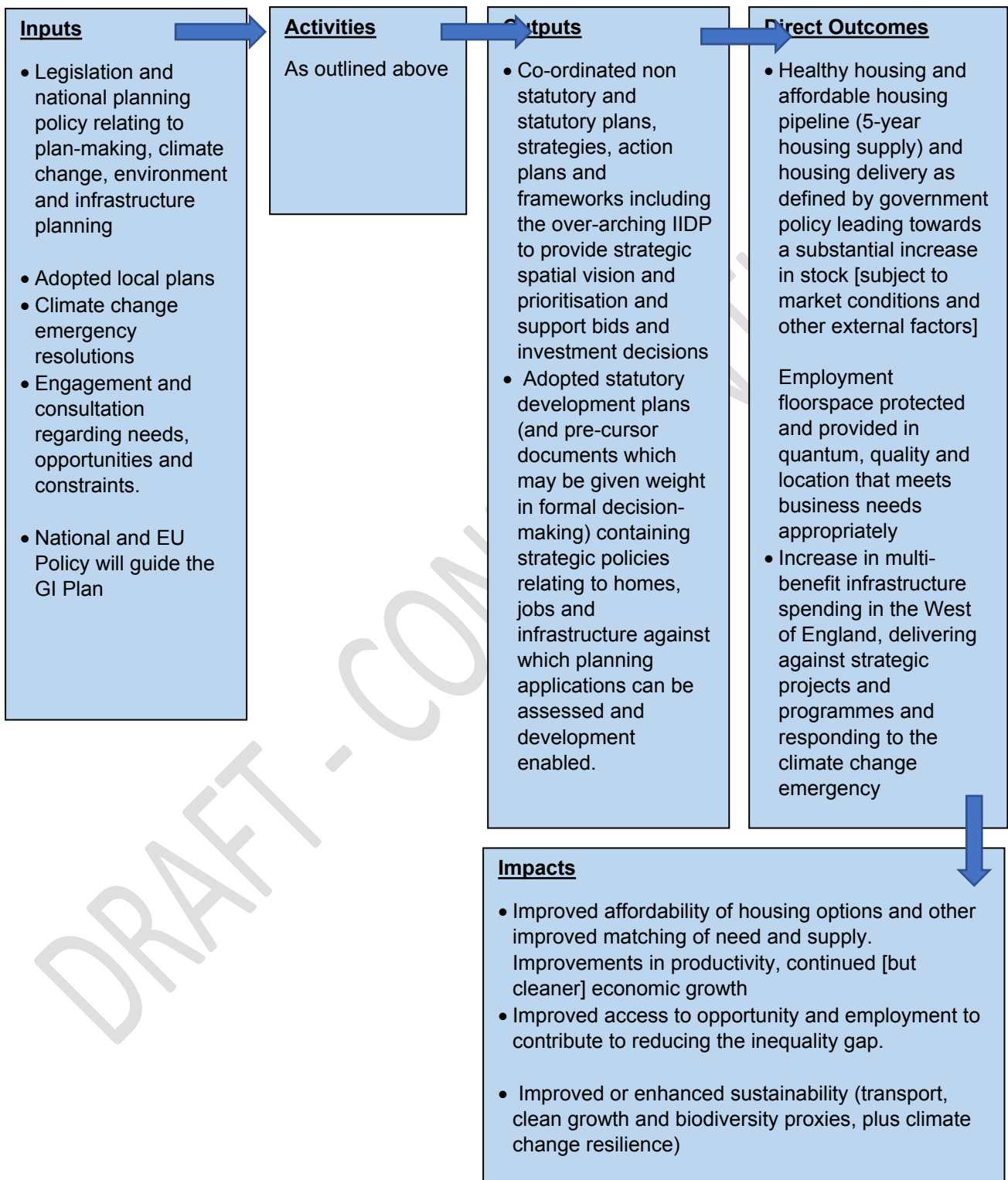
Logic Model

Objectives: This activity supports the following objectives as set out in our business plan:

- Enabling the required housing growth in the region promoting affordability and an appropriate housing mix
- Deliver employment spaces to meet the needs of business and communities

This work is undertaken alongside the transport team to ensure objective 1 is delivered – “better links to reduce congestion and connect people”

Strategic Policy Framework – Outline Logic Model



Analytical Approach

Outputs are tracked and reviewed through normal work programme and project management review processes and the monitoring of the plan(s) will be in accordance with requirements to deliver an annual monitoring report and for statutory plan review. The qualitative and quantitative technical and engagement evidence base will be reviewed on an ongoing basis and will itself assist in monitoring the policies and wider statutory and non-statutory framework for their effectiveness.

DRAFT - CONFIDENTIAL

Data Requirements

Metric	Frequency	Source	Baseline/benchmark
Outcomes: 1. Housing completions* 2. Housing commitments (with planning permission or allocated).** 3. Affordable housing completions-by tenure * 4. Affordable housing commitments. * * used in housing delivery test; ** used with * to compile 5-year housing supply 5. Employment completions (against evidence base/policy benchmark) 6. Employment commitments 7. Floorspace losses 8. Biodiversity gain 9. Infrastructure spend by theme	Annually	UA policy teams and collated at WECA UA policy teams and collated at WECA	Benchmarks are current policies or latest evidence base. Baseline for 5-year housing supply is current monitoring year. Housing Delivery Test uses a rolling 3-year average linked to the housing requirement benchmark (policy or standard methodology). Infrastructure spend baseline is April 2018
Impacts: 1. Market Indicators <ul style="list-style-type: none"> • House price to earnings ratio • Employment floorspace rents/prices and vacancy levels • Economic growth (GVA) • Productivity growth 2, IMD <ul style="list-style-type: none"> • access to housing and services indicator income and employment indicators <ul style="list-style-type: none"> 4. Needs assessments including degree of self-containment, 5. Congestion, carbon and connectivity indicators (see transport). 6. Climate change resilience indicators to be determined. 	As required to support statutory and non-statutory frameworks (statutory plan maximum 5-year intervals); interim intelligence through ongoing engagement and as	WECA and UA policy teams with input from consultants as necessary drawing on commercial data and modelling; also, regular engagement with relevant stakeholders.	As above

N.B Monitoring surveys have been carried out by the constituent authorities as of April 2018; at time of writing the outputs have yet to be collated for the West of England.

Resource

Monitoring activity is supported by planning research and monitoring officers in each of the constituent UAs supported by WECA officers who are working on streamlined systems to build a West of England housing and planning monitoring resource. Officers meet quarterly through the Joint Planning Data Officers Group to share best practice and ensure consistency in approach. Where monitoring forms part of wider technical evidence base work and engagement, wider corporate and specialist consultancy support may be drawn upon, though engagement and review also occurs through various working groups, boards and partnerships which form part of normal Housing and Planning Team activity (e.g. the Green Infrastructure working Group and Strategic Solutions Panel).

Dissemination Strategy

Individual Authority Monitoring reports are produced by the constituent UAs and published online typically on an annual basis; building a West of England monitoring resource will also apply Open Data principles where appropriate to datasets compiled locally. There is an ultimate intention to bring together the findings into an annual West of England Monitoring Report. Details are to be finalised and once confirmed the annual monitoring report and any evaluation report(s) will be taken to the Housing and Planning Board and published online. Information is also published as part of technical evidence base as appropriate.

C2. Housing Delivery

There are a number of devolved powers which provide a toolkit to assist in addressing blockages to unlock or accelerate the delivery of housing in addition to those above; these are:

- Creation of Mayoral Development Corporations, with planning and land assembly powers, to support delivery of strategic sites in the city-region.
- Ability to undertake land assembly and implement Compulsory Purchase Order powers, to be exercised by the Mayor from May 2017.
- Powers to call-in applications for strategic cross-boundary linear development arising from the Mayoral Spatial Strategy (upon adoption of that Strategy).

Core work of the Housing and Planning team beyond the strategic planning set out above presently includes preparing business cases to secure funding to assist in delivery and convening partnerships to draw together different aspects of delivery expertise and capacity to proactively investigate, anticipate and overcome delivery issues to best effect. The work activities of the team that support this as listed at Objective 3 of the Business Plan:

- Delivering the Housing Package (agreed with Govt March 2018), including through strategic masterplanning and land acquisition
-
- Housing Infrastructure Fund bid of £250m- supporting the preparation and ongoing development of a robust business case
- Convening and programme management of the Joint Assets Board and associated strategic asset management process relating to public land
- Convening a strategic partnership (the Housing Delivery Board) to progress housing delivery agendas including identifying opportunities to best use and scale up innovation.
-

A strategic approach will identify opportunity areas where these tools may be helpfully deployed, the most appropriate tool will be used relative to whatever a scheme needs to be brought forward.

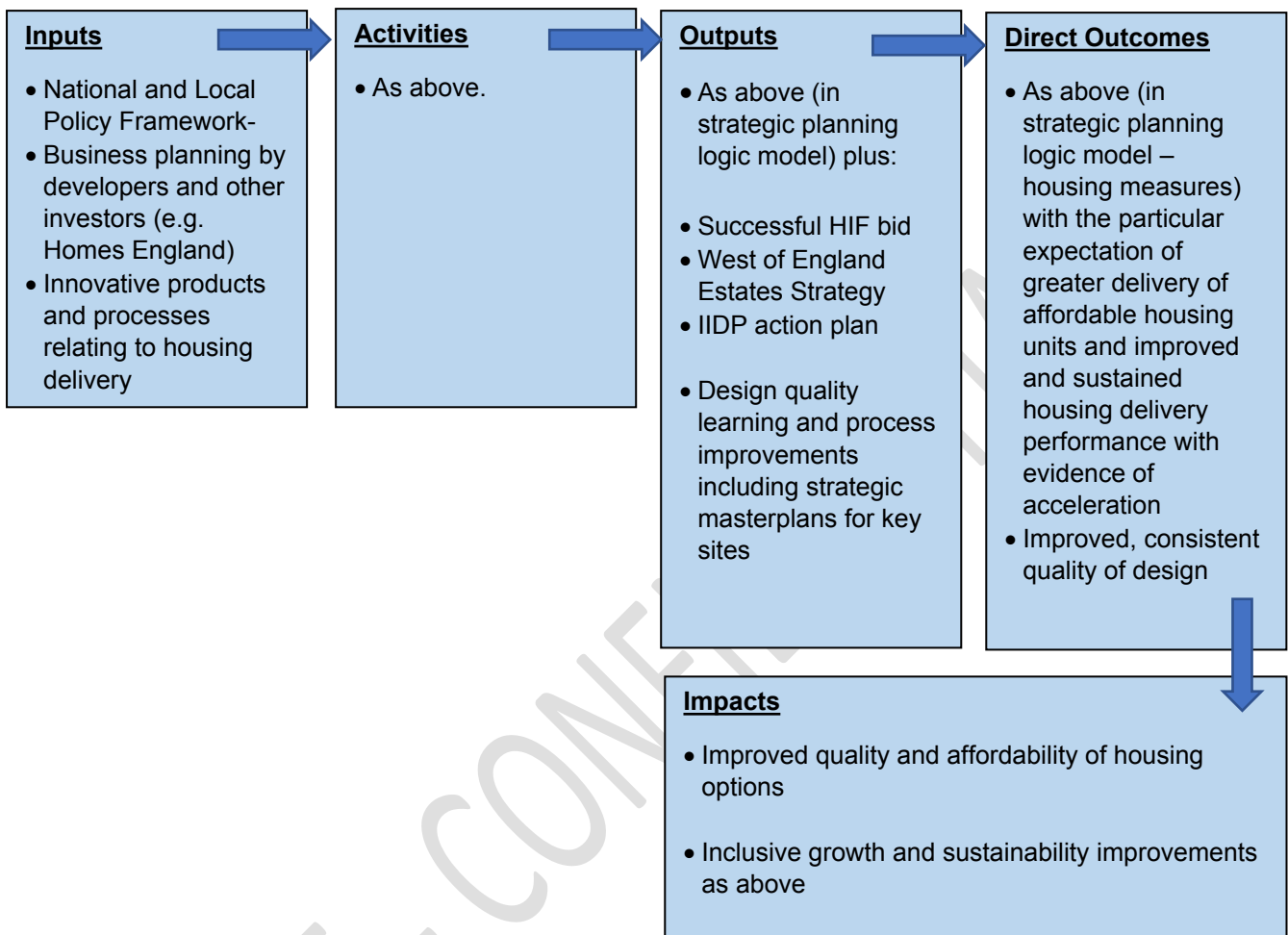
Intervention Lead	Head of Regional Housing and Planning
Senior Responsible Officer	Director of Infrastructure

Logic Model

Objectives. This activity supports the following objective as set out in our business plan:

Enabling the required housing growth in the region promoting affordability and an appropriate housing mix.

Housing Delivery – Outline Logic Model



Analytical Approach

Outputs are tracked and reviewed through normal work programme and project management review processes and the monitoring of housing delivery will be in accordance with requirements set by the Government, presently the Housing Delivery Test. In addition, qualitative process focused research through ongoing engagement will provide insight into how planning powers/tools can help bring forward and unlock development sites to market more quickly and if the powers/tools increase capacity to contribute to housing completion targets; these will be used to evaluate and review activity on an ongoing basis.

WECA will continue to work with BEIS, the What Works Centre for Local Economic Growth and other partners to develop appropriate evaluation techniques looking into the effectiveness of the tools used to support housing delivery. From discussions to date monitoring and evaluation activities could include a focus the following:

- a) Influence on the prioritisation of sites or interventions; where possible comparisons will be made with similar areas/sites which have not been subject to the intervention. This will include:
 - i. Speed of planning decision
 - ii. Completions (Dwelling or floorspace) alongside anticipated phasing
 - iii. Timeliness of commencement on site
 - iv. Infrastructure works required and phasing of delivery
 - v. Access to funding
- b) Allow comparison in the effectiveness of policy interventions between similar sites

Data Requirements

The data requirements will vary by project and the focus of the evaluation which have yet to be determined given their early stage, though many will overlap with those outlined under the strategic planning logic model relating to housing numbers, housing need, inclusive growth and sustainability. However, in addition, the following are potential metrics:

Metric	Frequency	Source	Baseline
Outcomes: 1. Schemes receiving design award nominations or other positive external recognition (e.g. Building for Life 12 assessment)	Annually	UA policy teams and collated at WECA	April 2019
Impacts: 1. Economic Impact (£) 2. Social Impact - well being	Final Report	Cost-Benefit Analysis TBC	TBC TBC

Resources

See strategic planning. As It anticipated that the evaluation of the impact on housing delivery and whether it is being accelerated is incorporated into the anticipated sub-regional data collation and consistency function within the WECA Planning and Housing team.

Dissemination Strategy

As for strategic planning.

Appendix D: Employment & Skills

D1. Adult Education Budget

Responsibility for the 19+ Adult Education Budget (AEB), was devolved to WECA from the academic year 2019/20, with the aim to provide more tailored programmes for adults aged 19+.

Intervention Lead	Education Partnership Manager
Senior Responsible Officer	Head of Business and Skills

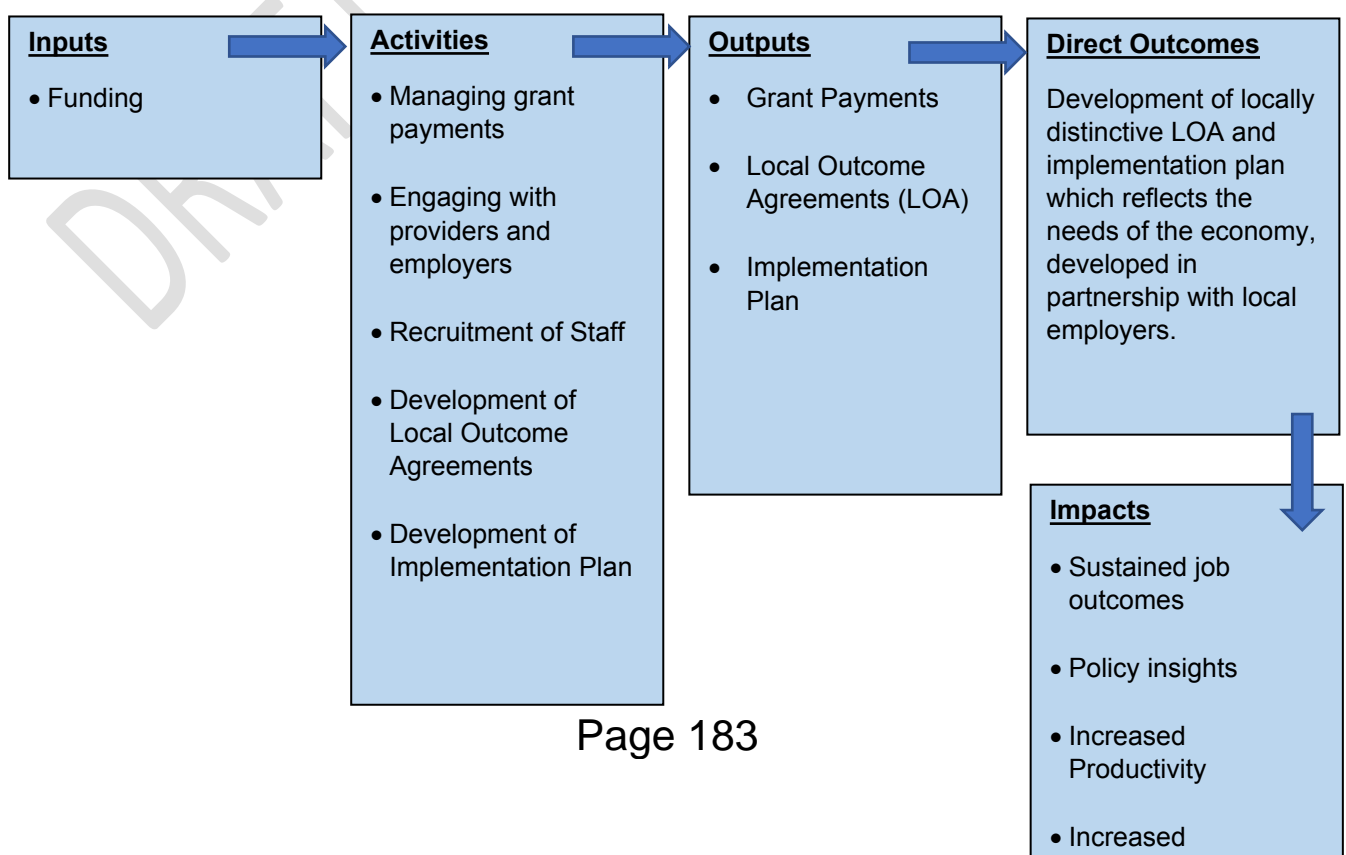
Logic Model

This activity supports the following objectives as set out in our business plan:

- Improving skills and knowledge supply to meet existing and future demands
- A joined-up education, employment and skills system that meets the region's business needs

As the Local Outcome Agreement is developed the logic model will be developed further to reflect locally distinctive outcomes.

Adult Education Budget - Outline Logic Model



Data Requirements

In the first year of landing AEB the following data will be monitored; and added to once the function has been landed successfully and locally distinctive outcomes identified.

Metric	Frequency	Source	Baseline
Inputs: 1. Investment	Quarterly / Yearly Total	Programme Manager	£0
1. Expenditure	Quarterly	Programme Manager	£
2. Agreed LOAs	Annual	Agreed through WECA Committee	0
3. Implementation Plan	Annual	Agreed through WECA Committee	From 2021 onwards

The direct outcomes and impacts of AEB will be subject to detailed Evaluation considering but not limited to looking at:

- Productivity
- Social mobility
- Employment

And will seek to address the following questions:

1. How well has AEB worked in terms of processes and achieving desired outcomes?
2. What impact has AEB had on local skills delivery?
3. Has the devolution of AEB worked?

Resources

A full-time data analyst is being recruited as part of the team to support AEB, their role will include the monitoring and evaluation. Once the team is in post a decision will be made on the resources required to undertake independent evaluation.

Dissemination of findings

Monitoring updates and the final evaluation report of the AEB programme will be disseminated to the Skills Advisory Board and WECA Committee as appropriate. It will also be made publicly available on the WECA website and shared we key partners.



D2. Growth Hub

Monitoring and Evaluation Framework for Growth Hubs – 2019-2020

Introduction

This framework has been **refreshed** to ensure that Local Enterprise Partnerships (LEPs) through their Growth Hubs are collecting the right data in the right way to a) maximise their operational performance and impact, and b) to demonstrate “**what works**” in order to inform future BEIS and wider national and local policy thinking.

Evaluating the long-term impact of Growth Hub activities involves linking firm-level data to Government administrative data and tracking the effect on such things as business turnover and employee numbers over a period of many years. However, BEIS also needs to report on short/medium term outcomes to demonstrate what is being achieved today, which is why our data requirements also include summary (i.e. aggregated) statistics of the number of firms benefiting from the different levels of support and advice that is accessible via Growth Hubs.

This framework therefore sets out:

- The categories of support by “intensity level”;
- The aggregate statistics and firm-level data items that LEPs (via Growth Hubs) will need to collect and report into BEIS on an annual (and ad-hoc) basis;
- Why these statistics are valuable to both BEIS, LEPs and Growth Hubs;
- Roles / responsibilities; and
- Data privacy considerations.

This framework should be seen as the **minimum set of data to collect** and LEPs (via Growth Hubs) are encouraged to collect any additional data that they believe will help them operationally (e.g. linked to ERDF and other programmes) and to illustrate their wider impact, particularly on business growth and productivity in LEP areas and natural clusters such as the Northern Powerhouse and Midlands Engine.

Reflecting on LEP and Growth Hub feedback on the previous framework, we have sought to align the core metrics more closely with European requirements and refined our ask to further reduce the data burden, recognising the variety of Growth Hub models and typologies that are currently in place.

This paper also incorporates examples of best practice from LEPs and Growth Hubs who are operating a **data-driven approach** and who have already realised the value (for both operational and evaluation purposes) of good data collection, usage and analysis.

Intervention Intensity

The key factor determining the aggregate statistics and firm-level data LEPs are required to report is the “intensity level” of the support the Growth Hub has provided to a business. Recognising that, in practice the intensity of support exists on a continuum (both in terms of time spent with a business and in terms of the nature of support), the following categories are thought to be a practical way of measuring the support provided.

- **“Light touch”** – transactional interactions with Growth Hubs which do not consume significant dedicated resource. Examples:
 - telephone enquiries and basic signposting
 - face-to-face appointments (involving very light-touch diagnostics)
 - web-based interactions (e.g. contact form, user registration to members area, use of live chat, online diagnostic tools, message through social media) [note: only **interactive** actions should be counted – not **passive** actions like views of a web page]
 - Attendance at Growth Hub organised events, festivals, conferences or pop-ups etc. (NB these are large events that deliver high-level information around business support/advice options. They are not more intensive workshops.)
 - Other contact medium not listed above
- **“Medium intensity”** – interactions which use moderate Growth Hub resource (approximately 1-hour plus) and which broadly aligns with the point in the customer journey at which GH start collecting basic firm-level data. Example:
 - business diagnostic with Growth Hub advisor/ business attendance at a support workshop
 - referral to business support schemes and programmes (local and national)
- **“High intensity”** – interactions representing sustained support and using significant Growth Hub resource, broadly aligned to the EU 12-hour metric for “Enterprise Support”¹. Examples:
 - businesses with managed accounts

1

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/672407/ES-IF-GN-1-002_ERDF_Output_Indicators_Definition_Guidance_v5.pdf

- services / support directly provided by Growth Hub

LEPs on behalf of their Growth Hubs are required to report aggregated statistics (set out below) for firms who have only benefited from “Light touch” interactions.

LEPs on behalf of their Growth Hubs are required to report aggregated statistics and firm-level data (detailed later) for firms who have benefited from “Medium intensity” or “High intensity” interactions.

Aggregated Statistics

BEIS requires the following information from Growth Hubs via LEPs **every six months** via the Bi-Annual and end of year Growth Hub Annual Reporting process, which covers all interactions with businesses and individuals (including those at group events, business festivals and pop-ups). **The data gathered at the Bi-Annual report will cover the first six months of a funding period. The data gathered at the Annual report will cover the full year funding period.**

Notes: Businesses should be counted only once i.e. they will either appear under light intensity, medium intensity or high intensity categories.²

Measures such as “combined turnover” or “combined employee numbers” should only include the local business office receiving support (in the case of multi-site businesses). They will be calculated by aggregating the values recorded at firm-level. They should be the most recent values held by the LEP/GH at the point of reporting. Please ensure you are not accidentally double-counting this information.

Measures such as “total number of referrals” do not need to reflect whether (or not) the referral was taken up.

- Total number of unique businesses that have been supported (i.e. receiving **light, medium or high intensity support** as defined above) by the Growth Hub in the defined period (6 or 12 months)
- Number of businesses that have received ‘**Light touch**’ triage, information and/or signposting support
- Number of individuals/pre-starts interacted with who have received ‘**light touch**’ triage, information and/or signposting support.
- Number of businesses receiving ‘**Medium intensity**’ information, diagnostic and brokerage support.
- Combined turnover (amount £) of businesses receiving ‘**Medium intensity**’ information, diagnostic and brokerage support.

² BEIS understands some LEPs/Growth Hubs have difficulty de-duping their CRM systems, therefore we have requested an additional statistic on the total number of unique businesses supported in a given period.

- Combined employee numbers (FTE) of businesses receiving **‘Medium intensity’** information, diagnostic and brokerage support.
- Number of businesses receiving **‘High intensity’** support i.e. sustained support and using significant Growth Hub resource.
- Combined turnover (amount £) of businesses receiving **‘High intensity’** support i.e. sustained support and using significant Growth Hub resource.
- Combined employee numbers (FTE) of businesses receiving **‘High intensity’** support i.e. sustained support and using significant Growth Hub resource.
- Total number of businesses that have received **‘Medium’** and **‘High intensity’** support that, have the opportunity, ambition and greatest potential to grow, or that could be classified as potential Scale- Ups using the definition provided below:
 - The aspiration and potential with support to deliver significant turnover growth over the next three-year period of at least 50%, and who have at least 5 staff in the current period.
- For ‘Medium’ and ‘High’ intensity interventions only, the tabulated responses to the satisfaction question **“How would you rate your overall satisfaction with the support provided by the Growth Hub?”** rated on a five-point scale³. A survey approach is sufficient⁴.
- Total number of referrals to a mentoring programme (note: a combined figure for ‘Medium’ and ‘High’ intensity interventions only).
- Total number of referrals to a skills or training programme (note: a combined figure for ‘Medium’ and ‘High’ intensity interventions only).
- Total number of referrals to a finance and/or funding programme (note: a combined figure for ‘Medium’ and ‘High’ intensity interventions only).
- Total number of referrals to an innovation and/or R&D programme (note: a combined figure for ‘Medium’ and ‘High’ intensity interventions only).
- Total number of referrals to an export/import support programme (e.g. DiT) (note: a combined figure for ‘Medium’ and ‘High’ intensity interventions only).

³ (1 Very Dissatisfied- very poor, 2 Somewhat Dissatisfied - poor, 3 Neither Satisfied nor Dissatisfied- average, 4 Somewhat Satisfied - good, 5 Very Satisfied – excellent)

⁴ Acknowledging that at the point of reporting, customer satisfaction data may not yet have been received for all businesses supported.

Firm-level Data

The following tables set out the **minimum** data to be collected for all businesses⁵ benefiting from either “Medium intensity” or “High intensity” support from the Growth Hub. Annex 1 provides rationales for collecting each data type. Note: BEIS will distribute an annual review spreadsheet template to assist LEPs and their Growth Hubs in collecting firm-level data.

Business details and unique identifiers

	Type	Format	Notes
1.1	Contact name	Free text (no character limit)	
1.2	Contact e-mail address	Free text (no character limit)	
1.3	Contact telephone number	Free text (no character limit)	
1.4	Business name	Free text (no character limit)	Validate with lookup service
1.5	Company Registration Number (CRN) Issued by Companies House	8-digit number or 2 upper case letters and 6 digits e.g. 89675265 e.g. SL007945	Find/validate with lookup service If not a limited company and lookup failed, then leave blank If company is being registered soon, collect this once registered
1.6	HMRC VAT Registration number (VRN) [only needed if no CRN reference is available]	9 digits e.g. 123456789	Found on business VAT certificate Validate with lookup service

⁵ “Businesses” throughout this paper excludes individuals in the pre-start up or pre-registration stage

			<p>Find VAT service from name</p> <p>If not VAT registered then leave blank</p>
1.7	<p>HMRC employers PAYE reference number</p> <p>(not accounts office reference)</p> <p>[Only needed if CRN or VAT references are not available]</p>	<p>DDD/LDDDDD</p> <p>or</p> <p>DDD/LLDDDDD</p> <p>e.g. 135/A56789</p> <p>e.g. 135/AB56789</p>	<p>L = Letter (upper case)</p> <p>D = Digit</p> <p>Also called Employer reference</p> <p>It can be found on HMRC business ePAYE letters OR by asking an accountant</p> <p>If not employing anyone on payroll then leave blank</p>
1.8	Number of FTE employees at local business's office receiving support	<p>Decimals allowed.</p> <p>e.g. 13.5</p>	Full time, part time and subcontractors only
1.9	Turnover (£)	XXX,XXX	Total income/sales
1.10	Full address of local business's office receiving support	<p>Free text</p> <p>(no character limit)</p>	
1.11	Postcode of business local business's office receiving support	<p>Free text</p> <p>(max 8 characters)</p>	
1.12	Is this a multi-site business	"Yes" or "no"	
1.13	Brief description of what the business does	<p>Free text</p> <p>(100 words max)</p>	<p>The product/service it delivers.</p> <p>The customers it serves.</p>

1.14	Growth/Scale-up potential	Free text (100 words max)	Brief description of the firm's levels of ambition and potential to grow
1.15	Month business started trading	MM/YYYY	Month the business first started making sales Provides an objective measure of the maturity of the business

Notes:

In relation to unique business identifiers: Only one of CRN, VAT registration or PAYE reference number need be collected. For non-employers, who are not limited companies, and who are below the VAT threshold, all three fields can be left blank.

Summary of support

	Type	Format	Notes
1.16	Cumulative length of interaction since very first contact with the Growth Hub	Hours (whole number digits)	Roundup to nearest hour
1.17	Summary of what support the business says it needs	Free text (no character limit)	What is the nature of their enquiry and subsequent business need

Support given in each interaction (1 or more) - Separate spreadsheet cells for each interaction

1.18	Type of support	Free text (no character limit)	Brief description of the support given during an interaction. Examples: Diagnostic, Referrals, Answer question, Ongoing support, Follow up.
------	-----------------	-----------------------------------	--

			A single interaction can involve several types of support.
1.19	Date of this support	DD/MM/YYYY	This is the date of interaction with the GH (not the date a referral is taken up).

Notes:

Some CRM systems can more easily report at the level of project (or project stage/output). This being the case, it is sufficient to record/describe each project (or project stage/output) completed and the completion date.

Referrals and signposting (0 or more) - Separate spreadsheet cells for each referral

	Type	Format	Notes
1.20	<u>Name</u> of referral program / service	Free text (no character limit)	Included all referrals of any kind made by the hub.
1.21	<u>Purpose</u> of referral	Free text (no character limit)	e.g. developing management capabilities, access to finance, recruiting technical skills
1.22	Date of referral?	DD/MM/YYYY	
1.23	Was the referral accepted and taken up?	Free text (no character limit)	If known, please record whether a referral was “accepted” or “not progressed”. If pending, please record as “pending”. If not known, please record as “unknown”.
1.24	Notes about this referral (optional)	Free text (no character limit)	

Data Security, Privacy and Data Sharing

Growth Hub customers who receive “medium” and “high” intensity support should be informed that their data will be shared with BEIS for research and evaluation purposes only. Growth Hubs via LEPs will therefore need to ensure that any data sharing agreement must enable information on recipients to be shared with BEIS. This is to enable the use of data for matching to other public and commercial datasets for the purposes of evaluating and monitoring the ongoing impact of Growth Hubs. The following is an example of the agreement that has been used for other programmes and provides an indication of what will be required. LEPs will need to check that they are suitable in their own circumstances.

‘The use of the Business’s information may include matching to other data sources to understand more about organisations like yours and general patterns and trends, although the business’s data will not be published or referred to in a way which identifies any individual or business. If the business has any questions in relation to how the information the business provides, and in particular any personal data, will be processed and disclosed please contact xxxxx’

LEPs will need to ensure that the Growth Hub has put in place appropriate data protection arrangements in line with the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 as laid out in the national LEP Assurance Framework.

Roles and Responsibilities

BEIS will conduct a high-level, over-arching evaluation of the Growth Hub policy, using the firm-level intervention data collected from LEP and/or Growth Hub CRM systems. This may consider groups of similar LEPs / interventions, different Growth Hub typologies or leveraged in alternative sources of funding. However, it is unlikely to focus on any one particular LEP area or type of business intervention. This leaves the responsibility for evaluation at this level with the LEP itself. BEIS remains happy to advise on evaluations and recommends that LEPs engage with us at the beginning of the funding period.

BEIS will continue to act as a central focal point for sharing best practice between Growth Hubs, facilitated by the Growth Hubs Steering Group (Customer Insight & Data), and is happy to be approached for advice on monitoring, evaluation, the design of marketing materials and CRM systems or other analytical support. BEIS may distribute analysis of local business populations and business needs and help to “link” Growth Hub data to other datasets to help LEPs develop their Growth Hub strategies and targeting. Additionally, BEIS will distribute an annual review spreadsheet template to assist LEPs and their Growth Hubs in collecting firm-level data.

As Growth Hubs (those funded by BEIS) are led and governed by LEPs, LEPs are therefore responsible for both day-to-day monitoring of performance and wider strategic, process and impact evaluations of their activities – including value for money at a local intervention level.

LEPs are **strongly encouraged** to develop a robust evidence base⁶ of the value of their Growth Hubs to ensure that they can demonstrate impact ahead of any future bids for public sector funding. Growth Hubs are encouraged to take a scientific approach to interacting with customers and to develop evidence of “what works”.

Further Information

If you have any questions (including analytical) in the first instance please contact Zoe Hawthorne or Stuart Roddam.

ANNEX 1 (Rationale for data collection)

- **What:** Contact name, telephone number, email address
Why: Future contact is more likely to succeed with a named contact to call back.
- **What:** Business name, trading address (including postcode)
Why: For direct mail, site visits, event planning and geographical analysis
- **What:** Companies House Reference Number, VAT Number and /or PAYE Number
Why: These help to uniquely identify businesses, especially useful where businesses have common names. Data matching can be used to generate an analysis of the growth and behaviours of your customers, to enable targeting and marketing services more effectively.
- **What:** Interaction type, dates of interaction, time spent with business
Why: A record of previous interactions helps case managers to assess a business maturity and allows analysis of which types of businesses are seeking which advice. Enables operational benefits such as automatically scheduled call-backs X months after the previous interaction which secure repeat business and are useful for building relationships and “closing the loop” on growth hub activity. Not only useful management information for resourcing, but very strongly recommended for Growth Hubs applying for EU funding to satisfy their requirements.
- **What:** Description of business (maturity, sector, aspirations)
Why: So that Growth Hubs can understand their users and tailor their services appropriately. Local economies have different strategically important sectors and knowing the firms sector allows for a comparison of growth hub support and activity with local populations and LEPs strategies
- **What:** Services, schemes or partners to which clients are referred to e.g. Department of International Trade.
- **Why:** *Important for customer relationship management and sourcing of alternative assistance, also provides evidence to inform engagement with other programme owners. For evaluation can be source of counterfactual group.*

⁶ At the evaluation design stage (strongly recommended to be before implementation of a new type of intervention), the score of the evaluation on the Maryland scale should be considered and justified.

D3. Future Bright

1. Scheme background and context

Future Bright will support 3,000 residents in their endeavours to achieve career progression, helping them increase tangible work benefits and improve attitudes to work and motivation. The project will also engage 400 employers to promote good practice in recruitment and retention. £4m funding over three years provided by DWP from January 2018. Future Bright is managed by the West of England Combined Authority and delivered by the three Unitary Authorities.

Milestone completion dates	Baseline month/year
DWP memorandum of understanding & data sharing agreement	Nov - Dec 2017
Local Authority grant agreements & data sharing agreements	Nov 2017
Customer journey, delivery model & toolkit – individual	Nov - Jan 2017
IT security and information governance	Nov - Jan 2017
Delivery team recruitment	Nov - Dec 2017
Evaluation strategy	Dec 2017
Communications, Marketing, Website	Dec 2017
Procurement – CRM database & evaluation	Jan - Feb 2018
Full delivery roll-out - individual	Jan - Feb 2018
Customer journey, delivery model & toolkit – employer engagement	Feb - Mar 2018
Full delivery roll-out – employer	Feb 2018
DWP review of eligibility criteria	Dec 2018
Revised eligibility communications campaign – website, bus, press, radio	Q3 2018-19
Interim evaluation report	Jan - Feb 2019
Final evaluation report	Feb - Mar 2020

2. Logic Model

Context and Rationale

- Welfare reform measures will enable people to work a wider range of hours and still receive a benefits ‘top up’
- There is little evidence of ‘what works’ for interventions aimed specifically at supporting those who are in work to progress
- Most of the available evidence looks at working with specific sectors to improve progression pathways and encourage a culture of upskilling
- There are a range of hard-to-fill vacancies in the West of England, some with existing progression pathways
- With the right information and support individuals can increase the number of hours they work or improve their salary / wages through training

Objectives	Resources/ Input	Activities	Outputs	Direct & Indirect Outcomes	Impact
<ul style="list-style-type: none"> • Person centred support and coaching • Increasing awareness and use of support available • Promoting in-work progression of individuals • Promoting improved health and wellbeing • Increasing financial independence • Empowering individuals • Unlocking inertia • Working with employers 	<ul style="list-style-type: none"> • Funding (£4m DWP) • Aligned funding (£1.2m utilising services already funded) • Local delivery teams – career progression coaches, project support officers and employment engagement officers • Expenditure on client responsive budgets 	<ul style="list-style-type: none"> • Developing and marketing the programme • Providing tailored support for those experiencing in work poverty • Engaging with employers and business networks • Managing payments • Monitoring and reporting • Expenditure on training and personal budgets 	<ul style="list-style-type: none"> • No. of referrals generated • No. of people receiving support • No. of employers engaged in support of the project 	<ul style="list-style-type: none"> • No. of participants increasing skills • No. of participants increasing incomes • No. of participants with an increase in wellbeing, confidence and motivation to progress • No. of participants with an increase in basic skills, job search skills, and knowledge of support available • No. of participants with an increase in employment security, flexibility, and employer supportiveness • No. of participants with a reduction in the amount of in-work benefits being claimed • No. of employers offering good jobs, with flexible and secure contracts and fair pay • No. of employers reporting improved employee engagement, reduced absenteeism, and more successful recruitment and retention of staff 	<ul style="list-style-type: none"> • Increased GVA • Increased productivity • Learning on in-work progression from all stakeholders • Social Value Added

3. Evaluation design and methodologies

Employment Support Innovation Pilot – Future Bright: Evaluation Strategy

Project summary

The DWP funded innovation pilot Future Bright will work with 3,000 residents in the West of England Combined Authority who are in work on low incomes and 400 employers to understand and help overcome barriers to making progress in the workplace.

Referrals will be generated through social housing landlords, councils and community organisations who can facilitate engagement with their tenants and customers who claim eligible in-work benefits to top up their incomes: Working Tax or Child Tax Credits, Housing Benefit, means-tested Council Tax Reduction, Universal Credit, Income Support, Job Seekers Allowance and Employment Support Allowance. (The latter four benefits were added to eligibility criteria in October 2018.)

A tailored and flexible community-based service will help individuals to identify their assets and barriers, and work together on a targeted plan to achieve their goals and fulfil their potential. The plan will be holistic, helping the beneficiary reach solutions to a range of life issues including employability, communication, basic skills, health and wellbeing, money and debt, housing, transport, childcare and family issues through one-to-one coaching and signposting to specialist support. A customer responsive budget will support any training or other relevant needs, with full use made of existing provision and support networks across the area. Beneficiaries will be empowered to explore progression options with their current employer, as well as considering wider local opportunities.

The aim is to motivate and support individuals to increase their incomes and kick start their career progression journey. This may be by finding ways to increase their hours, finding better paid work, or simply stabilising their incomes through more secure contracts.

Employer Engagement within existing employer networks as well as with individual employers will promote the benefits of adopting good practice in recruitment and employment policies. Feedback from employers will indicate what steps are achievable, as well as what they perceive to be barriers to supporting workplace progression. This work will identify and increase the supply of jobs locally with good career progression opportunities.

Evaluation aims

DWP are providing funding for a range of Employment Support Innovation Pilots to obtain fresh and critical insight into people who are in work and receiving in-work benefits to top up their income, including Future Bright for residents in the West of England Combined Authority. Future Bright aims to provide robust evidence demonstrating how individual in-work progression into more sustainable and higher paid careers can be best supported. Successful project outcomes will help maximise participation of our local workforce in the economy.

A comprehensive set of data will be collected by the Career Progression Coaches at the beginning and end of each intervention, plus after 3 months for those whose support is longer than this. Follow up data for key targets will be requested from the database 6 and 12 months after engagement (where timelines allow), including self-assessed progression trackers to monitor levels of motivation, confidence, health and wellbeing. The action-research approach will find out and record perspectives from all key stakeholders: those experiencing 'in-work poverty', local employers, partner agencies such as housing services, learning and advice providers, creating written, audio and video case studies to promote and demonstrate impact of the project.

External evaluators Centrifuge have been commissioned to analyse the quantitative and qualitative data, providing clear evidence on what elements of delivery have the most success with residents, and what the barriers are to employers creating the environment for career progression. A cost/benefit analysis will also be executed.

Working hypotheses:

Individuals

Support to create and complete a tailored individual action plan, together with motivational and confidence building coaching where needed, will help people make progress in the workplace.

Progression will be measured as:

- An increase in wages in current job
- An increase in hours worked
- More stable hours contracted
- Increased skills or qualifications
- Decrease in benefits claimed
- Promotion with existing employer
- Obtaining a new job with a different employer

Qualitative measures for the individual will include:

- Improving their perception of employability assets
- Increasing their motivation and commitment to progress in work
- Improving their job search skills
- Improving their confidence in the workplace
- Improving engagement with their employer
- Improving their contract security
- Increasing confidence in their basic skills, including IT skills
- Increasing confidence in their ability to manage on their income
- Increasing satisfaction with their work hours and flexibility
- Reducing the negative impact of work on their health and wellbeing
- Increasing their awareness of support available
- Increasing their satisfaction with their work overall

Employers

More progression opportunities will be available in the workplace locally through engaging employers to demonstrate the benefits of offering good practice in recruitment and employment policies.

Progression opportunities will be measured as:

- Secure employment contracts
- Increase in guaranteed hours
- Reduction of zero hours contracts
- Advanced planning of shift patterns
- Living wage rather than minimum wage
- Learning & development / apprenticeship opportunities
- Policies on employee progression routes

Key Research Questions:

Impact on Service Delivery

1. *Has our pilot added value in terms of integrating support which already exists?*
2. *Have we achieved increased outcomes for this group within the same envelope of funding?*
3. *What mechanisms work best when co-ordinating and/or integrating different support services provided by the public sector and community partners?*
4. *Which services are needed?*
5. *Which are the most effective in engaging and supporting targeted individuals to progress – including*

the best mix of digital and face-to-face support?

6. *Can providing more information about and access to a range of services, entitlements, and support (which they could receive or purchase) help individuals move out of low income insecure employment?*

Impact on Individuals

1. *How is the motivation and ambition to progress in employment best promoted and encouraged?*
2. *What are the main characteristics of those who progress?*
3. *What are the main characteristics of those who do not progress?*
4. *What are the views of participants on the services delivered and how they were delivered?*
5. *How can they be improved?*
6. *Can increased employability and higher earnings be achieved through increased self-belief and/or motivation to take action and invest in skills development?*
7. *What features of the service delivery have had most impact on progression of individuals?*

Employer evaluation

1. *Which services and communication channels best provide employers with an increased understanding of the benefits of employee progression and retention?*
2. *Does working with employers increase the supply of jobs in our area which have support for progression (advice, mentoring, training, etc.)?*
3. *Does working with employers improve access to flexible working practices for those that need it?*
4. *How can we best influence employer practices and behaviour, including use of zero hours contracts, temporary contracts, and self-employment which do not sufficiently encourage staff training and development?*
5. *How can we encourage employers to use HR practices which can increase security of employment and working hours?*
6. *How can we encourage employers to offer more flexible working for parents and those with caring responsibilities?*
7. *What are the main barriers for employers when considering improving HR practices and increasing progression opportunities?*

4. Data requirements

4.1 For schemes fully or part-funded via the Local Growth Fund only

Not applicable

4.2 Data collection methods

Collection tools include checklists, progress trackers, surveys and interviews.

All data will be captured on the project database, allowing interrogation of the data throughout to review activities and inform delivery processes.

4.3 Data collection and establishing the baseline

Data collection will take place throughout the duration of the project, with operational data reviewed monthly, output reports produced quarterly, and impacts assessed in the annual evaluation reviews. Headline dates as summarised below.

<i>Metric (inc. Target)</i>	<i>Unit</i>	<i>Frequency</i>	<i>Data source (& Responsibility)</i>	<i>Baseline date</i>	<i>Reporting to?</i>
Inputs					
Funding	£	Quarterly	Future Bright CRM, Programme Manager	0	Quarterly Highlight Report
Aligned funding	£	Quarterly	Future Bright CRM, Programme Manager	0	Quarterly Highlight Report
Appointed, trained and retained Career Progression Coaches, Employer Engagement Officers, Project Support Officers	20 CPCs 3 EEOs + 2 outsourced 3 PSO's	Quarterly	Programme Manager	0	Quarterly Highlight Report
Expenditure on overall project delivery –client responsive budgets	£	Quarterly	Future Bright CRM, Programme Manager	0	Quarterly Highlight Report
Outputs					
No. of referrals generated	Number	Quarterly	Future Bright CRM, Programme Manager	0	Quarterly Highlight Report
No. of people receiving support	Number	Quarterly	Future Bright CRM, Programme Manager	0	Quarterly Highlight Report
No. of employers engaged in support of the project	Number	Quarterly	Future Bright CRM, Programme Manager	0	Quarterly Highlight Report
Outcomes and impacts					
No. of participants with increased skills through completing training	Number	Quarterly	Future Bright CRM, Programme Manager	0	Quarterly Highlight Report
No. of participants with increased pay	Number	6 monthly	Participant surveys, Future Bright CRM, Evaluators	0	Quarterly Highlight Report
No. of participants with an increase in wellbeing, confidence and motivation to progress	Number	Annual	Participant surveys, progress trackers, Future Bright CRM, Evaluators	0	Annual evaluation report
No. of participants with an increase in basic skills, job search skills, and knowledge of support available.	Number	Annual	Participant surveys, progress trackers, Future Bright CRM, Evaluators	0	Annual evaluation report
No. of participants with	Number	Annual	Participant surveys,	0	Annual

an increase in employment security, flexibility, and employer supportiveness			progress trackers, Future Bright CRM, Evaluators		evaluation report
No. of participants with a reduction in the amount of in-work benefits being claimed	Number	Annual	Participant surveys, progress trackers, Future Bright CRM, Evaluators	0	Annual evaluation report
No. of employers offering good jobs with flexible and secure contracts and paying the living wage	Number	Annual	Employer surveys, Future Bright CRM, Evaluators	0	Annual evaluation report
No. of employers reporting reduced absenteeism, attracting and retaining staff	Number	Annual	Employer surveys, Evaluators	0	Annual evaluation report

5. Delivery plan

Monitoring data will be collected from participants at the start and end of their journey, plus mid-way for journeys over 3 months. Follow up surveys will be issued 6 and 12 months after the journey ends.

Funded Local Authority delivery partners will report on activity data from the database monthly, and on outcomes quarterly to accompany grant claims. WECA will also produce a quarterly report and reconcile internal expenditure quarterly with Finance.

Written and video case studies will be compiled throughout the project to evidence the impact of the project on the careers, lives and families of individual participants.

The data in the database, together with qualitative surveys undertaken by the external evaluators, will inform independent annual evaluation reports compiled annually in May, with the final report completed by June 2020.

6. Resourcing and Governance

External evaluators for Future Bright will be procured and will provide ongoing monitoring and evaluation support for Future Bright Plus – following all WECA procurement processes. When the market was tested for suppliers, Centrifuge were identified as experienced in this sector and type of project.

The budget for monitoring and evaluation includes £19,000 for the project database supplied by Lamplight, including support from PFIKS Digital Innovation for the online referral form that integrates with the database. GDPR compliance is built into participant engagement, with the Privacy Notice issued at an early stage as well as being available through the website.

The evaluation budget is £40,000 over the 3 years, which includes:

- Advising on project monitoring
- Providing feedback on service delivery including participant and delivery team surveys and interviews
- Analysing reports
- Production of annual evaluation reports

Evaluation is carried out primarily on the monitoring data input to the Lamplight project database. Input to this is checked regularly by delivery managers with their teams, with periodic audits for completeness. WECA also audit samples of data on a regular basis, with more comprehensive quarterly checks for accuracy and completeness.

Centrifuge: 5 Juniper Walk, Newcastle upon Tyne, NE5 1UE, admin@centrifuge.coop.

7. Dissemination

Quarterly Monitoring Reports will be shared with the Future Bright Project Team and Skills Advisory Board; whilst the final evaluation report will also be taken to the WECA Committee. It is intended that the final evaluation report will be made publicly available online and share with interested partners.

Annual evaluation reports are shared with the evaluation board, delivery partners and funders, and used for ongoing development of the service and delivery process. They form the basis of the annual project team awayday, facilitating workshops to celebrate successes and overcome barriers.

WECA will own the evaluation documents and have control over circulation. These may be circulated to a wider audience to share lessons with broader stakeholders at WECA's discretion.

Highlights from the evaluation reports will inform infographics prepared by WECA communications team which will be used for project promotion and information on WECA's work.

DRAFT - CONFIDENTIAL

REGIONAL INDICATORS

WECA tracks a small number of indicators across the region, across the priorities of our Operating Framework. The indicators summarise the state of the region for each priority area, and we expect the activities set out in this Business Plan to contribute to positive change. We do not have total control over these measures because many other factors play a role, but it is important we understand the current position.

The West of England's economy is strong; however, in line with national trends, productivity growth has been slow in recent years.

As these indicators show, significant cuts to carbon emissions are needed to reach carbon neutrality. Most of the region's emissions are generated from heating and transport, and

the region still relies on fossil fuels for its electricity.

The region has continued to make progress on several indicators of inclusion: the gender pay gap has gradually fallen, more people are earning the Real Living Wage, and fewer residents are looking for work. However, there is a lot still to be done, as the number of people inactive but wanting work has risen slightly (from a low base) in the past year and the level of long-term health conditions is rising.

The region's infrastructure remains under pressure, with relatively expensive housing and rising congestion. However, public transport usage has made encouraging progress in recent years.

Businesses in the West of England have relatively high survival rates and this has remained the case more recently as well as for the cohort started during the recession. In common with the UK, the region will need to raise levels of research and development investment to meet the Government's target of 2.4% of GDP.

The West of England has a highly-qualified workforce and the position has continued to improve in recent years. However, with a growing economy, as recognised in the Local Industrial strategy in some cases employers find it hard to find the skills they need. Not all residents are benefiting from this growth, particularly among young people.

Priority Area	Indicator	Where we are now	Year	Change in the last year	Change over 5 years (* 4 years; ** 3 years) & UK comparison
Economic growth	1. Economic output (GVA)	£33.5bn	2017	+2.0%	WofE: +18.1% UK: +20.1%
	2. Productivity: output (GVA) per hour worked	£33.70	2017	+1.8%	WofE: 11.1% UK: 11.1%
Climate emergency	3. CO ₂ emissions (production)	5,230kt 33% from business 35% from households 32% from transport	2017	-3.3%	WofE: -23.6% per head from 2012 UK: - 25.2%
	4. Locally generated renewable electricity (& as a proportion of total regional electricity consumption)	477.7 GWh (9%)	2018 (2017)	+17%	WofE: +110%* UK: +71%*
Inclusive growth	5. Residents unemployed or inactive and want a job	47,800	2018	+4%	WofE: -35% UK: -30%
	6. Workers earning less than Real Living Wage	17%	2019	-1.5 points	WofE: -4.3 points UK: -2.8 points (to 20%)
Inclusive growth	7. People aged 16+ suffering with health conditions or illnesses 12 months+	34%	2018	+1.5 points	WofE: +4.9 points* UK: +1.9 points*
	8. Gender pay gap: gap in women's pay, as a proportion of men's	17% less (all workers) 9% less (full time)	2019	-2.5 points (all) -2.9 points (FT)	WofE: -3 points (all); -4.2 points (FT) UK: -1.9 points (all); -0.7 points (FT)
	9. Working people from ethnic minority backgrounds in management or professional roles	38% (34% of white workers)	2019	-1.4 points	WofE: +1.7 points UK: +0.8 points

Priority Area	Indicator	Where we are now	Year	Change in the last year	Change over 5 years (* 4 years; ** 3 years) & UK comparison
Infrastructure	10. Affordable homes built	1,264	2018-19	+37%	WofE: +87%
	11. Public sector land released	10.22ha	2019-20	N/a	N/a
	12. Average house price as a multiple of average earnings	8.8	2019	No change	WofE: +1.8 points England & Wales: +0.9 points (to 7.7)
	13. Average delay on locally managed 'A' roads (seconds per vehicle per mile)	B&NES: 50.2 Bristol: 103.7 N. Somerset: 28.0 S. Gloucestershire: 43.3	2018	B&NES: +6.8% Bristol: +2.8% N. Somerset: -3.0% S. Gloucestershire: -1.2%	B&NES: +7.5%* Bristol: +10.6%* N. Somerset: +13.4%* S. Gloucestershire: +6.7%* England: +6.1%*
	14. Bus trips per head per year	63.6	2017-18	+2.8%	WofE: +39.7% GB: -8.3% (to 78.3)
Business	15. Rail station usage (journeys to and from the region's stations)	26.9m	2017-18	-1.4%	WofE: +18.5% UK: +16.2%
	16. Proportion of adults who travel at least once a week by:				
	- walking	48%	2017-18	-1 point	England: 42%
	- cycling	13%		+1 point	England: 6%
	17. Business start-ups as proportion of existing businesses	11%	2018	No change	WofE: -2.3 points UK: -1.2 points
	18. Business start-ups surviving five years	46%	2018	No change	WofE: +1.1 points UK: +0.7 points (to 42%)
	19. Exports of goods and services, as proportion of total output	28% of GVA	2017	N/a	UK: 33% of GVA
	20. Investment in Research and Development as proportion of output (GVA)	1.7%	2015	N/a	N/a

Priority Area	Indicator	Where we are now	Year	Change in the last year	Change over 5 years (* 4 years; ** 3 years) & UK comparison
Skills	21. Employers with hard-to-fill vacancies	13%	2017	N/a	UK: 8%
	22. Qualifications: 16 - 64-year olds with:				
	- NVQ Level 4+ qualifications	46%	2018	-1.5 points	WofE: +8.4 points UK: +4.3 points (to 39.2%)
	- No qualification at NVQ Level 2 or higher	18%	2018	No change	WofE: -4.5 points UK: -2.6 points (to 25%)
	23. 16-17-year olds not in education, employment, or training	6.6%	2018	No change	WofE: +3.7 points England: +1.6 points (to 5.5%)
24. Apprenticeship achievements (learners)	5,057	2017-18	+1%	WofE: +4.9%** England: +5.8%**	

Notes to regional indicators

All figures relate to the West of England Local Enterprise Partnership area of Bath and North East Somerset, Bristol, South Gloucestershire, and North Somerset, unless otherwise specified.

Economic growth

1. Gross Value Added (balanced) [GVA(B)], current prices, 2017. ONS, Regional Gross Value Added, December 2018.
2. Nominal (smoothed) GVA(B) per hour worked, 2017. ONS, Sub regional Productivity, February 2019.

Climate emergency

3. End-use carbon dioxide (CO₂) emissions at local authority level, kilotonnes, 2017. Proportions for business, households and transport are for emissions within the scope of Local Authorities, excluding large industrial sites, railways and motorways. BEIS, UK Local CO₂ emissions, June 2019; WECA calculations.
4. Renewable energy generation at local authority level, gigawatt hours, 2018. BEIS, Regional renewable statistics, September 2019; BEIS, Sub-national total final energy consumption statistics, September 2019; WECA calculations.

Inclusive growth

5. Unemployment count plus count of inactive people who want a job, Jan-Dec 2018. ONS, Annual Population Survey via Nomis.
6. Proportion of employee jobs with hourly pay below the living wage defined by the Living Wage Foundation, 2019. ONS calculations from Annual Survey of Hours and Earnings, October 2019.
7. Proportion of people aged 16+ who have health conditions or illnesses lasting more than 12 months, Jan-Dec 2018. ONS, Annual Population Survey via Nomis.
8. Gender pay gap: median reduction in women's average hourly earnings, relative to men's earnings, among all employee jobs and among full time employee jobs, for West of England residents, 2019. ONS, Gender Pay Gap, October 2019.
9. Proportion of white and ethnic minority people aged 16+ who are employed as managers, directors and senior officials, or professional occupations, Jan-Dec 2018. ONS, Annual Population Survey via Nomis.

Infrastructure

10. Number of affordable houses built in the West of England, 2018-19. West of England unitary authorities' data.
11. Area of land in public sector ownership released for development, 2019-20. Data not available for previous years. West of England Joint Assets Board data.
12. Median house price as a multiple of median gross annual earnings, 2019. ONS, House Price Statistics for Small Areas (HPSSA), September 2019, and Annual Survey of Hours and Earnings via Nomis.
13. DfT, Average speed, delay, and reliability of travel times, September 2019.
14. Passenger journeys on local bus services per head by local authority, 2017-18. DfT, Local bus passenger journeys, September 2019.
15. Number of people travelling to and from rail stations in the West of England, 2017-18. ORR, Estimates of station usage, December 2018.
16. DfT, Walking and Cycling Statistics from Active Lives Survey, July 2019.

Notes to regional indicators continued

Business

17. Number of new businesses started as a proportion of all active businesses, 2018. ONS, Business demography, November 2019.
18. Proportion of businesses started five years before, surviving to date, 2018. ONS, Business demography, November 2019.
19. Exports of goods plus exports of services, as a proportion of GVA(B), 2017. ONS, International exports of services, September 2019; HMRC, Regional trade in goods statistics, November 2019; WECA analysis.
20. Research and development expenditure by business, higher education, government, and private non-profit organisations, 2015. Smart Specialisation Hub, What does the 2.4% of GDP R&D expenditure target mean for places?, January 2019.

Skills

21. Proportion of employers with at least one vacancy that is hard to fill, 2017. DfE, Employer skills survey, August 2018.
22. Proportion of 16-64-year olds who are qualified at least to NVQ4 level, or below NVQ2, 2018. ONS, Annual Population Survey via Nomis.
23. Proportion of 16- and 17-year olds who are not in education, employment, or training (NEET), 2018. DfE, NEET and participation, June 2019.
24. DfE, Apprenticeships and traineeships data, November 2019.



ITEM: 15

REPORT TO: AUDIT COMMITTEE

DATE: 27 FEBRUARY 2020

REPORT TITLE: WOE LOCAL GROWTH ASSURANCE FRAMEWORK

DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

AUTHOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

Purpose of Report

- 1 To inform the committee of the West of England Local Growth Assurance Framework which is an overarching document that governs the allocation of WECA and Local Enterprise Partnership (LEP) growth funding.

Recommendation

- To review, and note, the West of England Local Growth Assurance Framework (as detailed in Appendix 1).

Background / Issues for Consideration

- 2 Government have set out in The National Local Growth Assurance Framework guidance the requirement for LEPs and Mayoral Combined Authorities in receipt of a Single Pot to produce their own local assurance framework. This document sets out the West of England's governance arrangements for these funds, how due transparency and accountability are ensured and the way that schemes are appraised, monitored and evaluated to achieve value for money.
 - 2.1 The 'Single Pot' approach to funding is a significant fiscal agreement in devolution deals which seeks to reduce ring fences and consolidate funding lines for which WECA is the accountable body. The West of England Operating Framework and Business Plan together with the Local Industrial Strategy (LIS) and other West of England plans and strategies, provide the basis for investment decisions alongside the delivery of statutory requirements, conditions of funding and other local transport objectives.
 - 2.2 The WoE Local Growth Assurance Framework has been approved through the WECA Committee with the most recent version updated in November 2019, approved by Committee on 31 January 2020.

2.3 The funds within scope of this framework are:

- Investment Fund;
- Transforming Cities Fund;
- Adult Education Budget;
- Economic Development Fund;
- Local Growth Fund;
- Revolving Infrastructure Fund;
- South West Energy Hub

Consultation

3 The Local Growth Assurance Framework has been shared with Unitary Authority Chief Executives and Section 151 Officers as well as the West of England Local Enterprise Partnership prior to WECA committee approval.

3.1 The Framework has also been shared with government.

Other Options Considered

4 Different assurance frameworks could have been drafted for WECA funding separate from LEP funding but it was considered that benefit would be obtained from one fully integrated, over-arching framework.

Risk Management/Assessment

5 Having a clear and transparent governance framework for the approval, monitoring and management of regional funding approvals is a vital tool in ensuring value for money and effective risk management.

Public Sector Equality Duties

6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

6.1 The Act explains that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 6.3 The authority's key financial documents can be made available in different formats and / or languages, as required, in order to improve ease of access.

Finance Implications, including economic impact assessment where appropriate:

- 7 The Local Growth Assurance Framework promotes the achievement of value for money from the prioritisation and distribution of limited financial resources.

Advice given by: Malcolm Coe, Director of Investment and Corporate Services

Legal Implications:

- 8 The publication, and audit, of the Authority's Financial Statements is in accordance with the Accounts and Audit Regulations (England) 2015. The adoption of an assurance framework will ensure that robust governance processes underpin funding allocations.

Advice given by: Shahzia Daya, Director of Legal Services

Climate Change Implications

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 Positive contribution to regional climate change is a key element within the assessment criteria used for prioritising projects for investment funding.

Appendices:

Appendix 1 – West of England Local Growth Assurance Framework November 2019.

Background papers:**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

West of England Local Growth Assurance Framework

November 2019

Table of Contents

1	Purpose of the document	5
1.1	Context.....	5
1.2	Scope of the Assurance Framework	6
1.3	What is an Assurance Framework and who it is for?.....	7
1.4	Status and structure of the framework	9
2	Governance and Decision-Making Structure.....	10
2.1	West of England Governance.....	10
2.2	Transparency.....	15
2.2.1	The LEP Board	15
2.2.2	Complaints, Whistleblowing, Freedom of Information Requests and Data Protection	16
2.2.3	Communications and Local Engagement.....	17
2.3	Accountable body role and financial management	18
2.3.1	Investment Decisions	18
2.3.2	The Role of the Accountable Body.....	18
2.3.3	Accounts and Financial Information	19
2.3.4	Managing Contracts.....	19
2.3.5	Risk Management	19
2.3.6	Internal and External Audit.....	19
3	Investment Programme - Project Lifecycle	21
3.1	Scheme Identification and Prioritisation	21
3.1.1	Prioritisation Process - LEP Investment Programme	21
3.1.2	Prioritisation Process - WECA Investment Programme	21
3.2	Business Case Development	22
3.2.1	Business Case Stages and Proportionality	22
3.2.2	Scheme Development Funding.....	23
3.2.3	Due Diligence	23
3.3	Appraisal	23
3.3.1	Appraisal Criteria.....	23
3.3.2	Assessing Value for Money	24
3.3.3	Transport Projects.....	25
3.4	Approval process.....	26

3.4.1	Approval process and timeline	26
3.5	West of England Investment Programme Management	27
3.5.1	Risk Management	27
3.5.2	Project Closure	28
4	Monitoring and Evaluation	29
4.1	Overview	29
4.2	Performance Monitoring	29
4.3	Evaluation and Benefits Realisation.....	30
5	Appendix 1	31
	Adult Education Budget	31
6	Appendix 2	35
	South West Energy Hub	35
7	Appendix 3	37
	Change Management Delegations for the Investment Programme	37
8	Appendix 4	38
	WECA and LEP Joint Statement	38
9	Appendix 5	40
	LEP Publication Checklist.....	40
10	Appendix 6.....	41
10.1	Methodology to Assess Value for Money for Various Scheme Types	41
10.1.1	Transport.....	41
10.1.2	Housing and Commercial Interventions	41
10.1.3	Skills Capital	42
10.1.4	Growth Hubs.....	42
11	Appendix 7.....	43
11.1	Outline Business Case Template	43
12	Appendix 8.....	43
12.1	Full Business Case Template and Guidance.....	43
13	Appendix 9.....	43
13.1	Feasibility and Development Funding Application Form Template.....	43
14	Appendix 10.....	43
14.1	Scheme Highlight Report Template	43

15 Appendix 11..... 43
15.1 Feasibility and Development Scheme Highlight Report Template 43

1 Purpose of the document

1.1 Context

1. The West of England is one of the UK's most prosperous regions with an economy worth over £33.2 billion a year. A net contributor to the national purse, with a population of over 1 million and over 43,000 businesses, the West of England competes on a global scale.
2. In 2016, three councils in the West of England – Bath and North East Somerset, Bristol and South Gloucestershire – signed a devolution deal. As a result, significant powers and funding have been transferred to the region through the new West of England Combined Authority (WECA) and West of England Mayor.
3. The West of England Local Enterprise Partnership (LEP) is a business led public-private partnership which develops and drives policy and strategy for economic growth and job creation in the area. The LEP spans the geography of Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire. WECA provides support for the activities of West of England LEP including undertaking the role of accountable body for LEP funding.



1.2 Scope of the Assurance Framework

4. Government have set out in [The National Local Growth Assurance Framework](#) guidance the requirement for LEPs and Mayoral Combined Authorities in receipt of a Single Pot to produce their own local assurance framework. This document sets out the West of England's governance arrangements for these funds, how due transparency and accountability are ensured and the way that schemes are appraised, monitored and evaluated to achieve value for money.
5. The 'Single Pot' approach to funding is a significant fiscal agreement in devolution deals which seeks to reduce ring fences and consolidate funding lines for which WECA is the accountable body. The West of England Operating Framework and Business Plan together with the Local Industrial Strategy (LIS) and other West of England plans and strategies, provide the basis for investment decisions alongside the delivery of statutory requirements, conditions of funding and other local transport objectives.
6. The funds in the scope of this assurance framework (hereafter referred to as the 'investment programme') are as follows:
 - **West of England Investment Fund (WoEIF)** – WECA has established the WoEIF through which it will administer the additional £30m per annum allocation to WECA of grant-based investment funds (sometimes called 'Gain Share'). These funds span a 30 year period but are subject to a five-yearly Gateway Review by Government. In line with the Devolution Deal this is in the control of WECA, working with the West of England Mayor. Aside from schemes in the scope of this framework, other exceptional costs are funded via the WoEIF related to the establishment of WECA and arising from its statutory duties, together with election costs for the Mayor as agreed by the WECA Committee.
 - **Transforming Cities Fund (TCF)** – the £103m of funding awarded to WECA to deliver transport improvements aimed at transforming connectivity through improved public transport and active travel infrastructure, reducing congestion and enhancing air quality.

For ease of language, in the scope of this framework the WoEIF and TCF are hereafter referred to as 'the WECA funding streams'.

- **Adult Education Budget (AEB)** – from 2019/20 WECA became responsible for administering AEB within its area. Investment decisions for AEB will be made with full consideration to the statutory entitlements which are detailed in the orders laid down to devolve the functions for administering AEB to WECA.

It should be noted that owing to the nature of AEB, whilst it falls within the general principles of this framework, including transparency, accountability and formal decision making by the WECA Committee, general references to project identification, appraisal, monitoring and value for money will be subject to different arrangements. Further detail on the specific arrangements for AEB are provided in Appendix 1.

- **Local Growth Fund (LGF)** – the £202m of funding covering the period 2015/16-20/21 awarded to the LEP through Growth Deals with Government.
- **Economic Development Fund (EDF)** – the City Deal signed in 2012 by the West of England Councils, the LEP and Government included a range of measures aimed at driving economic growth. Several of the Deal elements have been adopted in ongoing programmes (such as developing an integrated inward investment service) or have been completed. One ongoing element is the Growth Incentive whereby the local authorities retain 100% of business rates growth in five West of England Enterprise Areas.

£500m of the growth in these Enterprise Areas, together with the Bristol Temple Quarter Enterprise Zone, over a 25 year period is being used to create the LEP’s Economic Development Fund to deliver infrastructure to help unlock these locations.

Whilst the operation and monitoring of the Enterprise Zone and Areas is undertaken by the relevant Council, the overall growth performance is overseen by the Business Rates Pooling Board which comprises the four Council s73 Officers and the LEP. Periodic reports are presented to the LEP Board and the West of England Joint Committee, and an annual performance report is provided to the WECA Overview and Scrutiny Committee.

- **Revolving infrastructure Fund (RIF)** – this fund was formed from awards by Government through the Regional Growth Fund and Growing Places. This is a revolving fund aimed at advancing the infrastructure which enables development.

For ease of language, in the scope of this framework the LGF, EDF and RIF are hereafter referred to as ‘the LEP funding streams’.

- **South West Energy Hub** – spanning the seven LEPs in the wider south west region, this is one of five local energy hubs established across England. WECA acts as the accountable body for the [South West Energy Hub](#). It should be noted that whilst arrangements for the Hub fall within the general principles of this framework, including transparency, accountability and formal decision making by the Joint Committee, general references to project identification, appraisal and approval will be subject to different arrangements. These are described in Appendix 2.

1.3 What is an Assurance Framework and who it is for?

7. This assurance framework is underpinned by the Seven Principles of Public Life (the Nolan Principles), namely:
 - **Selflessness:** Holders of public office should act solely in terms of the public interest.
 - **Integrity:** Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

- **Objectivity:** Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
 - **Accountability:** Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
 - **Openness:** Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
 - **Honesty:** Holders of public office should be truthful.
 - **Leadership:** Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.
8. The framework is required to show that suitable arrangements are in place to effectively manage the investment programme and that robust systems are in place to ensure resources are spent with regularity, propriety, and value for money, whilst at the same time achieving projected outcomes.
 9. The assurance framework also outlines clear and transparent procedures for all stakeholders in the West of England area (including the constituent Local Authorities, the West of England LEP, other key partner agencies, businesses and residents) regarding the delivery and spending associated with the investment programme. The assurance framework and the investment programme will be managed in accordance with the usual local authority checks and balances, including the financial duties and rules which require local authorities to act prudently in spending.
 10. The joint and consistent approach will also provide the opportunity to combine funding to maximise economic impacts. All projects funded through the investment programme will be subject to the agreed prioritisation, appraisal, and monitoring and evaluation framework, including value for money assessments tailored to the nature and scale of the proposed investment.
 11. This assurance framework will be updated regularly and reviewed annually to ensure that it remains fit for purpose. Furthermore, other funding sources may subsequently be aligned with the investment programme, such as any funds awarded through the Housing Infrastructure Fund or UK Shared Prosperity Fund, to ensure that an integrated, comprehensive and strategic approach to promoting growth within the West of England is adopted. Where these fall within the scope of this framework it will be updated accordingly. Where there are significant changes to the operation of the framework the Cities and Local Growth Unit will be informed, and any necessary action undertaken.
 12. In performing its role, the WECA will ensure that it acts in a manner that is lawful, transparent, evidence-based, consistent and proportionate. The WECA s73 Officer will confirm that the financial affairs of the LEP are being properly administered and are compliant with the National Assurance Framework by the end of February each year.

13. The assurance framework sits alongside WECA's Monitoring and Evaluation Framework which sets out WECA's approach to Monitoring & Evaluation.

1.4 Status and structure of the framework

The remainder of this document is set out in the following sections:

- Section 2: Describes the governance and decision-making structures and outlines the transparency that will apply to all decision making.
- Section 3: Sets out the procedures for prioritising projects, appraising projects and developing appropriate business case documentation to satisfy the value for money assessment.
- Section 4: Outlines the procedures required for monitoring and evaluating projects and the overall investment programme.

2 Governance and Decision-Making Structure

2.1 West of England Governance

- 14. The governance structure for WECA and the LEP is shown in Figure 2.2. The specific roles in this governance process are set out below.
- 15. The governance arrangements for the investment programme provide timely and binding decisions, with due clarity, transparency and accountability. These are underpinned by a consistent approach which seeks to harmonise governance processes (noting that different funds may have different ultimate decision makers), assurance and reporting arrangements. This provides the flexibility to match the most suitable funding stream to a particular scheme, and also allow overview, efficiency and rigour. The governance process is shown diagrammatically in Figure 2.1.

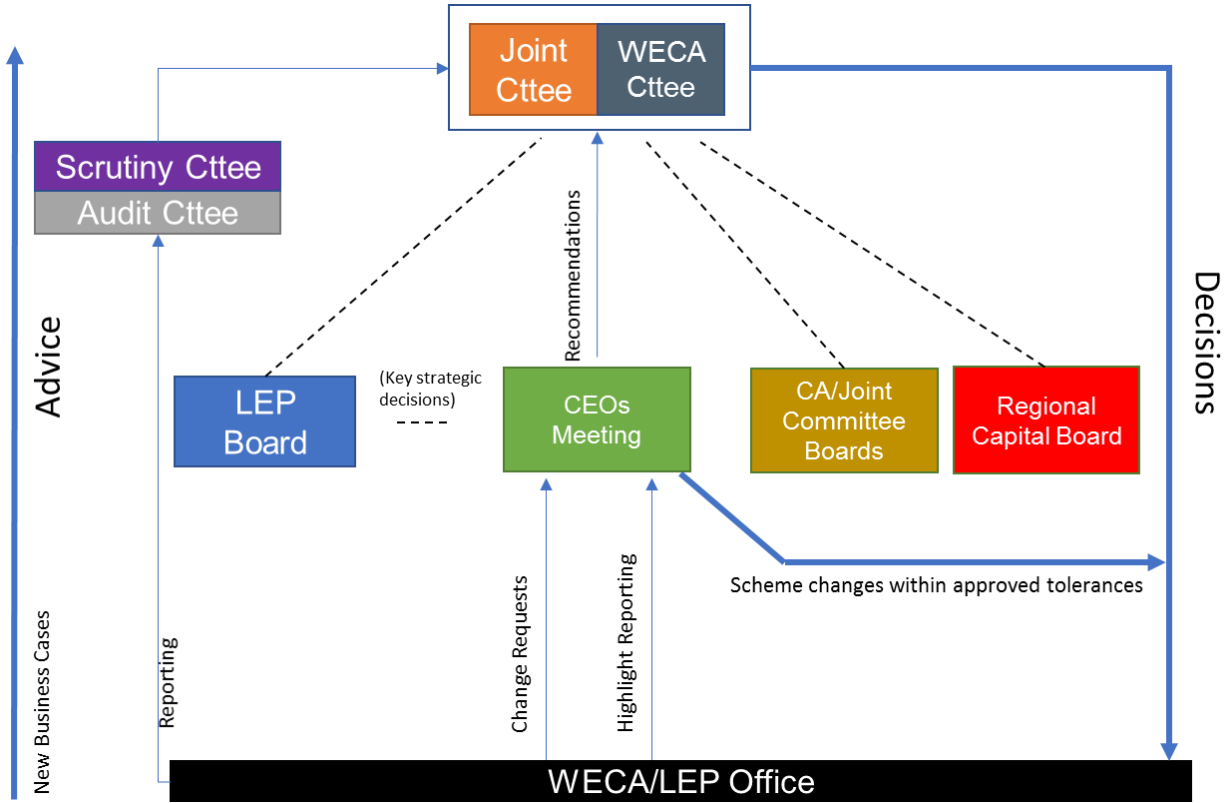


Figure 2.1 – Investment Programme Governance Process

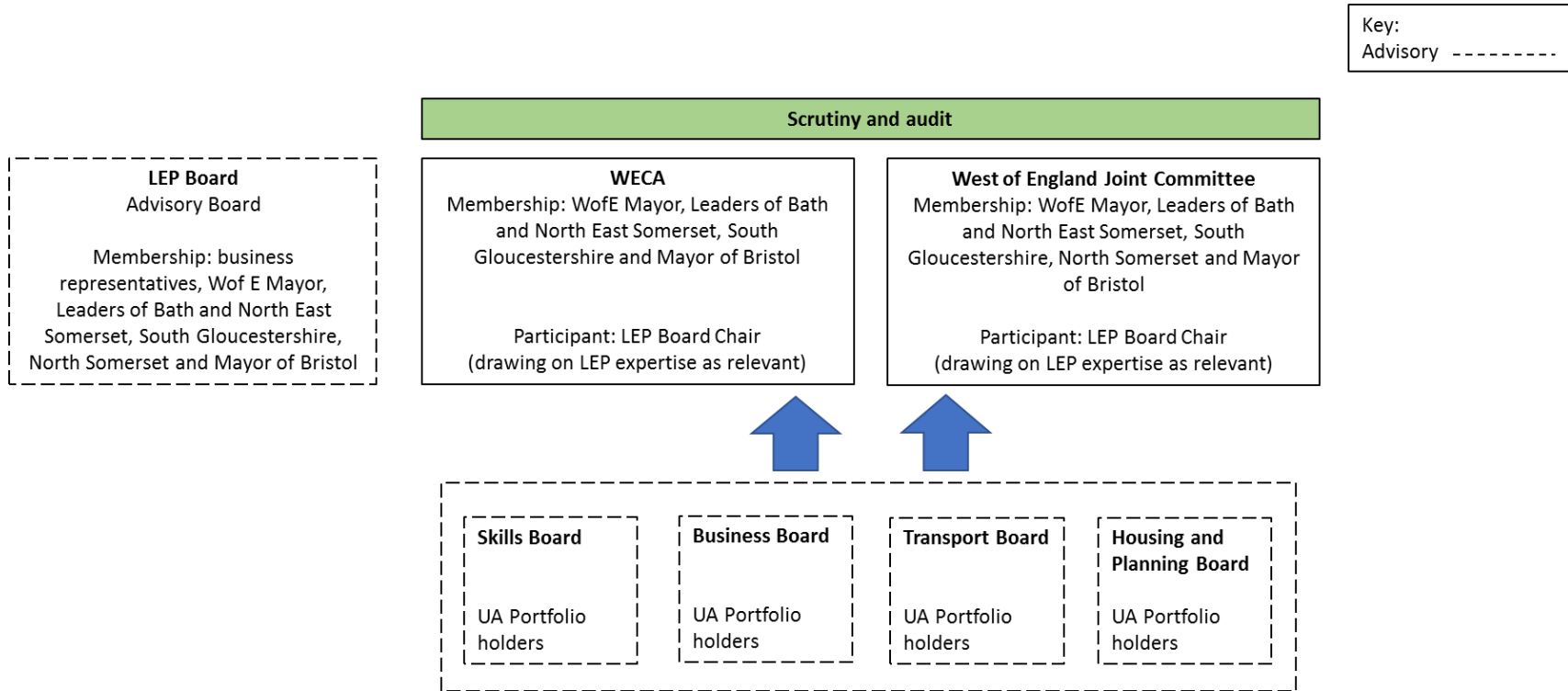


Figure 2.2 – WECA Governance

WECA Committee

16. The WECA Committee is chaired by the West of England Mayor, and is made up of the council Leaders of Bath and North East Somerset and South Gloucestershire and the Bristol Mayor. The WECA Committee meets regularly and in public and the papers for these meetings are published on the [WECA website](#). The constitution of WECA is also [published](#) which includes the code of conduct for members (Part C). This Committee provides the formal and accountable decision making process related to WECA funding streams. The delegations granted by the WECA Committee related to scheme changes are set out in paragraph 26 and Appendix 3.

West of England Joint Committee

17. The West of England Joint Committee involving the West of England Combined Authority Mayor, the Council Leaders of Bath and North East Somerset, North Somerset and South Gloucestershire and the Bristol Mayor meets formally and in public, and papers for these meetings are published on the [WECA website](#). The Terms of Reference of the West of England Joint Committee can be viewed in the [constitution](#) (page A7). This Committee makes all decisions related to LEP funding streams (again aside from the delegations set out in paragraph 26).
18. It is the role of these Committees to approve and periodically review a programme of schemes through the submission of Strategic Outline or Outline Business Cases (see Appendix 7). These schemes will be awarded 'Programme Entry'. Schemes with Programme Entry will then produce Full Business Cases or Final Approval Business Cases (see section 3.2) for approval to secure funding confirmation.

LEP Board

19. The purpose of the West of England LEP Board is to secure the region's continuing and ambitious economic success and attractiveness as a place for its residents to live and thrive and for businesses and communities to grow in a sustainable way.
20. The LEP Board is a business led partnership between business/universities and the region's unitary and combined authorities. The LEP Board works in a collaborative and catalytic way seeking to share and test ideas informed by best practice from across the globe to ensure that actions are evidence based and draw upon the best in the world. A joint statement setting out the respective roles of the LEP and WECA is shown in Appendix 4.
21. In terms of the LEP funding streams, the role of the LEP Board is to bring a business perspective and make recommendations to the West of England Joint Committee based upon advice from the Chief Executives (see paragraph 26). A programme of sequential meetings of the Investment Panel, LEP Board and West of England Joint Committee supports this process and timely decision making. The LEP Board and Chair play a key advisory role and make recommendations that are considered by the Joint Committee, who take full account of these recommendations in their decision making. The Chair of the LEP Board participates as a non-member in the meetings of the WECA and Joint Committees.

22. The Board receives regular updates on all LEP funded projects, so they are sighted on their performance, issues, risks and relevant mitigations in place.

Combined Authority/Joint Committee Boards

23. The following Boards meet 6 times a year and involve the West of England Combined Authority Mayor and the relevant Cabinet lead Member(s) for the constituent Councils: –
- Skills Board
 - Business Board
 - Transport Board
 - Housing and Planning Board

The Boards do not make decisions but provide strategic guidance and advice to the West of England Combined Authority, West of England Joint Committee and LEP on skills; business; transport; and housing and planning matters, including having oversight of projects and programmes; raising issues and giving views. The Terms of Reference can be viewed in the [constitution](#) (page A16).

WECA Overview and Scrutiny Committee

24. The functions of the Overview and Scrutiny Committee are primarily to scrutinise the work of the WECA and the Joint Committee including the prioritisation and approval of schemes, and progress with the delivery of the investment programme. WECA Overview and Scrutiny Committee has the power to:-
- i. Review or scrutinise decisions made, or other actions taken, in connection with the discharge of any functions which are the responsibility of the WECA or Joint Committee.
 - ii. Make reports or recommendations to the WECA or Joint Committee on matters that affect the WECA area or the inhabitants of the area.
 - iii. Make reports or recommendations to the WECA or Joint Committee with respect to the discharge of any functions which are the responsibility of these Committees.
 - iv. In so far as the business of the LEP relates to the discharge of functions of WECA or Joint Committee, the Overview and Scrutiny Committee shall have the power to scrutinise the LEP as set out in (i) to (iii) above.

Audit Committee

25. The functions of the Audit Committee include:
- Reviewing and scrutinising the authority's financial affairs;
 - Reviewing and assessing the authority'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 functions; and
- Making reports and recommendations to the Combined Authority in relation to the reviews they have conducted.
- To consider and approve the Annual Statutory Accounts
- To consider Member Code of Conduct

West of England Chief Executives

26. The governance process is underpinned by the West of England Chief Executives meeting which comprises the Chief Executive of WECA and the LEP (hereafter referred to as the WECA Chief Executive) and the Chief Executives of the relevant constituent local authorities. The Chief Executives meet at least quarterly aligned to meetings of the WECA and Joint Committees and its role in the context of the investment programme is to:

- Act on information provided by scheme promoters and technical advice and recommend a programme (the 'Programme Entry' schemes) for:
 - WECA funding streams – approval by the WECA Committee.
 - LEP funding streams - consideration by the LEP Board and approval by the West of England Joint Committee.
- Make recommendations on individual investment decisions for schemes with 'Programme Entry' awarded by the WECA or West of England Joint Committee based upon business cases and technical advice.
- Consider change requests for approval within the agreed tolerances. The decision on such change requests is made by the WECA Chief Executive in consultation with the other Chief Executives.
- Make recommendations to the WECA or Joint Committee for those changes outside of the tolerances.
- Provide overview of the investment programme.
- Managing programme level risks.

Regional Capital Board

27. The Regional Capital Board provides a regular forum for public organisations responsible for the delivery of strategic infrastructure schemes in the West of England. Whilst not a decision making Board, comments from the Board may be passed on to the WECA Committee and Joint Committee and members of this Board may be invited to attend the Combined Authority/Joint Committee Boards to update on specific programmes and projects.

2.2 Transparency

28. WECA and the LEP are committed to being open, transparent and accountable.

2.2.1 The LEP Board

Appointment of LEP Board Members

29. The LEP Board Chair comes from the private sector. Opportunities for membership of the LEP Board are openly advertised and widely promoted. The LEP Chair in consultation with the Business Nominations Committee (which is the only sub-Board of the LEP Board) is responsible for nominating business members including the vice chair, and the Higher Education representative, for approval by the LEP Board. The Vice Chair in consultation with the BNC is responsible for the nomination of the Chair, for approval by the LEP Board.
30. Selection criteria and procedures ensure that individuals are selected on the basis of their relevant merits and abilities, and that this promote diverse representation reflective of the local business community. The LEP's diversity statement is published on the LEP website.
31. The membership of the LEP Board comprises:
- Up to fourteen business members including the Chair
 - One Higher Education representative
 - The Mayor of the West of England Combined Authority, the Mayor of Bristol City Council and the Leaders of Bath and North East Somerset Council, North Somerset and South Gloucestershire Council
32. In line with the commitment to secure a greater gender balance, the membership of the LEP Board may increase in the short terms whilst efforts are undertaken to seek more interest in LEP Board roles from female business members. The Board would then revert to 20 as current terms or resignations allowed.
33. The term of the Chair and Vice Chair is three years from date of appointment. The term of business members and university member is up to three years. Terms are staggered to ensure continuity amongst the membership and support succession planning. Members can serve a maximum of two terms but renewal of term is not automatic. In the event of the resignation of a business member an appointment process would be undertaken in line with the process described above.
34. The membership of the [LEP Board](#) and the [terms of reference](#) can be viewed on the [LEP website](#). A member or members of the LEP Board, currently [Neil Douglas](#) and [Richard Bonner](#), are specifically responsible for representing and engaging with the SME business community.
35. An induction process is in place for new members of the LEP Board. All new WECA officers follow the organisation's induction process.

Remuneration

36. LEP Board members receive no remuneration. The LEP's hospitality and expenses register is published on the LEP website.

Code of Conduct

37. The LEP Board members are required to follow a Code of Conduct (which includes the conflicts of interest policy) which is based on the Seven Principles of Public Life. This Code of Conduct is published on the [website](#). LEP Board members are required to sign the Code of Conduct before taking up their role. Officers who support the LEP are employees of WECA and are bound by WECA's code of conduct.

Registering and Managing Interests

38. The LEP Board Code of Conduct includes the way that pecuniary and non-pecuniary interests are declared and managed. This policy applies to all involvement with the work of the LEP. The interests of Board members are published on their individual profile pages on the [LEP website](#). The register of interest is signed within 28 days of taking up the role on the Board and in advance of participation in the role. Board members are required to review their declared interests before each meeting. Senior staff at WECA and the LEP and those who advise on decisions are also required to complete a register of interest form. That of the WECA Chief Executive is published on the LEP website.

Publication of Meetings and Agenda Items

39. The agendas, reports, minutes and forward plan for the [WECA](#) and West of England [Joint Committees](#) are published on the West of England Combined Authority [website](#). The Committees receive a regular report with the recommendations made by the West of England Chief Executives which is published as part of the papers.
40. Stakeholders are able to submit questions, petitions or statements to the WECA and Joint Committee.
41. The agenda, reports and minutes of the LEP Board are available on the WECA [website](#). The agenda and reports for the Board are published 5 clear working days in advance of the meeting. The minutes of Board meetings are published within 2 weeks of the meeting. Any recommendations made by the LEP Board relating to the LEP funding programme will be published through the notes of the meeting. The LEP Board is not a decision making body, and aside from the Annual Meeting the Board meetings are not held in public.

2.2.2 Complaints, Whistleblowing, Freedom of Information Requests and Data Protection

42. Any complaints related to the arrangements, processes or decision making associated with the investment programme will follow the formal complaints process of WECA. The [procedure](#) is published on the WECA website and looks to manage any complaints that should arise

appropriately and effectively. The complaints process makes provision for third parties or the public to make confidential complaints.

43. In addition to the above, there is also a [Whistleblowing Policy](#) in place, which outlines the process to follow when reporting a perceived wrongdoing within WECA and the LEP, including something that is believed to contravene the core values and Nolan Principles of Public Life. The LEP will inform the Cities and Local Growth Unit should any concerns be raised through the whistleblowing procedure.
44. Procedures are in place to manage [Freedom of Information](#) requests related to the activities of WECA and the LEP, including the investment programme. Appropriate data protection arrangements are in place in line with the Data Protection Act 1998, the General Data Protection Regulations (GDPR) and the Data Protection Act 2018. The existing WECA [Data Protection Policy](#) is to be presented to the LEP Board, at the earliest possible time, with the proposal for the LEP to formally adopt the Policy
45. In the interests of transparency, WECA and the LEP are committed to ensuring relevant information related to the business of the LEP Board or decisions at the Joint Committee is published aside from where there are matters of commercial or other sensitivity.

2.2.3 Communications and Local Engagement

46. WECA and the LEP are committed to ongoing engagement with public and private sector stakeholders. This includes engaging stakeholders to inform key decisions and ensuring that there is local engagement with feedback to the general public about future LEP strategy and progress. A WECA Operational Framework and Business Plan has been formally approved and progress with the delivery of the Plan is reported annually. The LIS has been informed by consultations with key stakeholders and partner agencies from across the West of England.
47. Key information related to the arrangements for, and activities of the LEP, and the LEP funding streams, are published on the [LEP website](#). This is kept up to date to ensure the information remains current, and for the [funding programme](#) it reflects the latest position regarding scheme funding and approval status. References to material and documents published on the website are included in various places within this assurance framework, but for ease a checklist is provided in Appendix 5.
48. The LEP Annual General Meeting will be openly advertised and open to the public.
49. Information related to the operation of the [WECA funding streams](#) is published on the WECA [website](#). For AEB, a process of engagement with providers was undertaken in developing the application process and arrangements, and relevant documentation and guidance are published on the WECA [website](#).
50. Aside from the situations where Committee approval of an OBC may not be required (as set out in paragraph 91), all scheme Outline and Full Business Cases are published before funding approval is

given. External opinion expressed on these business cases by the public and other stakeholders will be made available to the WECA or Joint Committee to inform decision making.

51. WECA and LEP are committed to working with the LEP Network and where appropriate to engage with other LEPs and develop joint strategies and investments and share best practice.
52. WECA will comply with Government communications and branding guidelines for schemes funded through the LGF including the branding and wording used on websites, signage, social media, press notices and other marketing material. These requirements have been shared with all LGF scheme promoters and compliance is a condition set out within grant offer letters.

2.3 Accountable body role and financial management

2.3.1 Investment Decisions

53. All investment decisions, including ensuring the effective allocation of the investment programme in line with the WECA and LEP Operating Framework and Business Plan, together with the LIS and other West of England plans and strategies, will be the responsibility of the WECA or West of England Joint Committee.

2.3.2 The Role of the Accountable Body

54. WECA will be the Accountable Body for all funds within the investment programme and will be responsible for the proper administration and financial probity of the funds received. WECA will ensure the effective use of public money and have responsibility for the proper administration of funding received and its expenditure.
55. As the Accountable Body, WECA will be responsible for overseeing policy, the prioritisation of funding, ensuring value for money, evaluating performance and managing risk. WECA will:
 - Hold investment programme funds and make payments in accordance with the decisions of the WECA or Joint Committee.
 - Ensure that funding is approved and allocated in a manner that is lawful, transparent, evidence-based, consistent and proportionate.
 - Ensure that the decisions and activities conform to the legal requirements with regard to equality and diversity, environmental regulations and other relevant legislation and guidance.
 - Ensure through its Section 73 Officer that the funds are being used appropriately, prudently and are in accordance with decisions made by the WECA or Joint Committee, or through delegation, together with adherence to relevant guidance/legislation for the intended purpose.
 - Record and maintain the official record of proceedings relating to decisions made on all investment projects.
56. Should a decision related to funding not conform to this assurance framework eg not meeting legal requirements or representing inappropriate use of funds then WECA, as accountable body, will not action this decision.

2.3.3 Accounts and Financial Information

57. The WECA [Statement of Accounts](#) is published on the Financial Information section of the WECA website. For [2017/18](#) the LEP income and expenditure is dealt with in note 20 to the accounts (page 64 of the linked report). An Annual Report is published setting out grant payments made each year for all projects within the programme, the 2018/19 report can be viewed [here](#). This information will be brought together into the financial statement related to all LEP funding which will be produced as part of the LEP Annual Report against the 2019/20 Delivery Plan.
58. The investment funds are accounted for in such a way that they are separately identifiable, with individual cost centres. WECA will prepare quarterly financial statements for the WECA or Joint Committee in relation to the overall fund, costs of the investment projects, and profiling of spend.

2.3.4 Managing Contracts

59. All contracts awarded by WECA will follow the authorities Contract Standing Orders which include WECA's Financial Regulations and the Public Contracting Regulations 2015. Where projects are delivered by other organisations business cases will set out the procurement strategy, compliance with regulations and how value for money will be ensured. Where there are changes to scheme cost or scope which arise through the procurement process or in delivery these will be reported and considered through the agreed change management process. As set out in paragraph 22, the LEP Board receive regular reports on progress with schemes across the programme so they are sighted on performance and risks.

2.3.5 Risk Management

60. A key role of the assurance framework is to ensure that risk is identified, monitored and managed appropriately, both at a corporate level for WECA and at a programme and project level. The risks associated with individual investment programme projects are discussed in Section 3.5.1 and these will require consideration as part of the business case development through into delivery. The risks associated with the overall investment programme are identified and, in conjunction with plans to mitigate these risks, managed by the Investment Panel. Significant risks will be escalated and will be added to the WECA Corporate Risk Register. WECA's Corporate Risk Register is reviewed by the Senior Management Team each month and activities are reported to Audit Committee.
61. For the LEP funding programme, the current and last reported risk rating for each scheme (based upon a matrix score for progress against milestones, changes in spend profile or cost and potential reputational impact) is periodically reported to the LEP Board as part of a programme dashboard. Deep dives are initiated for projects where progress is of concern.

2.3.6 Internal and External Audit

62. All investment programme funding from HM Government will be held and managed by WECA. In doing so the funds will be subject to financial management arrangements and subject to Internal Audit in accordance with the Accounts and Audit Regulations (2015) and in compliance with the

mandatory Public Sector Internal Audit Standards. This will provide independent and objective assurance regarding the effectiveness of WECA's risk management, control and governance processes.

63. The Section 73 Officer will be responsible for reporting on the financial management and assurance of the investment programme to WECA Audit Committee through the delivery and outturn of the annual Internal Audit plan and published accounts.
64. All investment programme funding decisions taken by the WECA or Joint Committee will also be subject to review through WECA annual external audit, which undertakes a review of value for money arrangements by assessing whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resource.
65. Audit reports related to the LEP produced by either internal or external audit will be shared with the LEP Board and the Cities and Local Growth Unit.

3 Investment Programme - Project Lifecycle

3.1 Scheme Identification and Prioritisation

3.1.1 Prioritisation Process - LEP Investment Programme

66. The LGF is fully allocated and overprogrammed to ensure full delivery of grant. The way that any scheme can be considered for inclusion in the funding pipeline in an open and transparent way is through the submission of an Outline Business Case. Information on the form of these submissions, and the governance process through which they will be considered, is provided on the LEP [website](#). In addition, a [Support Manual](#) and [Step by Step Guide](#) is provided on the LEP website to assist promoters and to encourage them to draw on best practice when producing a Business Cases.
67. Should a decision be made to extend LGF funding to further pipeline schemes these would be considered through a prioritisation process including their strategic fit, impact and value for money and deliverability. Owing to the nature of the funds, the EDF (which is predicated on borrowing against future business rates growth in the Enterprise Zone and Areas) and the RIF (which requires repayment) are only available to the West of England Councils. The same OBC process still applies.

3.1.2 Prioritisation Process - WECA Investment Programme

68. For the WoEIF and TCF a robust and transparent process of prioritisation is being undertaken based upon agreed thematic criteria to establish a joint investment programme. The detail of the thematic methodology to be used, including prioritisation process and metrics, was agreed in advance of its application. The outcomes will be published on the WECA website and an audit trail retained. The prioritisation process and WECA investment programme will be subject to regular, and at least annual review.

Scheme Identification

69. Candidate schemes for funding through the WECA investment programme will be identified by WECA and the constituent Councils through their fit with the strategic and economic policy and plans for the area including the WECA Operational Framework and Business Plan, LIS, Joint Spatial Plan, Joint Local Transport Plan and the Energy Strategy. This scheme identification process will be guided by a set of eligibility criteria. The long list will be subject to 'gap analysis' to ensure that key interventions at the programme level have been considered for inclusion.

Scheme Assessment

70. Once a long list of interventions is agreed this will be subject to a multi-criteria assessment using a prioritisation tool. This will use a weighted scorecard approach applied to thematic allocations for transport, other infrastructure, business and skills. This will draw on quantitative and, where not readily available, qualitative data. Guidance will be provided to scheme promoters to ensure

consistency of data and requirements. Data inputs will be reviewed through a challenge session to ensure robustness and identify any information gaps.

71. The output of this process will be used to formulate a 20 year investment programme, including a pipeline of proposals. Schemes will be able to seek funding through completion of a Strategic Outline Business Case and a Feasibility and Development Funding Application Form to seek formal entry into the programme.

3.2 Business Case Development

3.2.1 Business Case Stages and Proportionality

72. The business case development and appraisal process will apply the principle of proportionality, with more detailed information being required for large, complex or contentious projects. The application and appraisal process for the investment programme will involve the following stages:

- **Strategic Outline Business Case (SOBC)/Scheme Concept** – this will provide the underlying justification for the project and will support the prioritisation and programme development stage. For schemes over £20m or which are innovative or likely to be contentious an SOBC will be required. Innovative or contentious schemes will include those which plan to deploy cutting edge technology, use new or complex techniques or approaches in their delivery or operation or are expected to attract significant interest from stakeholders and the public. Smaller or less complex schemes will develop a Scheme Concept, which will sit alongside any request for development funding (see paragraph 74). These schemes can progress direct to Outline, or where appropriate, Full Business Case.
- **Outline Business Case (OBC)** – this will confirm the strategic context, make a robust case for change and identify the preferred option for delivery from a shortlist of options considered based upon how well it meets scheme objectives. The OBC template is shown in Appendix 7.
- **Full Business Case (FBC)** – this will include a detailed business case for the project consistent with HMT’s guidance on the five case business case model which is developed to a level where it is capable of being given final approval (aside from larger schemes as below), including detailed design and having secured all necessary powers, consents and land to enable the delivery of the scheme. The assessment of Value for Money (VfM) will, in particular, underpin the economic case and the decision to proceed. This will follow the latest Green Book business case guidance and take account of project specific appraisal guidance published by the relevant government department (see section 3.3 on Appraisal). The FBC template is shown in Appendix 8.

73. In the interests of efficiency and to avoid duplication, business cases will build upon, augment and draw upon the recommendations from the previous stages. The final content of and recommendations on the FBC will be included in the contractual agreements for funding. Where assumptions have been made, these will be clearly set out in the Business Case, with sufficient sensitivity testing carried out on these assumptions to demonstrate the robustness of the economic assessment.

3.2.2 Scheme Development Funding

WECA Funding Streams

74. Projects within the investment programme funded by WECA funding streams will be eligible to submit for scheme development support from the WoEIF. This will be based on the submission of a Scheme Feasibility and Development Funding Application Form, supported by an SOBC/Scheme Concept (see paragraph 72) which will identify tasks, timescales and costs for bringing forward an FBC. The template is shown in Appendix 9. All submissions will be appraised by WECA and approved by the WECA Committee.

LEP Funding Streams

75. Projects within the investment programme funded by LEP funding streams are expected to meet their own development costs until they secure Outline Business Case approval. Development costs incurred from Outline Business Case approval can be recovered once a scheme has secured Full Business Case approval.

3.2.3 Due Diligence

76. WECA is committed to undertaking due diligence activities that support effective decision-making and project appraisal. In relation to the investment programme applications, the nature and timing of due diligence will depend on the individual project or scheme, the cost of the scheme and the potential impact of the project. WECA will be responsible for determining when the due diligence is carried out and by whom. A level of due diligence will be carried out by WECA, but external agencies may also be commissioned to support this function as appropriate.

3.3 Appraisal

3.3.1 Appraisal Criteria

77. The appraisal process for the investment programme will be consistent with HM Treasury's Green Book and Business Case Appraisal process, including supplementary and departmental guidance, such as the Department for Transport's (DfT) WebTAG appraisal guidance for transport schemes and MHCLG's Appraisal Guide. This will be based on the five cases model:
- **Strategic case** – which provides a compelling case for change and explains how the project fits with the objectives of the organisation and wider public sector agendas.
 - **Economic case** – which describes how the project/preferred option represents best public value.
 - **Commercial case** – which demonstrates that the deal is attractive to the market, can be procured and is commercially viable.
 - **Financial case** – which confirms that the proposed spend is affordable.

- **Management case** – which confirms that what is required from all parties is achievable.

78. Projects will be appraised against these criteria and should also meet minimum thresholds and requirements (for example, a Benefit Cost Ratio that is at least acceptable and meets the established guidance or recognised benchmarks for that project type).

3.3.2 *Assessing Value for Money*

79. It is useful to keep in mind that good VfM, as defined by HM Treasury is the optimal use of resources to achieve the intended outcomes. ‘Optimal’ being ‘the most desirable possible given expressed or implied restrictions or constraints’. VfM is not just about achieving the lowest initial price, it is defined as the optimum combination of whole life costs and quality, with due regard to propriety and regularity.

80. The NAO uses three criteria to assess the VfM of government spending i.e. the optimal use of resources to achieve the intended outcomes:

- **Economy** - minimising the cost of resources used or required (inputs) – spending less.
- **Efficiency** - the relationship between the output from goods or services and the resources to produce them – spending well.
- **Effectiveness** - the relationship between the intended and actual results of public spending (outcomes) – spending wisely.

81. For the investment programme, WECA and the LEP will make investment decisions based on a range of evidence, such as the strategic case and other local impacts and analysis of cost effectiveness (including GVA impact at the local level), as well as the wider VfM appraisal. This evidence will be consistent with HM Treasury’s Green Book and other relevant departmental appraisal guidance. These are set out in Appendix 6.

82. Whilst recognising the national BCR will remain the universal metric to assess VfM, WECA will take account of a range of evidence when deciding to invest in a project (such as the local impacts on the economy and investment unlocked) within the context of a wider VfM appraisal. In the event that a scheme does not offer at least ‘high’ VfM (ie that the national BCR is below 2 and once significant non-monetised impacts and key uncertainties have been considered) , WECA may still decide, exceptionally, to invest in a project based on the strength of evidence presented within the overall business case, including the strategic case and local impacts (see paragraphs 88 and 89) .

83. Independent advice will be sought, including where required external support, for review of business cases. The assessment will be proportionate to the relative size of the scheme being considered, but will, as a minimum, provide independent validation of the assumptions made by scheme promoters.

84. Further safeguards will put in place to avoid any conflict of interest that may arise between consultants acting on behalf of scheme promoters and those that are being asked to provide independent assessments on behalf of WECA.

85. Full Business Case, including their value for money, will be signed off by the s73 Officer or Chief Finance Officer of the promoting organisation. As is the case for VfM statements, Full Business Case Assessment Summary Reports will be signed off by the WECA s73 Officer and these will be included in the report to the WECA or Joint Committee where the FBC is being considered. Where WECA is the scheme promoter separation of roles will be ensured and business case sign off will be provided by another member of the WECA Senior Management Team or the s73 Officer from one of the constituent Councils. The appraisal reports will be presented to the WECA Committee as part of the decision-making process.

3.3.3 Transport Projects

86. For transport projects, WECA and the LEP will ensure that modelling and appraisal is sufficiently robust and fit for purpose for the scheme under consideration, and that modelling and appraisal meets the guidance set out in WebTAG. WebTAG will be used for all schemes but for schemes with low cost (below £5m) a more proportionate approach will be taken. In addition to WebTAG, other robust or evidence based assessments or methodologies may be employed to prioritise and assess the overall business case for a scheme.

87. The expectation is that all schemes must achieve “high” VfM (where benefits are at least double costs as set out within DfT’s guidance) at all stages of the approval process. VfM for these schemes will be independently scrutinised on behalf of WECA as part of the assessment process. This will be via a commission to a specialist transport consultant, fully independent from the scheme promoter and with no involvement in the development of the scheme being appraised. The independent assessment will be published and made available to the WECA or Joint Committee as part of the decision making process.

88. Notwithstanding the above principles on VfM, WECA and the LEP will be able to approve transport schemes with lower VfM, having regard to specific circumstances including:

- Evidenced and compelling wider economic, social and environmental benefits
- The ability of the scheme to address multiple WECA and the LEP policy objectives.
- Significant levels of match funding being provided by the scheme promoter.

Examples of such exceptional circumstances could include where a transport scheme:

- Unlocks a major development site.
- Can be directly attributed to job creation and/or GVA growth.
- Stimulates significant land value uplift which can subsequently be captured.
- Has a low BCR, but is part of a programme that can evidence a ‘high’ BCR as a minimum.

The justification will be clearly set out in the report before the WECA or Joint Committee at the point of decision making.

89. Such projects must have been subject to earlier rigour to assess options for de-scoping, or to explore higher VfM alternatives, and these considerations will be tested as part of the independent review of the business case and reported as part of decision making to the WECA or Joint Committee. This will include considering the robustness of the evidential basis to enable WECA and the LEP to determine the relative weights to be afforded to the different aspects of the case.
90. The recommendations to the WECA or Joint Committee will clearly explain the rationale for approving a scheme with medium or worse VfM and the implications of the recommendation.

3.4 Approval process

3.4.1 Approval process and timeline

91. To ensure the investment programme is managed strategically the WECA s73 officer, supported by officers in the Investment and Corporate Services Directorate, will be responsible for the overall management of the programme and that linkages are made within the portfolio of projects seeking investment. The time taken to assess projects will depend on the nature and complexity of the proposal, but typically business case submissions will be around 2 months prior to decision making at the WECA or Joint Committee. For schemes costing under £20m which are not innovative or contentious, formal Committee approval of an OBC may not be required providing scheme scope or cost has not changed since the Scheme Concept and Feasibility and Development Funding Application stage. In this instance the OBC will still be submitted, reviewed, signed off by the WECA S73 officer and published at the next Committee meeting.
92. The outcome of the independent assessments of investment programme schemes will be reported to the WECA or Joint Committee as part of the recommendations made on the merits of individual applications. An Assessment Summary Table will form an appendix to these reports, and will be part of the WECA or Joint Committee's public agenda pack that is available to view on-line.
93. Aside from where WECA is the scheme promoter, WECA will prepare a Grant Offer Letter for agreement by the applicant. The offer letter will, in particular, set out the following which will be monitored by WECA:
 - A financial profile including quarterly expenditure.
 - A profile of outputs and outcomes to be achieved with key milestones for delivery.
 - Projected impacts and a timetable for their achievement.
94. WECA have appropriate processes in place to recover non-compliant funding. Should a decision be made not to recover funding, a strong and compelling justification will be required which will be formally documented.

3.5 West of England Investment Programme Management

95. A performance management system is used to collate, record and report on the progress of individual projects and the investment programme overall. Where projects do not achieve their milestones for delivery, projects will need to provide evidence to demonstrate that they will be able to get back on track or seek approval for change. Projects that consistently fail to meet projected performance (financial and outputs) may have funding withdrawn. Projects 'at risk' will be reviewed, and the outcomes of this process will be referred back to the WECA of Joint Committee, prior to any withdrawal of funding and decision on expenditure incurred. For the LEP funding programme the LEP Board will also be regularly advised on progress, issues and risks.
96. There are a number of mechanisms that will ensure effective management of the investment programme to maximise the economic impact within the area. These include:
- Designation of the WECA s73 officer as having overall responsibility for management and reporting on the performance of the investment programme to the Departmental Accounting Officer within MHCLG.
 - Ensuring suitable mechanisms and resources are in place to effectively monitor, evaluate and review the performance of projects in the investment programme in respect of delivery, expenditure and outputs/outcomes.
97. A monitoring system is in place for the investment programme to record financial expenditure and claims and the achievement of outputs and outcomes. Quarterly Highlight Reports are submitted to WECA providing progress against key milestones and actual and forecast spend. In addition, the achievement of key performance metrics – capturing outputs and outcomes achieved in pursuing WECA and the LEP Operating Framework, Business Plan and overall growth and wider objectives will be periodically reported linked to scheme Monitoring and Evaluation Plans. The template Highlight Reports for approved schemes and those awarded feasibility or development funding are shown in Appendix 10 and 11 respectively.

3.5.1 Risk Management

98. A programme risk register for the overall investment programme is maintained and regularly reported to the Investment Panel. As set out in section 2.3.5, key risks added to the Corporate risk register will be monitored (alongside the performance monitoring procedures) by Internal Audit and reported to the Audit Committee. The WECA Chief Executive will be responsible for the identification and management of risk for the investment programme.
99. A risk management strategy and risk register forms part of the management case of each scheme OBC or FBC. Risks will be managed through appropriate mitigation measures agreed with the project applicant prior to approval of the scheme. Key and current risks will form part of the regular scheme highlight reporting.
100. Overall risk management for the investment programme will have regard to the ongoing monitoring of achieved investment performance against that projected. Appropriate measures will

be adopted to ensure that the monitoring of investments provides an informed basis for future investment decisions.

3.5.2 Project Closure

101. All projects are required to produce an End of Project Delivery Report at the end of the project (within 3 months of completion), which demonstrates that:

- All activities have been delivered in accordance with the offer letter.
- All funding has been spent appropriately in line with the projected financial profile for the project. In addition, final grant claims are accompanied by an audit report.
- There are no outstanding risks or actions that need to be taken to sign the project off by WECA.
- All relevant outputs and key milestones have been achieved.
- The key successes and lessons learnt from the project.
- Confirmation of the evaluation activities to be subsequently undertaken, when these will take place and the lead contact who is responsible for ensuring this occurs.

102. A summary of these reports is published on the LEP website.

4 Monitoring and Evaluation

4.1 Overview

103. WECA's overall approach to Monitoring and Evaluation is underpinned by the following key principles:

- Reporting requirements are locally defined and support delivery of local strategies
- Evaluation is meaningful and proportionate
- Data is collected once and used many times
- Baseline information is consistent across key initiatives
- Monitoring and evaluation is a core part of all activities
- Lessons learned are used to inform future policy development

This will enable WECA to:

- Demonstrate local accountability. Show how funding is being spent and benefits achieved against local strategies and action plans, demonstrating the value and effectiveness of local decision making and shaping future priorities
- Comply with external scrutiny. Together with the Assurance Framework demonstrate progress and delivery to the constituent council members, senior government officials and Ministers
- Understanding what works. Provide a feedback loop and enables the lessons learnt to be fed back into policy making and communicated to stakeholders, as well as supporting the case for further devolution and investment in the area.
- Developing an evidence base. Provide a mechanism for collecting, collating and analysing data which can be used across the organisation and by others, following the principle of collecting data once and using many times.
- Ensure quality assurance. For interventions funded through investment programme, Monitoring & Evaluation plans form part of business case submissions and these are independently reviewed and published to support business case approval decisions by the WECA or Joint Committee

4.2 Performance Monitoring

104. All projects funded through the investment programme, regardless of the size, will have an effective monitoring and evaluation plan in place which will form a key part of the business case. This will enable assessment of the effectiveness and impact of investing public funds, and the identification of best practice and lessons learnt that can inform decisions about future delivery.

The monitoring plan will guide the collection of data from individual projects and will be designed to ensure that it captures information required by WECA and government.

105. Individual monitoring and evaluation plans will be proportionate, correspond with procedures for appraisal, and be in line with the latest government department guidance where relevant. These plans will identify the resources required to deliver the proposed monitoring and evaluation activities. All transport schemes will follow Monitoring and Evaluation Guidance for Local Authority Major Schemes.
106. All monitoring and evaluation plans (which will form part of FBCs/FABCs) and interim and final monitoring and evaluation reports will be published on the WECA website.
107. The offer letter will set out the key milestones for the delivery of the scheme together with the outputs and outcomes detailed in the business case and embodied in the monitoring and evaluation plan. Quarterly monitoring returns will be used to capture progress against these agreed milestones and metrics and will include information related to:
 - Delivery
 - Expenditure
 - Outputs and outcomes
108. The individual project monitoring information will feed into an overall monitoring plan for the investment programme, which will be published and periodically reported to the WECA Committee, including the extent to which projects are contributing to the overall objectives of WECA.
109. For the WoEIF, the evaluation component of individual projects' monitoring and evaluation plans will complement the five-year Gateway Review. This government evaluation will focus on identifying the impact of investments made using this funding.

4.3 Evaluation and Benefits Realisation

110. Monitoring and Evaluation Plans, which form part of business cases, should identify the outcomes (benefits) planned to be delivered, how outcomes will be measured, a baseline assessment, and how it is intended to implement, monitor and assess the project to identify whether the benefits have been realised in line with the approach and timescales set out in the Plan. As set out in section 3.5.2, the End of Project Delivery Report will confirm the monitoring activities set out in the Monitoring and Evaluation Plan. This report will also identify lessons learnt to inform the future delivery of projects through the WECA and LEP investment programme and more widely.

5 Appendix 1

Adult Education Budget

The Adult Education Functions Order 2018 details the adult education functions in the Apprenticeships, Skills, Children and Learning Act 2009 being transferred from the Secretary of State for Education to the West of England Combined Authority. Through this transfer of functions, the Combined Authority took responsibility for AEB in the WECA area from 1 August 2019 to make sure eligible learners, aged 19 and over, have appropriate education and training.

The budget covers a number of elements including:

- Statutory Entitlements
- Other AEB (Formula Funded)
- Non-Formula Funded Community Learning
- Learner and Learning Support

Prioritisation Process 2019/20

The grant allocation approach for 2019/20 has been developed based on the following key principles:

- to maintain funding stability for providers;
- to align allocations with 2017/18 actual performance /earn levels;
- continue to support statutory entitlements and;
- to ensure the process is fair, efficient and transparent.

WECA Officers carried out a four-week consultation which ended on the 14/01/19. The aim of the consultation was to ensure that providers are aware of the 2019/20 devolved AEB funding process including access routes to grant funding and timelines for applications for 2019/20.

The application window for the 2019/20 academic year opened on 21/01/19 and closed on 03/03/19. The AEB application form and a suite of guidance for providers was published on the WECA website, the approach and processes closely aligned with those used by the Education and Skills Funding Agency (ESFA).

Due diligence, in line with WECA's stated Financial Due Diligence Process for Adult Education, has been undertaken for all relevant providers. Monitoring of financial status will be ongoing with a focus on any provider that have a financial risk alert or were identified through joint discussions with the ESFA.

The funding terms and conditions have been set out in a Grant Funding Agreement, this will form the basis of the contractual relationship between WECA and the provider, alongside the Funding Rates and Rules 2019-20 and Performance Management Rules which set out how the funding will be paid, conditions for funding, performance management, monitoring and audit.

The allocation approach for 2020/21 is still in development.

Governance

Decisions for awarding grant are made by the WECA Committee, the funding allocations for 2019/20 AEB funding awards were agreed by the WECA Committee on the 14th of June 2019, they resolved to delegate authority during this academic year to the West of England Combined Authority Chief Executive Officer, in combination with constituent councils' Chief Executive Officers to make:

- In-year exceptions funding decisions.
- In-year growth funding decisions.
- Decisions on provider re-allocations at mid-year and end-of-year points

The WECA Regional Skills Board provides strategic guidance and advice to the WECA Committee on Employment and Skills matters.

Audit and Assurance

WECA have established a [joint working arrangement with the ESFA](#) in respect of AEB, the service level agreement covers the following;

- Audit and Assurance
- Fraud and Investigations
- Financial Health

Annual assurance statements will be shared between the ESFA and WECA on an April to March financial year basis. The annual assurance statement will be supported by a code of practice detailing the approach taken by the organisation to obtain assurance over the provision funded.

In respect of the 19/20 AEB academic year funding, where the ESFA undertakes assurance activity, WECA will be able to request their learners are tested in a maximum of three providers. WECA may procure additional audit activity as deemed necessary.

Results of audit activity and financial health assessments will be shared with MCAs/GLA via the data sharing agreement. If the ESFA or WECA suspect fraud or financial irregularity or receive information and/or allegations in relation to a provider, including a subcontractor (that is funded by both ESFA and WECA) an approach has been agreed and adopted by both organisations.

Risk Management

The AEB Programme Board is responsible for the review of the AEB risk register. The AEB team will make risk integral to its structuring and presentation of projects, maintaining its own view of risk. Risk mitigation measures will be agreed with providers prior to approval of projects where appropriate. When a project is in delivery, the Combined Authority will require the risk log to be maintained, regularly reviewed and reported on. Significant risks will be escalated and will be added to the WECA Corporate risk register. This

is reviewed by the Senior Management Team each month and activities are reported to the Audit Committee

Stakeholder Engagement

WECA is actively working with a range of stakeholders to support the development of the AEB system which delivers provision to WECA residents. These stakeholders include: providers, provider representative bodies, key local stakeholders (e.g. Local Authorities, DWP, VCSE infrastructure organisations, DfE/ESFA etc.). This work is conducted both through formal engagement routes (pre-arranged group meetings) and informal meetings (group & 1-2-1).

The Combined Authority will use its website to engage with the wider community and will be used a platform for transparent sharing of the AEB commissioning processes and objectives.

Monitoring and Evaluation

WECA's approach to monitoring and managing AEB performance is outlined in the Funding and Performance Management rules document. Following the issuing of a Grant Funding Agreement, the responsibility for overseeing the successful implementation and delivery of projects will rest with the AEB team, comprising of the AEB Programme Manager, Senior Relationship Manager, Senior Funding & Assurance Officer and the Adult Education Data Analyst.

There is a legal requirement on providers to submit data to the Secretary of State for all provision funded by DfE. Learner data will continue to be gathered from providers in a national Individual Learner Record data system, via the Individualised Learner Record (ILR) that the ESFA will use to share data to support the Combined Authority in the development and maintenance of the AEB functions devolved.

The DfE has set out Monitoring and Evaluation guidelines for AEB, which include:

- Consideration for the statutory entitlements detailed in the Orders;
- The need to consider how funding of the AEB will align to Strategic Skills Plans and support the delivery of local economic objectives;
- Arrangements for enabling effective and meaningful engagement of local (and national) partners in proposed use and evaluation of the AEB; and
- Robust monitoring and evaluation plans going forward, to help identify and measure the impact of AEB spending in their area.

All monitoring and evaluation reports will be published on the WECA website. The first Annual report is due to be published in March 2020. WECA will report on the previous academic year findings to date, referencing the most up to date publicly available data at that point in time. This submission will include:

- a. The policy for adult education
- b. AEB spend
- c. Analysis of delivery to WECA residents
- d. Local Impact with regard to:
 - Overall participation in AEB funded provision.

- Number of learners exercising their statutory entitlement to full funding for: i) english and maths up to Level 2; ii) first full level 2 (learners aged 19-23); and iii) first full level 3 (learners aged 19-23).
- Completion and achievement rates.

6 Appendix 2

South West Energy Hub

Rural Community Energy Fund

From 2019/20 WECA, as accountable body for the South West Energy Hub, became responsible for administering the Rural Community Energy Fund (RCEF) within the wider SW of England, including West of England, Gloucestershire (Gfirst), Dorset, Heart of Southwest, Solent, Swindon and Wiltshire and Cornwall and Isles of Scilly Local Enterprise Partnership areas. Grant funding decisions for RCEF will be made with full consideration to the terms of a Memorandum of Understanding signed with the Department for Business Energy and Industrial Strategy.

The RCEF provides grants up to £40,000 to community groups to undertake feasibility studies and up to £100,000 towards project development, such as planning and legal fees. There is a total fund of £1.8m.

The Fund's aims are to:

- Support rural communities – by helping them to maximise the income generating potential of renewable energy and put this to work locally;
- Increase the uptake of community and locally owned renewable energy, to support the Government's targets for renewable energy and carbon reduction; and
- Promote rural growth, job creation and volunteering opportunities – to enable communities to access the economic benefits associated with renewable energy schemes.

The SW Energy Hub has worked with BEIS and the 4 other energy hubs in England to develop support materials including:

- Application forms and guidance documents
- A process for assessing bids
- A scoring matrix for transparent and consistent assessment of bids

WECA is the Accountable Body for the RCEF, use of funds will be compliant with agreed WECA policy and process, ensuring transparent oversight and allocation of public funding.

The WECA Joint Committee is ultimately accountable for the RCEF, with a delegation in place to the WECA Chief Executive in consultation with the SW LEP Chief Executives. WECA's Chief Executive is required to provide periodic updates to the Joint Committee.

All grant applications will be reviewed by the Energy Hub team, using a scoring matrix agreed with BEIS and the other Energy Hubs. Where additional technical support is required to assess an application the Energy Hub team will source this externally from the public or private sector.

Recommendations for grant funding will be provided to the SW Energy Hub Board in its advisory capacity, who will challenge or endorse as appropriate. The SW Energy Hub Board will then agree recommended grant decisions for the WECA Chief Executive to consider.

Grant recommendations are only made through a majority decision by the Energy Hub Board which comprises one representative from each LEP

The WECA Chief Executive in consultation with the SW LEP Chief Executives is the decision-making body for the approval (or otherwise) of recommendations made by the Regional Energy Hub Manager and Energy Hub Board.

SW LEP Chief Executives will be able to challenge Energy Hub Board recommendations, on issues related to correct application of the scoring criteria. Any challenge to the process will trigger a review and report to the WECA Chief Executive who will make the final decision.

SW LEP Chief Executives will be asked to confirm their response to decisions within 5 working days.

SW LEP Chief Executives can confirm delegation of their role to their Energy Hub Board representative by writing the WECA Chief Executive.

Local Capacity Support

The South West Energy Hub also provides a support service to organisations, which is not a grant, to develop local energy projects. The Joint Committee is accountable for the SW Energy Hub Local Capacity Support programme, with delegation to the WECA Chief Executive. WECA's Chief Executive is required to provide periodic updates to the Joint Committee.

7 Appendix 3

Change Management Delegations for the Investment Programme

Category		Scale	Approval
1	Cost Increases	Cost increases of up to 10% to a ceiling of £100k (Feasibility and Development Funding) and £3m (approved scheme funding) subject to funding being available and there being no impact on any other project ion the programme	WECA funding streams: WECA CEO, in consultation with WECA CEOs LEP funding streams: WECA CEO in consultation with the West of England CEOs
		Cost increases above this threshold	WECA or Joint Committee
2	Reductions in Match Funding	Reduction in match funding up to 10% to a ceiling of £300k	WECA CEO in consultation with CEOs
		Reduction in match funding above this level	WECA or Joint Committee
3	Reprofiling of Spend (with no cost increase overall)	Reprofiling of up to £50k (Feasibility and Development Funding) and £100k (approved scheme funding) between financial years	WECA CEO in consultation with CEOs
		Reprofiling between financial years above this level	WECA or Joint Committee
4	Time	Slippage of milestone(s) for approved schemes less than 3 months	WECA CEO in consultation with CEOs
		Slippage of milestones of 3 months or more	WECA or Joint Committee
5	Scope, Benefits and Quality	Up to 10% change in value of quality as percentage of project value and/or 10% change in one or more metrics of benefits and/or minor change to the scope of the scheme	WECA CEO in consultation with CEOs
		Over 10% change in value of quality as percentage of project value and/or over 10% change in one or more metrics of benefits, or a fundamental change to the scope of scheme	WECA or Joint Committee

8 Appendix 4

WECA and LEP Joint Statement

Advisory and challenge function:

The West of England LEP provides a strategic advisory role at the heart of regional governance structures. The Chair has a seat at the table (non-member) at both the West of England Combined Authority and West of England Joint Committee ensuring that the business view is at the centre of regional decision making. All business board members are senior leaders, with a range of sectorial experience and bring invaluable sector expertise and insight on regional growth opportunities for the Local Industrial Strategy.

The role of the LEP Board as defined within it's Terms of Reference is:

- Shaping a compelling and ambitious strategic vision, strategy and brand for the region.
- Promoting, developing, supporting and championing the economic success of the region.
- Supporting the attraction of new inward investment and nurturing business development, innovation and creativity.
- Defining and articulating the LEP Boards view of regional infrastructure to support and reflect the region's continuing economic success and enabling a healthy and productive population to thrive.
- Shaping regional policy to ensure that the region has the higher-level skills it needs to deliver its ambitions for a high skills economy.
- Shaping regional policy to ensure all residents can compete for jobs and can benefit from the region's success.
- Promoting the regions' interests with Government

The membership of the Board ensures there is active and constructive debate at LEP Board meetings. Well evidenced, considered reports and presentations ensure that LEP Board members have the information and advice they need to engage effectively on all matters.

The LEP Board and Chair are able to draw directly on the expertise of the staff of the integrated WECA and LEP officer team to ensure appropriate support is provided.

Alignment of decision-making across a clear geography:

The West of England Local Enterprise Partnership covers the unitary authority areas of Bath and North East Somerset, Bristol City Council, North Somerset and South Gloucestershire. There are no boundary overlaps with surrounding Local Enterprise Partnerships.

There is a history of joint working across the West of England Local Enterprise Partnership geography that includes the development of a Joint Spatial Plan and Local Transport Plan.

In 2017 the West of England Combined Authority was established and covers the unitary authority areas of Bath and North East Somerset, Bristol City Council and South Gloucestershire.

As part of the establishment of WECA a new regional governance structure was introduced; this followed a full regional governance review. The structure aligns WECA and LEP decision-making to support close working and the delivery of economic growth projects across the West of England. The governance structure was developed in partnership and agreed with the Local Enterprise Partnership.

This governance structure, alongside the integrated WECA and LEP officer team, ensures that the relationship between the Combined Authority and Local Enterprise Partnership is strong and effective.

The LEP Board and Chair operate in an advisory capacity. All decisions related to funding are taken by the WECA or Joint Committee.

Accountability:

The accountable body for all LEP funding is the West of England Combined Authority. WECA is responsible for the proper administration and financial probity of the funds received. WECA will ensure the effective use of public money and have responsibility for the proper administration of funding received and its expenditure.

Efficiency and corporate identity:

The Chief Executive of WECA is also the LEP Chief Executive. WECA and the LEP have a shared officer team which promotes effective and efficient operation. WECA and the LEP have their own branding and identity recognising that some work of the LEP is separate from and extends beyond WECA.

Overview and scrutiny:

The role of the WECA Overview and Scrutiny Committee is primarily to scrutinise the work and decisions made by the WECA or Joint Committee. In so far as the business of the LEP relates to the discharge of functions of WECA, the WECA Overview and Scrutiny Committee shall have the power to scrutinise the LEP.

9 Appendix 5

LEP Publication Checklist

The Local Growth Assurance Framework
Annual Financial Statement [from 2019/20]
Annual Report and Delivery Plan
Statement on the publication of LEP Board meeting papers, minutes and agenda items
LEP Board meeting agendas, papers and minutes
LEP Board membership and Terms of Reference
Annual Assurance Statement from the leadership of the LEP
The LEP's Code of Conduct and Conflict of Interest policy
Board Members' registers of interest and the register of the Chief Executive Officer
The LEP hospitality and expenses register
Complaints policy
Whistleblowing policy
The LEP funding programme with a description of the scheme, the promoter and the funding awarded
Annual Funding Report detailing projects in receipt of funding and grant payments made [2018/19]
Strategic Economic Plan
WECA Operating Framework
WECA Business Plan
Local Industrial Strategy
WECA Committee Reports and Joint Committee Reports

10 Appendix 6

10.1 Methodology to Assess Value for Money for Various Scheme Types

10.1.1 Transport

Schemes will be subject to the minimum requirements on VfM assessment, assurance and evaluation of transport projects set out in Annex B of the National Local Growth Assurance Framework Guidelines. The minimum requirements are set out below. These will apply to all transport schemes aside from those in the LGF programme which are below £5m and have already secured Outline Business Case approval under the requirements of the previous LEP assurance framework.

- The modelling and appraisal of schemes contained in business cases must be developed in accordance with the guidance published in WebTAG at the time the business case is submitted for approval.
- Central case assessments must be based on forecasts which are consistent with the definitive version of NTEM (DfT's planning dataset). Alternative planning assumptions may be considered as sensitivity tests the results of which may be considered in coming to a decision about whether to approve a scheme.
- The appraisal and modelling will be scrutinised to ensure it has been developed in accordance with WebTAG principles. This will be undertaken independent of the management unit or authority promoting the scheme.
- A value for money statement for each scheme in line with published [DfT WebTAG guidance](#) and [DfT advice on assessing VfM](#) will be presented for consideration at each approval stage.
- The VfM assessment must be signed off as true and accurate by WECA's s73 Officer.
- Only schemes that offer at least "high" value for money, ie with a BCR above 2 and accounting for significant non-monetised impacts and key uncertainties have been considered, as assessed using DfT guidance will be approved aside from the circumstances outlined in section 3.3.3 of this framework. Schemes will be assessed against the relevant thresholds at each approval stage.
- Business cases must be published (and publicised) before a decision to approve funding is made so that external comment is possible. Opinions expressed by the public and stakeholders must be available to decision makers when decisions are being taken (see section 2.2.3)
- Schemes will be monitored and evaluated in line with the latest DfT guidance on the evaluation of local major schemes.

10.1.2 Housing and Commercial Interventions

Arrangements will be based on Homes England good practice, advice and guidance, alongside MHCLG's appraisal guide for residential and non-residential development. For projects beyond housing and transport interventions, for example enabling works, land assembly, utilities and/or public realm projects, the HMCLG appraisal guide will be useful in helping to appraise the costs and benefits of these types of interventions.

10.1.3 Skills Capital

ESFA Skills Funding Agency good practice, advice and guidance will provide a reference for skills capital projects. These projects will be expected to follow the same business case process and requirements as other schemes within the investment programme.

10.1.4 Growth Hubs

The Growth Hub will comply with the 'principles of funding' which includes using robust monitoring and evaluation systems to exercise continuous service improvement, ensure excellence in quality delivery and deliver greater levels of impact on business.

11 Appendix 7

11.1 [Outline Business Case Template](#)

12 Appendix 8

12.1 [Full Business Case Template and Guidance](#)

13 Appendix 9

13.1 [Feasibility and Development Funding Application Form Template](#)

14 Appendix 10

14.1 [Scheme Highlight Report Template](#)

15 Appendix 11

15.1 [Feasibility and Development Scheme Highlight Report Template](#)

This page is intentionally left blank