

A meeting of the  
**WECA Audit Committee**

will be held on

**Date: Thursday, 28 April 2022**

**Time: 10.30 am**

**Place: The Guangzhou Room, Bristol City Council**

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

Cllr David Wilcox, Bristol City Council  
Cllr Hal MacFie, Bath and North East Somerset Council  
Cllr Tim Kent, Bristol City Council  
Cllr Geoff Gollop, Bristol City Council  
Cllr Rob Appleyard, Bath & North East Somerset Council  
Mark Hatcliffe, Independent Member of WECA Audit Committee  
Cllr Mark Bradshaw, Bristol City Council  
Cllr Brenda Massey, Bristol City Council  
Cllr John Ashe, South Gloucestershire Council  
Cllr John O'Neill, South Gloucestershire Council  
Cllr Matthew Riddle, South Gloucestershire Council

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# West of England Combined Authority Committee Agenda

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## 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 - 10

To consider and approve the minutes from 9 December 2021 of the West of England Combined Authority Audit Committee and review Action List.

## 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](mailto:democratic.services@westofengland-ca.gov.uk). For this meeting, this means that your submission must be received in this office by **12noon on Wednesday 27 April 2022**.

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](mailto: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 22 April 2022**.

## 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. MONITORING & EVALUATION & RISK MANAGEMENT FRAMEWORKS

11 - 110

To report on the annual review and update of the West of England Combined Authority Monitoring & Evaluation Framework and the Risk Management Framework.

## 8. INFORMING THE AUDIT RISK ASSESSMENT

111 - 146

The purpose of this report is to contribute towards the effective two-way communication between the Combined Authority's external auditors and Audit Committee (as those charged with governance). The report covers some important areas of the auditor risk assessment where Grant Thornton, WECA's appointed auditors, are required to make inquiries of the Audit Committee under auditing standards.

<b>9. EXTERNAL AUDIT PLAN</b>	147 - 172
<p>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 2022.</p>	
<b>10. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE</b>	173 - 200
<p>This paper provides the WECA Audit Committee with a report on progress in delivering Grant Thornton’s responsibilities as the Authority’s external auditors.</p>	
<b>11. VALUE FOR MONEY ARRANGEMENTS 2020-21</b>	201 - 218
<p>This paper provides the WECA Audit Committee with an overview of Grant Thornton’s initial findings to date on the financial sustainability objective as prescribed by the National Audit Office (NAO) Code of Audit Practice.</p>	
<b>12. INTERNAL AUDIT ANNUAL REPORT 2021/22</b>	219 - 234
<p>This is the Annual Report of the Internal Audit service detailing progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.</p>	
<b>13. INTERNAL AUDIT PLAN 2022/23</b>	235 - 252
<p>To present the Internal Audit Plan for 2022/23 for approval.</p>	

**Next meeting: Thursday, 14 July 2022**

## West of England Combined Authority WECA Audit Committee

Thursday, 9 December 2021, 10:30am  
Council Chamber, Bristol City Council Offices

### Present:

Cllr Hal MacFie, Bath and North East Somerset Council  
Cllr Heather Mack, Bristol City Council  
Cllr Alex Hartley, Bristol City Council  
Cllr Geoff Gollop, Bristol City Council  
Cllr Rob Appleyard, Bath & North East Somerset Council

Mark Hatcliffe, Independent Member of WECA Audit Committee  
Cllr Mark Bradshaw, Bristol City Council  
Cllr Brenda Massey, Bristol City Council  
Cllr John Ashe, South Gloucestershire Council

### Officers In Attendance:

Malcolm Coe, Director of Investment and Corporate Services  
Selonge Russell, Head of Finance and Procurement  
Patricia Greer, Chief Executive  
David Bray, Grant Thornton (External Audit)

Steve Finnegan, Financial Accountant  
Caroline Pegden, Service Lead: Digital and Technology  
Tim Milgate, Democratic Services Officer  
Jeff Wring, Audit West (Internal Audit)  
Jon Roberts, Grant Thornton (External Audit)

### Apologies:

Cllr Tim Kent, Bristol City Council  
Cllr John O'Neill, South Gloucestershire Council

Cllr Brenda Langley, South Gloucestershire Council

## Minutes

1	<b>EVACUATION PROCEDURE</b>  The evacuation procedure was set out.
2	<b>APOLOGIES FOR ABSENCE</b>  Apologies for absence were received from Councillors Tim Kent, Brenda Langley and John O'Neill.
3	<b>DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011</b>  There were no declarations of interest declared under the Localism Act 2011.
4	<b>MINUTES</b>  The minutes of the meeting held on 22 September 2021 were agreed as a correct record.
5	<b>ITEMS FROM THE PUBLIC</b>  Two questions had been received from members of the public prior to the meeting and the responses had been circulated.  A member of the public, Mr Dave Redgewell, had submitted a statement, attended the meeting and addressed the Committee on the topic of transport issues. The wording of the statement as submitted had been circulated.

	<p>The Chair requested that the issue raised on the auditing of public transport functions be brought to the attention of Internal and External Audit with any issues arising being brought to the Committee's attention. It was noted that a bus audit had been scheduled for the fourth quarter of 2021/22.</p>
6	<p><b>CHAIR'S ANNOUNCEMENTS</b></p> <p>Further to Minute 6 of the meeting of the WECA Audit Committee held on 22 September 2021, the Chair asked Jon Roberts, External Audit to update the Committee on the matter raised at that meeting. Jon Roberts reported that that piece of Audit work had been completed with full cooperation from the Authority and recommendations had been shared with the Chief Executive. These recommendations had been fully accepted.</p> <p>Further discussion of this matter took place in closed session under item 13.</p> <p>The Chair also reminded the Committee that its responsibility lay with the governance of the organisation and therefore should not take a stance on the current political situation that had been reported in the public domain.</p> <p>The Chair also reported that both Malcolm Coe, Director of Investment and Corporate Services and Shahzia Daya, the Director of Legal and Democratic Services and the Authority's Monitoring Officer, were leaving the Authority in due course. He wished to place on record the Committee's appreciation for their guidance and support.</p>
7	<p><b>AVON PENSION FUND COMMITTEE</b></p> <p>Further to Minute 12 of the meeting held on 22 September 2021, when the Committee had asked officers to investigate whether the Authority had representation on the Avon Pensions Fund Committee, the Authority's Democratic Services Officer, Tim Milgate gave a brief update on those investigations.</p> <p>It was reported that Bath &amp; North East Somerset Council was the administering authority for the Pension Fund with the Council delegating its responsibility for administering the Fund to the Avon Pension Fund Committee. This Committee had elected representatives appointed from all the Authority's constituent authorities but not a representative from WECA. It was noted that a formal request to join the Committee would have to be made but that WECA had only one elected representative.</p> <p>As the views of the Committee were divided on whether this matter should be pursued, with the growth of WECA staff members belonging to the pension fund being noted, it was requested that the Chief Executive be asked to raise the matter with the Chief Executives from the constituent authorities.</p> <p><b>Agreed:</b> That the Chief Executive, Patricia Greer, be asked to raise the matter of WECA's representation on the Avon Pension Fund Committee with the Chief Executives of the Authority's constituent authorities to find a possible solution to this matter.</p>
8	<p><b>APPOINTING AN EXTERNAL AUDITOR</b></p> <p>Malcolm Coe, Director of Investment and Corporate Services, introduced a report stating that Grant Thornton were the appointed External Auditors for the West of England Combined Authority, appointed under the Public Sector Audit Appointments, (PSAA), process for the Statements of Accounts period up to, and including, the 2022/23 financial year.</p>

	<p>The PSAA were now inviting public sector bodies to ‘opt in’ for a further audit period from 2023/24 to 2027/28. Should the Combined Authority wish to take up this offer, this would require a formal decision through the Combined Authority Committee by 11 March 2022.</p> <p>The Committee were asked for their views and whether they wished the Combined Authority Committee to make a decision to opt in, or out, of the PSAA Framework at its meeting on 28 January 2022.</p> <p>The Chair stated that he felt opting in was the best solution and he would prefer the Committee to make that decision.</p> <p><b>Agreed:</b></p> <p>That the Audit Committee request that the Combined Authority Committee agree to opt in to the Public Sector Audit Appointment for the commissioning of external audit services at its meeting on 28 January 2022.</p>
9	<p><b>TREASURY MANAGEMENT STRATEGY 2022/23 AND TREASURY MANAGEMENT 2021/22 MONITORING UPDATE</b></p> <p>Malcolm Coe, Director of Investment and Corporate Services, introduced a report explaining that The Chartered Institute of Public Finance and Accountancy’s, (CIPFA), Treasury Management in the Public Services Code of Practice, required the Authority to approve a Treasury Management Strategy before the start of each financial year. The 2022/23 Strategy would be submitted to the January 2022 WECA Committee for approval alongside the 2022/23 budget papers.</p> <p>The 2021/22 Treasury Management Strategy, as informed through the Authority’s Treasury advisors, ArlingClose, had been approved by the WECA Committee on 29 January 2021.</p> <p>The 2022/23 Strategy had built on the foundations of the previous year and had been updated to reflect Covid and economic factors, credit risk and cash flow forecasts.</p> <p>The 2022/23 Treasury Management Strategy, and update on 2021/22 performance, was attached as Appendix 1 to the report.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>• It was confirmed that the Authority’s Treasury Advisors regularly reviewed any risks and the Authority changed its practices throughout the year if required to do so to mitigate any risks;</li> <li>• In response to questions on ethical investments and affordable housing investments it was confirmed that most investments were business in nature and the number one priority was to safeguard taxpayer’s money, with the second priority to gain a return from the investments. There was no ethical investment policy as such but the Authority was looking at possible future housing investments. Bristol City Council’s ethical investment policy would be passed onto officers for their attention;</li> <li>• In terms of long term pooled fund investments the amount invested depended on cash flow forecasting. Although such investments deliver an above inflation return, there is a risk that annual revenue provision will need to be put aside from March 2023 when the existing statutory override expires.. The Authority will continue to monitor any legislative changes in this area and manage risks accordingly;</li> </ul> <p><b>Agreed:</b></p>

	<p>That the committee:</p> <ol style="list-style-type: none"> <li>1. note the Treasury Management Strategy for 2022/23 and endorse it being submitted to the January 2022 WECA Committee for approval;</li> <li>2. note the 2021/22 Treasury Management monitoring update as detailed at the end of Appendix 1.</li> </ol>
10	<p><b>FINANCIAL RESERVES POLICY</b></p> <p>Malcolm Coe, Director of Investment and Corporate Services, submitted a report which gave an update on the holding and management of the Combined Authority and Local Enterprise Partnership, (LEP), financial reserves. It was reported that, as the Authority continued to grow, and whilst the volatility of revenue funding streams remained a significant issue, a Financial Reserves Policy has been drafted for consideration, (detailed in Appendix 1), as part of the 2022/23 budget setting process.</p> <p>The Financial Reserves Strategy, dated December 2021, was appended. The Committee welcomed the proposal.</p> <p><b>Agreed:</b> The Committee having reviewed the policy, endorses the draft Combined Authority and Local Enterprise Partnership Financial Reserves Policy as detailed in Appendix 1.</p>
11	<p><b>CYBERSECURITY</b></p> <p>Caroline Pegden, Service Lead: Digital and Technology, introduced a report providing an update to the Audit Committee on the IT security controls implemented in light of the recommendations from Grant Thornton UK LLP.</p> <p>The report stated that following a change in outsourced IT supplier to Agilisys, the Combined Authority needed to update its IT security strategy and associated action plan. The Combined Authority had now developed a new IT Security strategy following the National Cyber Security Centre's (NCSC) best practices, adapted to the Combined Authority's specific context, and which were validated at the Digital Board in July 2021. A number of actions had been set out following the three areas highlighted by the Audit and these were detailed in the report.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>• In response to concern raised about not currently having automated monthly password changes it was noted that the best practice was currently that passwords not be changed as frequently as that because users then tended to chose passwords that could be less secure. However, a lot of work had been carried out in the past few months on the security of the Authority's IT systems and adequate controls were in place;</li> <li>• It was asked where in the organisation resilience sat. It was noted that inbuilt security was in place at the point of building systems and resilience built into our contract with Agilisys . An overall systems health check would be carried out in 2022;</li> <li>• It was asked whether policies had been updated in the light of more standardised home working arrangements. It was noted that there was no detailed policy as such on the use of personal devices but a series of multifactor authentication has been put in place. All CA laptops and phones were fit for purpose and usage of personal devices was very low.</li> <li>• It was asked whether there was mandatory training on document fraud – this would be clarified.</li> </ul> <p>The Chair stated that the Committee saw this issue as a priority and asked whether there could be a briefing session on the monitoring of these issues and how the targets were doing</p>



	<p>against the key performance indicators. In response Malcolm Coe stated that an action plan had been drawn up by the auditors and that the controls were in place. The action plan would be reviewed early in 2022.</p> <p><b>Agreed:</b> That the changes undertaken to enhance the Combined Authority's cyber-security and IT resilience be noted and welcomed.</p>
12	<p><b>INTERNAL AUDIT UPDATE</b></p> <p>Jeff Wring, Internal Audit (Audit West) introduced a report updating the Committee on Internal Audit work in 2021/22. The Internal Audit Plan 2021/22 was appended.</p> <p>It was stated that all the audit progress had been positive and no audit reviews needed to be escalated. The data analytics review was close to completion.</p> <p>It was explained that Audit West was contracted to provide Audit services and these were partially reviewed by external audit and via a peer review system. All outcomes were reported to the Audit Committee.</p> <p><b>Agreed:</b> The Committee noted the areas under review and progress against the Internal Audit plan as at 15 November 2021.</p>
13	<p><b>GRANT THORNTON FINAL AUDIT FINDINGS REPORT</b></p> <p>Malcolm Coe and external Auditors, David Bray and Jon Roberts, Grant Thornton, presented to Members of the WECA Audit Committee the West of England Combined Authority Annual Statement of Accounts for 2020-21 for their review and approval. The following documents were appended. These documents had been updated since the meeting on 22 September 2021:</p> <p>Appendix 1 – WECA Audit Findings Report 2020-21;  Appendix 2 – Draft WECA Statement of Accounts 2020-21;  Appendix 3 – WECA Letter of Representation 2020-21;</p> <p>Changes to the text in the WECA Audit Findings report had been highlighted in red. The Auditors stated that they were now ready to sign off on the accounts upon receipt of the signed WECA Letter of Representation.</p> <p>Malcolm Coe thanked the external auditors and his finance team for their hard work in getting to this position.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>• It was confirmed that the materiality limit was an industry standard;</li> <li>• The audit certificate could be formally issued when all matters had been agreed;</li> </ul> <p><b>Agreed:</b></p> <p>That the committee:</p> <p>(a) note the content of the final External Auditor ISA 260 Audit Findings report (as detailed in Appendix 1) and</p> <p>(b) approve the West of England Combined Authority Annual Statement of Accounts for 2020-21 (as detailed in Appendix 2).</p>

	<p>(c) approve the Letter of Representation as detailed at Appendix 3.</p> <p>At this point in the meeting the following resolution was passed:</p> <p><b>Agreed:</b></p> <p>That pursuant to Section 100A of the Local Government Act 1972 (as amended), members of the press and public be excluded during the further consideration of this item as it is likely that there would be a disclosure of exempt information as defined in the relevant paragraphs specified in Part 1 of Schedule 12A to that Act.”</p> <p>A more formal discussion was held on the matters discussed earlier which were further referred to the WECA Committee on 17 December 2021.</p>
	<p>The next meeting to be held on Wednesday 23 February 2022 at 10.30 am.</p>



## ITEM 7

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY  
AUDIT COMMITTEE**

**DATE: 28 APRIL 2022**

**REPORT TITLE: MONITORING & EVALUATION AND RISK  
MANAGEMENT FRAMEWORKS**

**DIRECTOR: PATRICIA GREER, CHIEF EXECUTIVE**

**AUTHOR: MARK WAKEFIELD, CORPORATE PERFORMANCE  
PROGRAMME MANAGER**

### **Purpose of Report**

- 1 To report on the annual review and update of the West of England Combined Authority Monitoring & Evaluation Framework and the Risk Management Framework

### **Impact of Covid-19 pandemic**

The Combined Authority has continued to operate flexibly, amending plans to support people, organisations, communities and partners across the region. New packages of support have been identified and provided, including the Recovery & Adaptions Fund and the Green Recovery Fund.

Our monitoring and evaluation framework sets out our overall approach to the Monitoring & Evaluation of activities across Combined Authority and the Local Enterprise Partnership. It sits alongside our annual business plan which is refreshed each year.

We fully recognise that in these uncertain times we need to ensure we remain flexible to ensure that we can continue to support our residents and businesses. We will be monitoring delivery of our business plan as we move through 2022.

Our quarterly reporting cycle covering the business plan and risk register was paused during the pandemic and will restart in 2022. We have taken the opportunity to strengthen our processes to ensure that internal and external reporting is aligned and this is set out in our updated Monitoring & Evaluation Framework.

### **Recommendation**

- Audit Committee are asked to endorse the Monitoring & Evaluation and Risk Management Frameworks for 2022.

## **Background / Issues for Consideration**

- 2 The monitoring and evaluation framework brings together the West of England Combined Authority's reporting requirements into one single document. This includes the requirements for risk reporting and for this reason the two frameworks have been brought to Audit Committee together.
- 2.1 We have reviewed our monitoring and evaluation framework and risk management frameworks and drafts for 2022 are included as an annex to this report. Our fundamental approach to reporting remains unchanged but we have taken the opportunity to strengthen both frameworks as follows:
- To make a clearer link between the organisation governance model and the Combined Authority reporting framework, to demonstrate how delivery is managed and monitored through reporting to Regional Business Boards, Steering Groups, Directors and CEOs, with an increasing focus at Committee level on financial performance, and strategic outcomes.
  - To clarify which annual and quarterly reports are brought to Committee
  - To clearly define the roles and responsibilities of the Combined Authority Directorate Management Teams, Operational Management Team (Heads of Service) and Senior Management Team in both performance reporting and risk management.
- 2.2 Our Business Plan for 2022-23 builds on the achievements the Combined Authority has made since its establishment. It also sets a new direction to reflect new political leadership, with a focus on delivering five core objectives:
- Creating West of England Transport
  - Tackling the climate and ecological emergency
  - Securing decent jobs and training
  - Increasing the availability of affordable places to call home
  - Putting the West of England on the map for national and global success
- 2.4 We have refreshed our strategic outcome measures to estimate the impact of the projects and programmes in this business plan and will be developing a set of scorecards to monitor progress which will be shared with Audit and Scrutiny members.
- 2.5 All Combined Authorities are currently subject to five-yearly Gateway Reviews as part of the national gateway review process. These provide an independent evaluation of the impact of their Investment Funds.
- 2.6 The West of England Combined Authority Gateway Review was carried out during 2020 and it was confirmed in July 2021 that the Combined Authority has successfully passed the first of these scheduled Reviews, successfully unlocking the next 5-year tranche of Investment Funds. As already set out in the devolution deal document, this amounts to funding of £150 million from Government over the next five years, starting in 2021-22. The final report was shared with members of Audit and Scrutiny Committees and is included with this report as background.

## **Consultation**

- 3 The monitoring and evaluation framework is updated annually and is shared with Government. We will share our final draft following feedback and discussion with Audit Committee Members.

### **Other Options Considered**

- 4 None. A monitoring and evaluation framework is 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 meet our statutory reporting requirements.
- 5.1 Without a formal risk management framework and processes we will be unable to anticipate and take preventative action to avoid risk and will instead incur time and additional cost in managing the consequences of unplanned events..
- 5.2 We have provided a copy of our Corporate Risk Register as an appendix to this report.

### **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: Richard Ennis, Interim 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.

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". The risk management framework meets this requirement and is an essential part of good governance for the Combined Authority.

Advice given by: Stephen Gerrard, Interim 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 An updated Climate and Ecological Action Plan is being developed and once agreed a monitoring and evaluation plan will be developed.

### **Land/property Implications**

- 10 n/a

### **Human Resources Implications:**

- 11 None arising from this report. Monitoring and evaluation activity should be included in project resource and budget plans. If specific workforce risks are identified 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:**

Appendix 1 – West of England Combined Authority Draft Monitoring & Evaluation Framework 2022

Appendix 2 – West of England Combined Authority Draft Risk Management Framework 2022

Appendix 3 – West of England Combined Authority Corporate Risk Register

Appendix 4 – West of England Combined Authority Independent Gateway Review, Final Report

**Background papers:** n/a

**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 Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Quay, Bristol BS1 6EW; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

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**WEST OF ENGLAND COMBINED AUTHORITY  
MONITORING & EVALUATION FRAMEWORK 2022**

DRAFT

## Introduction

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

## Governance Arrangements

2. The West of England Combined Authority was established in 2017 as part of a Devolution Deal with Government and is formed of three Councils, Bath & North-East Somerset, Bristol and South Gloucestershire.
3. The Combined Authority is responsible for management of a devolution investment fund of £30M per year, together with the £103m Transforming Cities fund. Funding decisions relating to the Combined Authority Investment Fund, and other Combined Authority activities, are made by the West of England Combined Authority Committee.
4. The Combined Authority also supports the West of England Local Enterprise Partnership, which includes North Somerset Council. Funding decisions relating to the Local Growth Fund, Getting Building Fund, One Front Door Programme and LEP activities are made by the West of England Joint Committee.
5. These governance arrangements are set out in the [Combined Authority Constitution](#) and are reproduced in diagram one for reference.
6. The detailed processes for managing the Combined Authority 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.
7. In June 2019 the Combined Authority 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.

## Key Principles for Monitoring & Evaluation

8. The Combined Authority'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

# West of England Governance

## Diagram of West of England Combined Authority Structures and Arrangements

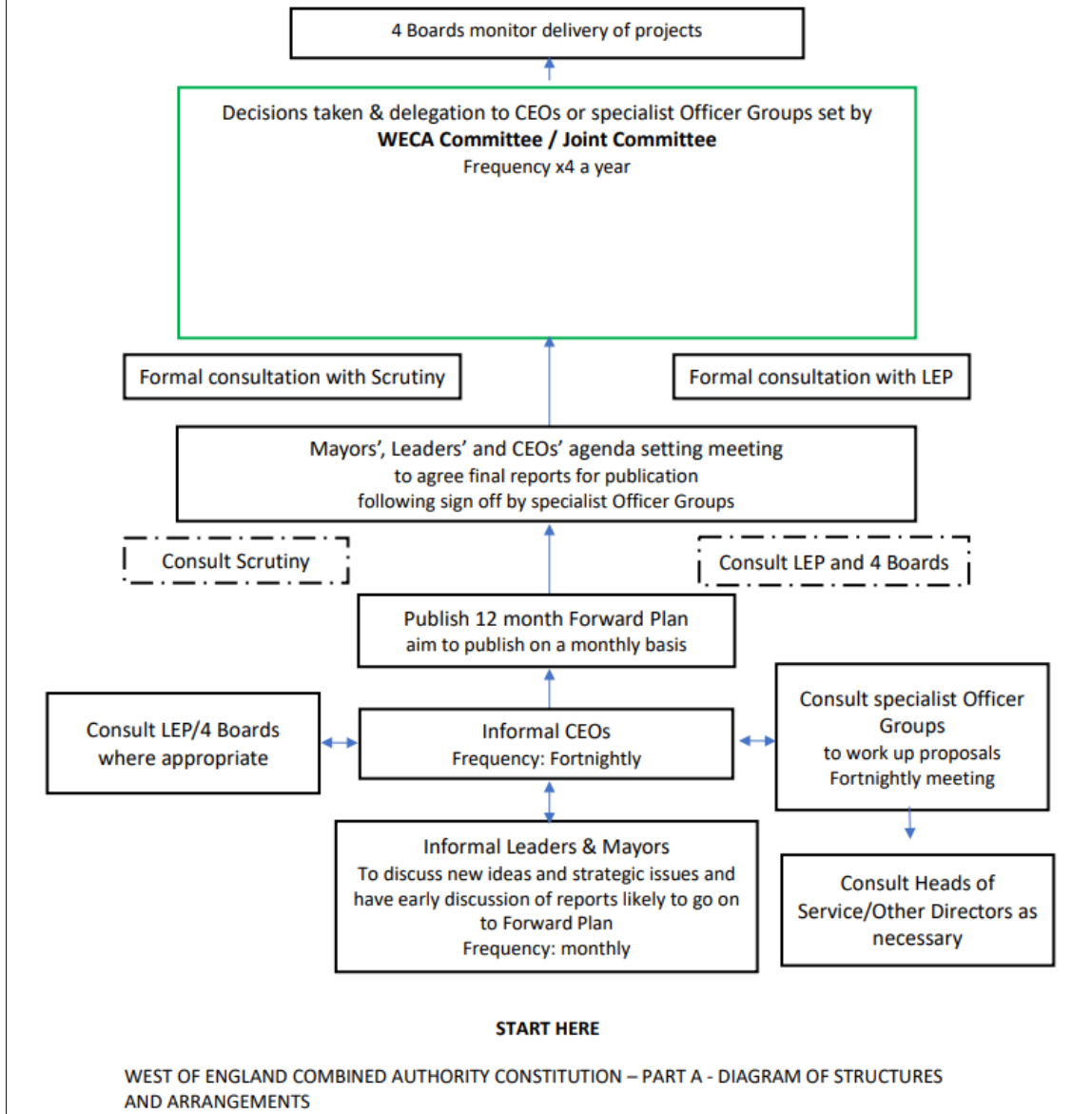


Diagram One: West of England Combined Authority Governance Arrangements

## Reporting Framework

9. Our reporting framework is structured to bring an increasing focus on major projects, delivery milestones and issue mitigation as illustrated in diagram two below.

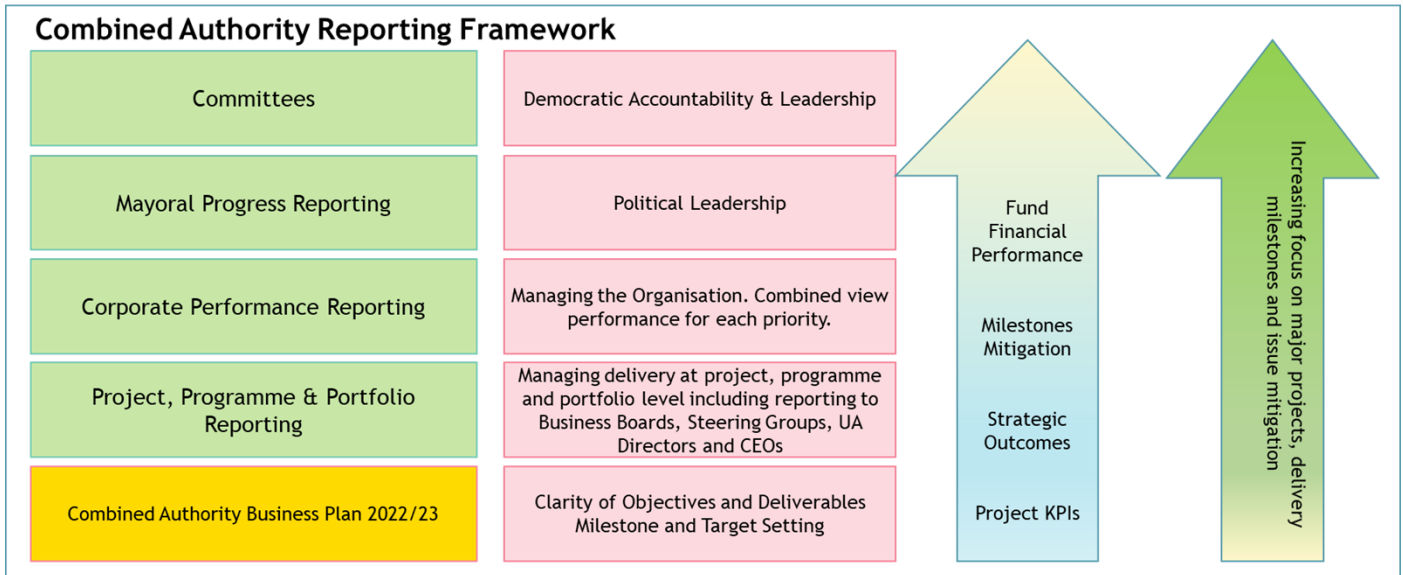


Diagram Two: Combined Authority Reporting Framework

10. The Combined Authority's annual business plan is the operational document that sets out the key activities that the Combined Authority will deliver each year.

11. The past year has been a period of significant change. Alongside the election of a new metro mayor, the region has continued to respond to the unprecedented challenge of the coronavirus pandemic. The organisation has continued to operate flexibly, amending plans to support people, organisations, communities and partners across the region as the impact of the pandemic continued to unfold.

12. The underlying strengths of our region were set out in our Local Industrial Strategy which was published in July 2019. Despite the impact of Covid these regional strengths remain sound. The organisation's focus is to build on those strengths to ensure lives are improved for people right across the region and that, in all we do, we are unrelenting in our focus on tackling the climate and ecological emergency.

13. The business plan for 2022-23 builds on the achievements the Combined Authority has made since its establishment. It also sets a new direction to reflect new political leadership, with a focus on delivering five core objectives:

- Create West of England Sustainable Transport
- Tackle the climate and ecological emergency
- Secure decent jobs and training
- Increase the availability of affordable places to call home
- Put the West of England on the map for national and global success

14. The cycle of reporting against the business plan is illustrated in diagram three. This covers both performance reporting and risk management.

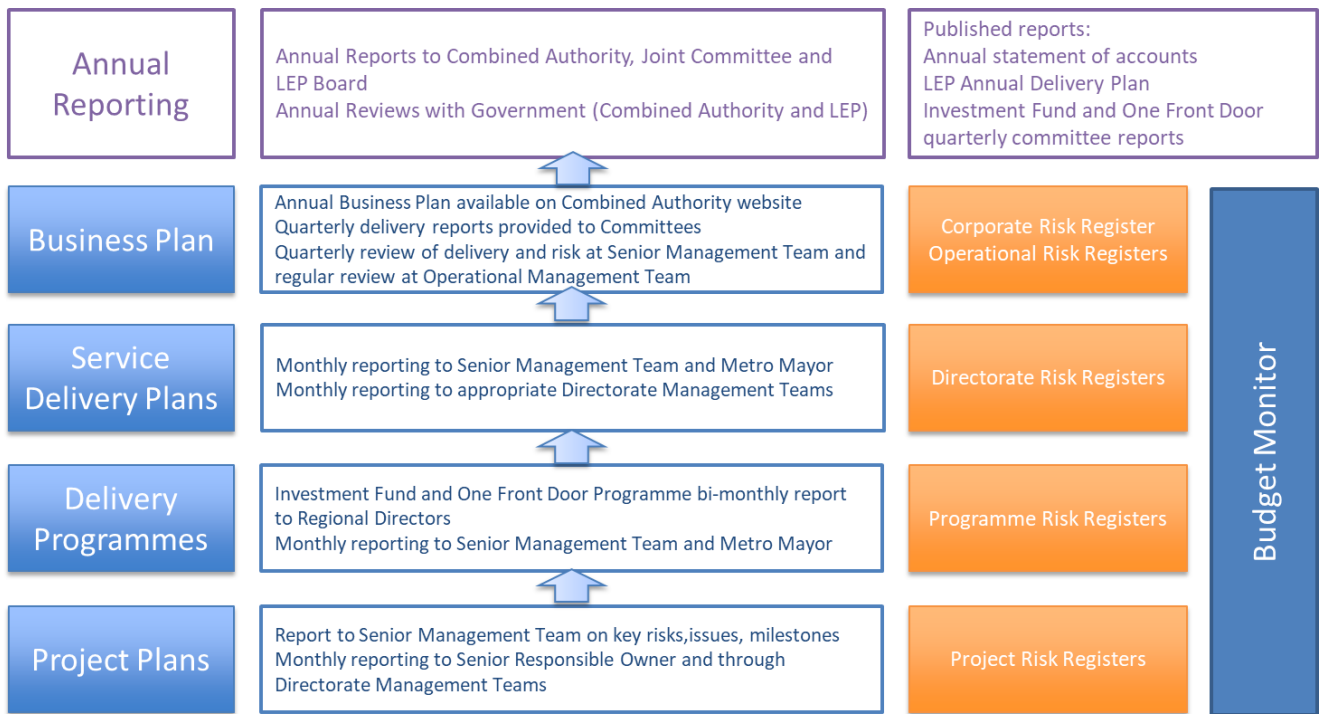


Diagram Three – Business plan reporting cycle

15. Progress on delivering against the five core objectives will be reported quarterly. Directorate Management Teams, Operational Management Team and Senior Management Team will monitor progress. Their respective roles in relation to both performance management and risk management are set out in the diagram below.

Performance & Risk Management: Roles & Responsibilities Summary		
Directorate Management Teams	Operational Management Team	Senior Management Team
<b>Performance:</b> <ul style="list-style-type: none"> <li>- Monitor project and programme progress through regular project and programme highlight reports</li> <li>- Agree detail to include in monthly mayoral delivery/issue/mitigation conversation</li> </ul>	<b>Performance:</b> <ul style="list-style-type: none"> <li>Review of business plan scorecards* and/or specific projects (regular schedule) to:               <ul style="list-style-type: none"> <li>- discuss specific areas of risk and potential mitigations</li> <li>- celebrate success</li> <li>- identify lessons learned</li> <li>- Review quarterly report/scorecard for Mayor in advance of discussion at SMT</li> </ul> </li> </ul>	<b>Performance:</b> <ul style="list-style-type: none"> <li>Regular review of business plan scorecards to discuss issues and risks arising from OMT</li> <li>Formal quarterly review of progress and agree quarterly report/scorecard for Mayor</li> </ul>
<b>Risk:</b> <ul style="list-style-type: none"> <li>Own and monitor Directorate Risk Register with quarterly formal review</li> <li>Review OMT and Corporate Risk Register in advance of formal quarterly discussion at OMT</li> </ul>	<b>Risk:</b> <ul style="list-style-type: none"> <li>Own and monitor OMT risk register with quarterly formal review</li> <li>Review Corporate Risk Register in advance of formal quarterly discussion at SMT</li> </ul>	<b>Risk:</b> <ul style="list-style-type: none"> <li>Own and monitor corporate risk register with quarterly formal review</li> <li>Agree quarterly update of corporate risk register to be shared with Mayor along with quarterly report/scorecard</li> </ul>

\* Scorecards in development, initial reporting likely to be project based.

Diagram four: Roles and responsibilities of SMT and OMT in performance and risk management

## Strategic Outcomes

16. The projects and programmes described in this business plan are expected to deliver significant benefits to the region when they are completed.

17. We have made an estimate of the impact of these projects. This includes projects across all of the Combined Authority's funding streams, for delivery up to 2025-26. These measures identify the key strategic themes of delivery, but do not capture the full value of these projects, which will provide a range of other specific benefits.

18. By 2025-26, the Combined Authority will deliver the following against our priorities.

### 1. Create West of England sustainable transport

- 500,000 new bus journeys per year, and significant improvements locally
- 1,300,000 new rail journeys per year
- Six new railway stations opened
- Delivery of 100 miles of sustainable transport corridors

### 2. Tackle the climate & ecological emergency

- Enabling residents to take public transport and increasing rates of walking and cycling
- supporting the development of sustainable housing and employment space
- helping people across the region to gain green skills and jobs

We are bringing forward programmes to meet our ambition. Subject to approval, initial actions will deliver:

- Support the retrofit of over 1,000 homes
- Over 22ha of improved pollinator habitats

### 3. Secure decent jobs & training

- Over 13,400 new jobs
- Over 45,000 learners gaining new qualifications or skills
- 1,870 people supported to gain increased earnings, and many more moving into work
- 470 small businesses benefiting from skills and training support

### 4. Affordable places to call home

- 46,000m<sup>2</sup> of commercial floorspace enabled
- Delivery of flood defences to protect and enable 19,400 jobs and £3.8bn of GVA
- Delivery of over 375ha of improved natural green spaces

### 5. Put the West of England on the map for national & global success

- 90 new products or services brought to market through CA support
- 110 new research and development projects carried out
- Engage 1,000 small businesses in innovation and provide intensive support to 470, including registering intellectual property rights
- Approximately 7,000 business receiving enterprise support
- 195 businesses supported to bring inward investment to the region, and hundreds of new businesses started

19. We also track a small number of longer-term regional indicators which summarise the state of the region for each priority area. Whilst we do not have total control over these measures we expect the activities set out in business plan to contribute to positive change for these. Progress against these indicators is published in the Combined Authority [Quarterly Economic Bulletins](#) which are available on our website.

## **Equalities**

20. The Combined Authority 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.

## **Risk Management**

21. The Combined Authority is committed to delivering its strategic objectives whilst having a clear focus on the potential risks and opportunities that face our business activities on an ongoing basis.

22. Risk management is an integral part of the reporting against delivery of the business plan. The Combined Authority risk management framework is reviewed annually by Audit Committee alongside the Monitoring & Evaluation plan.

## **Project and Programme Evaluation**

23. Monitoring and Evaluation (M&E) of Combined Authority 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 Combined Authority investment fund and One Front Door Programmes the M&E plan forms part of business case submissions and these are independently reviewed and published to support decisions by the Combined Authority or Joint Committee

24. In line with the Local Growth Assurance Framework, it is a requirement for all projects funded by streams in scope of the framework to undertake monitoring and evaluation in line with the activities set out in the Monitoring and Evaluation Plan approved as part of the business case.
25. 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.
26. Unless there are reasons otherwise as set out in the business case to vary the timing, guidance requires that a standalone scheme Evaluation Report should be produced at intervals of one and three years post-delivery.

### List of Schemes and links to Monitoring & Evaluation Plans

27. Funds devolved to the Combined Authority as part of the West of England Devolution Deal are referred to as 'Investment Fund and details of the programme are [here](#) The Investment Fund also incorporates the £103m funding awarded through the Transforming Cities Fund in one integrated programme.
28. Funds managed through the Local Enterprise Partnership are identified as 'West of England' or by fund name and details of the programme are [here](#)
29. Where available links are included to individual scheme Monitoring & Evaluation plans with details of logic models and specific project measures that may be required to meet funding agreements. Our overall logic model that underpins the Combined Authority Investment Fund is produced below. Data requirements are determined for each project in line with national requirements where appropriate.

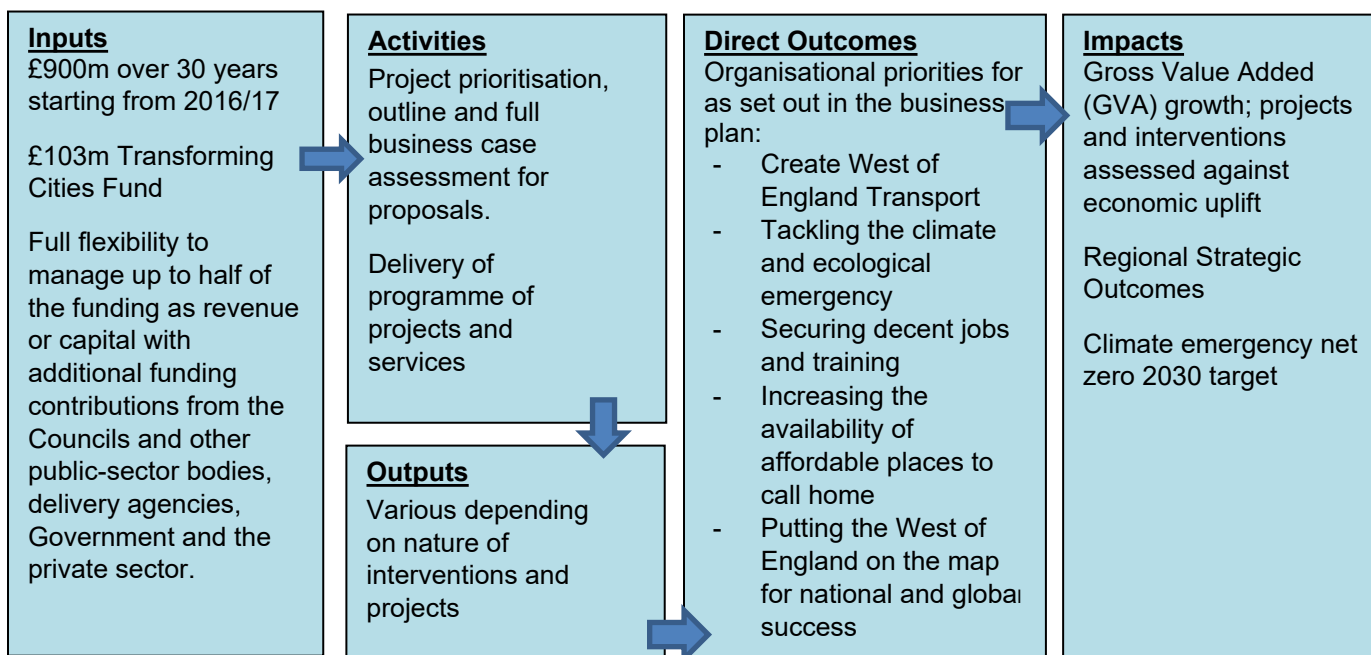


Diagram Five - Overall Logic Model



## Organisational Impact

30. The Combined Authority's overall aim of achieving clean and inclusive economic growth will require longer term measurement which take into account the impact of key schemes that are yet to be delivered.
31. All Combined Authorities are currently subject to five-yearly Gateway Reviews as part of the national gateway review process. These provide an independent evaluation of the impact of their Investment Funds.
32. The West of England Combined Authority Gateway Review was carried out during 2020 and it was confirmed in July 2021 that the Combined Authority has successfully passed the first of these scheduled Reviews, successfully unlocking the next 5-year tranche of Investment Funds. As already set out in the devolution deal document, this amounts to funding of £150 million from Government over the next five years, starting in 2021-22. As part of the process the Combined Authority produced a [Complementary Report](#) to provide context for the review
33. The next Gateway Review will focus on the impact of completed interventions and we anticipate that information about the preparation for this will be issued during 2022.

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**WEST OF ENGLAND COMBINED AUTHORITY  
CORPORATE RISK FRAMEWORK 2022**

## Introduction

1. This document sets out the West of England Combined Authority's approach to risk management. It sets out the process and activities the Combined Authority undertakes, and the roles and responsibilities for all staff, to ensure that key risks to the Combined Authority's delivery of its strategic objectives are identified, managed and monitored.
2. The West of England Combined Authority is committed to delivering its strategic objectives whilst having a clear focus on the potential risks and opportunities that face our business activities on an ongoing basis.
3. 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.
4. There is significant benefit arising from 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

5. The West of England Combined Authority takes a proactive approach to risk management based on the following key principles:
  - Risk management activity is aligned to corporate and business plan aims, objectives and priorities. The scope covers all strategic and operational areas where events may prevent the Combined Authority from fulfilling its strategic aims
  - Where possible we will anticipate and take preventative action to avoid risk rather than managing the consequences
  - We will seek to realise the benefits and opportunities that arise from the monitoring of risk
  - We will employ a consistent approach for the identification, assessment and management of risk which is 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 in the organisation
  - The Senior Management Team 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

6. Risk management is an integral part of the Combined Authority’s performance reporting process as set out in our Monitoring & Evaluation Framework and illustrated below.

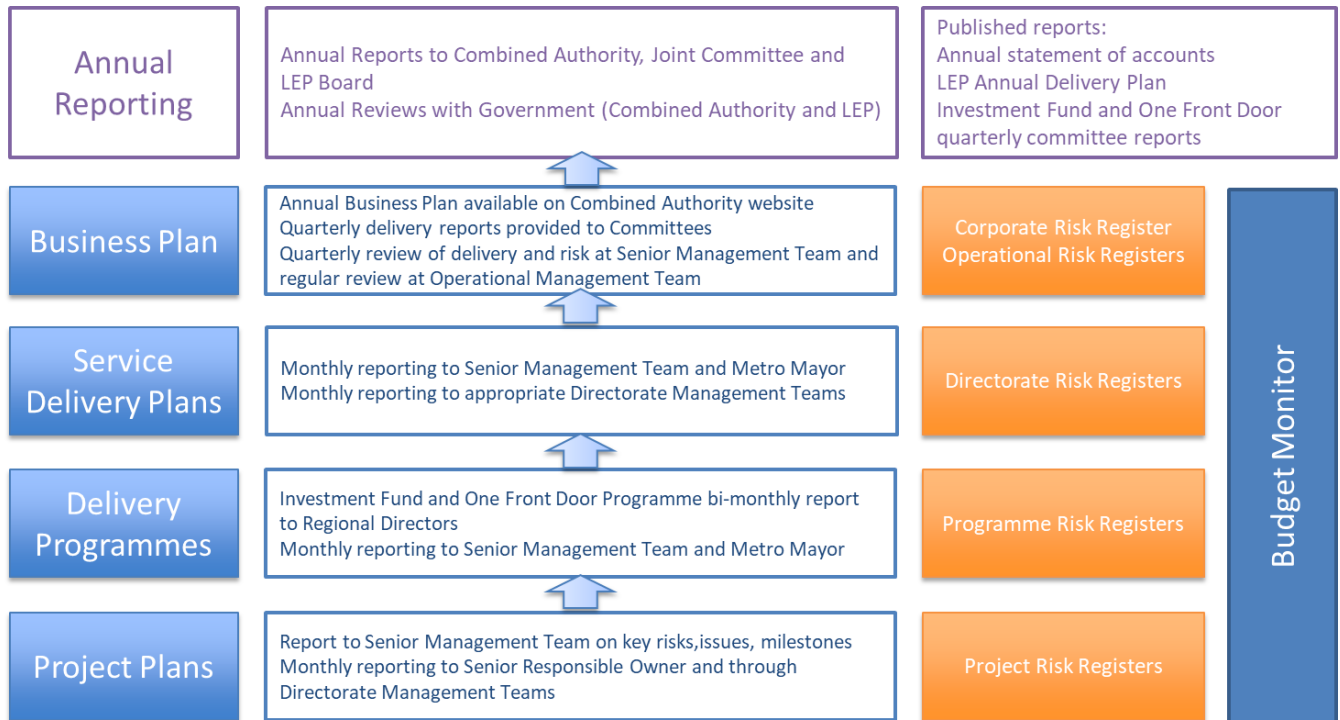


Figure one: West of England Combined Authority performance reporting process

7. Risk management is a cyclic process as illustrated below. Activities to identify and manage risks require regular monitoring of progress against the objectives in the business plan, the key risks to delivery, emerging risks and the impact of mitigating actions.

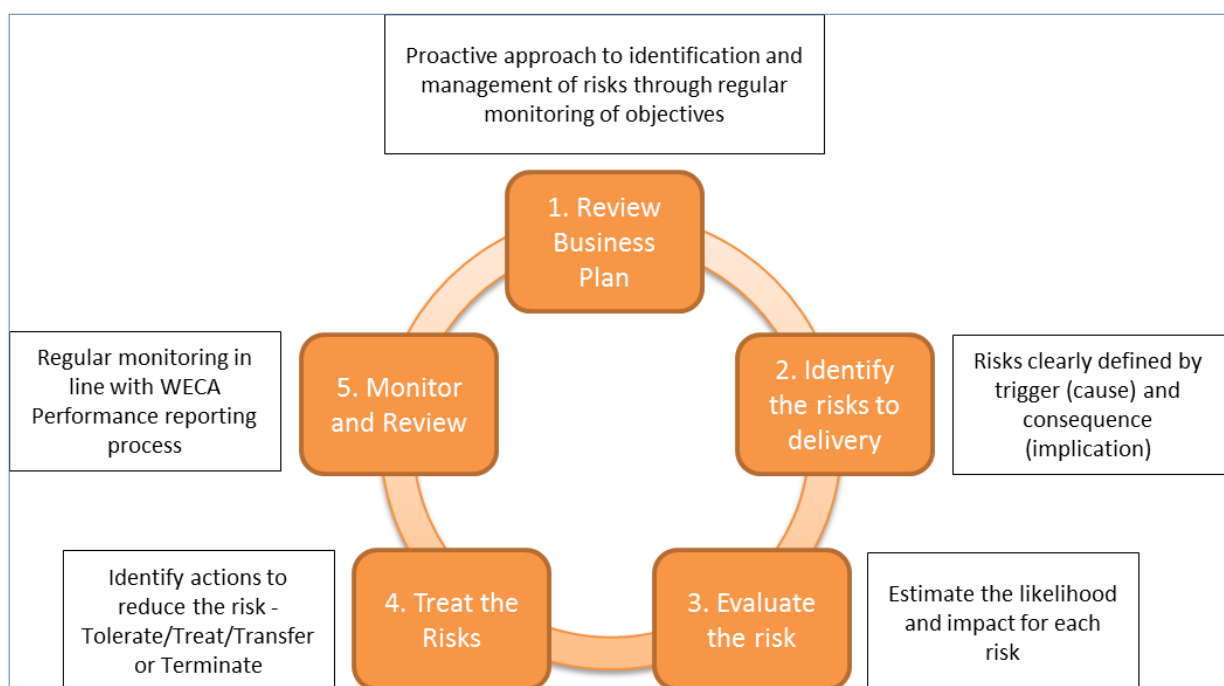


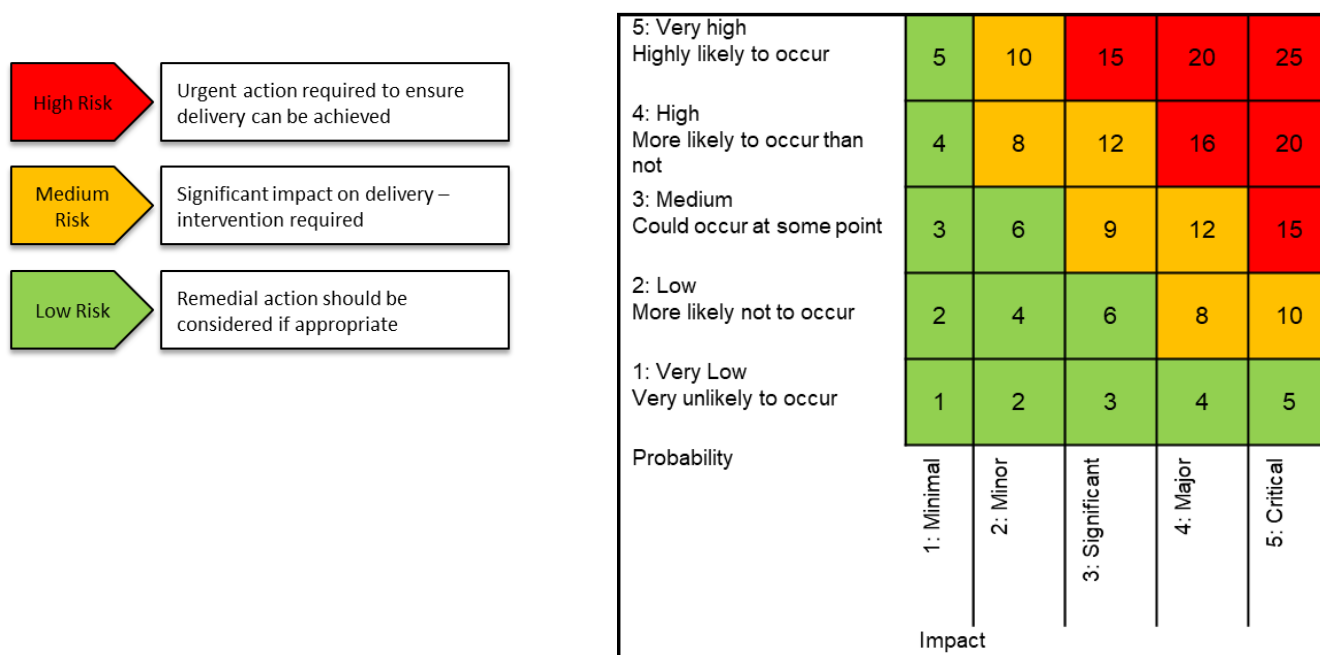
Figure two: West of England Combined Authority risk management process

8. The Combined Authority has strengthened this process during 2021, working with the Operational Management Team (Heads of Service and SMT members) to review the cross-cutting risks to delivery and to draw on collective expertise and understanding to help identify mitigations. Further detail of the role of OMT in both performance and risk management is set out in paragraphs 15 to 16 and figure four of this framework.

### Evaluation Criteria and Risk Appetite

9. Each risk is clearly defined and the cause and consequence stated. 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.
10. 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.
11. The likelihood of each risk occurring is also evaluated on a five-point scale with one indicating very low through to five for a very high likelihood of occurrence.
12. Once assessed, risks are mapped using a scoring matrix to ensure the Combined Authority 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.
13. Risks are recorded on a risk register which captures 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.

Figure three: West of England Combined Authority risk scoring matrix



14. Once a risk has been assessed and ranked four strategic options are available to manage them. These are described below 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.

## Management of Risk

15. As illustrated in figure four our approach ensures that risks are escalated upwards from project and programme risk registers through to Directorate risk registers which are reviewed each month by Directorate Management Teams.

16. For 2022 we are moving from a monthly to a quarterly cycle of formal reviews of Directorate, Operational and Corporate Risk to better align with reporting to Senior Management Team and to Committees.

17. The diagram below illustrates the specific roles of Directorate Management Team, Operational Management Team and Senior Management Team in relation to Risk Management and Performance Management.

Performance & Risk Management: Roles & Responsibilities Summary		
Directorate Management Teams	Operational Management Team	Senior Management Team
<b>Performance:</b> <ul style="list-style-type: none"> <li>- Monitor project and programme progress through regular project and programme highlight reports</li> <li>- Agree detail to include in monthly mayoral delivery/issue/mitigation conversation</li> </ul>	<b>Performance:</b> <p>Review of business plan scorecards* and/or specific projects (regular schedule) to:</p> <ul style="list-style-type: none"> <li>- discuss specific areas of risk and potential mitigations</li> <li>- celebrate success</li> <li>- identify lessons learned</li> <li>- Review quarterly report/scorecard for Mayor in advance of discussion at SMT</li> </ul>	<b>Performance:</b> <p>Regular review of business plan scorecards to discuss issues and risks arising from OMT</p> <p>Formal quarterly review of progress and agree quarterly report/scorecard for Mayor</p>
<b>Risk:</b> <p>Own and monitor Directorate Risk Register with quarterly formal review</p> <p>Review OMT and Corporate Risk Register in advance of formal quarterly discussion at OMT</p>	<b>Risk:</b> <p>Own and monitor OMT risk register with quarterly formal review</p> <p>Review Corporate Risk Register in advance of formal quarterly discussion at SMT</p>	<b>Risk:</b> <p>Own and monitor corporate risk register with quarterly formal review</p> <p>Agree quarterly update of corporate risk register to be shared with Mayor along with quarterly report/scorecard</p>

\* Scorecards in development, initial reporting likely to be project based.

Figure four: Roles and responsibilities of SMT and OMT in performance and risk management

## Roles and Responsibilities

18. The management of risk is a responsibility of all staff at the Combined Authority. Roles and responsibilities are set out below:

<b>Role</b>	<b>Responsibility for Risk Management</b>
West of England Combined Authority and Joint Committee	Oversee effective delivery of the Combined Authority's objectives and management of risk
West of England Combined Authority Audit Committee	Provide independent assurance of the risk management framework
West of England Combined Authority Scrutiny Committee	Provide scrutiny on progress to deliver the business plan
Senior Management Team	Accountability for delivery of the business plan and management of the risks affecting its delivery. Ownership of Corporate Risk Register
Operational Management Team	Review the cross-cutting risks to delivery and draw on collective expertise and understanding to help identify mitigations
Operations & Performance Team	Oversee the corporate risk management process, supporting Directors to ensure risks and mitigations are clearly defined. Provide quarterly risk updates to SMT and OMT. Draw on best practice to ensure approach remains up to date, including participating in network of combined authority risk managers.
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 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
<b>Costs</b>	Costs could increase by <b>up to 1% or £10k and under whichever is lower.</b>	Costs could increase between <b>1% and 5% or overspent between £10k to £50k whichever is lower.</b>	Costs could increase between <b>6% to 15% or overspent between £50k and £250k whichever is lower.</b>	Costs could increase between <b>16% to 25% above budget or between £250k and £500k whichever is lower.</b>	Costs could exceed budget by <b>greater than 25% or overspent of £500k or greater.</b>
<b>Benefits</b>	Benefits could decrease by <b>up to 1% or £10k and under whichever is lower.</b>	Benefits could decrease between <b>1% and 5% or overspent between £10k to £50k whichever is lower.</b>	Benefits could decrease between <b>6% to 15% or overspent between £50k and £250k whichever is lower.</b>	Benefits could decrease between <b>16% to 25% above budget or between £250k and £500k whichever is lower.</b>	Benefits could decrease exceed budget by a reduction of greater than <b>25% or decrease by £500k or greater.</b>
<b>Legal &amp; Governance</b>	All constitutional and legislative requirements have been met and the Combined Authority is acting within its statutory powers.	There is <b>potential for legal action</b> but measures to mitigate against any action can be demonstrated and no legislation has been breached. Litigation, claims or fines up to £10K	<b>Discretionary opinion</b> on the interpretation of <b>legislation or contractual terms</b> is applied to confirm the Combined Authority's ability to proceed with activities. Litigation, claims or fines up to £25K	<b>Discretionary opinion is not followed</b> and action taken contrary to advice of legal colleagues. Litigation, claims or fines up to £50k.	<b>Failure to comply with legislation</b> and contractual obligations leading to the <b>possibility</b> of a litigation, arbitration or adjudication <b>claim being brought.</b> Litigation, claims or fines up to £100K.
<b>Delivery</b>	Threat could have a minimal impact on the quality of, or delivery delays of <b>up to 3 months.</b>	Threat could have a minor impact on the quality of, or delivery delays of between <b>3 and 6 months.</b>	Threat could have a significant impact on the quality of, or delivery delays of between <b>6 and 9 months.</b>	Threat could have a significant impact on the quality of, or delivery delays of between <b>9 and 12 months.</b>	Threat could have a critical impact on the quality of, non- delivery, or delivery delays of <b>greater than 12 months.</b>
<b>Health &amp; safety</b>	Known H&S threats effectively managed through appropriate control measures.	Potential for <b>minor injury</b> to occur that can be satisfactorily managed through Safety Management Systems.	Potential for <b>moderate injury</b> 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.	<b>Severe injury or fatality</b> likely to occur. Regulatory body intervention probable with threat of statutory enforcement or prosecution.
<b>Reputation</b>	Minimal reputational impact.	<b>Minor poor media coverage</b> or negative stakeholder relations <b>contained locally</b> over a short period of time including social media.	<b>Poor media coverage</b> or negative stakeholder relations <b>contained locally but over a prolonged period.</b>	<b>Inability to maintain relations</b> with stakeholders. Potential for national media coverage impacting on stakeholder confidence in the Combined Authority	<b>Inability to deliver political policies.</b> Serious negative media coverage over a sustained period of time leading to political and/or <b>public loss of confidence in the Combined Authority</b> 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	

WofE CA Risk Register			Last Updated 07/04/2022															
ID	Category	Date entered on register	Risk Description	Risk Impact	Inherent Risk Score			Trend	Mitigation	Timeframe	Residual Risk			Trend	Risk Owner(s)	Mitigation (action) Owner(s)	Status	Date of last update
					L	I	Score				L	I	Score					
WECA-R023	Delivery	07/04/2022	There is a risk that increased inflation and economic issues arising from the situation in Ukraine will see cost escalation on programmes in delivery.	The impact could increase project costs in excess of 8% to 10% or more	5	4	20		Mitigations include re-engineering, ensuring specifications are tight, strong negotiations with suppliers to manage costs. There will be an expectation that partners will take a share of cost rises.	Ongoing	4	4	16		Director of Investment & Corporate Services	SMT	Open	
WECA-R017	Delivery	11/02/2021	There is a risk that supported bus services will need to be withdrawn due to higher and unaffordable contract prices caused by continuing low passenger numbers (still only 76% of pre-Covid levels at 30.03.22) and higher driver and fuel costs for operators.	Some communities will see a loss or reduction in their bus service and increased isolation from core health, leisure, shopping and employment opportunities. Fewer sustainable travel options will lead to higher car use.	4	4	16	↔	A proposal to increase the Transport Levy from 2023/24 has been put to the Local Authorities to offset some of the increased cost and enable more services to be provided. Significant investment through the CRSTS and BSIP programmes will increase the attractiveness of bus use over time, leading to services being less reliant on public subsidy.	Ongoing	4	4	16	↔	Director of Infrastructure	Head of Integrated Transport Operations	Open	06/04/2022
CS-R002	Financial	19/07/2018	There is a risk that the way that Government funds Combined Authorities will result in less funding to support delivery of projects.	Combined Authority capacity is currently resourced through short term funding streams - Mayoral Capacity Fund and Business Rates Retention pilot. Without confirmed funding the Combined Authority 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 both directly and with other Combined Authorities who are also impacted. A medium term financial plan is in place. Progress made in setting the 2022/23 revenue budget to reduce reliance on short term funding streams through more robust recharging to projects	Ongoing	3	5	15	↓	Chief Executive	Director of Investment & Corporate Services	Open	15/02/22
WECA-R008	Delivery	15/08/2019	Most of the mitigating activities required to address the Climate Change Emergency are outside of the Combined Authority's responsibilities and control.	We may not have all the levers to ensure a regional economy and infrastructure that is fit for a low carbon future and resilient to climate change.	4	4	16	↔	Climate and Ecological Emergency Strategy and Action Plan taken to Committee for approval in April 2022. £50m Green Recovery Fund agreed at Combined Authority Committee in Jan 2022 to operate over a 3 year period to 2025, with a focus on protecting the environment and reducing emissions, creating green jobs and increasing green skills provision. First businesses cases through the Green Recovery Fund will support a retrofit Accelerator and a Community Pollinator Fund. Appointment of Head of Environment to ensure that the CA has the specialist expertise to oversee this work	Ongoing	3	4	12	↔	Senior Management Team	Head of Environment	Open	06/04/2022
WECA-R012	Delivery	17/11/2020	There is a risk that delivery of key infrastructure projects will be delayed by the covid-19 pandemic, due to delays to construction as a consequence of limited resource and materials, and associated inflation risk.	This would result in delayed timescales and cost overruns	3	4	12	↔	Ongoing review of procurement strategies and timeline to mitigate resource and inflation risks.		3	4	12	↔	Director of Infrastructure		Open	06/04/2022
WECA-R018	Financial	15/02/2022	There is a risk that the Government's approach to Levelling Up sees investment going to other areas of the country	There is no additional investment to support some of our more deprived communities	4	4	16	↔	Continue the dialogue to make the case to Government for investment in the region	Ongoing	3	4	12	↔	Senior Management Team	Head of Strategy & Innovation (lead work on narrative); All SMT Members to support communication	Open	
WECA-R019	Legal & Governance	15/02/2022	There is a risk that the LEP Business Board Members will disengage due to uncertainties over the future of the LEP Board following the publication of the Levelling Up White Paper	The Combined Authority loses the benefits and insights offered through a strong business board	4	4	16	↔	Ongoing discussion with Board Chair, Vice Chairs and Members to explore how to develop the future role of the Board. Continue with planned Recruitment of new members to ensure key sectors are represented.	Jan - June 2022	3	4	12	↔	Chief Executive	Head of Operations & Performance	Open	

WECA-R015	Delivery	04/02/2021	There is risk of disruption to home working and office working arrangements should there be unforeseen IT outages	There would be disruption and delay to activity, if over an extended period of time this could result in missed deadlines	3	5	15	↓	We have contingencies in place through our IT supplier and a robust business continuity plan to ensure that areas for priority support are clearly identified	Ongoing	2	5	10	↓	Director of Investment & Corporate Services	Head of People & Assets	Open	15/02/2022
WECA-R020	Delivery	31/03/2022	There is a risk that external factors beyond our control (Covid, Brexit, Cost of Living, International Situation) will impact onto businesses and learners across the region.	We might need to reprioritise activities at short notice, flex programme criteria and seek additional funding to provide the support needed	3	3	9		We cannot easily mitigate against the unpredictable, but we can monitor the situation and be ready to mobilise, adapt the support available and to work with Government to make the case for additional funding and support. We have already demonstrated our ability to do this in our response to Covid which saw a realignment of our business and learner support activities and the introduction of our regional		3	3	9		Director of Business & Skills	Director of Business & Skills, with SMT Members	Open	31/03/2022
WECA-R022	Delivery	29/03/2022	There is a risk that cost of living rises may impact on the Authority's ability to recruit and retain staff, as well as having budgetary implications if staff pay negotiations are based on inflation	Increased living costs may make it difficult to recruit and retain staff	4	3	12		Ensure that staff pay and benefits are competitive in the local and regional market, with particular focus on specialist and hard to recruit posts. Contribute to national negotiations on staff pay, alongside our regional local government partners, to influence an outcome based on balancing the cost of living challenges with budgetary pressures	Ongoing	3	3	9		Director of Investment & Corporate Services	Head of People & Assets	Open	31/03/2022
WECA-R016	Delivery	04/02/2021	There is a risk that extreme weather events could disrupt delivery of infrastructure projects	There would result in delayed timescales and cost overruns	3	4	12	↔	Risk is monitored through programme delivery framework. We have contingency and risk financial allocations within individual project budgets.	Ongoing	2	4	8	↔	Director of Infrastructure		Open	
WECA-R003	Financial	19/07/2018	There is a risk that Committee members may be unable to reach agreement on key proposals.	The Combined Authority would be unable to realise the opportunities and benefits of the activities set out in the business plan and this would impact onto the integrity of the assurance framework	4	5	20	↔	Our Assurance Framework is agreed annually and sets out how funding decisions are made. Our Investment Programme is agreed. 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. Noted that good progress made in the January 2022 Committee Cycle where the 2022/23 CA Revenue budget was voted through unanimously. Ongoing activity to build on the relationships with the UAs to support delivery.	Ongoing	2	4	8	↔	Chief Executive	Director of Investment & Corporate Services	Open	15/02/2022
WECA-R007	Legal & Governance	29/03/2019	As with any public sector body that administers grant funding, 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	↔	Director of Investment & Corporate Services	Head of Grant Management & Assurance	Open	04/03/2019
WECA-R020	Delivery	15/02/2022	There is a risk that as we reshape the organisation for the future, the associated changes to key senior posts in the organisation / use of interims whilst recruitment is underway could affect delivery of organisational objectives	Time may be needed for new and interim post holders to be fully up to speed which could lead to delays.	4	3	12	↔	The Authority is working hard to reshape the organisation to ensure it is set up to deliver against our priorities. Interim appointments have been secured for the Director of Legal Services and the Director of Investment and Corporate Services, with interviews in place for the latter on a permanent basis in early April. The permanent Director of Infrastructure is currently out to advert, and interim interviews for the role are due to be held on 1st April 2022.	To be reviewed quarterly	2	3	6	↔	Senior Management Team	Chief Executive and Head of People & Assets	Open	31/03/2022
WECA-R010	Health & Safety	17/11/2020	There are ongoing risks to maintaining a safe working environment during the pandemic, both for staff coming into the office and those working from home for extended periods of time.	This could result in increased sickness absence, with associated delayed timescales and cost overruns	3	4	12	↓	We have processes in place to ensure managed use of the office has remained available, where legal and safe to do so, for those staff who really needed it and that government and public health guidelines are followed. We have a wellbeing strategy developed and promoted. Support remains available through Employee Assistance Programme. Mental Health First Aiders available. As we return to the office we have protocols in place for staff and visitors to ensure everyone can feel safe and these will be monitored and reviewed regularly.	Ongoing	2	3	6	↓	Senior Management Team	Head of People & Assets	Open	15/02/2022

# Independent Evaluation of Local Growth Interventions

West of England

Final Report



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**Approved by:**

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Date: 05/11/2020

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# 1. Introduction

## Investment Funds and the Gateway Review process

- 1.1** A series of Growth and City Devolution Deals have empowered local partners across the UK to design and deliver programmes to accelerate local economic growth. These Deals have encouraged partners within functional economic areas to work more closely together.
- 1.2** As part of this approach to local economic growth, city regions and counties across the UK (referred to as ‘localities’), including the West of England, were awarded long-term investment funds. Through the devolution process, the localities were able to use these resources as they saw fit, confident that the funding was in place for 30 years (subject to the Gateway Review process). Individual projects have been appraised locally within approved assurance frameworks which have been agreed with central government.
- 1.3** Key features of the approach agreed between UK Government and localities include:
- a long-term funding commitment, with agreed overall envelope: in the case of the West of England this is a 30-year commitment, to a value of £1bn, known as the West of England Investment Fund (WEIF)
  - the first five years funding confirmed, paid in annual instalments
  - a Gateway Review after the first five years, and then every five years subsequently; for the West of England, with the investment fund starting in 2016/17, this involves a Gateway Review by March 2021
  - the understanding that future funding beyond the first five years will be subject to the outcome of Gateway Reviews and Ministerial decision-making
  - agreement that the Gateway Review is informed by a review of the impact of investments, undertaken by an independent National Evaluation Panel; in November 2016, an SQW-led consortium<sup>1</sup> was appointed to deliver the work of the National Evaluation Panel.

## The National Evaluation Panel

- 1.4** The purpose of the National Evaluation Panel is to evaluate the impact of the locally-appraised interventions on economic growth in each locality to inform the Gateway Review and Ministerial decision-making on future funding. The Panel’s work is specifically focused on the investment fund, not the full ‘Deal’ awarded in each locality.

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<sup>1</sup> The consortium includes Cambridge Econometrics, Savills, Steer, and an Academic Group (Prof Martin Boddy, University of West of England; Prof Ron Martin, University of Cambridge; Prof Philip McCann, University of Sheffield; Prof Peter Tyler, University of Cambridge; and Prof Cecilia Wong, University of Manchester).

**1.5 The focus of this report is on the impact of activities supported by the investment fund, or the progress in delivery where it is too early for impact to be established.** The work of the National Evaluation Panel does not cover the processes of decision-making or delivery mechanisms, or advising on what projects should be supported. Linked to this, it is important to be clear that the Panel has not been asked to evaluate Mayors, or Combined Authorities, or the process of devolution in specific localities (or more generally). Hence the remit of the National Evaluation Panel is tightly defined.

**1.6** The work of the National Evaluation Panel to inform the first Gateway Review has involved:

- the development of a National Evaluation Framework
- the agreement of evaluation frameworks/plans for each locality, and subsequent delivery of the agreed evaluation research by the consortium, informed by monitoring data collected by the localities
- evaluation reports on impact and progress of the investment funds.

**1.7** The National Evaluation Framework was approved by the Steering Group<sup>2</sup> of the National Evaluation Panel in August 2017. It established three principal strands of work:

- **Impact Evaluation:** assessing the extent to which interventions supported by the investment funds have generated economic outcomes and impacts for their locality
- **Progress Evaluation:** where it is too early to evidence outcomes and impacts, even at an interim stage, an assessment of the progress that interventions have made in their delivery, for example, against anticipated expenditure, delivery milestones, and in generating outputs
- **Capacity Development and Partnership Evaluation:** to provide qualitative evidence on the effects of the investment funds on local capacity development and partnership working.

## This report

**1.8** This is the Final Report for the evaluation of the West of England Investment Fund, to inform the first Gateway Review. It is the second and final output from the evaluation, following a Baseline/One Year Out Report (OYO) approved by WECA in May 2020. This Final Report draws on, and is accompanied by, four Evidence Papers, which provide more detailed findings from the evaluation. These Papers are:

- **Evidence Paper 1:** a Progress Evaluation Evidence Paper, which sets out the findings on progress of the Investment Fund against intended spend, activity and output profiles

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<sup>2</sup> The Steering Group comprises representatives from the 11 participating Localities (Glasgow City Region; Greater Cambridge Greater Manchester; Leeds City Region; Liverpool City Region; Tees Valley; Cambridgeshire and Peterborough; Cardiff Capital Region; Sheffield City Region; West Midlands; West of England) and the Cities and Local Growth Unit (CLGU) on behalf of the Government.



- **Evidence Paper 2:** a Progress Plus Evaluation Evidence Paper, which focuses on progress made by the Bath Western Riverside project
- **Evidence Paper 3:** a “Project-Up” Case Study Evaluation Evidence Paper, which summarises strategic benefits arising from a package of rail interventions funded through WEIF
- **Evidence Paper 4:** a Capacity Building and Partnership Evaluation Evidence Paper, which provides evidence on how the Investment Fund has contributed to local economic development capacity and partnership working.

**1.9** [*To be included in final version*] The draft Final Report was reviewed and commended on by WECA and the National Evaluation Panel’s Academic Group.

## COVID-19

**1.10** This evaluation covers the period from April 2016 to end-June 2020, which includes the main period of disruption over March-June 2020 caused by the COVID-19 pandemic. The effects of COVID-19 on delivery in the West of England over this period, and the potential implications for outcomes in the future have been considered in the evaluation.

**1.11** Key findings related to COVID-19 are summarised in this report, and set out in more detail in the accompanying Progress Evaluation Evidence Paper.

## Structure

**1.12** The report is structured as follows:

- Section 2. Policy and economic context
- Section 3. Overview of the Investment Fund
- Section 4. Assessment of progress
- Section 5. Wider contribution of the Investment Fund.

**1.13** Three supporting annexes are provided:

- Annex A: Mapping and commentary on the Gateway Review indicators that are covered by the Final Report of the evaluation and its accompanying Evidence Papers
- Annex B: Peer Review comments from the Panel’s Academic Group, and responses to these
- Annex C: Economic forecasts and out-turns.

## 2. Policy and economic context

### Key messages

- The West of England’s Devolution Deal was agreed with Government in 2016, which resulted in the establishment of West of England Combined Authority (WECA) in February 2017 and the election of the Mayor in May 2017.
- Following its creation, WECA embarked on a process of strategy development, building on the existing Strategic Economic Plan and an emerging Joint Spatial Plan, Joint Transport Study and the Employment and Skills Plan. The JSP was submitted for examination in April 2018; subsequently, the Inspector raised major concerns and the JSP has since been withdrawn.
- WECA’s early strategy development was paused at the request of Central Government in order to co-develop a Local Industrial Strategy (LIS). Whilst this was underway, WECA published an Operating Framework in April 2018 to guide the early deployment of WEIF. The LIS was published in July 2019. Subsequently, this has framed the use of devolved investment funds.
- The West of England Devolution Agreement stated that the city region generated some £30.8 billion in economic output (GVA) was is home to 1.1 million people at the time, and that the West of England geography closely matched the functional economy of the city region. The economy is performing strongly in aggregate, but faces challenges in relation to congestion, housing shortages, and areas of continuing disadvantage.
- A series of economic projections which were generated to provide the context for this evaluation suggest that employment has grown quickly over recent years (prior to the pandemic), but productivity performance has been poor (in line with the UK) and worse overall than was anticipated at the time the Devolution Deal was negotiated and declining in some key sectors.

### The West of England Deal and wider policy context

- 2.1** The two decades leading up to the Devolution Deal were complicated ones in terms of local strategy, governance and delivery in the West of England. This backdrop is important in understanding the journey of the last five years.
- 2.2** After the abolition of Avon County Council in 1996, formal governance across the West of England was structured around four Unitary Authorities. The 1990s and first decade of the 21<sup>st</sup> century saw a succession of overlapping area-based initiatives driven by central government along with regional scale economic and regeneration strategies. At the time, a lack of coordination and political dynamics between the four Unitary Authorities tended to frustrate effective policy implementation.

**2.3** The **West of England Local Enterprise Partnership (LEP)** was formed in 2011, following the abolition of regional development agencies and regional assemblies (which had responsibility for regional spatial strategies, which were also abolished). Business-led according to the government but locally providing a strong platform for the four local councils, the new West of England LEP developed a **Strategic Economic Plan** for the West of England as a whole (published in 2014). This focused on economic development and skills, and the infrastructure needed to support both. It established the Enterprise Zone (focused around Bristol Temple Meads station) and a range of other Enterprise Areas across the city-region. In addition, the four unitary authorities came together to start preparing the **Joint Spatial Plan** for the West of England. They also collaborated around the roll-forwards of the **Joint Transport Study**, which was published in 2017 and set out a long-term transport vision for the West of England to 2036.

**2.4** The **Devolution Deal** was agreed with Government in 2016. This resulted in the establishment of **West of England Combined Authority** (WECA – see below), and provided for various devolved powers and responsibilities:

- £1 billion of investment to deliver infrastructure to boost economic growth in the sub-region. Government committed to providing £30m a year over a 30-year period, with additional funding expected from other sources
- full responsibility for the Adult Education Budget from 2019/20, helping ensure that adult skills provision meets the needs of West of England businesses and learners
- enhanced powers to speed up delivery of new housing in line with the Joint Spatial Plan
- a Business Rates retention pilot, which allows the three unitary authorities to retain 100% of business rates (up from 50%).

**2.5** Within the Devolution Deal, the West of England placed an emphasis on realising the economic potential of Enterprise Zones and Areas (and supporting/attracting businesses more generally), delivering high quality and sustainable growth in housing (with support for key large housing sites of 1,500+ homes), labour market integration for vulnerable groups, improvements to road and rail networks, and providing a high quality bus network (including enhancing the local bus offer and smart and integrated ticketing) which are of particular relevance to the Fund.

**2.6** In February 2017, three of the four West of England unitary authorities formally came together to form the **West of England Combined Authority**<sup>3,4</sup>. The West of England Mayor, first elected

<sup>3</sup> The fourth local council, North Somerset, was unwilling to sign up to the Combined Authority – but committed to cooperating with it and remained party to the JSP and Joint Transport Strategy. It is party to the West of England Joint Committee which includes the elected West of England Mayor and the leaders of all four unitary authorities.

<sup>4</sup> WECA covers the three Unitary Authorities of South Gloucestershire, the City of Bristol, and Bath and North East Somerset, and is therefore the geographical focus of the WEIF. However, the West of England LEP area also includes North Somerset. Some of the WEIF's projects are at least partially within North Somerset, and/or are delivering benefits in North Somerset. In a few instances, project leads/partners are based in North Somerset

in May 2017, chairs the Combined Authority (whose members also include the Mayor/leaders of the three unitary authorities). WECA has devolved powers relating to transport, housing and skills. When the Combined Authority was established, approximately 30 staff attached to the LEP transferred to it. The Combined Authority has since grown to approximately 150 members of staff.

- 2.7** Following its creation, WECA embarked on a process of evidence gathering, analysis and strategy development. However, following the publication of the national Industrial Strategy in November 2017<sup>5</sup>, WECA was asked by Central Government to pause its strategy development process and co-develop a **Local Industrial Strategy (LIS)** in collaboration with the Department for Business, Energy and Industrial Strategy (BEIS). Whilst this was underway, WECA published an Operating Framework in April 2018 to guide the early deployment of WEIF. The **Operating Framework** has remained broadly consistent throughout this period. The most recent update was presented in WECA's Business Plan 2020/21 (see Figure 2-1) and aligns closely with the LIS.

**Figure 2-1: WECA Operating Framework**



Source: WECA (January 2020) Investment Strategy. Originally presented in Operating Framework (May 2018) – Revised WECA Business Plan 2020/21

<sup>5</sup> Industrial Strategy: Building a Britain fit for the future Department for Business, Energy and Industrial Strategy, November 2017

- 2.8** The intention was that the LIS – together with the Joint Spatial Plan, Joint Transport Study and the Employment and Skills Plan (which were being developed separately) – should frame the use of devolved investment funds linked to the Devolution Deal and other national and local resources (as illustrated below). However, at the Examination of the JSP, the Inspector raised major concerns and the JSP was not taken forward. The four UAs withdrew from the JSP process and committed to further work to support strategic planning; this is currently underway.
- 2.9** The LIS was published in July 2019<sup>6</sup>. It set out main four priorities: cross-sectoral innovation from research through to commercialisation; inclusive growth with a focus on opportunities for employment and progression for all; addressing the productivity challenge, including adopting new technology and management practices and supporting businesses to trade; and capitalising on the West of England’s innovative strengths to deliver the infrastructure (digital and physical) necessary for future growth.
- 2.10** The LIS and the overarching Operating Framework remain the primary strategic documents guiding the high level economic development priorities in the West of England currently.

## The economic context

### An overview of the West of England

- 2.11** The West of England Devolution Agreement published in 2016 stated that the city region generated some £30.8 billion in economic output (GVA) was is home to 1.1 million people at the time. The agreement stated that the West of England geography closely matched the functional economy of the city region (85 per cent of people that work in the region lived in the region).<sup>7</sup>
- 2.12** In functional terms, the West of England is defined around the cities of Bristol (with an urban population of around 650,000 people), Bath (about 100,000 people) and Weston super Mare (around 90,000 people), with a number of other towns including Clevedon, Keynsham, Norton Radstock, Portishead, Thornbury and Yate. Looking back over half a century or so, the area’s economy has been characterised by both change and continuity. In terms of the latter, the aerospace cluster has been a major element throughout, particularly to the north of Bristol, and it continues to be recognised as a significant global hub. Port and airport activities are also important, as is tourism – albeit all three have had to adapt and evolve.
- 2.13** But there have been bigger changes too: major manufacturing sectors (tobacco; paper and packaging; food and drink; machinery; and some parts of the engineering sector) have all but disappeared; dock-related activities have gone from central Bristol; and manufacturing and engineering have also disappeared from Bath’s riverside. Recent decades have seen major expansion in financial and business services, much of it relocating from London to central

<sup>6</sup> West of England Local Industrial Strategy, July 2019. Published jointly by BEIS, WECA and West of England LEP

<sup>7</sup> West of England Devolution Agreement

Bristol; and the higher education sector (across four main institutions) has grown significantly too. The relocation of the docks and related activities from central Bristol opened up spaces for regeneration including office and residential, retail, culture and entertainment<sup>8</sup>; and increasingly, Bristol is recognised for the vibrancy of its arts and cultural industries. There is also a growing cluster around 'low carbon energy' – notably, Bristol was awarded European Green Capital for 2015.<sup>9</sup> In parallel, Bath has seen the growth of creative and business services; retail; personal services; and leisure activities.

- 2.14** In general terms, the West of England's economy is performing strongly, and many of the challenges it is facing are 'problems of success' (congestion, housing shortages, etc.). However there are also some underlying concerns. There are areas of continuing disadvantage – perhaps most especially south Bristol. The region has a high proportion of young people not in education, employment or training (NEET), a disparity in skills levels and opportunity, and a decreasing take-up of apprenticeships, all of which need to be addressed. In addition, output per person has grown more slowly than the rest of the UK since 2009 and the region's population is growing faster than the UK average. Whilst this will potentially provide the region with a large and diverse future workforce, it will also increase pressure on the existing transport and housing infrastructure.<sup>10</sup>

## Economic forecasts and out-turns

### Approach

- 2.15** To provide context for the impact and progress evaluations, the National Evaluation Framework recommended the use of economic forecasts to (a) identify how the economy in the West of England was expected to develop at the point that the Deal (including the investment fund) was agreed in 2015; and then to (b) compare this to actual out-turns at the point of the final evaluation (using actual out-turn data to 2019).
- 2.16** Creating the historic baseline (from 2015) involved the use of a projection from Cambridge Econometrics which was prepared using the data that were available at the time, tailored to reflect local circumstances where key additional developments were known about at the time. This projection sought to be as consistent as possible with policy makers' expectations of the wider macro environment around the time that the Deal and investment fund were agreed, and excludes economic and policy contexts/circumstances, which were not known at the time (most obviously Brexit).

<sup>8</sup> Boddy, M *et al* 2004 "Competitiveness and cohesion in a prosperous city region: The case of Bristol" in: Boddy, M. and Parkinson, M., eds. (2004) *City Matters: Competitiveness, Cohesion and Urban Governance*. Bristol: Policy Press, pp. 51-70

<sup>9</sup> West of England Devolution Agreement

<sup>10</sup> West of England Local Industrial Strategy July 2019

**2.17** Further details regarding the approach, technical considerations and limitations, and the detailed data from the initial projections and analysis of out-turns are set out in Annex B.

### Key findings

**2.18** The headline findings from CE's modelling work (for employment, Gross Value Added (GVA), and productivity) are set out in Table 2-1.

**Table 2-1: Comparison of projected and actual headline economic performance in the West of England**

	2015 projection	Actual out-turn
Change in employment 2013-19 (% per annum)	1.2	2.0
Change in GVA 2013-19 (% per annum)	2.3	2.3
Change in productivity 2013-19 (% per annum)	1.1	0.2

*Source: Cambridge Econometrics*

**2.19** Actual GVA growth in the West of England and the UK over 2013-19 was broadly in line with the baseline forecast. This was driven by much stronger than expected employment growth, at 2% pa between 2013 and 2019. In contrast, productivity growth was much slower than expected, at 0.2% pa over that period.

**2.20** Comparatively, GVA growth in the West of England (2.3% pa over 2013-19) was faster than in the UK which grew 1.9% pa over 2013-19. Employment growth in the West of England grew by 2.0% pa over 2013-19, while employment in the UK as a whole grew by 1.7% pa over 2013-19. Productivity in the West of England was forecast to grow by 1.1% pa over the period but was in fact much slower (0.3% pa). This was broadly in line with the UK as a whole, which also experienced weaker than expected productivity growth of 0.2% pa over 2013-19, compared to an expected 1.0% pa.

**2.21** The following points are noted:

- In terms of GVA, most of the service sectors were broadly in line with the forecast with less than 1 pp difference between expected and actual growth. Construction and Distribution sectors outperformed the forecast by 1.8 pp and 3.0 pp respectively. Manufacturing underperformed the forecast. This sector was forecast to grow by 2.2% pa over 2013-19, but GVA in those sectors declined by 3.4% pa.
- Almost all the sectors experienced higher than expected employment growth in the West of England, except for Agriculture and Manufacturing, which both saw a fall in employment. The stronger than expected employment growth in the West of England was driven by above forecast growth in Government services (1.4 pp above the baseline forecast) and Transport and storage (3.4 pp above the baseline forecast).

- Productivity growth was slower than expected in more than half the sectors in the West of England. Manufacturing and Information and communication both saw declining productivity over 2013-19, falling by 2.1% pa and 1.6% pa respectively.

**2.22** The sectoral patterns in GVA, jobs and productivity are important. Overall, the data suggest that the West of England has seen strong growth in service industry jobs. This might be contributing to the slow productivity growth observed over 2013-19. For example, the accommodation and food services sector has seen strong employment growth (4.6% pa), but jobs in this sector are often low paid and unproductive. Typically, the manufacturing sector generates strong economic output. However, in the West of England, GVA growth in manufacturing fell by 3.4% pa and employment in the sector declined by 1.3% pa.

### Implications for the evaluation

**2.23** The projections suggest that employment has grown quickly over recent years (prior to the pandemic). Conversely the sub-region's performance in respect of productivity has been poor (in line with UK trends), and worse overall than was anticipated at the time the Devolution Deal was negotiated and actually declining in some key sectors.

**2.24** These observations do no more than provide the context for the evaluation. But insofar as the aim was to improve productivity (which was certainly a central theme within the LIS), they suggest that there is a continuing job to be done. This challenge is well-recognised by Government at a national level. Progress will need to be made to reverse this trajectory, recognising also that in the wake of COVID-19, bullish assumptions about jobs growth can no longer be sustained. This all suggests that the effectiveness or otherwise of interventions funded through WEIF needs to be understood, and the lessons from the first five years of delivery need to be both captured and acted upon.



### 3. Overview of the Investment Fund

#### Key messages

- The Fund provides £30m per annum over 30 years, with a mix of capital and revenue funding available.
- The West of England’s approach to deploying WEIF has evolved considerably over a relatively short period of time. WECA published its first Investment Strategy in November 2019, following the publication of the LIS. This set out an Investment Programme to March 2023, and WECA’s “single pot” approach to managing the Fund (and other funding streams such as TCF). Prior to this, despite an Operating Framework being in place, the early process of prioritisation was difficult, in part because the LIS was still being developed. The approach to allocating and spending WEIF was therefore cautious initially.
- Six WEIF-funded interventions were considered “in scope” for this evaluation, all of which have been subject to Progress Evaluation. One – Bath Western Riverside – has also involved “Progress Plus” evaluation. Many of the “big ticket items” in relation to WEIF and the Devolution Deal more generally are progressing, but they are long term ventures that were insufficiently advanced at this stage to be meaningfully evaluated at the project level. They will need to be considered more fully as the West of England approaches Gateway 2 in 2025.

#### Coverage of the Investment Fund

Scope	
Value of fund	£30m per annum
Length of fund	30 years
Number of interventions in scope of the evaluation	6
Value of interventions in scope of the evaluation	£17.1m Investment Fund £41.5m total
Funding type	Mixed (50% revenue and 50% capital overall)
National Evaluation Framework Thematic coverage	
Transport	Yes
People	Yes
Infrastructure	Yes
Enterprise & Innovation	Yes
Other	No

## Strategic overview of Fund approach and model

- 3.1** In governance terms, the Fund is overseen by the WECA Committee, which 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 Mayor of Bristol. The WECA Committee approves and reviews the WEIF portfolio. The West of England Joint Committee includes North Somerset Council, and has formal powers over the investment of EU and Local Growth Funds, and oversees joint planning and transport matters which span that geography. The Joint Committee is informed/advised by the LEP Board to provide input from the business community, the Chief Executives (of WECA/LEP and Unitary Authorities), and the Combined Authority's Skills, Business, Transport and Housing and Planning Boards.
- 3.2** Beyond formal governance, in seeking to understand how the Fund operates, it is appropriate to consider the last five years in two main phases. Latterly, the processes have been clear. Conversely, the early years need to be recognised to be formative ones. For this reason, we start by describing the current situation and then capture comments on the journey towards it.

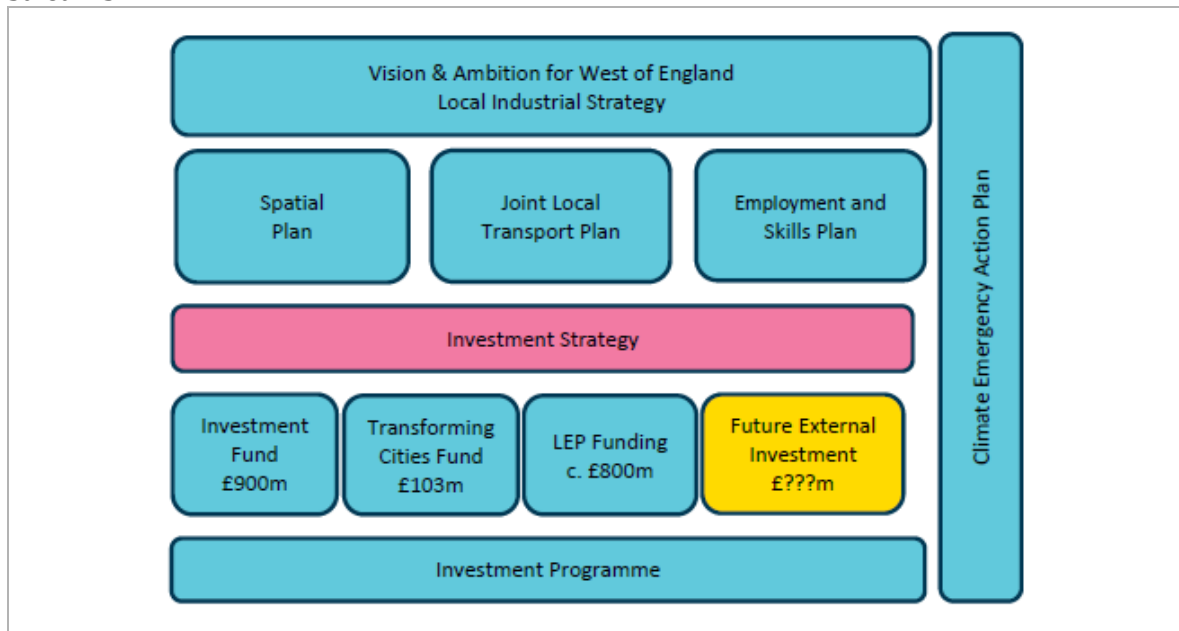
### Since 2019

- 3.3** Following the publication of the LIS in July 2019, WECA published its first Investment Strategy in November 2019. This set out an Investment Programme to the value of £350m to March 2023<sup>11</sup>. The programme aligns investment proposals with key regional strategies (predominantly the LIS) and core objectives for the West of England (summarised in by the Operating Framework). As illustrated below, WECA has adopted a “single pot” approach to manage the Fund, which consolidates WEIF with other funding streams, including Transforming Cities Fund. The Investment Strategy states that, “*where feasible and relevant we ‘mix and match’ spend from individual projects across different funds in order to maximise and retain maximum investment into the area*” but also notes that each funding stream carries constraints and specific time periods for spend to incur.

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<sup>11</sup> Note that so far, WECA has not sought to put in place arrangements to fund borrowing through WEIF.

**Figure 3-1: Alignment between the West of England Strategic Priorities and funding streams**



Source: WECA (January 2020) Investment Strategy

- 3.4** The Investment Strategy also set out the overall criteria and principles against which the WEIF would be allocated. This includes a focus on ‘additionality’, contribution to the strategic direction for the region, fit with the wider programme of interventions, leverage, and value for money. At a practical level, funding applications are subject to the “assurance stage gate process” set out in WECA’s Assurance Framework. Under this Framework, interventions are prioritised using a “weighted scorecard approach” across the key themes of transport, other infrastructure, business and skills.

#### Before 2019

- 3.5** The paragraphs above explain the approach to deploying the Fund in the West of England as it now stands. However, **it is important to recognise how this approach has evolved considerably over a relatively short period of time.**
- 3.6** The Devolution Deal was announced in March 2016, but WECA was not formally created until February 2017 and the Mayor was then elected in May 2017. It is also important to note that WECA expanded as an organisation between 2017 and 2019, with greater capacity and expertise in-house to establish internal processes (such as the assurance framework and approach to risk management) and support the deployment of the Fund.
- 3.7** As discussed in the *Capacity Building and Partnership Working Evidence Paper (Evidence Paper 4)*, consultees described how WEIF was initially deployed in a strategic “void” due to WECA

being in its infancy, the timing of the LIS, and complications associated with the JSP<sup>12</sup>. Consultees commented that, even though an Operating Framework was in place, the timing of the LIS made the early process of prioritisation difficult, particularly for the business, innovation and skills interventions.

**3.8 In this context, the approach to allocating and spending WEIF was cautious initially.** The Fund was invested in a small number of early projects which were perceived as “quick wins” to boost confidence, but the emphasis was on developmental and feasibility work for longer-term, ambitious interventions and capital spend on transport interventions (many of which had been identified in the Joint Transport Study, such as MetroBus, MetroWest, mass transit, cycling schemes, and on-demand information and smart-ticketing across the bus network). **There was a notable sharpening in the approach to the deployment of the WEIF during 2019.** This was enabled by the LIS, which was considered to be helpful in supporting prioritisation, and WECA working closely with partners to develop project ideas during Spring/Summer 2019 once the LIS had been agreed to inform the Investment Strategy above.

### Interventions in scope of the evaluation

**3.9** The evaluation to inform the first Gateway Review is focused on interventions that had been approved formally within the first Gateway Review period, and where significant Fund expenditure has been incurred (potentially in full). In practice, to allow sufficient time for evidence on progress of delivery to emerge, to inform the evaluation, this meant interventions that commenced delivery and expenditure before December 2019.

**3.10** Within these criteria, **six interventions are covered in the evaluation**, as agreed in the West of England Evaluation Plan<sup>13</sup>. The interventions are summarised in Table 3-1. Two of these interventions are completed (Bath Western Riverside and Real Time Information System Upgrade) and four were ongoing at the time of the evaluation (Cribbs/Patchway New Neighbourhood Cycle Links, On-Bus Contactless Bank Card Payments, South West Institute of Technology and Workforce for the Future).

**Table 3-1: Interventions covered by the evaluation to inform the first Gateway Review**

Intervention	Summary	Investment Fund allocation (lifetime total)
Bath Western Riverside	WEIF funding has enabled Bath and North East Somerset Council (B&NES) to acquire 3.9 acres of brownfield land from a developer in order to unblock a stalled strategic housing project on the city’s old gas works.	£8.3m

<sup>12</sup> The inspector raised a number of concerns, notably in relation to the approach taken in the selection of Strategic Development Locations and housing supply assessment, and the justification for removal of land from the Green Belt. As a result, the JSP was eventually withdrawn by the unitary authorities.

<sup>13</sup> Agreed with WECA in November 2019

Intervention	Summary	Investment Fund allocation (lifetime total)
Cribbs/Patchway New Neighbourhood (CPNN) Cycle Links	The CPNN Cycle Links package will deliver cycle infrastructure improvements ahead of the Filton Airfield site development.	£3.325m
On-Bus Contactless Bank Card Payments	The On-Bus Contactless Bank Card Payment project will support smaller bus operators to replace ageing equipment and introduce contactless bank card payment technology.	£416k
Real Time Information System Upgrade (RTISU)	The RTISU project was designed to improve the reliability and 'user friendliness' of bus services. Specifically, the scheme has provided an improved real time information system for bus services.	£559k
South West Institute of Technology (IoT)	The IoT will deliver new technical, higher skills and training programmes via a digitally-connected hub and spoke model. It brings together a collaboration of five educational institutions and 11 employers across the West of England.	£500k
Workforce for the Future (WFTF)	The WFTF project is intended to improve SME workforce planning and their capacity to provide placements/work experience, encourage uptake of apprenticeships, improve curriculum and course design to better meet employer needs, and improve learner/career progression.	£4m

Source: Progress Evaluation Evidence Paper

### A note on what is not 'in scope'

**3.11** It is important to recognise that for the West of England, the projects in scope do not include many of the "big ticket" projects in relation to WEIF and the Devolution Deal more generally. The funding allocated to these projects is substantial. Examples include:

- Cribbs Patchway Metrobus Extension, allocated just over £22m to March 2023. This scheme will improve connectivity by providing fast and direct MetroBus routes between Bristol Parkway Station through to the Cribbs Patchway New Neighbourhood.
- Metrowest Phases 1 and 2, allocated nearly £17m to March 2023. Phase 1 will re-open the Portishead rail line to passenger train services and to enhance local passenger train services on the Severn Beach and Bath to Bristol lines. Phase 2 will then re-open the Henbury Line to an hourly spur passenger service and increase train services to Yate to a half-hourly service.
- The Quantum Technologies Innovation Centre+ (QTIC+) (allocated almost £34m to March 2023). This project, led by the University of Bristol, will enable existing facilities to expand

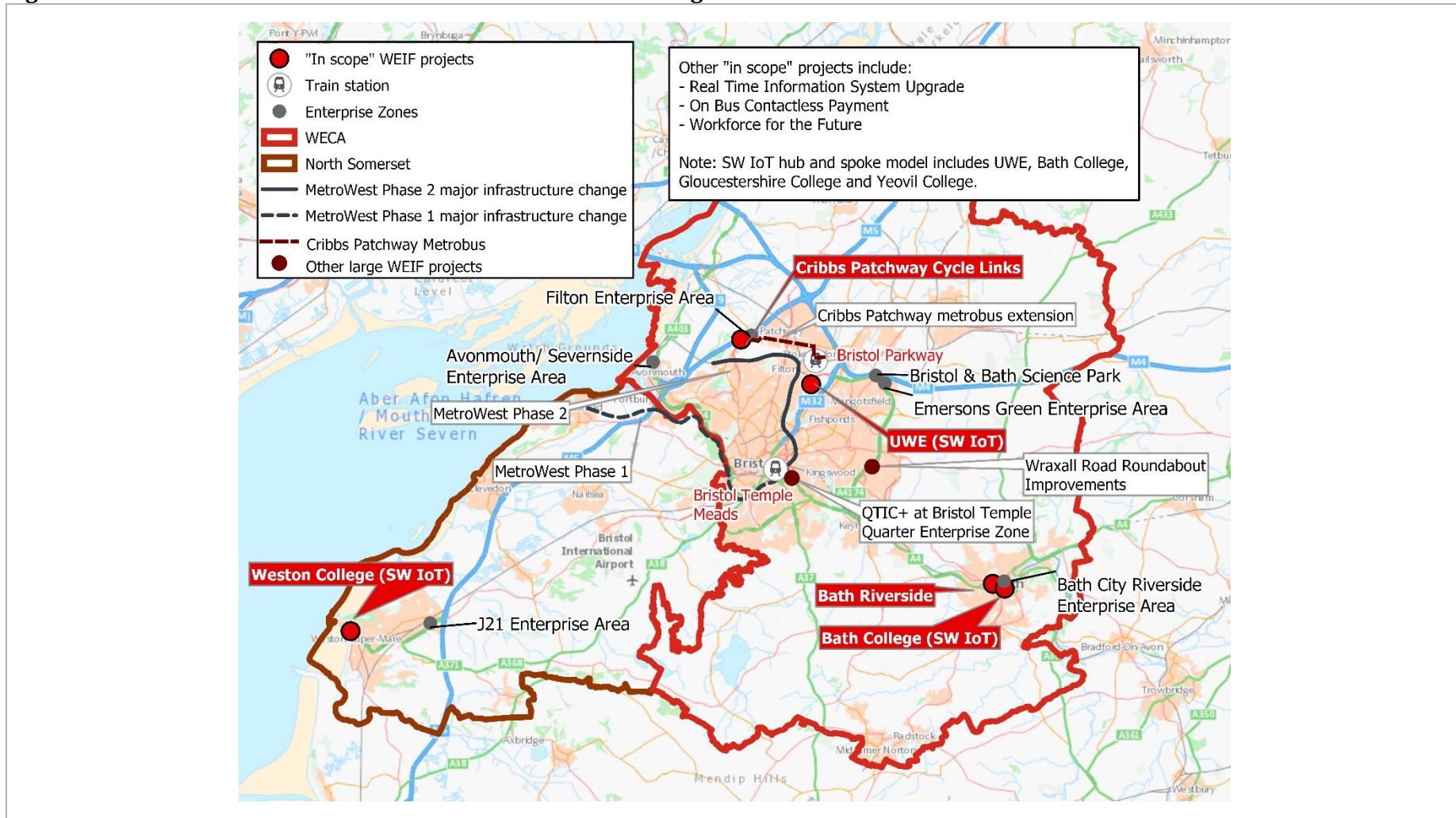
to support the development, commercialisation and growth of businesses in quantum and other disruptive technologies.

- 3.12** The “big ticket” interventions are progressing – and stakeholder consultees often made reference to them in general terms – but they are long term ventures that were insufficiently advanced at this stage to be meaningfully evaluated at the project level. However it is important to recognise that the overall impact of WEIF (certainly in relation to its early years) is substantially vested in them. In time, these interventions will therefore need to be the focus for impact evaluation. It will also be important that they are considered more fully as the West of England approaches Gateway 2 in 2025.
- 3.13** WEIF has also funded a number of feasibility and preparatory studies that are not within scope of the evaluation. Once complete, these are expected to lead to significant capital investment in the short-to-medium term as schemes are implemented. Examples include the Strategic Park and Ride scheme, the Bus Strategy Infrastructure Programme, Mass Transit Options studies, the Bristol Temple Meads Masterplan and Eastern Entrance studies, and a series of housing Masterplans.

### **Spatial location of key interventions**

- 3.14** The spatial location of the interventions across West of England is shown in Figure 3-2. The map shows the locations of “in scope” interventions – Bath Riverside, Cribbs Pathway Cycle Links Project, and South West IoT project locations. Three of the six interventions in scope are not place-specific and span the West of England geography; they are not therefore shown on the map. As well as the interventions that are “in scope” for the purposes of this evaluation, the map also includes a number of other key WEIF-funded projects such as MetroWest 1 and 2, the Cribbs Patchway Metrobus Extension, QTIC+ and Wraxall Road Roundabout Improvements.

**Figure 3-2: Investment Fund interventions within the West of England**



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Source: Produced by SQW 2020. Licence 100030994.

Other important projects that have been allocated over £5m of WEIF funding include: MetroWest 1 and 2, the Cribbs Patchway Metrobus Extension, QTIC+ and Wraxall Road Roundabout Improvements.

## Evaluation approach

- 3.15** The remit of the National Evaluation Panel is to provide evidence on the impact of the funds in delivering local growth outcomes. However, as noted in Section 1, in some cases – even where interventions have spent significant sums – it was considered too early to evidence impacts at this evaluation stage. In these cases, interventions have been subject to progress evaluation only. Many other interventions (including most of the larger ones) are insufficiently advanced even to be appropriate for progress evaluation, particularly where investment to date has focused on feasibility and preparatory work rather than implementation.
- 3.16** All interventions covered by the evaluation are subject to progress evaluation. However, this evaluation does not contain impact evaluation for the two completed interventions (Bath Western Riverside and Real Time Information System Upgrade). It was agreed with WECA during the development of the Evaluation Framework that:
- Because the Bath Western Riverside project concerned the acquisition of land to unlock a strategic housing scheme (which has yet to be completed) it would be too early to attempt an impact evaluation. Instead, this project is assessed through a “Progress Plus” evaluation.
  - For the Real Time Information System Upgrade (RTISU) project, the cost of evaluating the intervention was deemed by WECA to be disproportionate to the scale of WEIF expenditure (at £559,000). This project is therefore subject to Progress Evaluation only.



## 4. Assessment of progress

### Key messages

- The Fund created space for a strategy-led approach to deployment, but this has also meant (in conjunction with establishing the Combined Authority and the timing of the LIS) that deployment has been relatively cautious to date.
- WECA had approved awards and allocated £157.59m of funding to 80 projects by the end of June 2020, across three themes of transport, business and skills, and housing. This allocation is sourced through a combination of WEIF and TCF, in line with WECA's "single pot" approach, and is expected to be incurred through to March 2023. Of these 80 projects, just over half were feasibility and preparatory studies, and the large majority were still underway.
- By June 2020, WEIF expenditure was £40.81m across the whole project portfolio, plus £5.7m on WECA set-up, election and operating costs. This includes feasibility/preparatory studies for large and complex schemes and transport schemes, including some of the key commitments in the Devolution Deal.
- Expenditure across the portfolio as a whole by June 2020 was around 20% below target, equivalent to an under-spend of approximately £10m. This is largely explained by under-spend on eight projects, all of which are outside the scope of this evaluation.
- By March 2021, WECA now expects to spend nearly £86m of WEIF across the project portfolio. Expenditure on projects is expected to ramp up considerably thereafter, with a further £172.4m set aside for projects currently undergoing feasibility/development, in addition to a further £71.39m that will be spent on existing projects.
- Actual WEIF expenditure for the six projects in scope was £10.27m by June 2020, with only £190k in match funding to date (in part, explained by difficulties in drawing down Central Government match). Two projects were completed on budget, one on-going project was slightly behind target but three projects were significantly behind target by June 2020 (based on targets in the Baseline/OYO Report). Under-spend was attributed to difficulties in drawing down match funding from Central Government, inter-dependencies with project partners, COVID-19 issues, alongside project-specific challenges, such as adverse weather impacting on construction and procurement difficulties. Targets have since been reprofiled and all projects were broadly on track by June 2020 in relation to the revised targets.
- The Bath Western Riverside "Progress Plus" evaluation found the use of WEIF has been instrumental in unlocking a stalled, strategic housing development, and will enable B&NES Council to have direct control over the type of development which takes place on its land (notably to increase access to affordable housing for young people and families) to better reflect and maximise the scheme's contribution to the economic growth needs of the city.

## Overview of progress<sup>14</sup>

Expenditure	All interventions	"In scope" interventions
<b>Baseline/OYO report targets</b>		
Anticipated expenditure by end-June 2020	£51.7m Investment Fund	£12.7m Investment Fund
Actual expenditure by end-June 2020	£40.8m Investment Fund	£10.3m Investment Fund
Investment Fund expenditure as % anticipated	78.9%	80.7%
<b>Latest available targets (including any reprofiling)</b>		
Anticipated expenditure by end-June 2020	£51.0m Investment Fund	£10.3m Investment Fund
Actual expenditure by end-June 2020	£40.8m Investment Fund	£10.3m Investment Fund
Investment Fund expenditure as % anticipated	80.0%	99.7%
<b>Status of interventions</b>		
Interventions completed by end-June 2020	9	2
Interventions on-going at end-June 2020	71	4

## Expenditure

- 4.1** As explained in Section 3, WECA has approved an Investment Programme containing project allocations to the value of £350m to March 2023, which draws on funding from WEIF (i.e. the devolved fund) and TCF. It is important to note that, throughout this Section, data on expenditure to June 2020 and expenditure expected by March 2021 refers to WEIF funding only. However, expenditure between April 2021 and March 2023 refers to a combination of WEIF and TCF, and WECA is unable to disaggregate WEIF funding only by project during this period. This means that "total funding allocated" to projects in the paragraphs below could include some TCF funding (if expenditure is expected post-March 2021).

<sup>14</sup> Target and actual expenditure to date was not available for match funding across the portfolio as a whole.

## WEIF-funded portfolio

**4.2 WECA had approved awards and allocated £157.79m of WEIF funding to 80 projects by the end of June 2020, which will be incurred by March 2023<sup>15</sup>.** At this point, the project portfolio comprised:

- The portfolio comprises 34 transport interventions (£73.94m), 28 business and skills interventions (£59.41m) and 18 housing interventions (£24.44m).
- 12 complete projects and 68 live projects
- a large number of funding feasibility/developmental projects (42 out of 80).

**4.3** In addition, £12m of WEIF has been set aside to respond to opportunities and challenges (including the COVID-19 Recovery Task Force), and £7.82m has been allocated to WECA set-up and operating costs to 2023. **This gives a total WEIF allocation at June 2020 of £177.61m through to March 2023.** A further £172.40m of WEIF/TCF is set aside for “tails” of projects<sup>16</sup> over this time period, but this funding has not yet been formally awarded to projects which are in development.

**4.4** By June 2020, a total of £40.81m of WEIF funding had been spent across the whole project portfolio, of which £10.27m had been spent on the six projects “in scope” (discussed in more detail below) and £30.53m had been spent on projects across the wider portfolio. Two projects accounted for over half of all portfolio spend to June 2020: Cribbs Patchway Metrobus Extension, a new express bus service (£14.6m spend), and Bath Western Riverside land acquisition that will unlock significant housing development (£8.3m spend). Both are closely aligned with key commitments set out in the Devolution Deal to deliver “a high quality bus network” and “an ambitious target for delivering new homes”.

**4.5** The remaining spend to date had been spread across 58 projects, most of which had incurred less than £1m by June 2020. Again, these projects include feasibility and preparatory work that will underpin progress against priorities set out in the Devolution Deal, such as preparatory work to unlock housing development (e.g. at Lockleaze and Hengrove), options assessment for mass transit, and development of the Enterprise Zone.

**4.6** Throughout this evaluation, we have compared actual expenditure against two targets: first, those presented in the Baseline/OYO Report; and second, reprofiled targets updated in June 2020. Both targets give a very similar picture that, **across the portfolio as a whole, expenditure was c.20% or c.£10m behind target by June 2020:**

- Using Baseline/OYO targets, WECA anticipated expenditure of £51.7m by the end of June 2020 across the WEIF project portfolio as a whole. Actual expenditure (of £40.81m) was therefore 21.1% behind target, equivalent to £10.9m under-spend, by June 2020. Using

<sup>15</sup> According to WECA data, only four projects in the existing portfolio will incur expenditure after March 2023, and this amounts to £4.13m in total.

<sup>16</sup> i.e. assumed implementation costs to March 2023 that will flow from the awarded development works (these are only indicative and not formally/publicly awarded to projects at present).

these targets, the proportional under-spend on the six projects “in scope” is very similar to the wider portfolio.

- The latest available (reprofiled) targets indicate an anticipated expenditure of £51.0m by the end of June 2020 on projects. Actual expenditure by this point is therefore 20.0% behind this target, equivalent to £10.2m under-spend, by June 2020. Using the latest targets, expenditure across the six projects “in scope” is broadly on track on aggregate (note, performance is variable within the six projects, as we discuss in more detail below) and the shortfall is due to under-spend across the wider portfolio of projects. The variance between planned and actual expenditure to June 2020 was -0.2% for the six interventions in scope and -25% for the other WEIF interventions.

**4.7** Eight projects account for the majority of portfolio underspend by June 2020, all of which are outside the scope of this evaluation. MetroBus accounts for the greatest share (in absolute terms), with an underspend of £7.6m against reprofiled targets. On this project, it was not possible to make use of a planned rail possession to replace a bridge under the railway due to COVID-19; the next available possession is six months later than originally planned, which has had a major impact on the forecast. Seven other projects account for most of the remaining underspend: these are Great Stoke and Wraxall Road roundabout improvements, Somer Valley Enterprise Zone developmental work (which includes transport improvements), Mass Transit Options work, Charfield Station and the LIS Productivity Challenge (these are all behind target), plus Bristol Temple Meads Eastern Entrance (which had under-spent against interim targets due to unused contingency budget).

**4.8 In addition to WEIF expenditure on projects, £5.7m had been spent on WECA set-up, election and operating costs by June 2020<sup>17</sup>.** This includes the 2017 Mayoral election, costs for establishing WECA, third party support costs associated with early work on WEIF scheme identification and prioritisation, and early WECA running costs.

**4.9 By March 2021, WECA expected £79.5m of WEIF to be spent on projects** at the time of the Baseline/OYO Report, out of a total Fund available over the first five years of £150m (£30m per annum). However, since then, some existing projects were reprofiled (mostly to push back expenditure) and 22 projects have been added to the portfolio. As a result, **the expected WEIF spend by March 2021 has increased slightly** in the latest data provided by WECA to **£86.40m by March 2021** (54.1% of the total WEIF allocated to projects date). This effectively means doubling the amount that had been spent by June 2020 over a nine-month period to March 2021. Following the recent review of deliverability across all projects, WECA believe this is achievable.

**4.10 After March 2021, WEIF expenditure on projects will ramp up considerably through to March 2023.** This follows preparatory and feasibility work for a number of large and complex schemes that are now close to implementation. WECA is currently anticipating a further

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<sup>17</sup> Target to June 2020 not available.

£244m<sup>18</sup> to be spent on projects between April 2021 and March 2023, which includes ongoing investment in existing projects currently being delivered (£71.39m) as well as projects moving from feasibility to implementation (i.e. £172.40m of “tails”). Of this, £141m will be sourced from WEIF and £103m will be sourced from TCF, but WECA is unable to disaggregate planned expenditure over this period by project. Key projects coming forward during this period include: Bristol Temple Meads Eastern Entrance (£23.93m will be spent over this period), and Somer Valley Enterprise Zone infrastructure (£15.69m). All three of these projects are currently in receipt of WEIF funding for preparatory/development works. QTIC+ will also account for substantial amount of WEIF expenditure between 2021/22 and 2022/23 (£21.18m).

### Six projects in scope

**4.11** As above, **£10.27m had been spent on the six projects “in scope” by June 2020**. Again, this has been compared to two targets: those presented in the Baseline/OYO Report, and more recently reprofiled targets. Key observations are as follows:

- **Using Baseline/OYO targets**, WECA anticipated expenditure of £12.72m by June 2020 across the six projects in scope, so actual expenditure of £10.27m is 19.2% below target (equivalent to £2.4m underspend). This aggregate picture masks variable performance within the group of projects:
  - For the two completed projects, spend was delivered on target.
  - For the ongoing projects, expenditure was close to target for the On-Bus Contactless Payment project (-4%), but substantially behind target for the remaining three projects of CPNN, the IoT and WFTF (where expenditure was half of target, or lower). In the case of the IoT and WFTF, under-performance was due to difficulties drawing down DWP and ESF match funding.
- **The latest available target (reprofiled in June 2020) for expenditure** by the end of June 2020 was £10.30m and so actual expenditure of £10.27m was only 0.2% behind the revised target (equivalent to £23k underspend). The reprofile has meant that expenditure for all six projects in scope is broadly in line with revised targets.

**4.12** The six projects in scope had levered £190k in match funding by June 2020. This is less than half of anticipated match funding at the Baseline/OYO Report (£477k) and demonstrates the implications of delays in drawing down wider public/private funding alongside WEIF.

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<sup>18</sup> In addition, WEIF funding has been set aside for opportunities/challenges and WECA operating costs

## Out-turn of completed interventions

### Summary overview

**4.13** By the end of June 2020, two of the interventions supported by the Investment Fund had been completed: Bath Western Riverside and Real Time Information System Upgrade (RTISU). A detailed assessment of each intervention against the six Progress Evaluation Research Questions is set out in the accompanying *Progress Evaluation Evidence Paper (Evidence Paper 1)*. A summary of the evidence across these interventions is set out in the table below.

Number of interventions: two	
Was expenditure on budget?	
Yes	No
2 interventions	0 interventions
<ul style="list-style-type: none"> <li>Bath Western Riverside used WEIF funding to support land acquisition. WECA monitoring data reports that £8.297m was incurred to complete the acquisition, on budget.</li> <li>The total budget for RTISU was £610k, of which £559k was from WEIF and £51k from North Somerset Council. The project was delivered to its expected budget.</li> </ul>	
Were agreed delivery milestones met?	
Yes	No
1 interventions	1 interventions
<ul style="list-style-type: none"> <li>The Bath Western Riverside project has been completed insofar as the land was acquired on time in October 2019.</li> <li>The RTISU project was completed in October 2019. However, this was nine months later than originally expected. The reasons for the delay include: re-procurement of the RTI supplier; delays to site acceptance tests; delays to the testing of the Traffic Signal Priority (TSP) systems; and delays to the second phase of testing the central system.</li> </ul>	
Were anticipated outputs delivered as anticipated?	
Yes	No
2 interventions	0 interventions
<ul style="list-style-type: none"> <li>The direct outputs from the Bath Western Riverside project are acquisition of 3.9 acres of land to enable the direct delivery of a predicted 285 housing units on B&amp;NES land. These outputs have been achieved as expected.</li> <li>Outputs on the RTISU have been delivered as anticipated. This includes improved RTI displays at 1,018 bus stops (exceeding the target of 1000). The project manager also reported an updated central RTI system and access to a digital data platform for service users have been delivered, and increased system usage (to March 2020).</li> </ul>	
Were intermediate outcomes delivered as anticipated?	
Yes	No
1 intervention (in part)	0 interventions
<b>Too early to assess: 1 intervention</b>	

- It is too early to assess whether intermediate outcomes on the Bath Western Riverside project have been delivered yet, as they are directly linked to the next phase (housing construction) which is not expected to commence until January 2023. That said, the Bath Western Riverside project has played a role in enabling that development to move forward, as intended.
- Some intermediate outcomes have been delivered on the RTISU project. These include: improved journey reliability and increased passenger numbers (to March 2020). The project expects that the remaining outcomes – including return on investment through ticket sales - will be met in future, but at a later date than expected due to COVID-19.

#### Do interventions remain on course to deliver against their original objectives?

Yes	No
2 interventions	0 interventions

- Housing starts on the land unlocked through the Bath Western Riverside project are due to commence in January 2023 in-line with the WEIF offer letter. To that extent, the project remains on course to deliver against its original objectives. The detailed scheme design (including the number of units) will not be confirmed for another year.
- The project will deliver against the project objectives originally outlined in the Full Business Case, which primarily related to the provision of more reliable and accurate information via a digital platform. However, ultimate outcomes/impacts will be achieved later than expected.

#### Has COVID-19 influenced progress and/or will it influence expected outcomes?

Yes	No
2 interventions	0 interventions

- On the Bath Western Riverside project, COVID-19 is not expected to impact on either the ultimate timing or scale of the project's ultimate outcomes. However, it has led to a short delay to the commencement of the initial package of site rationalisation works that followed this initial land acquisition project.
- Outcomes on the RTISU project are anticipated to be delivered over a much longer timeframe. This is because bus patronage and boarding numbers decreased dramatically during the COVID-19 lockdown and are not expected to recover to pre-lockdown numbers in the short term.

Source: SQW, based on monitoring data from WECA and consultations with intervention leads

## Intervention level

**4.14** The outputs generated by interventions, and any delivery issues encountered and how/if they were addressed is set out in Table 4-1. Further details are provided in the *Progress Evaluation Evidence Paper (Evidence Paper 1)*.

**Table 4-1: Intervention level outputs and delivery issues – completed interventions**

Intervention	Outputs generated	Delivery issues
Bath Western Riverside	<ul style="list-style-type: none"> <li>• Outputs from this WEIF project were acquisition of 3.9 acres of land to enable the direct delivery of a predicted 285</li> </ul>	<ul style="list-style-type: none"> <li>• Since the Baseline/OYO report, there have been some delays to the commencement of the Rationalisation Works due to COVID-19. B&amp;NES took the opportunity during lockdown to renegotiate the Rationalisation Works contract with Wales and West Utilities in order to break it into stages and reduce the risk to B&amp;NES from</li> </ul>

Intervention	Outputs generated	Delivery issues
	housing units on B&NES land	<p>further potential delays associated with the pandemic.</p> <ul style="list-style-type: none"> <li>Furthermore, the site rationalisation and preparation works contracts are being funded by Homes England's HIF (Marginal Viability Fund). The cost of these works has increased due to COVID-19. At the time of writing, no conclusion had yet been reached on how these additional costs are to be funded.</li> </ul>
Real Time Information System Upgrade	<ul style="list-style-type: none"> <li>Improved RTI displays at 1,018 bus stops</li> <li>Updated central RTI system</li> <li>Increased system usage</li> <li>System usage data</li> <li>Access to digital data platform for service users</li> </ul>	<ul style="list-style-type: none"> <li>Delivery milestones were met, but later than anticipated. The reasons for delay include:</li> <li>Re-procurement of the RTI supplier caused delays. However, there was a deliberate overlap of delivery by the incumbent supplier and the new supplier (Idox), to ensure a seamless transition which would not impact on service users.</li> <li>The project has involved multiple partners. The complexity of getting many different parties to work together on a technically complicated project meant that timings slipped slightly.</li> </ul>

Source: SQW, based on monitoring data from WECA and consultations with intervention leads

## Progress of on-going interventions

### Summary overview

**4.15** By the end of June 2020, four of the interventions in scope remained in delivery: CPNN Cycle Routes, On-bus Contactless Bank Card Payment Upgrade, IoT and WFTF. A detailed assessment of the progress made by each intervention against the six Progress Evaluation Research Questions is set out in the accompanying *Progress Evaluation Evidence Paper (Evidence Paper 1)*.

Number of interventions: Four	
Is expenditure on budget?	
Yes	No
<p>Original target: 1 interventions Revised target: 4 interventions</p>	<p>Original target: 3 interventions Revised target: 0 interventions</p>
<ul style="list-style-type: none"> <li>In the Baseline/OYO report, CPNN had a target of £2.4m to June 2020; this was subsequently reprofiled to £723k. Actual spend by June 2020 was £704k, giving a variance of -71% on original targets, and -2.7% against reprofiled targets.</li> <li>The On-bus Contactless Bank Card Payment Upgrade project was expected to spend £333k by June 2020, according to the baseline/OYO report. This was re-profiled down to reflect the disruption caused by COVID-19, to a revised target of £323k. By June 2020, the project had spent £319k of WEIF funding, essentially meeting the original (-4%) and revised (-1%) target.</li> </ul>	



- The IoT target to June 2020 was revised down from £280k of WEIF in the Baseline/OYO report to £139k due to delays in drawing down Central Government match. By June 2020, the project had spent £139k of WEIF funding, half the original target but in line with the revised target.
- In the Baseline/OYO report, WFTF had a target of £850k to June 2020; this was subsequently reprofiled to £257k due to delays in securing ESF match funding sign-off. Actual spend by June 2020 was £257k, giving a variance of -70% on original targets but on track according to the reprofiled target.

#### Have agreed delivery milestones been met?

Yes	No
0 interventions	4 interventions

- The CPNN package is made up of five schemes, all of which are progressing under challenging conditions. However, delays have been reported across all five schemes for a range of reasons (including delayed partner contributions and capacity during COVID-19), with expected completion dates for these ranging from two to 15 months behind schedule.
- Delivery of the On-bus Contactless Bank Card Payment Upgrade project was ahead of schedule to March 2020, but COVID-19 meant the final stage of lease/hire agreements with operators was put on hold during lockdown. As a result, project completion is likely to be delayed by three months.
- On the IoT project, some milestones have been met in line with the original offer letter, including the recruitment of the first cohort of learners and first phase of conversion works (pre-COVID). However, there was a six-month delay in securing the formal IoT Licence and Grant Agreement by DfE by six months, which has caused knock-on delays to capital works and meant that subsequent milestones have been compressed to ensure all capital works are still complete on time (by March 2021).
- The WFTF project experienced a five-month delay in DWP confirming ESF funding and signing the associated MOU. This, combined with the need to revise delivery mechanism in response to COVID-19, has resulted in delivery of the core “backbone” services commencing eight months behind schedule, in September 2020.

#### Have anticipated outputs been delivered as anticipated?

Yes	No
Too early to assess	

- Outputs on the CPNN cycle package will only be formally reported once individual schemes are complete. As a result, it is too early to assess whether anticipated outputs have been delivered as anticipated.
- On the On-bus Contactless Bank Card Payment Upgrade project 54 of the target 63 contactless payment machines have now been installed. Installation of the remaining machines relies on securing lease/hire agreements with the remaining operators (as noted above).
- IoT project outputs will be assessed at the end of the project period, so post-March 2021 through to 2023/24. Again, it is too early to assess whether anticipated outputs have been delivered as anticipated.
- The first formal assessment of interim outputs against targets for WFTF will be in March 2021.

#### Have intermediate outcomes been delivered as anticipated?

Yes	No
Too early to assess	

- The CPNN package is expected to deliver outcomes when all individual schemes are complete.
- The On-bus Contactless Bank Card Payment Upgrade project expects that the intended outcomes will be met, but these are likely to take longer to achieve as a result of COVID-19.

- It is too early to assess progress against intermediate outcomes for the IoT, but there is evidence to suggest the IoT has already led to improved partnership working, notably with “anchor employers” involved in the IoT.
- It is too early to assess whether outcomes have been delivered on the WFTF project.

#### Do interventions remain on course to deliver against their original objectives?

Yes	No
4 interventions	0 interventions

- The CPNN package and On-bus Contactless Bank Card Payment Upgrade project remain on course to deliver against their original objectives, although these are likely to be achieved later than planned and for On-bus Contactless Bank Card Payment Upgrade potentially at reduced scale depending on the impact of COVID-19 on bus patronage.
- The IoT project’s objectives, scope and proposed activities remain the same, and the delay is not expected to impact negatively on the ability of the project to deliver these objectives as originally intended (and in line with the original timeframe).
- WFTF also remain on course to deliver against its original objectives. The broad purpose and approach of WFTF has remained the same, although the focus of support activities commissioned in the first call has been re-focused to better align with the short-term challenges for businesses arising from COVID-19.

#### Has COVID-19 influenced progress and/or will it influence expected outcomes?

Yes	No
4 interventions	0 interventions

- COVID-19 has influenced the progress of the CPNN package in different ways. It has created the opportunity to accelerate one aspect of a scheme but caused/exacerbated delays to three.
- COVID-19 has influenced progress in delivering the On-bus Contactless Bank Card Payment Upgrade project, and may influence the scale of outcomes depending on the impact of COVID-19 on bus patronage. That said, COVID-19 may also lead to a greater willingness to use contactless payment methods, and therefore an increase in use of buses that offer these facilities.
- COVID-19 has led to delays in delivery of the IoT to date, mainly in relation to site access for capital works. There is a risk to outcomes relating to learner and apprenticeship numbers in future, although at the time of reporting, learner number targets were expected to be met for the forthcoming academic year and the emphasis on digital learning should help to mitigate further impacts on outcomes.
- For WFTF, COVID-19 compounded earlier delays in securing DWP approvals for ESF funding. However, because the process of commissioning delivery partners was still underway, it meant that activities/delivery mechanisms could be adapted in response to COVID-19. As a result, COVID-19 is not expected to influence expected outcomes looking forward.

*Source: SQW, based on monitoring data from WECA and consultations with intervention leads*

## Intervention level

- 4.16** None of the live projects in scope had formally reported any outputs by June 2020. Output performance against lifetime targets will be reported at project close. Informal outputs generated by interventions, and any delivery issues encountered and how/if they were addressed is set out in Table 4-2. Further details are provided in the *Progress Evaluation Evidence Paper (Evidence Paper 1)*.

**Table 4-2: Intervention level outputs and delivery issues – on-going interventions**

Intervention	Outputs generated	Delivery issues
Cribbs/Patchway New Neighbourhood (CPNN) Cycle Links Package	<ul style="list-style-type: none"> <li>None formally recorded to date</li> </ul>	<p>Delays have been reported across all five schemes. The nature of these delays is described below:</p> <ul style="list-style-type: none"> <li>Hayes Way: delayed due to delays in developers finalising land agreements</li> <li>Catbrain Hill: delayed whilst waiting awaiting the completion of the planned Wessex Water works in the area</li> <li>Patchway Station link to A38: final remedial works have been delayed due to workload pressures</li> <li>A4018: delayed overall, although some elements of construction works have been brought forward</li> <li>Church Road Contra flow: delays in progressing the Traffic Regulation Order (TRO) due to capacity issues during COVID-19</li> </ul> <p>The project team have built in additional time and budget contingency period across all schemes to accommodate the increase risk of delays that may arise from COVID-19.</p>
On-bus Contactless Bank Card Payment Upgrade	<ul style="list-style-type: none"> <li>63 buses using upgraded ticketing technology to date</li> <li>Increased number of contactless bank card payments accepted, and barcode tickets used (not quantified)</li> </ul>	<p>Delivery issues on the On-bus Contactless Bank Card Payment Upgrade project include:</p> <ul style="list-style-type: none"> <li>The preparation of hire/lease agreements was delivered later than expected.</li> <li>COVID-19 has had a significant impact on the bus market, meaning that progress with operators to deliver the remaining machines was put on hold during the lockdown period.</li> <li>The installation of the remaining machines relies on the remaining operators (who are micro operators with 1-2 vehicles) leasing the machines, and these micro operators have struggled to commit to leasing a machine in an uncertain economic context.</li> </ul> <p>However, the project engaged the three larger operators quicker than expected, prioritising the 'bigger wins' earlier on, opening up capacity for the project to engage with the smaller operators over a longer timescale, as these operators are typically more difficult to engage.</p>
Institute of Technology	<ul style="list-style-type: none"> <li>None formally recorded to date</li> </ul>	<p>The formal IoT Licence and Grant Agreement with DfE for the capital investment was expected in September 2019 but was delayed by DfE until April 2020. Despite this, some milestones have been met in line with the original offer letter, enabled by partners progressing capital works at risk and the flexibility of WEIF to release early revenue funds for preparatory works and partner engagement. This has meant the DfE capital funding is still on track to be spent by March 2021 as planned.</p>

Intervention	Outputs generated	Delivery issues
Workforce for the Future (WFTF)	<ul style="list-style-type: none"> <li>None formally recorded to date</li> </ul>	The project experienced a five-month delay in DWP confirming ESF funding and signing the associated MOU with WECA to progress delivery. Despite the delays in securing ESF sign-off, WEIF funding enabled initial briefings and awareness raising sessions to be delivered between Autumn 2019 and January 2020. COVID-19 also happened during the delivery partner commissioning process, but allowed WECA to reflect and adjust the focus and most appropriate delivery mechanisms for WFTF in response to the pandemic, and ensure WFTF dovetails effectively with other support available (via WEIF and other sources).

Source: SQW, based on monitoring data from WECA and consultations with intervention leads

## Discussion

### Overall portfolio expenditure

**4.17** As discussed in the *Capacity Building and Partnership Working Evidence Paper (Evidence Paper 4)*, there are four key overarching factors that have influenced the deployment of WEIF to date. These help to explain the portfolio level expenditure profile above:

- First, **the context at the point WEIF was introduced is important**. As set out in Section 2, the Devolution Deal was announced in March 2016, but WECA was not formally created until February 2017 and the Mayor was then elected in May 2017. With an initially small team at the Combined Authority, it took time to establish and embed governance and assurance processes for the Fund.
- Second, **the process of developing strategic priorities was delayed, and so the deployment of WEIF was initially cautious**. This was the case until strategic priorities were agreed across the Locality (notably in the LIS, which was published in July 2019, which informed the subsequent Investment Strategy in November 2019).
- Third, **WECA has sought to fund large-scale, ambitious projects through the Fund, many of which have required extensive feasibility and preparatory works to date** (which will be followed by significant capital investment post Gateway Review 1).
- Fourth, **the “single pot” approach to combine various funding streams has meant that there has been pressure to prioritise spending of some other funding streams** (especially LGF and TCF) that have a shorter timeframe which has had some implications for the pace of WEIF spend.

**4.18** That said, there has been some slippage in delivery across the portfolio as a whole, leading to underspend against original Baseline/OYO targets and (to a lesser extent) more recently reprofiled targets. This was attributed, in part, to ambitious project plans, especially for

capital infrastructure investments, and some concerns relating to delivery capacity and capability at the outset.

**4.19** The implementation of WEIF has involved a considerable amount of learning in this respect and WECA is now working more closely with partners (e.g. national agencies such as Network Rail and Homes England) to better align delivery programmes and with project managers to develop a more realistic roadmap of investment through to March 2023. Alongside this, the detailed feasibility and preparatory works funded by WEIF to date should help to mitigate against optimism bias/under-spend in future. COVID-19 has also had an impact across the portfolio, particularly where social distancing has delayed contractors accessing sites or where projects needed to pause and reflect on appropriate delivery mechanisms in light of changing needs.

### Six projects within scope

**4.20** As illustrated above, progress in implementing the six projects within scope of the evaluation has been mixed to date. Two projects were delivered on time and budget and completed prior to COVID-19, whereas the four live projects have encountered challenges that have hindered implementation and caused delays. All four projects were therefore reprofiled in June 2020 and expenditure is now considered to be “on track” against revised targets (although it is important to note that one of these projects is also broadly in line with the original Baseline/OYO targets). In the paragraphs that follow, we discuss factors that have influenced the delivery of these projects to date, drawing on project documentation and consultations with management and delivery staff. To note, strategic benefits arising from the way in which projects have been delivered are discussed in Section 5.

**4.21** Looking across the six projects, the following factors have enabled and accelerated progress:

- **The inclusion of capital *and* revenue funding within the WEIF programme has been helpful in matching and leveraging capital funding programmes, enabling partners to design viable interventions.** For example, the availability of revenue WEIF funding enabled education providers to successfully bid for £20m of Government’s capital-only support to develop an IoT and will be critical in supporting the first three years of IoT operation, as the Institute aims to become self-sustaining in the longer term. The WFTF project has been used to match £4m of ESF funding, and WEIF has encouraged North Somerset Council to contribute funding in order to be part of WEIF interventions (e.g. the On Bus Contactless Payment project). This has widened the reach, and potential effectiveness and impact, of the WEIF project.
- **Flexible revenue funding has enabled partners to progress preparatory work where match funding from Central Government has been delayed** (e.g. IoT and WFTF projects). This has allowed them to set up robust management/governance/delivery arrangements, engage with employers and undertake marketing activities to create a pipeline of demand. It has helped to ensure that projects were able to operationalise quickly once match funding was accessed.

- **The flexibility of WEIF funding has been helpful in enabling projects to respond to opportunities and challenges (including COVID-19).** There are multiple examples of this: the On Bus Contactless Payment project was able to prioritise “bigger wins” earlier than expected during implementation (in response to bus operators which were ready to go sooner) which meant delivery was frontloaded and less impacted by COVID-19 than might have been the case otherwise; the flexibility of WEIF and its rapid deployment was helpful to enable B&NES to purchase land at Bath Western Riverside, which enabled a bid for Homes England funding and unblocked the wider development and is a revolving fund that will be repaid; the flexibility of WEIF enabled WFTF to reflect and revise proposed delivery mechanisms in the context of COVID-19 and focus to better align support to the needs of businesses in the short-term; in the CPNN package, the flexibility of WEIF enabled funding to be brought forward which enable construction works on the A4108 scheme to be brought forward during the COVID-19 pandemic, because the fall in road usage during the pandemic provided a window where construction could start and the disruption to road users would be minimal.

**4.22** The projects have, however, encountered delivery challenges, most of which were largely external. These are summarised below.

- Whilst the WEIF has enabled significant levels of match funding to be levered, this has meant that **progress is partly dependent upon pulling through the match funding.** Total expenditure to date for two projects – IoT and WFTF – is below original expectations in the Baseline/OYO due to substantial delays in securing match funding approval.
- A challenge related to the point above is the **time-limited nature of some match funding**, which means that (once secured) partners will be under pressure to spend match quickly. For example, ESF funding for WFTF will also need to be front-loaded. The flexibility of WEIF is helpful in this respect, but the time-limited nature of match funding may have implications for the timing of WEIF expenditure.
- There were a number of **project-specific challenges which caused delays** to delivery. This included technical challenges in setting up the RTISU, standard construction delays such as adverse weather and unforeseen traffic issues at one of the CPNN cycle links, and complexities associated with the leasing arrangements for On Bus Contactless Payment.
- **Partnership working and stakeholder engagement** are strengths of WEIF-funded projects (as discussed in Section 5), but also bring a number of challenges. The complexity of getting many different parties to work together on technically complicated projects (e.g. RTISU) and dependency upon partners to deliver pre-requisites (such as developers taking longer than expected to draw up agreements and delayed infrastructure works by Western Power Distribution and Wessex Water for two of the CPNN cycle routes) has led to delays.
- Finally, the **COVID-19 pandemic** has influenced the delivery of these projects in a number of ways: it has delayed construction works across several projects (e.g. in

preventing university site access for contractors in the IoT); it has led to an increase in workload pressure and reduced capacity amongst project teams and operators (e.g. capacity issues within the team dealing with the Traffic Regulation Order processes in CPNN); and some project outcomes are now likely to **be delivered over a much longer time frame than originally anticipated as a result of COVID-19** (e.g. bus patronage and boarding numbers decreased dramatically during lockdown and it is not expected to recover in the short term, with consequences for RTISU and On Bus Contactless Payments projects achieving the outcome ‘increased passenger numbers’ within the intended timeframe).

## ‘Progress Plus’ evaluation evidence

**4.23** The Progress Plus evaluation focused on the use of £8.297m in WEIF funding (in the form of a recoverable grant) to support Bath & North East Somerset Council’s (B&NES Council’s) acquisition of land at Bath Western Riverside in October 2019, in order to unlock a strategic housing scheme on B&NES land from 2023 onwards (known as “Bath Western Riverside Phase 2”). Whilst the project has been “completed”, insofar as the land has been acquired, the wider strategic housing development on the southern bank of the River Avon is still progressing and therefore ultimate outcomes and impacts have not yet been delivered. Hence this project was subject to “Progress Plus” evaluation only, which involved an analysis of monitoring data provided by WECA, consultations with the scheme’s director and manager, and interviews with three other stakeholders. The full Bath Western Riverside Progress Plus Evaluation is presented in *Evidence Paper 2*.

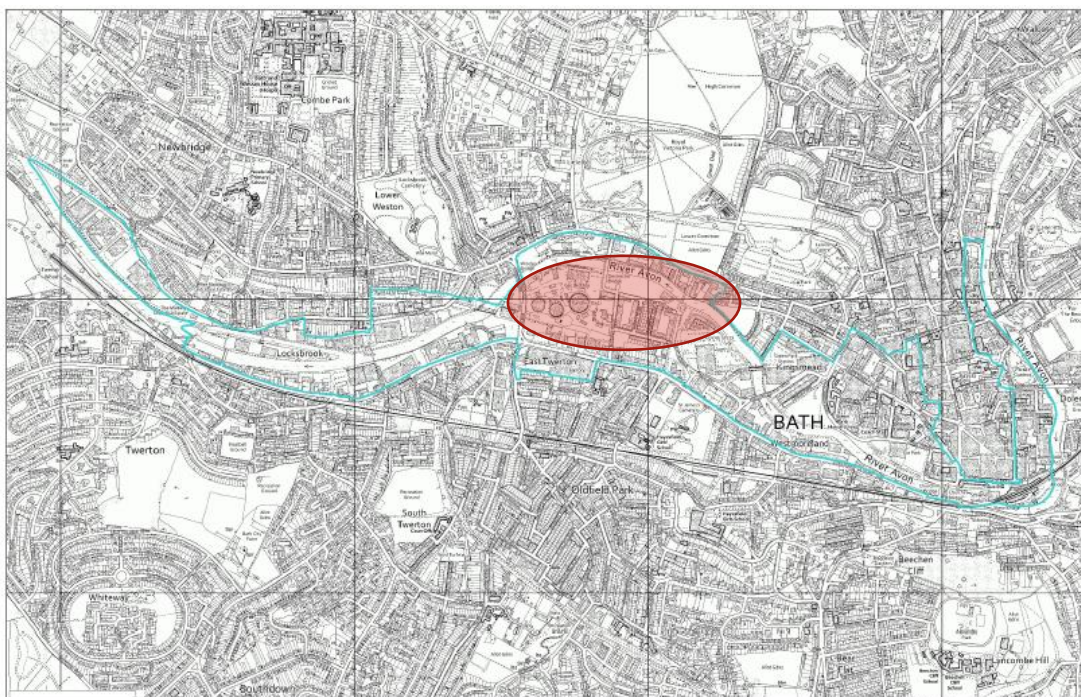
### Strategic context

**4.24** The scheme arose from a pressing need for a significant quantum of new housing in Bath to support the city’s sustainable economic growth, including affordable housing, which had been driven by increased demand for student and retiree housing, second homes, in-migration from London. Alongside this, the Economic Strategy Review (2014-2030) set out an ambitious programme of growth across Bath and North East Somerset, which included substantial employment growth in key sectors and the formal designation of the Bath and Somer Valley Enterprise Zone. Housing was recognised as playing a key role in the sustainable delivery of growth, but a shortage of land for new housing has increased house prices in the city to a level which has become unaffordable for those on low or middle incomes. Against this backdrop, it is hoped that the additional housing at “Bath Western Riverside Phase 2” will prove attractive to young people and working age families, by providing a significant number of affordable housing units, and enable new city residents to take advantage of new job opportunities (e.g. at Bath Quays North office development, Bath Quays South), training and employment opportunities at the iSTART “hub” and within the two universities.

## The Bath Western Riverside scheme

**4.25** Bath Western Riverside is a strategic housing project on the southern bank of the River Avon. It is currently the only WEIF-funded capital project within the Bath Riverside Enterprise Zone (EZ) and it is regarded as strategically important to the sustainable economic growth of the city and the wider locality (see Figure 4-1). The overall Bath Western Riverside site is the city's largest single strategic housing site, with c.2,000 homes expected across the brownfield site. The site comprises a former crane manufacturing works, the city's gasworks (with its legacy of gasholders, surface pipework and ground contamination), and a waste site owned by B&NES Council (which is still operating and will require relocation and site decontamination).

**Figure 4-1: Map of Bath Riverside EZ (with the general location of the Bath Western Riverside housing scheme highlighted)**



*Source: Bath & North East Somerset Council*

**4.26** In 2006, Crest Nicholson purchased some of the Bath Western Riverside site and worked with B&NES Council and other stakeholders on a masterplan for the entire scheme. An Outline Planning Application for 2,281 homes, with some local services and a primary school, was approved by B&NES Council in 2010. Construction began in 2011 and over the following eight years Crest Nicholson progressed with construction of 840 housing units on “Phase 1” of the scheme (6.9ha), 25% of which were affordable. To support the viability of the scheme (particularly after the financial crisis), approximately £20m of public sector funding was incurred during this phase (excluding the WEIF funding which is being evaluated here), from B&NES Council itself, Homes England and the LEP's Revolving Infrastructure Fund.



**4.27** Progressing Phase 2 proved a much greater challenge than Phase 1. As discussed in *Evidence Paper 2*, the site was constrained by abnormalities and contamination. Recognising financial viability issues, B&NES Council bid for £12.5m of Housing Investment Funding (HIF) through Homes England's Marginal Viability Fund (MVF), which was awarded in February 2018. Under the terms of the MVF funding agreement, B&NES Council would need to be the contracting body for remedial works, which needed to be drawn down by March 2022, and there needed to be an agreement between Crest Nicholson and other landowners regarding the development scheme. Parties were unable to conclude an agreement and, as a result, Crest Nicholson decided to sell its interests in the scheme to B&NES (under the pre-emption right on land interests in the 2010 Development Agreement, a condition of the planning approval). By exerting its pre-emption rights, B&NES Council had much greater and more direct leverage over the design of housing (and level of affordable housing), its price point and the pace of development. B&NES Council would also directly control brownfield land on which much the HIF funding needs to be spent, ensuring that contracts could be let in time for this to be drawn down (funding which was key to the scheme's overall viability). **The purchase of 3.9 acres of land using WEIF is ultimately expected to unlock and accelerate delivery of nearly 1,100 new residential units across the site, and achieve a significantly enhanced affordable housing provision.**

#### Progress to date and emerging outcomes

**4.28** The land acquisition was completed on time and on budget in October 2019, delivering the intended output of 3.9 acres of land. Progress against targets and delivery issues are discussed above, and therefore not repeated here. Other formal outputs will be achieved once site remediation has finished and housing development starts in January 2023. Since the land was acquired, there has been slippage to some of the initial site preparation works due to Covid-19. However, a contract to manage the development process was awarded in March 2020 and the masterplanning work is reportedly progressing well.

**4.29** Whilst it is too early to assess impacts of the Bath Western Riverside scheme, consultees for the Progress Plus Evaluation were able to identify some emerging outcomes that they attributed (at least in part) to the development of the scheme, and anticipated outcomes they expect to see as a result of Phase 2 in future.

**4.30** Key emerging outcomes are as follows:

- **Land unlocked for development:** Prior to Phase 1 of Bath Western Riverside there had been many abortive attempts to stimulate new development in Bath, frustrated by a combination of sensitivities to development linked to Bath's outstanding heritage, associated planning restrictions and, some consultees said, a degree of historic inertia in relation to economic diversification. All of those consulted as part of this evaluation view Bath Western Riverside Phase 1 (delivered by Crest Nicholson) as having been instrumental in changing attitudes and approach to major development in the city. Set against this backdrop, it was clearly important to continue development momentum from

Phase 1 into Phase 2 of Bath Western Riverside. However, the co-ordination failure (discussed above) presented a serious obstacle to the development. The Council's WEIF-funded acquisition of land was regarded by all consultees as essential to breaking this deadlock, and to secure funding from Homes England to be accessed by B&NES Council in a timely manner.

- **Enhanced control in the process of delivering houses:** The potential to deliver well-designed homes on a significant scale represented a step-change from the piecemeal developments which had been taking place throughout the city centre. The high level of pent-up demand for city centre housing meant that Crest Nicholson's Phase 1 was commercially very successful, but all of the consultees noted that the planning process was constrained in its ability to influence the characteristics of the new home owners (with high demand from retirees, and less housing for young people and working families). The WEIF-funded acquisition by B&NES Council means it now has direct control over the type of development which takes place on its land, to better reflect and maximise the scheme's contribution to the economic growth needs of the city.

**4.31** Beyond the actual unlocking of this particular site, the business case and project development process has strengthened working relationships at officer level between B&NES Council and WECA (see Section 5 for further details).

**4.32** **In the absence of WEIF funding, our consultation evidence suggests that site development would have been significantly delayed and different in nature.** Had B&NES Council not acquired Crest Nicholson's land interests, there are strong arguments to suggest that development would have taken at least two years (if not three years) longer to develop the land, there would have been greater certainty over the level of affordable housing, and less control over the design in order to meet broader sustainable growth objectives. As the site was already allocated in the Local Plan, seen as a key strategic housing site for the city, and given Bath's poor housing affordability ratio, displacement is judged to be negligible.

**4.33** The project remains at an early stage of both detailed design and delivery, and tasks still to be completed (such as finalising the masterplan) will have a significant bearing on the project's ultimate performance. That said, consultees argued the scheme remains on track to deliver the following outcomes in future:

- **Brownfield land redeveloped / reduction in brownfield land:** Once the site remediation works are complete (anticipated during 2022), 3.9 hectares of the city's brownfield land will have been reclaimed.
- **Uplift in Land Value:** Although there is currently some Covid-19 related uncertainty facing the UK's housing market, in the West of England house prices are reported to be holding up well at the present time and the area is seen as attractive to in-migrants given relatively short travel times to Central London. The disposal of development plots to private sector developers and/or direct development of homes (depending on the development option pursued by the Council), will not take place for at least a further two

years and the Project Director and Project Manager are optimistic that there will be sufficient land value uplift to deliver a return of the funding to WECA. At this stage, and especially since the scheme masterplan has not crystallised or a planning consent been granted, this is impossible to quantify with certainty

**4.34** More broadly, the scheme is also expected to contribute towards:

- Growth of working age population: Bath Western Riverside Phase 2 is seen as a key opportunity to make the city more appealing to families and younger people who can then live within walking distance of jobs in the city centre. In doing so it will support the successful occupation of employment space at Bath Quays North, Bath Quays South and iSTART, as well as providing homes for post-graduates and academics which will help to support the continued development of both universities.
- Increased affordable and accessible housing: The Council's ownership of land in Phase 2 will support the delivery of more affordable housing. This has the potential to help retain Bath's young and talented population (notably graduates) and support the universities' recruitment of post-graduate and academic talent.
- Increased 'green building' infrastructure, contributing towards Zero Carbon outcomes: Feasibility work is currently underway – including regarding a District Heat Network – which is expected drive sustainability benefits.

## Key messages from the progress (and progress plus) evaluation research

**4.35** At the final evaluation stage, the key progress evaluation findings are as follows:

- The West of England has adopted a strategy-led approach to the deployment of WEIF. Whilst the Fund enabled some schemes to progress initially (such as those identified in the earlier Joint Transport Study), WECA was keen to develop and agree the Locality's overarching strategic priorities before allocating a substantial amount of WEIF, to ensure alignment *between* themes and inform investment in business, innovation and skills interventions in particular. The nature of the Fund has created space for deployment to be strategy-led but has also meant that (in conjunction with establishing the Combined Authority and the timing of the LIS) deployment has been relatively cautious, particularly given the total Fund available over the first five years (of £30m per annum).
- Within the £350m Investment Programme, WECA had approved awards and allocated £157.79m of WEIF funding to 80 projects by the end of June 2020, which is expected to be incurred through to March 2023. The portfolio comprises 34 transport interventions (£73.94m), 28 business and skills interventions (£59.41m) and 18 housing interventions (£24.44m).

- WEIF spend by June 2020 was relatively modest, at £40.81m across the whole project portfolio, plus £5.7m on WECA set-up, election and operating costs. This largely reflects the cautious approach to deployment prior to the publication of the LIS and an initial emphasis on feasibility/preparatory studies for large and complex schemes and transport schemes. That said, the West of England has progressed some of the key commitments in the Devolution Deal, including implementation of the Metrobus Extension and Bath Western Riverside land acquisition that will unlock significant housing development, alongside wider preparatory work to unlock housing development (e.g. at Lockleaze and Hengrove), options assessment for mass transit and development of the Enterprise Zone.
- Expenditure across the portfolio as a whole by June 2020 was around 20% below target, equivalent to an under-spend of approximately £10m (using both Baseline/OYO and more recently reprofiled targets to June 2020). MetroBus accounts for the greatest share (in absolute terms) of this under-spend, which was due to unforeseen and unavoidable issues relating to the impact of COVID-19 on the planned rail possession to undertake works.
- By Gateway Review 1 in March 2021, WECA expected to spend nearly £80m of WEIF on projects at the time of the Baseline/OYO Report. This has since increased to approximately £86m following an internal review of deliverability across all projects (leading to downward revisions) and adding further 22 projects to the portfolio since the Baseline/OYO report.
- Expenditure is expected to ramp up considerably after March 2021. WECA is currently anticipating a further £244m<sup>19</sup> to be spent on projects between April 2021 and March 2023, which includes ongoing investment in existing projects currently being delivered (£71.39m) as well as projects moving from feasibility to implementation (i.e. £172.40m of “tails”). Of this, £141m will be sourced from WEIF and £103m will be sourced from TCF.
- Across the six projects in scope of the evaluation, actual expenditure was £10.27m by June 2020. Performance is variable when compared to Baseline/OYO targets: two projects completed on budget, one on-going project was very slightly behind target but the remaining three projects were significantly behind target by June 2020. Under-spend was attributed to difficulties in drawing down match funding from Central Government, inter-dependencies with project partners, and site access, stakeholder capacity and social distancing measures associated with COVID-19. Targets have since been reprofiled and all projects were broadly on track by June 2020 according to revised targets.
- The six projects in scope had levered £190k in match funding by June 2020. This is less than half of anticipated match funding at the Baseline/OYO Report and demonstrates the implications of delays in drawing down wider public/private funding alongside WEIF.

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<sup>19</sup> In addition, WEIF funding has been set aside for opportunities/challenges and WECA operating costs

- It is too early to assess outcomes for most projects in scope. However, Bath Western Riverside was subject to “Progress Plus” evaluation which found the use of WEIF has been instrumental in unlocking a stalled, strategic housing development, enabling the delivery of up to 285 dwellings and the acceleration of approximately 600 more homes, which represents a step-change from the piecemeal developments which had been taking place throughout the city centre. The WEIF-funded acquisition by B&NES Council means it now has direct control over the type of development which takes place on its land (notably to increase access to affordable housing for young people and families) to better reflect and maximise the scheme’s contribution to the economic growth needs of the city.

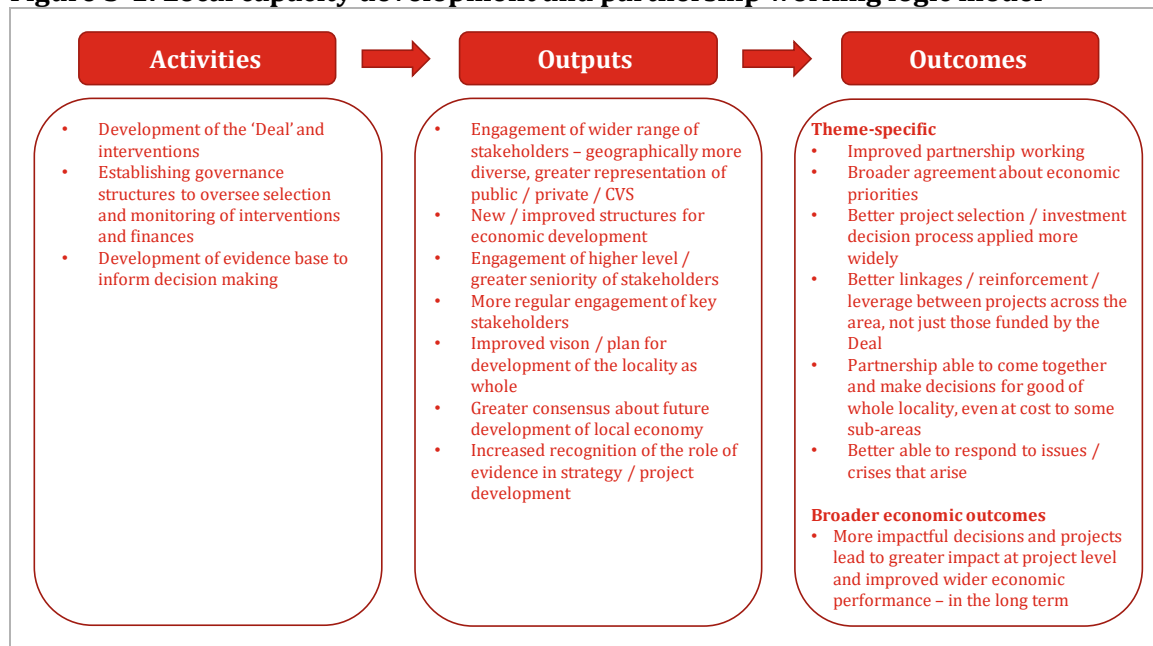
## 5. Wider contribution of the Investment Fund

### Key messages

- The distance travelled in terms of capacity and partnership working across the West of England has been notable in a relatively short period of time, and the Fund has made an important contribution to this.
- Building on strong foundations established by the LEP, the Fund has encouraged a wider range and more senior stakeholders to engage in economic development, and as a result strengthened partnership working. WEIF has added most value in strengthening partnership working between the locality and national agencies, where intervention is most appropriate at a sub-regional (rather than local) spatial scale, and within projects.
- Capacity and capabilities have increased across the West of England. Robust evidence has greater prominence in project development, particularly through extensive feasibility and developmental work undertaken to de-risk future capital investment.
- The Fund has provided scope to tackle significant challenges that span the West of England and led to more ambitious, joined up and sub-regional interventions.
- Without a devolved investment fund of the scale and character of WEIF, the evidence suggests that many of the effects above would not have been seen.
- Although some stakeholders considered that more could have been done, WEIF has been actively – but cautiously – managed in response to the changing context of Covid-19, using the Fund’s flexibility to provide immediate support as well as aid longer-term recovery.

- 5.1** The National Evaluation Framework recommended that evaluations to inform the first Gateway Review should include an assessment of the effects of each fund on local capacity development and partnership working. This was expected to be particularly important for the first Gateway Review, where quantitative benefits may not yet have been fully realised, and where activity was ongoing, but where the design, development and delivery of the fund may have strengthened local partnership arrangements and boosted local capacity, leading to increased confidence about future delivery.
- 5.2** The type of activities, and the nature of the expected benefits – outputs and outcomes – for this assessment of the wider contribution of the fund is set out Figure 5-1.

**Figure 5-1: Local capacity development and partnership working logic model**



Source: SQW

### 5.3 Evidence has been collected from two key perspectives:

- at a **strategic level**, considering the contribution that the Investment Fund as a whole has made to changes in the behaviours, perspectives, and decisions of actors across the economic development landscape, via consultations with senior economic development stakeholders across the West of England; in total, 33 consultations were completed in two 'waves'<sup>20</sup>.
- at a **project-up level**, considering how the development and delivery of individual interventions (or groups of linked interventions) has led to changes in the behaviours, perspectives and decisions of actors across the economic development landscape, via consultations with managers of interventions, and one in-depth case study on the package of rail interventions.

### 5.4 The detailed findings from these different strands of research are set out in the accompanying *Capacity Development and Partnership Evidence Paper (Evidence Paper 4)*, a separate *"Project-up" Case Study Evidence Paper (Evidence Paper 3)*, and the *Bath Western Riverside Progress Plus Evidence Paper (Evidence Paper 2)*.

### 5.5 It is important to emphasise that the evaluation did not set out to evaluate the Combined Authority itself, WEIF process issues or project selection, nor whether the sub-region's priorities which have informed the deployment of the WEIF were/are the 'right' ones (although consultees had much to say on these topics). Our focus instead was the use of WEIF

<sup>20</sup> It is important to note that WECA took the view that the evaluation of WEIF should not include an e-survey of wider stakeholders. This element was recommended in the National Evaluation Framework

and the extent to which it has helped to build capacity within the West of England and effect partnership development.

## Evidence from the consultations and case study

### Stakeholder engagement

- 5.6** Most consultees agreed that the **WEIF has resulted in the engagement of a wide range of stakeholders across the West of England**. This has included engagement with senior representatives from colleges and universities (such as VCs) and with large private sector employers (although one consultee noted that SME engagement has been more difficult). It has encouraged senior level involvement and buy-in from the Unitary Authorities, as well as MPs. Consultees also identified that major national agencies – such as Highways England, Network Rail and Homes England – have also had a dialogue with the West of England.
- 5.7** **The scale of WEIF funding, its devolved nature and its ability to fund ambitious and transformational projects have been critical in encouraging wider and more senior stakeholder engagement**. It provides a mechanism to deliver, which partners did not previously have at this scale<sup>21</sup>. The Fund also provides an important signal to the private sector of public sector commitment to investment, which has encouraged private sector involvement (e.g. IoT and rail package). **WEIF has also encouraged more regular engagement**, particularly in relation to the larger transformational projects which present higher levels of risk and therefore warrant more regular stakeholder engagement.

### Partnership working

- 5.8** Overall, partnership working within the West of England has developed over recent years, building on the foundations created by the LEP from 2011 in the period immediately before WEIF<sup>22</sup>. As noted above, our consultations suggested that **WEIF has added value in facilitating more effective partnership working between the locality and national agencies**, where intervention is most appropriate at a sub-regional (rather than local) spatial scale, and **strengthened partnership working within projects**. These two elements are explored below.
- 5.9** Across the consultations, the feedback was strong and consistently positive on the impact of WEIF in terms of partnership working between the Locality and key Government agencies and Central Government Departments (e.g. DfT, Network Rail, Highways England and Homes England) which have an important role in the delivery of infrastructure across the sub-region. Consultees argued it has enabled **more frequent, strategic and “meaningful” engagement**

<sup>21</sup> This is certainly true over the last decade. Prior to that resources were available through the Regional Development Agency route, albeit with a focus on the wider South West rather than explicitly on the West of England

<sup>22</sup> It is important to note that prior to the LEP's formation in 2010, partnership working at the West of England level was quite limited and, going back even further, attempts at it had not been wholly successful



**with national agencies**, and brought about a “tangible improvement” in the understanding of other agencies’ purpose, objectives, powers and ways of working (for example, see the rail package below). This has helped to strengthen partnerships further and embed an agreed set of priorities, so partners are “not pulling in different directions” at both a programme and project level. **The Fund has demonstrated the importance of a city sub-region functional scale where national and local players need to interact effectively, and it is at this level where the WEIF appears to have added most value to strategic partnership working in the West of England.** It has also helped to present a “joined up voice” when engaging with Central Government, especially DfT.

### Improved Partnership Working: Rail Interventions (See *Project Up Case Study, Evidence Paper 3*, for further details)

*A good example of the role that the Fund has played in strengthening partnership working between the locality and national agencies is the rail package, which has encouraged much closer partnership working between Network Rail and WECA. The Fund – and specifically the scale of funding available - was a key incentive for partners to work together for mutual benefit, providing the opportunity to deliver a package of reinforcing rather than siloed interventions. One consultee noted WECA and Network Rail would undoubtedly have worked together without the Fund, but engagement would have been more ‘transactional’ and focused on specific issues on more of an ad hoc basis. Instead, WEIF has encouraged a fundamental shift in the nature of partnership working to collaboratively develop shared and longer-term objectives and co-ordinate packages of investment.*

**5.10 The Fund has also strengthened partnership working at a project level.** The funding itself is an incentive to work in partnership on projects, but there are specific characteristics of the WEIF (compared to prior/other funding streams) that have resulted in greater partnership benefits at a project level than would otherwise have been achieved. It reflects the more ambitious, cross-boundary projects tackling significant sub-regional issues funded through WEIF that no one partner could deliver alone which necessitate closer partnership working. The long-term commitment of WEIF funding provides consistency and certainty to partners (rather than a scattergun approach to



**The Investment Fund has lubricated the wheels of cross sector working, encouraged new ways of working and engaged universities**



short-term improvements) which has encouraged them to dovetail their own funding programmes. Also, the flexibility to adopt a “single pot” approach has made it easier to bring partners together, and revenue funding to undertake extensive feasibility/preparatory works has encouraged earlier partner involvement.

### Improved Partnership Working: Bath Western Riverside (See Progress Plus Evaluation, Evidence Paper 2)

*As part of the business case and project development process for Bath Western Riverside, B&NES Council and WECA have developed a good working relationship at officer level to develop “pipeline thinking” and an asset-based approach to use of WEIF, linked to capital programmes and budget cycles. These are seen as important indirect outcomes in building further confidence amongst external stakeholders in the Council’s approach to sustainable development in the city which can only be helpful as the Council’s Enterprise Zone team seeks to take forward a range of other key development schemes in the city.*

### Vision, consensus and decisions for the good of the locality

- 5.11** As discussed above, the West of England has made progress in developing a vision for the development of the Locality as a whole. However, consultees attributed this largely to the development of the LIS, rather than the Investment Fund. That said, consultees felt **the WEIF had given the LIS “teeth” and resource to support the delivery of the LIS’ strategic priorities.**
- 5.12** The evaluation has also assessed the extent to which WEIF has led to partners being better able to make decisions for the good of the locality. **The West of England has not used formula-based/spatial allocations, investing instead at a sub-regional scale; this approach has taken some time to embed.** Consultees had observed “healthy natural tension” and, at times, challenging debate. There were differences of view, but in the main, consultees considered that the sub-region has developed a willingness and ability to tackle challenges together and has **come to a “collective understanding” of how WEIF should be deployed strategically for the benefit of the whole locality.** In part this was possible because the scale of resources was large enough to dissipate tension, i.e. “local” priorities could be addressed alongside those that were recognised to be important at a sub-regional level and so, in practice, hard choices did not always have to be made. That said, WECA’s strategy-led approach – and associated partnership working and engagement during the strategy development process - was helpful in establishing priorities for investment.
- 5.13** Nonetheless, the availability of funding has “focused minds” and there appears to be a sense that **better and different decisions have been made as a result.** Governance structures underpinning the Fund have also brought “structure and rigour” to partnership working (although some considered it to be bureaucratic). In addition, senior partner engagement has led to more meaningful, strategic and longer-term discussions between partners about how

to work together to deliver a significant programme of investment. Consultees argued this would not have taken place without WEIF. Political changes and the development of the LIS have also been important in facilitating this outcome.

**5.14** However, **there have also been challenges in seeking to make decisions at the sub-regional scale.** This partly reflects the political diversity and complex geographical administrations of the sub-region, including difficulties in progressing the Joint Spatial Plan, the fact that WECA covers three of the four UAs formally, and the emergence of the Western Gateway concept. There were also differences in opinion on the relationship between WECA and the Unitary Authorities. Whilst some stakeholders felt WEIF had led to more collaborative decision-making, six external consultees expressed concern that WECA could appear quite “top down” in its approach, with an over-emphasis on process and compliance functions rather than stakeholder empowerment, buy-in and ownership. It was suggested that more could be done to foster an open/two-way dialogue at the leadership level.

### **More ambitious and reinforcing linkages between projects**

**5.15** The Fund has provided funding, capacity and structures that encourage **greater levels of ambition** across the West of England, and that **some potentially transformational ventures are being advanced.** Given the strategic context and initial approach to deployment described in Sections 2 and 3, the West of England has made notable progress in this respect over the last 2-3 years. It was widely recognised that the long-term horizon of WEIF has been critical (in addition to the funding itself) in facilitating a more ambitious approach to investment. There is less pressure to “chase the money” available through short-term Government programmes, which typically make it difficult to plan over the longer-term. As argued by one consultee, WEIF means that there is “a clear development path and funding in place” for the West of England, bringing the opportunity to pursue more transformational and ambitious interventions.

**5.16** Consultees were also in general agreement that the deployment of WEIF is now more focused on **investments that would not have occurred at all without WEIF, or have been accelerated and/or increased in scale due to WEIF**. For example, consultees noted that extensive feasibility work for more ambitious interventions would not have been funded at all without WEIF (such as the M32 Visioning Study and developmental work for Mass Transit options) or would have been more modest (for example, plans for housing provision).

**5.17** From our consultations, there was evidence to suggest that WEIF has put the West of England in a stronger position to lever other funding (notably ESIF) by providing resource for match funding. As a result, consultees argued that this has increased the ambition and scale of EU-funded interventions. Without WEIF, one consultee argued that ESIF would not have been used “as a catalyst for change”. It has also influenced the strategic focus of other funding streams, which are more closely aligned to the sub-region’s priorities.

**5.18** Finally, since 2019, consultees have observed **more linkages between projects and cross-boundary investments that reflect real economic geographies**. In doing so, consultees expect the interventions to generate greater impacts than would be the case if the projects had been delivered individually. To some degree, the presence or absence of linkages is simply a function of the nature of the intervention - some projects are, by their nature, relatively stand alone; whereas others in the portfolio are reinforcing, such as the larger transport interventions.

**5.19** Overall, consultees agreed that WEIF was now being deployed in a way that delivered **complementary interventions in parallel and has created a more joined-up package of support where possible/appropriate**. This has been driven by the scale of funding and structures which allow for intervention at the sub-regional scale, and the development of the LIS and Investment Strategy which means that partners are “*all heading in the same direction*” strategically. Key examples of a more joined up approach include the mass transit feasibility work, cycling networks, real time traffic information and contactless bus payment systems, a more joined up programme of business and innovation interventions and the package of rail intervention (see below). More broadly, consultees argued the Fund has also encouraged a more joined up approach with other funding streams - for example, in terms of working more closely with partners to develop a more coherent skills offer in the sub-region. That said, some consultees felt that linkages between projects could be made more explicit, particularly to external audiences, to address concerns that deployment is still too “bottom up and opportunistic”.



**“The Combined Authority has developed a clear line of sight between the strategic framework and the projects prioritised. It is easy to follow the golden thread between strategies and projects”**



## Joined-up Investment: Rail (See Project-Up Case Study Evidence Paper (Evidence Paper 3) for further details)

*The WEIF-funded rail package includes seven rail improvement interventions, which includes station improvements, MetroWest rail enhancements, and the development of short and long-term rail strategies. Some of these schemes were identified prior to the Fund (e.g. MetroWest) but were being progressed in isolation. The WEIF built on what was already in the pipeline, but has encouraged a more joined-up, sub-regional approach, with greater clarity, agreement and focus on sub-regional strategic priorities across the partners involved. The WEIF has enabled rail network planning to become more 'strategy led'. The Fund also enabled rail interventions (individually and as a package) to be more ambitious, rather than making incremental improvements, and accelerated progress. As argued by one consultee: "By looking strategically and collaboratively... it will allow the process to be objective, structured, and there will be more visibility as to how decisions have been made." Partner organisations also reported that they were likely to benefit internally from longer term strategic planning. One consultee stated that the long-term strategic prioritisation, combined with the long term and flexible nature of the WEIF, means that partner organisations can take a longer-term view on their own internal priorities, further aligning the partnership. The consultee stated that this was a key example of how the WEIF has changed strategic prioritisation from reactive to proactive.*

### Ability to respond to issues and crises that arise

**5.20** One of the anticipated strategic outcomes arising from the Fund relates to the locality's ability to respond to issues and crises that arise. A critical test of this has been COVID-19 over the last six months. Evidence gathered for this evaluation suggests **the Combined Authority has actively – but also cautiously - managed the programme in a changing context, using the Fund's flexibility to provide immediate support as well as aid longer-term recovery.** Specifically:

- WECA has allocated £5m from the "opportunities and challenges" pot within WEIF to support the work of the West of England Recovery Taskforce, and a further £4.4m was agreed in October 2020. Also, £3m of WEIF has been used to cash flow short term response measures in Local Authorities, enabling the sub-region to mobilise Government's emergency active travel measures more quickly (this will be repaid to the WEIF pot once DfT funding has been received).
- The whole WEIF portfolio has been reviewed by WECA in collaboration with the Unitary Authorities to ensure relevance and deliverability. Whilst most projects are still highly relevant, COVID-19 has impacted on some projects' delivery timescales and mechanisms (as discussed in Section 4) and may release some funding that can be re-invested in

targeted recovery interventions in the short term. Where WEIF projects were still under development, WECA has taken the opportunity to quickly reshape the offer to better align with current needs.

**5.21 Whilst WEIF’s flexibility has been helpful in dealing with COVID-19, WECA has been cautious (some said “overly-cautious”).** It has avoided significantly reshaping the investment programme as a “knee jerk” reaction. This has caused some frustration amongst stakeholders consulted, who perceived this as an apparent reluctance to deploy WEIF to support COVID-19 recovery efforts, a slow response to the crisis, and confusion around the degree of real flexibility in the programme. However, WECA argued that the Fund’s governance processes have forced partners to pause and reflect on the WEIF’s priorities and what it is trying to achieve, which has been helpful to avoid COVID-19 completely derailing investments that will make a significant difference to the West of England over the long term. This has also helped to provide “a lot of stability” in an uncertain context. WECA has also sought to ensure WEIF investment adds to, rather than duplicates, other emergency support provided by Government.

## Wider benefits

### Partner capacity

**5.22** Consultees recognised the impact of WEIF on strengthening capacity across the West of England. **WEIF has led to an increased capacity and capability at WECA**, in part by providing revenue funding to support the set up and operations of WECA. In evaluation terms, the fact that WEIF has contributed funding towards management costs is an input rather than outcome of the Fund. However, it has enabled WECA to add more value in the management of WEIF which has played a role in generating some of the strategic outcomes discussed below - for example by providing capacity to engage with partners to maximise linkages between projects.

**5.23 WEIF has also encouraged other partners in the West of England to increase their internal capacity**, both to enable the delivery of larger projects than had previously been undertaken and engage at a strategic level to ensure planning and delivery are co-ordinated effectively. A key example of this is Network Rail, which is expected to create a Programme Management Office in Bristol specifically to work with WECA and other partners to provide ongoing co-ordination of all rail improvement projects, in recognition of the volume of WEIF investments in rail projects and the benefits of more proactive partnership working through the Fund. There is also evidence that **partners are building a complementary set of capabilities** in relation to developing, managing and delivering a Fund of this nature and scale, and through collaborative working is now better able to co-design and deliver stronger projects.

## Role of evidence in strategy and project development

**5.24** Most consultees agreed that WECA has introduced a robust, evidence-based approach to developing strategic priorities, project proposals and investment decisions. The development of the LIS played a critical role in this. However, **robust evidence now has greater prominence in project development**, which is more closely attributed to the Fund for two reasons: first, the structures and processes set up for the WEIF have placed greater emphasis on outcomes against strategic objectives, which has required partners to strengthen their underpinning evidence base in applications and brought more “discipline” and focus to monitoring activities; and second, access to WEIF revenue funding has allowed more extensive feasibility and developmental work to be undertaken to de-risk future capital investment. Without the WEIF, there is a question as to whether such extensive evidence gathering would have taken place at a programme/project level – in part, it reflects the scale of funding now available to support such extensive feasibility work, but also the long-term/ambitious nature and the local accountability of WEIF has elevated the importance of robust evidence-based foundations.

## Key messages from the assessment of wider contribution

**5.25** Based on the evidence presented above, our conclusions, in headline terms, are summarised in the table below. This distils the effects we have observed and it considers the extent to which these can be attributed to the funding associated with WEIF.

**Table 5-1: Conclusions in relation to WEIF’s effect on capacity development and partnership working**

Effect observed...	...contribution(s) of WEIF to achieving it
The West of England has a <b>stronger strategic vision</b> than hitherto, particularly through the vehicle of the LIS. That in turn has been important in relation to the use of WEIF.	<ul style="list-style-type: none"> <li>• Many areas have local industrial strategies without having devolved investment funding – so the latter was not a necessary condition for the former. That said, the link to WEIF (both in terms of its ability to fund projects, and investment decision-making processes that necessitate collaborative prioritisation) has probably given the West of England LIS more traction than it would have had otherwise and elevated its status locally.</li> <li>• The JSP process could have signalled a loss of ‘sub-regional strategy/narrative’. Bolstered by WEIF, the LIS has largely filled this void.</li> </ul>
The West of England has <b>stronger partnership working with national agencies</b> , aligning resources in the process	<ul style="list-style-type: none"> <li>• The West of England appears to have established good working relationships with major government agencies and the use of WEIF seems to have been critical for three reasons: <ul style="list-style-type: none"> <li>➢ it has effectively ‘secured a seat at the table’ (as the devolved funding can be used alongside national funding streams)</li> <li>➢ it has paid for expertise/capacity within WECA, and this has been important</li> </ul> </li> </ul>

Effect observed...	...contribution(s) of WEIF to achieving it
<p><b>Partnership working within the West of England has matured substantially</b></p>	<ul style="list-style-type: none"> <li>➤ it has placed an emphasis on issues/interventions that are best tackled at a sub-regional (rather than local) level, which has led to more “meaningful” and strategic discussions with national agencies.</li> <li>• Arguably the scale of the funding pot has been sufficient to bring a wider range of sub-regional players to the table in a meaningful way. Many of those organisations have developed their own structures to be able to engage. The scale and scope of WEIF appears to have been a critical factor in this context, particularly in terms of the seniority of stakeholders involved.</li> <li>• As a result of better partnership working, alongside the publication of the LIS, the West of England is now more able to make investment decisions for the good of the locality as a whole.</li> <li>• The inference is that multi-partner projects may be an indirect benefit even if the WEIF contribution is modest (e.g. Bristol Temple Quarter Enterprise Zone).</li> </ul>
<p>The West of England is now in the process of <b>delivering major schemes</b>, far more of which are being <b>delivered at the scale of the West of England</b> (or at least involving two or more of the Unitary Authority areas) which maps onto the functional economic geography, and in a <b>more joined up way</b></p>	<ul style="list-style-type: none"> <li>• WEIF appears to have been crucial in terms of unlocking these schemes; they could not have been advanced if local partners had needed to rely on short term government funding (which is usually targeted at shovel-ready projects)</li> <li>• The scale of WEIF also appears to have enabled more ambitious and potentially transformational interventions to come forward than would otherwise have been the case</li> <li>• WEIF has enabled investment in feasibility studies and in the development of business plans, etc. The flexibility of funding (and availability of revenue) and the ability to take the long view – with certainty of funding over that period - has been critical in this context</li> <li>• The scale, approach to deployment (i.e. no formulaic allocation of WEIF monies on a ‘per UA basis’) and structures associated with WEIF have strengthened partnership working and provided resource to support cross-boundary projects (e.g. Metrowest). It is difficult to envisage that this would have occurred without WEIF</li> <li>• The Fund – and associated programme management capacity within WECA and strengthened partnership working – has encouraged more collaboration and alignment between projects (internally within WEIF and other funding streams), which is expected to lead to greater cumulative effects</li> <li>• Overall, WEIF funding and structures are enabling (i) different types of projects and (ii) more joined up projects to come forward</li> </ul>
<p>The overall scale of <b>public sector funding and private sector investment in the West of</b></p>	<ul style="list-style-type: none"> <li>• WEIF itself is part of this investment, but the question here is the extent to which it has helped to lever in other investment, both private and public. We think the evidence suggests that it has been important –</li> </ul>



Effect observed...	...contribution(s) of WEIF to achieving it
<p><b>England</b> has increased over the last decade</p>	<p>particularly insofar as it has worked alongside and around other public funding streams (e.g. TCF, LGF), encouraged more ambitious private sector investment (e.g. housing), and levered and influenced the strategic focus of ESIF funding (e.g. WFTF).</p>

Source: SQW

- 5.26** It is difficult to disentangle the contribution of WEIF from other factors, particularly the creation of the Combined Authority as an organisation and the development of the LIS, because they are so inter-related. However, based on the evidence above, the distance travelled in terms of capacity and partnership working across the West of England has been notable in a relatively short period of time. **Our conclusion is that WEIF has made an important contribution to the capacity development and partnership working improvements observed across the West of England.**
- 5.27** **Without a devolved investment fund of the scale and character of WEIF, many of the effects described above would not have been seen.** The money has been essential but not sufficient in generating these strategic outcomes. The *scale* of funding has provided scope to tackle significant challenges that span the West of England and led to a more ambitious approach, which in turn has bolstered local strategies and encouraged wider and more senior stakeholder engagement in the process.
- 5.28** However, it appears to be the scale *combined with the nature and mechanisms* of WEIF (i.e. the potential for flexible, sub-regional decision-making, capital and revenue, long-term, local accountability) that has encouraged better partnership working with national agencies (in part, reflecting the ability to fund large-scale, sub-regional interventions) and within projects, more collaborative decision-making, and more joined up interventions (both thematically, and across the geography). Whilst some would have liked to see this taken further (and particularly a different balance between what is perceived as “top-down” compliance vis-à-vis “bottom-up” stakeholder empowerment, buy-in and ownership), the journey of the last four years has been an important one. The evidence suggests that just providing “more money” to local areas – with a starting point of separate pots, rather than a central pot, of funding – is unlikely to have led to the same outcomes in this respect.

## Annex A: Gateway Review Indicators

**A.1** The purpose of this Annex is to map the Gateway Review Evaluation Indicators developed by CLGU against the coverage of the final evaluation reports provided by the National Evaluation Panel. For each indicator the table below indicates where:

- The indicator is not covered in the final evaluation reports (as it falls outside the scope of the work of the National Evaluation Panel)
- The indicator is partially covered in the final evaluation reports, but further information may be required from the Locality to respond fully (there are notes below to explain this partial coverage)
- The indicator is fully covered in the final evaluation reports.

## A: Evidence of Investment Fund intervention progress (relevant for all projects assessed)

**Table A-1: Evidence of intervention progress (relevant for all projects assessed) indicators**

Indicator	Coverage	Location of evidence in National Evaluation Panel (NEP) reports
<b>1. Explanation of the approval process you followed for the intervention including:</b>		
a) How the intervention was agreed by the CA, City Board or Cabinet, including a description of how challenge or disagreement being handled effectively, where applicable	Not covered	
b) How the views of stakeholders were considered during intervention development	Not covered	
c) How the intervention aligns with pre-existing investment programmes in the area	Not covered	
d) How the business case process was appraised (N.B. Robust appraisal should demonstrate value for money and potential for positive economic impact, developed in line with the HM Treasury Green Book)	Partially covered	Assurance Framework sets out appraisal process, referenced in the Main Report Progress against expected effects (as set out in the business cases) referenced in Progress Evaluation Evidence Paper However, robust appraisal of business case and selection processes not within scope of SQW evaluation.
e) How the intervention fits with pre-existing stakeholder frameworks, strategies and plans	Not covered	
<b>2. Explanation of the delivery process to date, including:</b>		

a) Intervention milestones agreed at Board level that are likely to result in successful delivery of the intervention	Not covered	
b) Delivery of the intervention against agreed intervention milestones with evidence of adjusting project/programme plans to mitigate the impact and to ensure value for money and successful delivery	Fully covered	See Progress Evaluation Evidence Paper and Main Report (Section 4)
c) An agreed spending profile for the intervention	Fully covered	See Progress Evaluation Evidence Paper and Main Report (Section 4)
d) Evidence of keeping to the spending profile and mitigating overspend or delays including evidence of adjusting spending and project/programme plans to mitigate the impact and to ensure value for money and successful delivery	Fully covered	See Progress Evaluation Evidence Paper and Main Report (Section 4)
e) Outputs generated to date by intervention activities	Fully covered	See Progress Evaluation Evidence Paper and Main Report (Section 4)
<b>3. Local evaluation plans and commitment to Investment Funds evaluation activities including the Independent Panel evaluation beyond the first gateway review in line with agreed milestones</b>	Partially covered	The scope of the NEP work has been on Gateway Review 1. A Locality Evaluation Plan was agreed and these are referenced in the Main Report, Sections 1 and 3.  The development of (or commentary on) monitoring and evaluation plans post Gateway Review 1 will not be covered.

Source: SQW

## B: Evidence of intervention impact – not applicable in the West of England

Table A-2: Evidence of intervention impact (relevant where projects have been delivered) indicators

Indicator	Rating	Location of evidence in National Evaluation Panel (NEP) reports
1. Evidence that all evaluation activities set out in the evaluation plan developed by SQW has been completed. Evaluation plans developed sets out a range of activities, such as surveys, and before	Fully covered	

and after data comparisons that would inform reporting against logic models		
2. Evidence of delivery of the outcomes specified in the agreed logic model for each intervention	Fully covered	
3. Where possible, evidence showing a reasonable expectation that interventions will have long-term positive economic benefits	Partially covered	
4. Where possible, a description of outcomes that are expected to be delivered in the future	Fully covered	
5. Delivery of information and data to SQW to evidence the outcomes of specific interventions	Fully covered	

Source: SQW

## C: Evidence of capacity development and partnership working

Table A-3: Evidence of capacity development and partnership working indicators

Indicator	Rating	Location of evidence in National Evaluation Panel (NEP) reports
1. Description of leadership roles and responsibilities assigned within the locality	Not covered	
2. A description of engagement between local authorities within the locality on development and decision-making, both in relation to specific interventions (where appropriate) and the Investment Fund as a whole	Partially covered	See Main Report (Sections 3 and 5) and Capacity Building and Partnership Working Evidence Paper
3. Evidence that the City, CA or Cabinet has engaged stakeholders of a wider range, greater seniority and, where relevant, greater regularity than under previous governance and funding arrangements	Partially covered	See Main Report (Section 5) and Capacity Building and Partnership Working Evidence Paper

4. Evidence that the City, CA or Cabinet considered stakeholders' views during decision-making	Partially covered	See Main Report (Section 5) and Capacity Building and Partnership Working Evidence Paper
5. Evidence that stakeholders felt it was easier and more beneficial to engage with the City, CA or Cabinet than with previous governance arrangements	Partially covered	See Main Report (Section 5) and Capacity Building and Partnership Working Evidence Paper
6. Description of how the new governance structures for economic development have affected decision-making across the locality	Fully covered	See Main Report (Section 5) and Capacity Building and Partnership Working Evidence Paper
7. Evidence of an improved plan for the development of the locality as a whole including evidence of consensus among stakeholders about the future development of the local economy compared to under previous governance and funding arrangements.	Fully covered	See Main Report (Section 5) and Capacity Building and Partnership Working Evidence Paper
8. Description of how evidence has been used in the development of strategies and projects	Partially covered	See Main Report (Section 5) and Capacity Building and Partnership Working Evidence Paper

Source: SQW

## D: Contextual economic forecasting and comparison to out-turns

Table A-4: Contextual economic forecasting and comparison to out-turns indicators

Indicator	Rating	Location of evidence in National Evaluation Panel (NEP) reports
1. Forecast of economic growth in locality for GVA and employment to Year [5 or 10]	Fully covered	See Main Report (Section 2 and Annex C)
2. Forecast of economic growth nationally for GVA and employment to Year [5 or 10]	Fully covered	See Main Report (Section 2 and Annex C)
3. Out-turns of economic growth in locality for GVA and employment to Year [x]	Fully covered	See Main Report (Section 2 and Annex C)

4. Out-turns of economic growth nationally for GVA and employment to Year [x]

Fully covered

See Main Report (Section 2 and Annex C)

Source: SQW

## Annex B: Peer Review comments

- B.1** The Academic Group was sent the draft final evaluation report alongside the four supporting evidence papers on 1st October; the same time as they were sent to the client, West of England Combined Authority. SQW hosted a virtual feedback session with all five members of the Academic Group on 15th October 2020 to discuss their feedback. This document provides a summary of their comments.

### Overall feedback

- B.2** The report and evidence papers are well written, clearly presented, comprehensive and easy to read. They are well grounded in the evidence and provide a strong and effective narrative on progress made in the West of England. The exposition and discussion in the report were suitably cautious and careful not to exaggerate the evidence base.
- B.3** It was made clear in previous documents that the evaluation has to focus on the progress made in delivering the projects that are being funded, particularly in relation to expenditure. Due to the early delivery nature of the projects, it is not plausible to assess project impacts. That said, the evidence demonstrates how the Bath Western Riverside intervention has unlocked land for housing (which is significant in terms of the benefits it has and will create), and the West of England Investment Fund (WEIF) has contributed towards improved partnership working and capacity.

### Reporting elements feedback

#### Overview report

- B.4** The report provides a helpful exposition on how the policy landscape has evolved in recent years. To add depth to this, it might be helpful to summarise why the Inspector raised major concerns in relation to the Joint Spatial Plan.
- B.5** The discussion regarding the economic context is well written. The evidence from Cambridge Econometrics' forecasts highlights the relatively favourable employment growth compared to that expected from the trend. The growth of GVA has been as expected. This all means that productivity growth has been relatively weak. The Academic Group suggested that it would be useful to reinforce the point that the forecasts are provided for contextual purposes only.
- B.6** Manufacturing employment in the area is reported to have fallen and be below the baseline trajectory. It would be helpful to consider whether the WEIF and the LIS has made attempts to improve this. [Note, this is not within scope of the evaluation]
- B.7** The report explains the strategy behind the Fund overseen by WECA. The interventions in scope for evaluation are made clear. However it would be useful to include a further



explanation of interventions that are not in scope and the reasons why (noting that some of these are high profile and large ventures, with significant amounts of WEIF committed).

- B.8** WECA has not used WEIF to fund borrowing. This is an approach that has been adopted elsewhere (working with relevant local authorities) and it potentially accelerates delivery. The report ought to note the approach that WECA has taken in these terms.
- B.9** The report explains that some project delays arose through liaison with central government departments e.g. DfE and DWP. A brief consideration of any general observations linked to this would be helpful.
- B.10** The report clearly identifies that the Fund created space for a strategy-led approach to deployment, but also that deployment has been relatively slow to date (in conjunction with establishing the Combined Authority and the timing of the Local Industrial Strategy (LIS)). It also notes that there has been some capacity development over recent years. It would be useful to explore the relationship between the two.
- B.11** The Investment Fund is increasingly being used alongside other funding streams. The consequent challenge of isolating the additionality of the Fund was recognised.
- B.12** The report correctly emphasises that the evaluation's remit is on the progress of the Fund and associated outcomes in terms of capacity building, rather than an evaluation of WECA as an organisation, process issues, or the selection of projects funded by WEIF. This is important context for the synthesis of stakeholder feedback in particular.

### Capacity development and partnership working

- B.13** The evidence is analysed effectively, and the key messages emerge well.
- B.14** The findings on the wider contribution on local capacity development and partnership reflect positively on how local growth funds can be used to help partners to work together effectively. This is important given the history of governance in the West of England.
- B.15** The Fund has also enabled local partners to have focused conversations with central government and national organisations which is significant in itself.
- B.16** The report makes it clear to the reader that the WEIF has provided resource to support the delivery of the LIS strategic priorities and that WEIF is now more focused on investments that would not have occurred at all without WEIF, or investments that are used to accelerate and/or increase in scale due to WEIF. The capacity building effects from this come across well.
- B.17** It was recognised that judgements on progress in capacity building depend hugely on the starting point: taking 2015 as the baseline year leads to different conclusions from those that would emerge from an earlier starting point. This broader context is important.

## Other discussions

- B.18** It was noted by the Academic Group that the evaluation raises some interesting issues on the approach taken to the strategic deployment of the Investment Fund, project prioritisation and selection, and fit with other interventions and agendas, from which there may be important policy lessons. However, it was recognised that these issues fall outside of the scope of the evaluation.
- B.19** The evaluation team may wish to make more use of quotes from consultees to give some indication of the range of opinions.

## Annex C: Economic forecasts and out-turns

- C.1** This Annex provides further details regarding the economic forecasting workstream. This includes an overview of the approach, interpretation of the results including any limitations, and the detailed data from both the baseline forecasts and analysis of out-turns.

### Approach

- C.2** As part of the Baseline Report, CE developed tailored baseline economic forecasts for West of England, based on a version of CE's Local Economy Forecasting Model (LEFM) that was available back in 2015.
- C.3** The tailored baseline economic forecasts were based initially on baseline economic projections from the LEFM, based on historical growth in the locality relative to the region or UK (depending on which area it has the strongest relationship with), on an industry-by-industry basis. It was assumed that those relationships continue into the future. The initial LEFM baseline projections did not take account of specific growth plans or major interventions that were in place at the time the Investment Fund was approved, but which could reasonably be expected to influence economic growth over the period to the first Gateway Review.
- C.4** The baseline LEFM projections were therefore revised to incorporate local information following desk-based research and a workshop with representatives from the Locality. The tailored baseline was developed within a version of LEFM calibrated to the local West of England economy, which incorporated GVA and employment adjustments to the non-tailored baseline as agreed by the local councils.<sup>23</sup>
- C.5** This annex compares the tailored short-term economic forecasts developed for the Baseline Report with the actual outcomes over 2013-2019<sup>24</sup>. The last year of historical data in the forecasts produced for the Baseline Report was 2013. The more recent actual outcomes data are taken from CE's updated historical database, which includes historical data to 2019. A sectoral comparison is also included, along with a comparison of the outturns at the UK and regional level.

### Interpreting the results

- C.6** The forecasts set out in the Baseline Report and the more recent historical data to 2019 are both based on CE's historical employment and GVA databases, allowing a comparison to be made between the two datasets. While the method to process the Year 1 and Year 2 data are

<sup>23</sup> Further details regarding the methodology and the effects of the tailoring are set out in the Baseline Report.

<sup>24</sup> The local area employment data in 2019 are estimates based on actual regional data. While the local area GVA data in 2019 are projections and are not based on actual regional data, they have been included for comparisons.

the same, it is important to note the following differences in the underlying raw data when interpreting the results<sup>25</sup>:

- The last year of actual local area employment data in the most recent data is 2018. The local area employment data in 2019 are estimates based on actual regional data<sup>26</sup>. Changes at the regional (South West) level over 2018-19 are proportionately disaggregated across all local authorities in the South West. The local area 2019 employment figures are therefore estimates, allowing an additional year to be used in the analysis. It is important to bear in mind, however, that the actual 2019 local area figures could be higher or lower if changes at the regional level were concentrated in particular local areas in the South West.
- The local area GVA data in 2019 are projections and are not based on actual regional data. They are modelled results, based on CE's standard method to produce baseline economic projections<sup>27</sup>. They have been included for comparisons.
- The price base of the GVA data has changed from £2011 in the baseline forecasts to £2016 in the latest historical data. The absolute GVA levels, therefore, cannot be compared between the two datasets. In order for both datasets to be compared, an indexed series has been created for both datasets where the GVA data in 2013=100. This allows recent growth rates to be compared with forecast growth rates. A similar approach has been taken when analysing the employment and productivity data.
- ONS published new local authority, NUTS2 and NUTS3-level GVA estimates based on an improved (balanced approach) methodology in 2018<sup>28</sup>. This new data have been incorporated into CE's latest historical database. The raw GVA data used in the Baseline Report was based on the old (income approach) NUTS2 GVA data available at the time, as the NUTS3 GVA data was not considered to be as robust.
- Additionally, ONS have published the latest NUTS2 GVA data by more detailed sectors than were available when the LEFM used in the Baseline Report was updated.

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<sup>25</sup> It is possible that improvements in the ONS GVA methodology have caused some differences between forecast and actual outturns. However, on the whole, the new ONS data are unlikely to have had a significant impact on the deviation of actual GVA growth from what was expected in the Baseline Report at the West of England broad sector level.

<sup>26</sup> This is due to the ONS release schedule for data. While 2019 regional employment data has been published, the 2019 employment estimate for local authority districts will not be released until the end of September 2020.

<sup>27</sup> Further details regarding the standard methodology for CE's baseline projections are set out in the Baseline Report.

<sup>28</sup> Balanced approach data is created by combining income and production approach data – a summary of how these approaches differ at the aggregate level can be found here: <https://www.ons.gov.uk/file?uri=/economy/regionalaccounts/grossdisposablehouseholdincome/methodologies/regionalaccounts/regionalrealgvatcm77262085.pdf>. A summary of how these two data sets are combined can be found here: [https://consultations.ons.gov.uk/national-accounts/consultation-on-balanced-estimates-of-regional-gva/supporting\\_documents/Development%20of%20a%20balanced%20measure%20of%20regional%20gross%20value%20added.pdf](https://consultations.ons.gov.uk/national-accounts/consultation-on-balanced-estimates-of-regional-gva/supporting_documents/Development%20of%20a%20balanced%20measure%20of%20regional%20gross%20value%20added.pdf)

- The incorporation of raw GVA data at lower spatial levels means that in some instances GVA has been redistributed between local areas and sectors within a NUTS2 area. This could lead to differences between the GVA data used in the Baseline Report and the latest GVA data. However, the effect on total GVA for a larger area, such as the West of England, and the effect on the growth rates by sector within the area will be limited, as this comparison focuses on broad sectors (not the detailed sector level in the new GVA data). A comparison between the forecasts is, therefore, still valid when analysing the indexed growth rate.

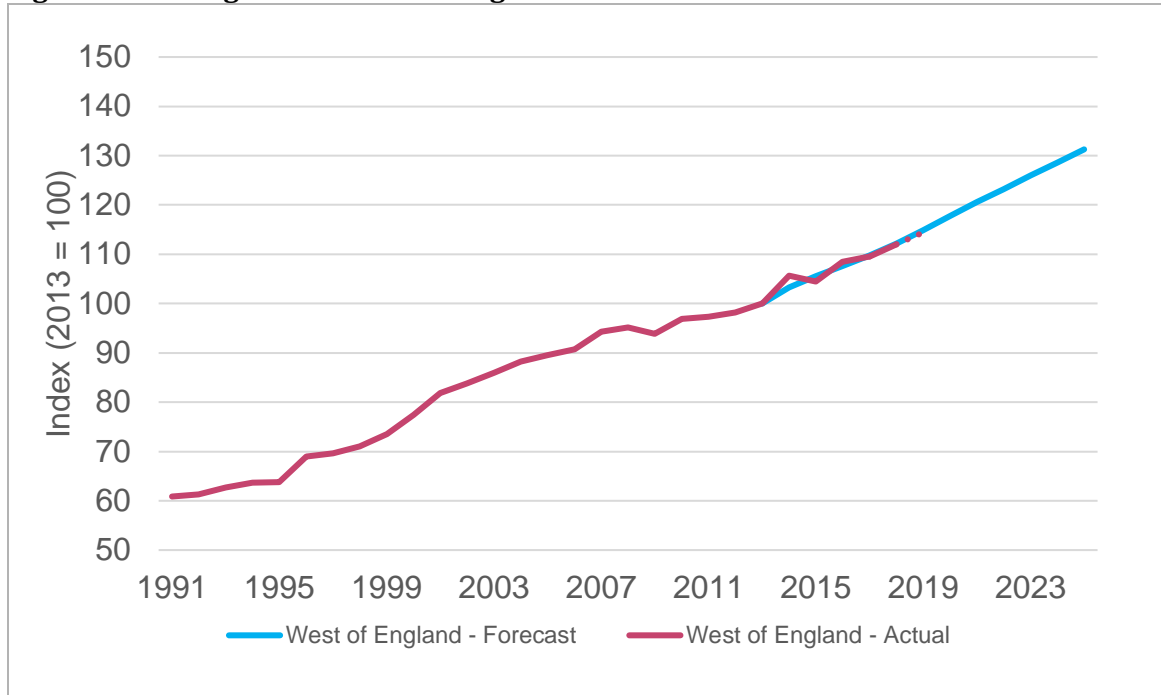
**C.7** These changes in the raw GVA data mean that any differences seen when comparing the short-term GVA forecasts from the Baseline Report to the actual outturns data could be due to the change in the GVA price base, improvements in the measurement and reporting of the GVA data and/or differences in what was expected back in 2015 versus what actually happened. There could be cases when variation between forecasts and actual data are explained more by methodological issues. However, the impact on growth rates at the West of England level are likely to be limited. It is difficult to estimate the relative scale of importance between the factors causing possible differences, as they will affect each local area and sector differently. For this reason, it is better to focus more on comparing forecast and actual growth rates, rather than absolute levels, particularly as the price base of the GVA has changed.

## Detailed data

### GVA

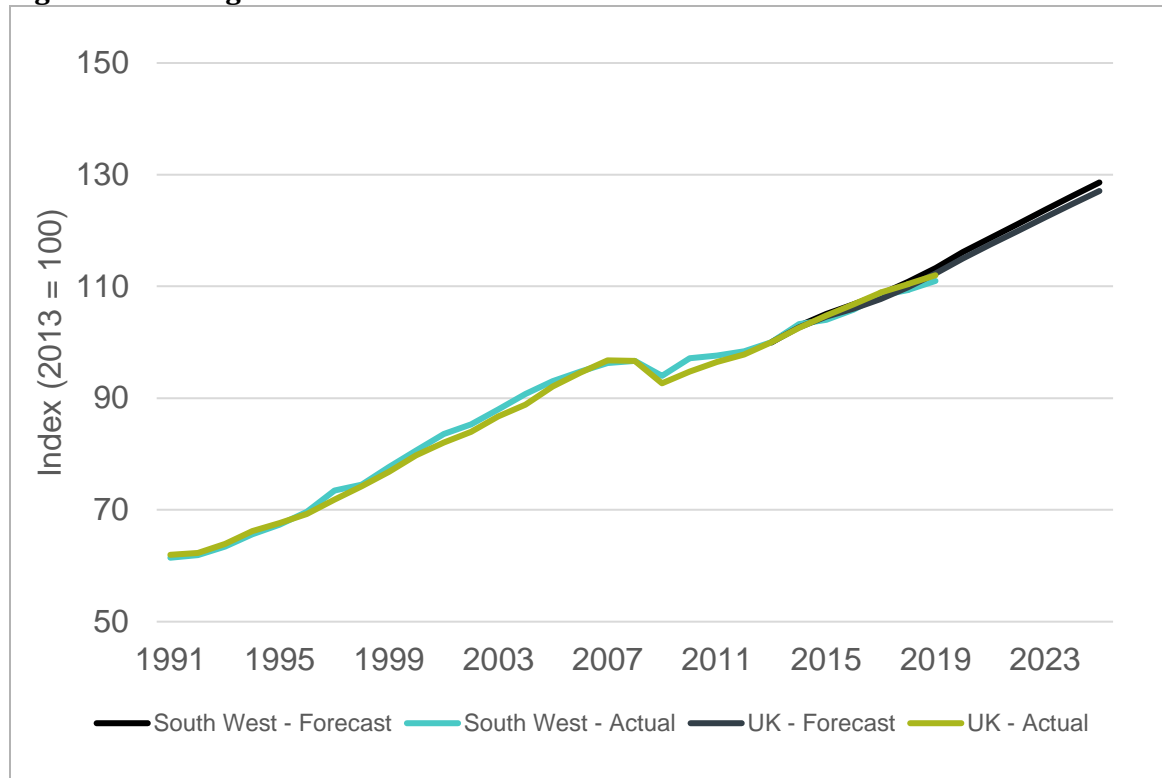
**C.8** Actual GVA growth in the West of England and the UK over 2013-19 was broadly in line with the baseline forecast (see Figure C-1 and Figure C-2), while GVA growth in the South West was slightly slower than forecast (0.3 percentage points (pp) slower than expected). GVA growth in the West of England (2.3% pa over 2013-19) was faster than the South West and the UK, which grew by 1.8% pa and 1.9% pa respectively over this period. In 2014, GVA growth in the West of England was strong (5.7% between 2013 and 2014) and outperformed expectations, followed by mild fluctuations thereafter.

**Figure C-1: GVA growth – West of England**



Source: CE tailored short-term economic forecasts and ONS data

**C.9** Table C-1 compares actual GVA growth rates by sector for the West of England with the forecast. Most of the service sectors were broadly in line with the forecast with less than 1 pp difference between expected and actual growth. Conversely, Construction and Distribution outperformed the forecast by 1.8 pp and 3.0 pp respectively. Agriculture (while a small sector) and Manufacturing were forecast to grow by 2.2% pa over 2013-19, but GVA in those sectors declined by -6.6% pa and -3.4% pa respectively.

**Figure C-2: GVA growth – South West and UK**

Source: CE tailored short-term economic forecasts and ONS data

**Table C-1: West of England GVA growth by sector, 2013-2019**

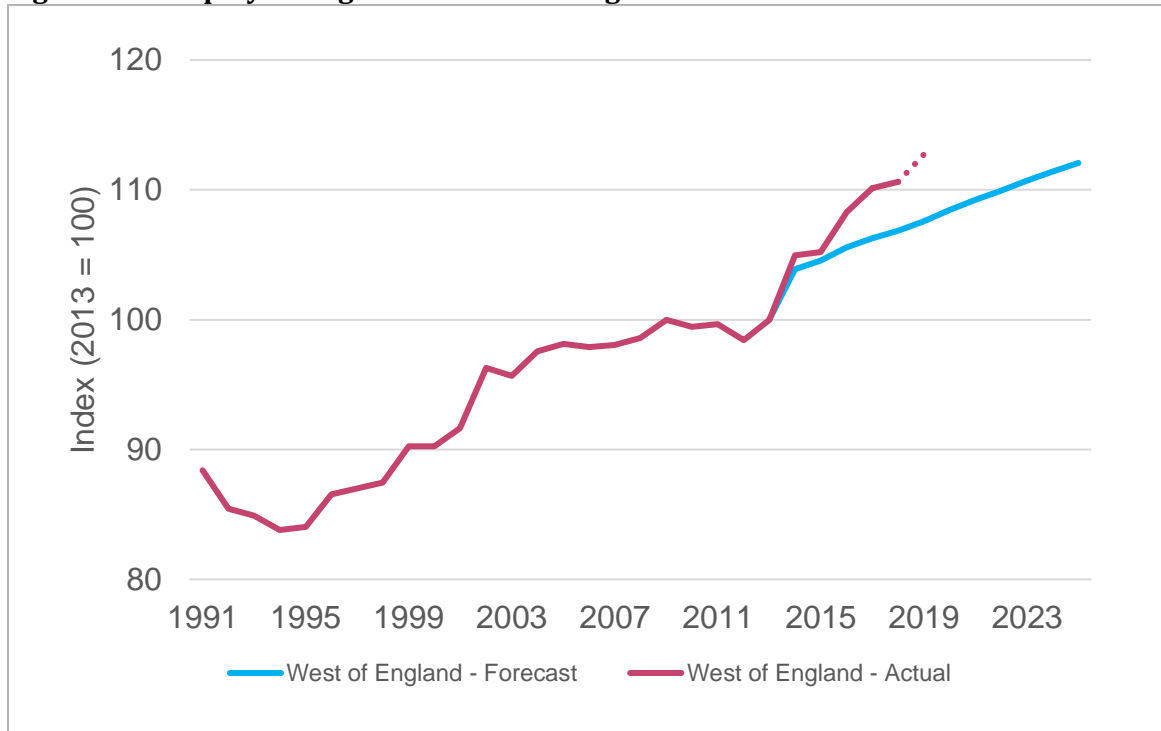
	Forecast growth (pa %)	Actual growth (pa %)	Percentage point difference (actual minus forecast)
Agriculture	2.2	-6.6	-8.9
Mining & quarrying	-2.5	4.0	6.6
Manufacturing	2.2	-3.4	-5.5
Electricity, gas & water	0.2	11.3	11.1
Construction	5.5	7.3	1.8
Distribution	2.0	5.0	3.0
Transport & storage	2.8	2.7	-0.1
Accommodation & food services	3.1	2.6	-0.5
Information & communications	2.9	2.1	-0.8
Finance & business services	2.4	2.1	-0.4
Government services	1.2	0.6	-0.6
Other services	3.0	3.2	0.2

## Employment

**C.10** Employment grew above expectations in all areas over 2013-19 (see Figure C-3 and Figure C-4). This is most notable in the West of England, which grew by 2.0% pa over 2013-19 (0.8 pp higher than forecast in the Baseline Report). Similarly, employment in the UK as a whole grew by 1.7% pa over 2013-19, compared to a forecast of 1.0% pa. Despite stronger than expected employment growth in the West of England in 2015, employment in the South West as a whole fell slightly by 0.2% in 2015 (compared to forecast growth of 0.4%), implying a fall in employment elsewhere in the South West.

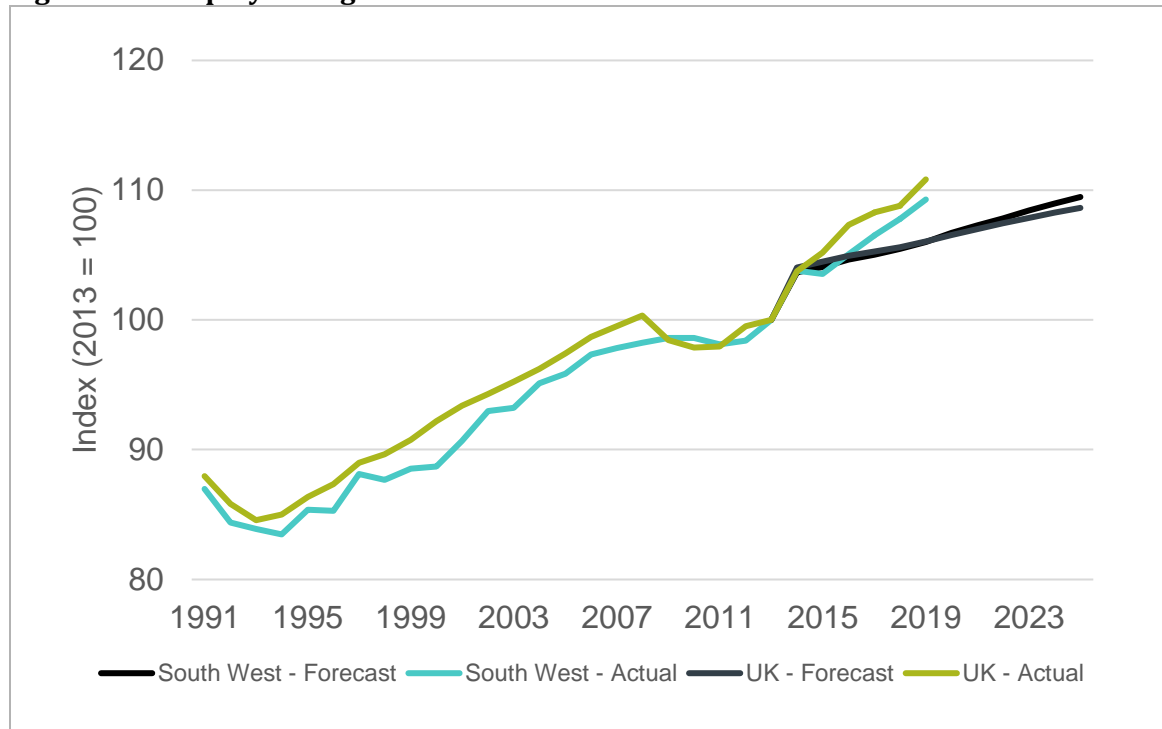
**C.11** Employment growth in the West of England started to deviate positively from the expected growth path in 2014 and this gap continued to widen over the forecast period. As Figure C-3 shows, employment grew sharply between 2015 and 2017 before slowing down in 2018 and picking back up in 2019. The UK followed a similar trend as the West of England, where the growth slowed down in 2017-18 and picked up again in 2019.

**Figure C-3: Employment growth – West of England**



Source: CE tailored short-term economic forecasts and ONS data



**Figure C-4: Employment growth – South West and UK**

Source: CE tailored short-term economic forecasts and ONS data

**C.12** Almost all the sectors experienced higher than expected employment growth in the West of England, except for Agriculture and Manufacturing, which both saw a fall in employment. The stronger than expected employment growth in the West of England was driven by above forecast growth in Government services (1.4 pp above the baseline forecast) and Transport and storage (3.4 pp above the baseline forecast).

**Table C-2: West of England employment growth by sector, 2013-2019**

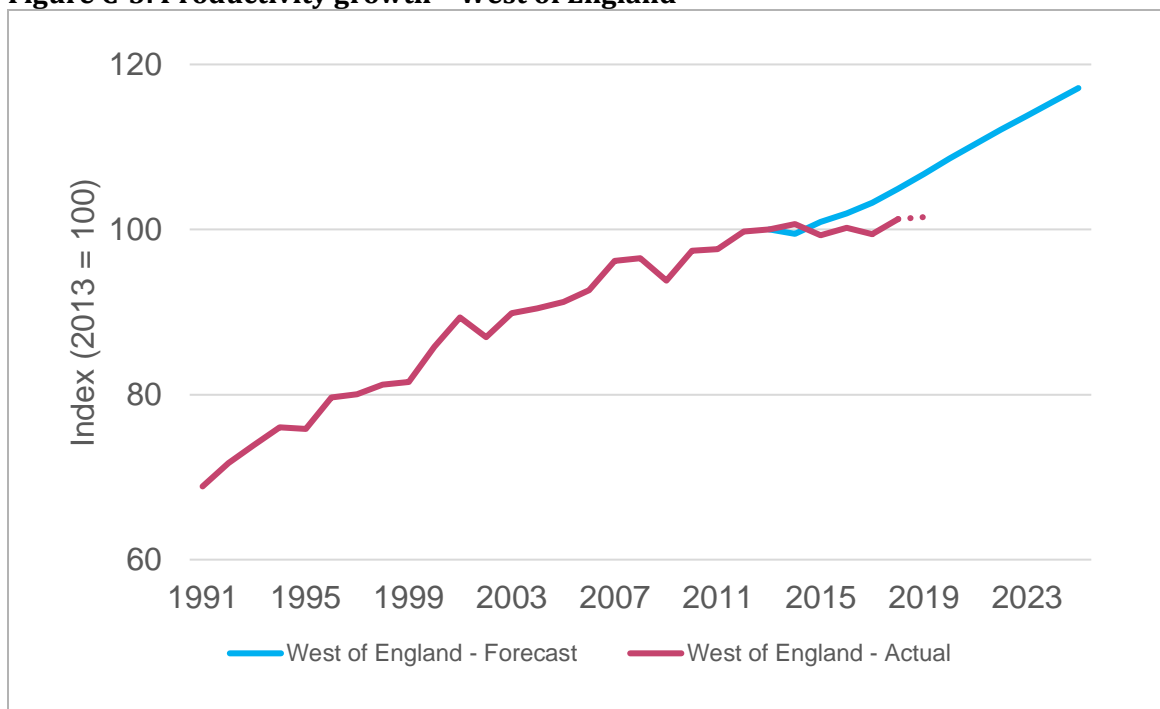
	Forecast growth (% pa)	Actual growth (% pa)	Percentage point difference (actual minus forecast)
Agriculture	7.3	-3.4	-10.7
Mining & quarrying	-11.1	-6.2	4.9
Manufacturing	-0.3	-1.3	-1.0
Electricity, gas & water	-1.0	11.0	12.0
Construction	3.8	4.1	0.3
Distribution	-0.4	0.3	0.6
Transport & storage	0.0	3.4	3.4
Accommodation & food services	4.0	4.6	0.6
Information & communications	1.5	3.7	2.2

	Forecast growth (% pa)	Actual growth (% pa)	Percentage point difference (actual minus forecast)
Finance & business services	2.4	2.5	0.0
Government services	0.1	1.5	1.4
Other services	1.6	2.4	0.8

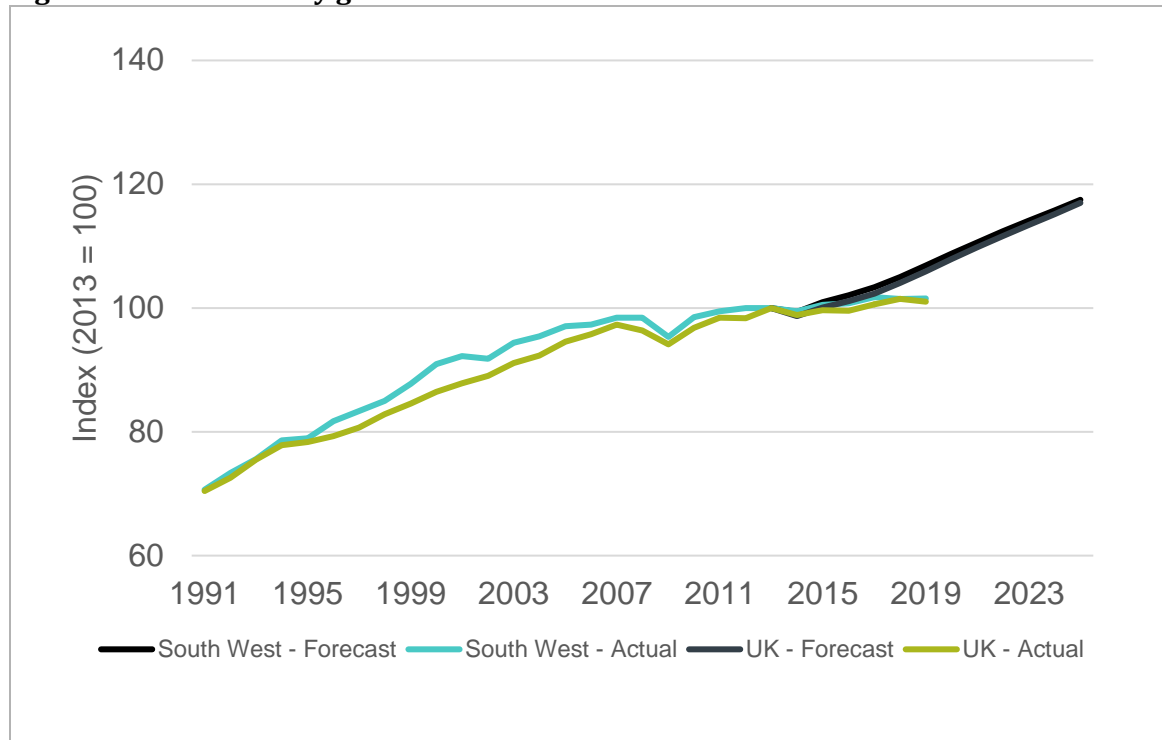
## Productivity

**C.13** Figure C-5 and Figure C-6 show that productivity growth over 2013-19 was below expectations for all areas, supported by stronger than expected employment growth over this period. Productivity in the West of England and the South West was forecast to grow by 1.1% pa over the period, but was in fact much slower (0.2% pa). This is in line with the UK as a whole, which also experienced weaker than expected productivity growth of 0.2% pa over 2013-19, compared to an expected 1.0% pa.

**Figure C-5: Productivity growth – West of England**



Source: CE tailored short-term economic forecasts and ONS data

**Figure C-6: Productivity growth – South West and UK**

Source: CE tailored short-term economic forecasts and ONS data

**C.14** Productivity growth underperformed expectations in more than half the sectors in the West of England (see Table C-3). Manufacturing and Information and communication were the two sectors that experienced the greatest loss in productivity over 2013-19, falling by -2.1% pa and -1.6% pa respectively. Productivity growth in Construction and Distribution over 2013-2019 were higher than expected (supported by strong GVA growth), outperforming expectations by 1.4 pp and 2.4 pp respectively.

**Table C-3: West of England productivity growth by sector, 2013-2019**

	Forecast growth (% pa)	Actual growth (% pa)	Percentage point difference (actual minus forecast)
Agriculture	-4.7	-3.4	1.4
Mining & quarrying	9.6	10.9	1.3
Manufacturing	2.5	-2.1	-4.6
Electricity, gas & water	1.3	0.3	-1.0
Construction	1.7	3.1	1.4
Distribution	2.4	4.8	2.4
Transport & storage	2.7	-0.8	-3.5
Accommodation & food services	-0.9	-1.9	-1.1
Information & communications	1.4	-1.6	-3.0

	Forecast growth (% pa)	Actual growth (% pa)	Percentage point difference (actual minus forecast)
Finance & business services	0.0	-0.4	-0.4
Government services	1.1	-0.9	-2.0
Other services	1.4	0.8	-0.6

## Conclusion

**C.15** West of England outperformed the wider region and the UK in terms of employment and GVA. GVA growth in the West of England has increased in line with expectations, but this masks stronger than expected employment growth over 2013-19 and slower than expected productivity growth.



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## About us

### **SQW Group**

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**ITEM: 08**

**REPORT TO: WECA AUDIT COMMITTEE**

**DATE: 28 APRIL 2022**

**REPORT TITLE: INFORMING THE AUDIT RISK ASSESSMENT FOR WECA 2021/22**

**DIRECTOR: RICHARD ENNIS, INTERIM DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

**AUTHOR: RICHARD ENNIS, INTERIM DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

## **Purpose of Report**

1 The purpose of this report is to contribute towards the effective two-way communication between the Combined Authority's external auditors and Audit Committee (as those charged with governance). The report covers some important areas of the auditor risk assessment where Grant Thornton, WECA's appointed auditors, are required to make inquiries of the Audit Committee under auditing standards.

## **Recommendation**

The committee is requested to confirm that the West of England Combined Authority management response to the auditor risk assessment is a true reflection of the authority's management processes.

## **Background / Issues for Consideration**

2 The West of England Combined Authority, like all other public sector bodies, has to produce statutory accounts on an annual basis. These accounts have to be formally approved by those charged with governance, being the audit committee.

2.1 To help inform the external audit opinion of the accounts, our auditor, Grant Thornton, undertake an initial risk assessment, to obtain an understanding of management processes and the Audit Committee's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Going Concern,
- Related Parties, and
- Accounting Estimates.

- 2.2 This report includes a series of questions on each of these areas and the response that Grant Thornton has received from the West of England Combined Authority's management as detailed in Appendix 1. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.
- 2.3 The full set of Statutory accounts will be presented to the audit committee in November 2022 for approval following the external audit review which is programmed for middle of August through to the end of September 2022.

### **Consultation**

- 3 Consultation has taken place on this particular element of the accounts between Grant Thornton and various financial management staff within WECA. The report, as presented to this committee, is another important element of the consultation process.
- 3.1 The Accounts and Audit Regulations (England) 2015 require the Annual Statement of Accounts to be certified by the Chief Financial Officer and made available for public inspection. WECA will issue a full copy of the draft 2021/22 accounts on the authority's website in line with the extended statutory deadline of 1 August 2022.

### **Other Options Considered**

- 4 The West of England Authority intend to present various elements of the process early to the Audit Committee (Narrative Report and Annual Governance Statement) in order to obtain initial feedback and direction prior to publication of a draft on the authority's website.

### **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, (AGS), will be produced, and is integrated within the core Statement of Accounts document.
- 5.1 The AGS and narrative statement both detail the framework that the authority has developed, and implemented, for governing, managing and reporting risks.
- 5.2 This report reflects our external auditor's initial risk assessment in order to obtain an understanding of management processes.

### **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 direct implications arising from this report.

**Finance Implications, including economic impact assessment where appropriate:**

- 7 Management Accounting reports are published throughout the year evidencing progress and spend against the authority's set budget.

*Advice given by: Richard Ennis, Interim 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: Stephen Gerrard, Interim 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 statement of accounts has no direct impact on climate change issues. However, WECA considers climate change when determining their priorities and investment decisions.

**Appendices:**

Appendix 1 – Grant Thornton: Informing the audit risk assessment for West of England Combined Authority 2021/22

**Background papers:**

WECA Statutory Accounts 2020/21

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should contact Democratic Services email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

# Informing the audit risk assessment for West of England Combined Authority 2021/22

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**Jon Roberts**  
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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 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 your business or any 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.

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between West of England Combined Authority's external auditors and West of England Combined Authority's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Combined Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from the West of England Combined Authority's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>COVID-19 which impacted the economy from mid- March 2020 onwards. Continued agency accounting approach for funds held on behalf of parties represented at Joint Committee. Continued increase in grant funding which increases the responsibilities and capacity of the organisation.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by West of England Combined Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Due to Covid-19, the implementation of IFRS 16 Leases had been delayed and is now effective 1 April 2022. There has been an emergency consultation launched in February 2022 to delay introduction until 2024-25. The main changes include the recognition of almost all leases on the Balance Sheet by lessees due to the distinction between operating and finance leases being removed.</p> <p>The standard will affect primarily the accounting for the Authority's operating leases. The Authority's activities as a lessor are not material and hence the Authority does not expect any significant impact on the financial statements.</p> <p>The Authority intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Financial Instruments are held in accordance with the Annual Approved Treasury Management Strategy. We can confirm that the Authority holds no derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>We are not aware of any transactions that have been made outside the normal course of business.</p>



## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	We are not aware of any changes in circumstances that would lead to impairment of non-assets.
6. Are you aware of any guarantee contracts? If so, please provide further details	We are not aware of any guarantee contracts in place.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	We are not aware of loss contingencies nor un-asserted claims that may affect the financial statements.
8. Other than in house solicitors, can you provide details of those solicitors utilised by West of England Combined Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>There are no open litigations.</p> <p>The West of England Combined Authority only has one in house lawyer so additional capacity is bought in from the constituent authority in house legal teams, other Combined Authority legal teams, legal firms on the Crown Commercial and Wiltshire Legal framework agreements and Counsel as and when required.</p>

## General Enquiries of Management

Question	Management response
<p>9. Have any of the West of England Combined Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>We are not aware of any reported items of fraud or non-compliance with laws and regulations or uncorrected misstatements from our service providers that would affect the financial statements.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>PSTax – VAT, SDLT and ET Advice  Arlingclose – Treasury Management Advice  CIPFA – Business Rates and Capital  Actuary – Liability estimation  Avon Pension Fund – Pension Advice  AON Insurance Advisors – Broker</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>We will review any loans in existence at yearend for evidence of any issues.  In line with the Committee Approval in January 2022 - Our intention is to increase our Treasury Management Reserve to cover any future potential credit losses on investments for the pooled funds.</p>

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As West of England Combined Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from West of England Combined Authority's management.

# Fraud risk assessment

Question	Management response
<p>1. Has West of England Combined Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Combined Authority's risk management processes link to financial reporting?</p>	<p>The work of Audit West provides assurance that material misstatement due to fraud is not occurring.</p> <p>In relation to the risk management processes linked to the Financial Reporting - The Authority has an established system of reporting for revenue and capital budgets which takes account of this. Financial risks are outlined within the budget setting report and will continue to be monitored and reported through regular budget monitoring reports. The Authority's wider risk management processes continue to be aligned to our Business Plan which is formally reported through the West of England Combined Authority Audit Committee.</p>
<p>4. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p><b>Procurement</b> - Tendering issues, split contracts (value disaggregated to circumvent thresholds), double-invoicing, price-fixing, bid rigging, cartels. Spanning whole period from agreeing a project to contract monitoring, extensions and re-letting. Inflated claims by consultants (low volume of contracts to date)</p> <p><b>Payroll</b> - False employees, fraudulent overtime, allowance and expenses claims.</p> <p><b>Grants</b> - Work not carried out, funds diverted, ineligibility not declared. False application or payment of grants to any person, agency or organisation.</p> <p><b>Internal fraud</b> - Any employee might perpetrate fraud against his or her employer and delegation of responsibilities to officers brings inherent risks. Diverting monies to a personal account, accepting bribes, working elsewhere while claiming to be off sick, wrongfully claiming benefit while working, failing to declare conflicts of interest or acceptance of gifts and hospitality. Staff pre-employment fraud, where false information given to gain employment. Stealing property and selling it on for personal gain.</p> <p><b>Mandate fraud</b> - Change to a direct debit or bank transfer mandate by fraudster purporting to be an organisation you make regular payments to, for example, a subscription or membership organisation or business supplier.</p> <p><b>Manipulation of data fraud</b> - Most commonly, employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation.</p>

## Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p> <p>Page 125</p>	<p>We communicate risk issues (including fraud) to those charged with governance in the following way:            The Risk Management Framework - updates provided to the Audit Committee;            Decision making reports to the West of England Combined Authority Committee;            S73 Officer Reports as necessary;            Internal Audit Reports - regular updates to the Audit Committee;            Whistle blowing procedures;            Annual Governance Statement &amp; Assurance Framework to Audit Committee;            The Business Plan - regular updates to The West of England Combined Authority Committee and Scrutiny;            Risk management routinely discussed and considered at Directorate Management Team meetings;            Revenue Budget setting and Capital Programme reports;            We have also run informal fraud workshops with staff and members of the West of England Combined Authority Audit Committee</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within West of England Combined Authority where fraud is more likely to occur?</p>	<p>As we accelerate the Combined Authority's role in the delivery of major capital projects, there will be a growing risk in terms of the commissioning of major construction contracts. We will keep this risk under review.</p>
<p>6. What processes do West of England Combined Authority have in place to identify and respond to risks of fraud?</p>	<p>The Authority has a Counter-Fraud Strategy which has been previously approved by the Senior Management Team and communicated to staff. Regular, proactive alerts are provided to all staff when we are notified of any new potential fraud risks through internal audit, financial institutions or other relevant stakeholders.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for West of England Combined Authority, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>Internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Reasonably strong.</p> <p>The work of Audit West provides assurance along with the Head of Internal Audit Opinion, We have an Assurance Model and Annual Governance Statement also in place.</p> <p>The Financial Reporting process and internal controls and governance processes, including Audit West's Reasonable Assurance model, assessment of specific areas of audit work, segregation of duties and counter fraud policies minimise the potential for misreporting.</p> <p>Whistleblowing policy in place;</p> <p>The audit committee continues to grow in their awareness and effectiveness in terms of constructive challenge of internal controls. An independent, business member of the Audit Committee has recently been appointed which will add to the committee's strength.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>We are not aware of any.</p>

## Fraud risk assessment

Question	Management response
<p>9. How does West of England Combined Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>All HR and IT Policies are available to all staff and they have been signposted to these on several occasions.</p> <p>The Whistle blowing policy applies to staff, members, suppliers, contractors, volunteers and anybody acting on behalf of the Authority.</p> <p>The Authority's Anti Money Laundering Policy and Counter Fraud Strategy have been communicated and are available to all staff in the Useful Information Section of the website.</p> <p>No significant issues have been reported to date.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Highest risk posts are those who are able to commit the authority to significant spend, mainly Chief Executive and Directors of Infrastructure, Business and Skills and Corporate Services. Also the Head of Capital Projects Delivery in terms of commissioning major construction contracts;</p> <p>The Combined Authority has a clear and tight levels of financial delegation whereby only few officers are able to commit high levels of spend. Segregation of duties is in place and dual authorisation required for higher spend.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>We are not aware of any related party relationships or transactions that could give rise to instance of fraud.</p> <p>All LEP Board members have to formally declare any known relationship with the operations of the Combined Authority.</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>In order to ensure that the Audit Committee have oversight of the management processes in relation to reporting fraud and issues in this area the following are presented to Audit Committee:</p> <ul style="list-style-type: none"> <li>• Monitoring &amp; Evaluation Framework</li> <li>• Risk Management Framework</li> <li>• The Assurance framework</li> <li>• Annual Governance Statement;</li> <li>• Whistleblowing Policy;</li> <li>• Internal Audit Reports</li> </ul> <p>Nothing material has been flagged in year.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>None that we are aware of.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None that we are aware of.</p>



# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that West of England Combined Authority's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does West of England Combined Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Combined Authority's regulatory environment that may have a significant impact on the Combined Authority's financial statements?</p>	<p>Decision reports to the West of England Combined Authority and Joint Committees require legal and financial implications to be signed off. The work of Statutory Officers and Internal Audit includes a focus on compliance with law and regulation. In addition, it takes assurance through S73 Reports, Internal audit reports, Whistle blowing procedures and the Annual Governance Statement and Assurance Framework.</p> <p>Staff employed in critical posts have the relevant professional qualifications, skills and knowledge.</p> <p>Statutory Officers – Head of Paid Service, Monitoring Officer and Section 73 Officer meet on a regular basis to consider key Financial and legal issues faced by the authority.</p> <p>We are not aware of any changes to The West of England Combined Authority regulatory environment that would have a significant impact on the financial statements.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The following reports are taken to the Audit Committee on a cyclical basis in order to provide assurance:</p> <ul style="list-style-type: none"> <li>• The Monitoring &amp; Evaluation Framework</li> <li>• The Risk Management Framework</li> <li>• Internal Audit Reports</li> <li>• The Assurance Framework</li> <li>• Decision making reports to the Combined Authority</li> <li>• S73 Officer Reports as necessary</li> </ul> <p>Accounts produced are in line with Code of Practice.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>There are no instances of non-compliance or suspected non-compliance with laws and regulation that we are aware of.</p>
<p>4. Are there any actual or potential litigation or claims that</p>	<p>None that we are aware of.</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does West of England Combined Authority have in place to identify, evaluate and account for litigation or claims?	All claims are controlled by the legal team, in conjunction with our insurers. Where appropriate these are taken to the Board for approval.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	There have been no reports that indicate non-compliance that we are aware of.

# Related Parties

## Matters in relation to Related Parties

West of England Combined Authority are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

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- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by West of England Combined Authority;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Combined Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Combined Authority or of any body that is a related party of the Combined Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Combined Authority's perspective but material from a related party viewpoint then the Combined Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in West of England Combined Authority's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and West of England Combined Authority</li> <li>whether West of England Combined Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions</li> </ul>	<p>There have been no changes to the related parties.</p>
<p>2. What controls does West of England Combined Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members and Senior Officers are required to complete a register of interests. Members and officers are also required to declare any interests relating to matters to be discussed in each meeting.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Robust procurement controls are operated with contract authorisation limits. The process applies to all commercial activity regardless of whether it involves related parties.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Financial regulations apply.</p>

# Climate Change and Wider Global Issues

## Matters in relation to Climate Change and Wider Global Issues

In addition to the issues outlined in other sections, the audit team have deemed it appropriate to include inquiries regarding the impact of climate change, and wider global issues such as the Russian invasion of Ukraine, may have on the Combined Authority's financial statements. These global issues are increasingly impacting the environment of local government bodies, and the inquiries in the following page relate to how these issues are expected to impact the Combined Authority's financial statements, risk management assessment, and medium term financial plan.

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# Climate Change and Wider Global Issues

Question	Management response
<p>1. Has West of England Combined Authority considered the impact that climate change, and particularly the Combined Authority's declaration of a climate emergency, on the Combined Authority's financial statements during current year and future years?</p>	<p>Yes this has been considered. Will look at best practice and include areas of expenditure, value for money, outputs and outcomes.</p>
<p>2. How has the impact of climate change, and other global issues, been taken into account by the Combined Authority as part of its medium term financial plan? Additionally, how have these issues been considered as part of the Combined Authority's risk management arrangements?</p>	<p>Tackling the climate and ecological emergency forms a key part of the Business Plan for 22/23. Living Document – Climate and Ecological Emergency Strategy and Action Plan in place. Green Recovery Fund.</p>
<p>3. Are increasing levels of insurance premiums as a result of climate change likely to materially impact the Combined Authority's financial statements?</p>	<p>No material impact that we are aware of.</p>

## Climate Change and Wider Global Issues

Question	Management response
<p>4. If West of England Combined Authority continue to take our short term loans, has the Combined Authority factored in the risk of changing borrowing rates available, as a result of global issues, into its cashflow forecasting and treasury management strategy?</p>	<p>We do not have a need for any borrowing in the short to medium term.</p>
<p>5. Does the Combined Authority consider there to be any loans made to third parties that may be impacted by climate change, such as new legislation that may impact their ability to repay the loans?</p>	<p>No, as the majority of the investments are made to other LA's. The rest are in multi asset/pooled funds which are always subject to a variety of risk factors, hence our treasury reserve in place to partially cover any potential losses.</p>



# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by West of England Combined Authority will no longer continue?</p>	<p>We will continue to consider any changes in legislation that will impact on the number and level of services provided.</p>
<p>2. Are management aware of any factors which may mean for West of England Combined Authority that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>Not aware of any factors.</p>
<p>3. With regard to the statutory services currently provided by West of England Combined Authority does West of England Combined Authority expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for West of England Combined Authority to cease to exist?</p>	<p>We expect to deliver for the foreseeable future.</p>
<p>4. Are management satisfied that the financial reporting framework permits West of England Combined Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial</p>	<p>Yes – words on going concern assumption are included in the annual accounts. The Combined Authority will continue to exist unless legislation changes.</p>

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The significant valuation would include pensions and Business Rate Appeals.
2. How does the Combined Authority's risk management process identify and address risks relating to accounting estimates?	Estimates are based upon accounting knowledge, historical data, review of transactions or known events after the end of the financial year to determine the calculations to provide the necessary provisions.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	As above.
4. How do management review the outcomes of previous accounting estimates?	Reviewed as part of ongoing monitoring.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No changes were made to the estimation processes.

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# Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The S73 Officer is a member of Strategic Management Team (SMT). The Finance team have a significant number of staff qualified to Chartered or AAT standard including the Head of Finance. Knowledge acquired as part of that training is applied to relevant areas together with any further training or developments provided by CIPFA in relation to specific areas. Support is also provided by experienced external consultants.
7. How does the Combined Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Internal audit reports are considered where they report on any relevant control weaknesses.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	By monthly reporting of financial data.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>Reporting financial data to SMT;</p> <p>Consideration and examination is also made within the Finance team to consider the robustness of estimates and challenged.</p> <p>Budget managers provide updates - if material on any significant developments.</p> <p>The S73 Officer undertakes a comprehensive review of the draft Statutory Statement of Accounts as they develop through the process.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>No not aware of any.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Yes – basis for preparing estimates will remain as per previous years (which had been audited by GT).</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>S73 authorisation of the accounts. No issues raised by external auditors. Similar to the previous financial years, the audit committee will consider the draft accounts through an informal workshop in advance of formal presentation to committee.</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The actuarial gains and losses figures are calculated by the actuarial expert Mercer. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Combined Authority responds to queries raised by the administering body, Avon Pension Fund.	The Combined Authority are provided with an actuarial report by Avon Pension (LGPS).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No.
Fair value estimates (including categorisation in the fair value hierarchy)	Financial assets are required to be classified and measured at fair value, with any changes in fair value recognised in Profit and Loss. The valuation should, where material, reflect any change in expected future cash flows. Thus for instance if there arises an expectation that future cash flows from an investment will be reduced this would impact on the current carrying value of that financial instrument.	Annual review of financial instruments to identify where possibility of changed future cash flows	When considered necessary the Treasury advisers will be consulted.	The Authority's Treasury Management Strategy is such that investments are restricted to low risk entities.	No.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions Page 144	<p>Provisions are identified through detailed monthly management accounts which flags any potential issues to management.</p> <p>Under the 100% Business Rate Retention Pilot, WECA is liable for its proportionate share of successful appeals against Business Rates charged. A provision has been estimated by officers at each of the Billing Authorities for the amount that businesses have been overcharged up to 31 March. The estimate is made using Valuation Office Agency data and analysis of successful appeals to date.</p>	Reviewed by the Finance Business Partner and a working is put together to support the calculation.	CIPFA	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No.
Accruals (including Agency accruals)	We use standard accruals accounting –accruals are based on expenses incurred that have not yet been paid.	Monthly management accounts provides rigorous analysis so that any accruals are	Recognition of income and expenditure is undertaken with	N/A.	No.





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**ITEM: 09**

**REPORT TO: AUDIT COMMITTEE**

**DATE: 28 APRIL 2022**

**REPORT TITLE: EXTERNAL AUDIT PLAN FOR YEAR ENDING 31 MARCH 2022**

**DIRECTOR: RICHARD ENNIS, INTERIM DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

**AUTHOR: GRANT THORNTON, EXTERNAL AUDITORS**

## **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 2022.

## **Recommendation**

- To approve the (Grant Thornton) External Audit Plan for year ended 31 March 2022.

## **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 2021 was presented to, and approved by, the WECA Audit Committee on 22 September 2021.

- 3.1 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 2022.

## **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.
- 7.1 The proposed fee of £39,384 reflects the additional work on Value for Money under new NAO code and increased audit requirements of Revised ISAs.

*Advice given by: Richard Ennis, Interim 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: Stephen Gerrard, Interim 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 2022.

### **Background papers:**

External Audit Plan for year ending 31 March 2021: Report to audit committee on 22 September 2021

Statutory Accounts 2020/21: Reports to the audit committee on 22 September 2021

### **West of England Combined Authority Contact:**

Any person seeking background information relating to this item should contact Democratic Services email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

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# The West of England Combined Authority

## Audit Plan

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Year ending 31 March 2022

8 April 2022



# Contents



## Your key Grant Thornton team members are:

### Jon Roberts

Key Audit Partner

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### David Bray

Senior Manager

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### Flora Wood

In-charge Accountant

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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.

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# Key matters

## Factors

### Audit Quality

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year.

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

### Page 153 Introduction of IFRS16 - leases

Under existing rules, lessees account for lease transactions either as operating or finance leases, which means that there is a variable recognition on balance sheets for lease arrangements.

Local Government bodies lease a vast number of items such as premises and vehicles and the introduction of IFRS16, which was deferred due to Covid, could have a significant impact on financial statements across the sector.

On 8 April 2022 CIPFA advised that local authorities can defer the implementation of IFRS 16 to 1 April 2024, but that authorities will have the option to early adopt from 1 April 2022 or 1 April 2023.

The key issue in the short-term is that where authority proceeds with adoption from 1 April 2022, then an IAS 8 disclosure (setting out the potential impact of this new accounting standard) will be needed in 2021/22 accounts.

## Our response

- The results of the recent FRC review are included within our April 2022 Audit Committee Update.
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work has been agreed with the Combined Authority's Chief Finance Officer.

We will assess the work undertaken by the Combined Authority in identifying its current and future lease agreements.

If early adoption is proposed, we will review the assessment undertaken by the Combined Authority and will consider whether the disclosures relating to the implementation of this standard are adequate.

# Introduction and 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 agreed 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.

## 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 [and group]'s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

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

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

- Valuation of the net pensions liability
- Management override of controls

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

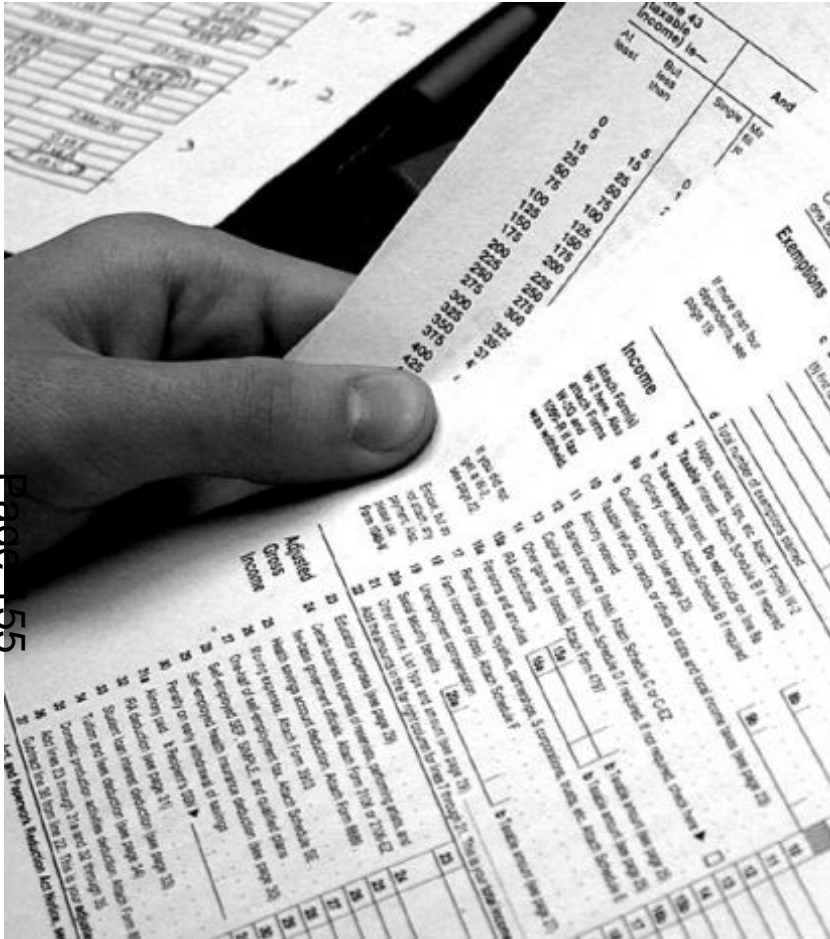
We have determined planning materiality to be £1.37m (PY £1.775m) for the Authority, which equates to 1.8% of your forecast gross expenditure for the year as per the M9 Revenue Outturn Report. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £68k (PY £90k).

## Value for Money arrangements

We will undertake our risk assessment regarding your arrangements to secure value for money once our work for 2020/21 has been completed and reported to the Audit Committee, including the further coverage of the Authority's governance arrangements, which we recently outlined to the Audit Committee.

Once this work has been completed we will be in a position to advise the Combined Authority of the proposed audit fee for the year.

# Introduction and headlines cont.



## Audit logistics

Our interim visit took place in April 2022 and our final visit will take place in August and September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

We aim to present our Audit Findings Report to the Combined Authority's Audit Committee in September 2022 and the Auditor's Annual Report to the Audit Committee in December 2022, although at the time of writing the forward plan of Committee meetings has not been established.

Once we have completed of VFM risk assessment we will be in a position to advise the Combined Authority of the proposed audit fee for the year.

Any fee will be subject to the Authority delivering a good set of financial statements and working papers. Please see page 17 for further information.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

# 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
Valuation of the net defined benefit liability <span style="writing-mode: vertical-rl; transform: rotate(180deg); position: absolute; left: -40px; top: 50%; font-weight: bold;">Page 156</span>	<p>The Authority's net defined benefit liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund liability is considered a significant estimate due to its size (£13.778m in the Authority's prior year balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We have therefore identified the valuation of the Authority's pension fund liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's net defined benefit liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (the actuary) for this estimate and the scope and the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• 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;</li> <li>• 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</li> <li>• 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.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk in all organisations that the risk of management over-ride of controls is present. Management override is one of the two presumed risks that under auditing standards have to be reflected in all audits, whether in the public or private sector.</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"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgments applied/made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates, or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Commentary
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<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 WECA, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including WECA, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We therefore do not consider this to be a significant risk for The West of England Combined Authority.</p>
<p>The expenditure cycle includes fraudulent transactions (rebutted)</p>	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for WECA because:</p> <ul style="list-style-type: none"> <li>• expenditure is well controlled and the Authority has a strong control environment;</li> <li>• there is very little incentive for management to mis-represent expenditure; and</li> <li>• the Authority has clear and transparent reporting of its financial plans and financial position to those charged with governance.</li> </ul> <p>We therefore do not consider this to be a significant risk for The West of England Combined Authority. However, our testing will cover the legitimacy of year end creditors and accruals.</p>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

- Valuation of defined benefit net pension fund liabilities
- Year end provisions
- Year end accruals including Agency liabilities
- Fair value estimates

## The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Authority uses management experts in deriving some of its more complex estimates, e.g. pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.





### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we made enquiries of management and we have suggested that this is considered by the Audit Committee on 28 April 2022.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# 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 our knowledge of the Authority.

We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set 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 legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- 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.

# Materiality

## The concept of materiality

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 Combined Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.37m (PY £1.775m) for the Combined Authority, which equates to 1.8% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £20k for the senior officer remuneration disclosures.

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.

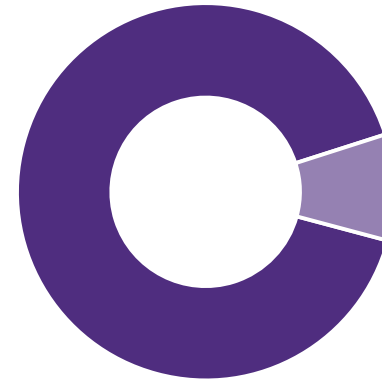
## Matters we will report to the Audit Committee

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 Combined Authority we propose that an individual difference could normally be considered to be clearly trivial if it is less than £68k (PY £90k).

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.

## Forecast gross operating costs

£76.544m Combined Authority  
(PY Actual: £99.398m)



■ Forecast gross operating costs

## Materiality

£1.37m  
Combined Authority financial statements materiality  
(PY: £1.775m)



£68k  
Misstatements reported to the Audit Committee  
(PY: £90k)

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Unit 4 (Agresso)	Financial reporting Accounts payable and accounts receivable	<ul style="list-style-type: none"> <li>Streamlined ITGC assessment</li> </ul>
iTrax	Payroll	<ul style="list-style-type: none"> <li>Streamlined ITGC assessment</li> </ul>

# Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

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We will undertake our risk assessment regarding your arrangements to secure value for money once our work for 2020/21 has been completed and reported to the Audit Committee.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



# Audit logistics and team

Planning and risk assessment

Audit Committee  
April 2022

Audit Plan

Year end audit  
August and  
September 2022

Audit Committee  
September 2022  
(date TBC)

Audit Findings  
Report

Audit  
opinion

Audit Committee  
December 2022  
(date TBC)

Auditor's  
Annual  
Report

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## Jon Roberts, Key Audit Partner

Jon leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Authority.



## David Bray, Senior Manager

David plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.



## Flora Wood, In Charge Auditor

Flora's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and co-ordinates the on-site audit team.

## Audited body responsibilities

Where audited bodies 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 audits. Where the elapsed time to complete an audit exceeds that agreed due to an audited body 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 an audited body 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 agreed timetable 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 for testing;
- ensure that all appropriate staff are available throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

# Audit fees

In 2017, PSAA awarded a contract of audit for The West of England Combined Authority to begin with effect from 2018/19. The fee agreed in the contract was £18,634. Since that time, there have been a number of developments, particularly in relation to the size and role of the Combined Authority as well as the revised Code and ISA's which are relevant for the 2021/22 audit.

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, as detailed on pages 10 and 11 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

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

Our proposed work for 2021/22 has been agreed with the Chief Finance Officer.

The final fee for 2020/21 will be agreed with management and communicated to the Audit Committee once our work for that year has been completed and reported to the Combined Authority. All fee variations are subject to approval by Public Sector Audit Appointments Ltd (PSAA).

The latest position for both 2020/21 and 2021/22 is set out below.

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	Actual Fee 2020/21	Proposed fee 2021/22
Combined Authority Audit (per 2020/21 Plan)	£39,384	£39,384
Additional fee for 2020/21 financial statements work (agreed by previous Chief Finance Officer)	£16,000	N/A
Additional fee for 2020/21 Value for Money assessment and reporting	TBC	N/A
Fee variations for 2021/22	N/A	TBC
Total audit fees (excluding VAT)	£TBC	£TBC

## Assumptions

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

- prepare a good quality set of financial statements, 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 \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and 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 (Revised 2019) 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

## Other services

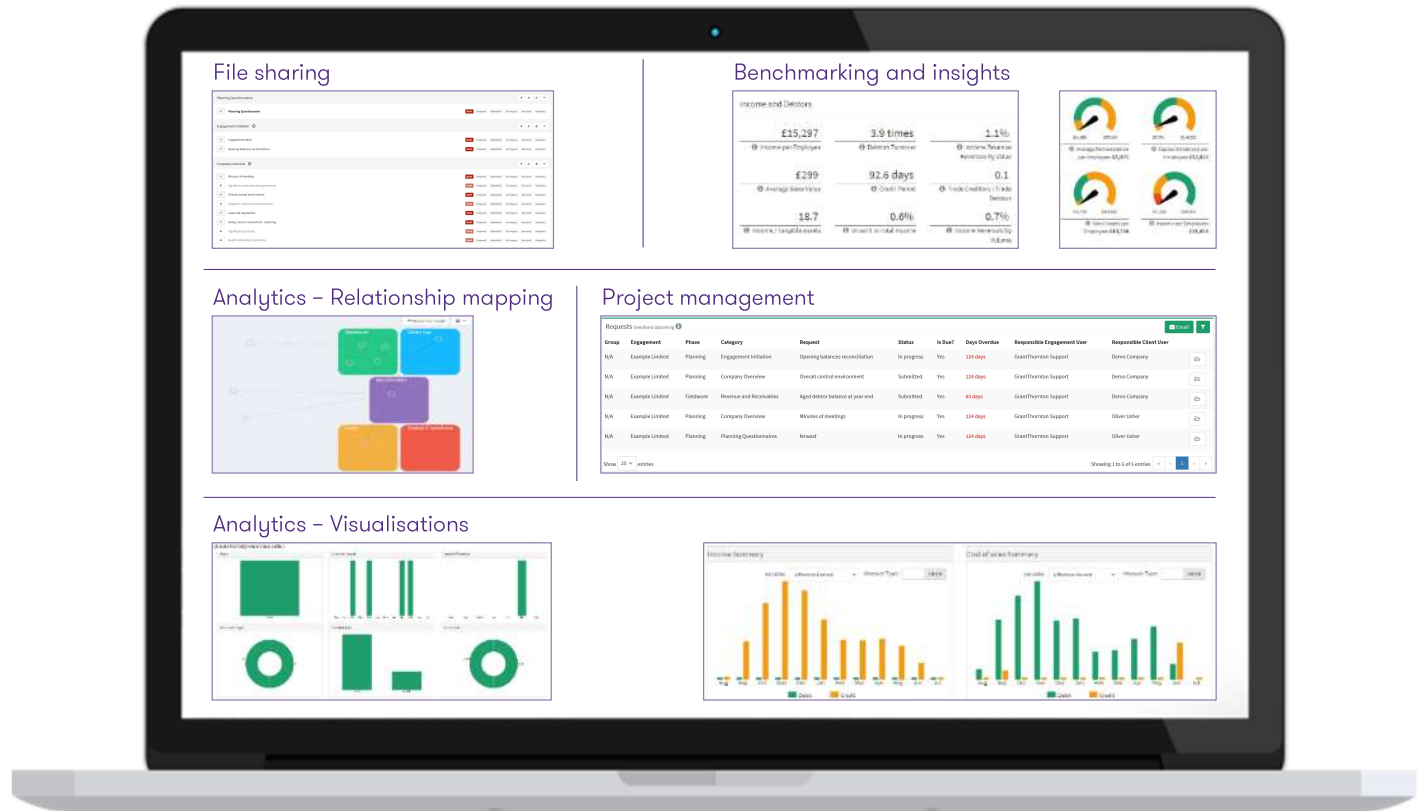
No other services provided by Grant Thornton were identified.



# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



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**REPORT TO: AUDIT COMMITTEE**

**ITEM: 10**

**DATE: 28 APRIL 2022**

**REPORT TITLE: AUDIT PROGRESS REPORT AND SECTOR UPDATE**

**DIRECTOR: RICHARD ENNIS, INTERIM DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

**AUTHOR: GRANT THORNTON, EXTERNAL AUDITORS**

#### **Purpose**

1. This paper provides the WECA Audit Committee with a report on progress in delivering Grant Thornton's responsibilities as the Authority's external auditors.

#### **Recommendation**

2. The Committee are asked to note the report.

#### **Summary**

3. The attached document includes the following key information:

- Progress Report
- Audit Fees
- Audit Deliverables
- Financial Reporting Council (FRC) Report on Local Audit – Annual Report
- Sector Update including a summary of emerging national issues and developments
- Appendix A – VFM Audit – Risk Assessment Consideration.

#### **Impact of Covid-19 pandemic**

4. The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic.

5. The Grant Thornton report includes the following as a result of COVID-19:

- Reference to the National Audit Office updated guidance because of the ongoing impacts of the pandemic.

#### **Public Sector Equality Duties:**

6. No direct implications.

#### **Economic Impact Assessment:**

7. No direct implications.

**Finance Implications:**

8. The External Audit Plan supports the statutory audit requirements for the Annual Accounts and the fee for this work is agreed by Public Sector Auditor Appointments Ltd. The financial implications of the Audit Fee are already contained within existing corporate budgets.

**Contact officer:** Richard Ennis

**Position:** Interim Director of Investment and Corporate Services

**Email:** Richard.Ennis@westofengland-ca.gov.uk

# The West of England Combined Authority Audit Progress Report and Sector Update

**Year ending 31 March 2022**

Audit Committee 28 April 2022

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Sector Update	9
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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 Combined 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.

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# Introduction

## Your key Grant Thornton team members are:

### Jon Roberts

Key Audit Partner

E: [jon.roberts@uk.gt.com](mailto:jon.roberts@uk.gt.com)

### David Bray

Senior Manager

E: [david.bray@uk.gt.com](mailto:david.bray@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.

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](http://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 8 April 2022

## Financial Statements Audit

We reported our work in the interim Audit Findings Report in late September 2021 and presented the final version to the Audit Committee on 9 December 2021.

We issued an unqualified audit opinion on the Combined Authority's financial statements for the year ended 31 March 2021 on 10 December 2021.

At that time we were unable to issue our certificate for the year because we had not completed:

- Page 178
- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and
  - the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

At the time of writing, the guidance regarding the Whole of Government Accounts has not been issued and so this work remains outstanding for all Local Government organisations.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

We did not identify any risks of significant weaknesses during our initial planning work for 2020/21 and none were therefore included in our audit plan for 2020/21.

Since issuing that audit plan, matters have been reported in the public domain regarding strained relationships within the West of England.

As reported in our final Audit Findings Report for 2020/21, which we presented to the Audit Committee on 9 December 2021, we have designated the governance arrangements impacting these relationships as a risk of significant VFM weakness.

We have determined a plan of appropriate work relating to this particular risk and shared an outline of this at an Audit Briefing meeting on 3 February 2022. We subsequently held discussions with the Chief Executive and interim Monitoring Officer and have included an updated Terms of Reference as Appendix A to this report. Work is currently underway in this area.

Our work on the other areas prescribed by the Code ('financial sustainability' and 'improving economy, efficiency and effectiveness') is also in progress. We have summarised our financial sustainability findings in a separate report the Audit Committee in April 2022. We will include our findings in these areas, along with our detailed findings on the Governance element of the Code in our Auditor's Annual Report.

# Progress at 8 April 2022 (cont.)

## Value for Money (continued)

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

This letter was issued to the Chair of the Audit Committee on 14 September 2021 and was included within the Audit Committee papers for the meeting that took place on 22 September 2021.

As a result of the ongoing pandemic, the National Audit Office updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements.

The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. For The West of England Combined Authority this would have been 10 March 2022.

Due to the reasons outlined on the previous page, this was not achievable and we issued a further extension letter to the Chair of the Audit Committee in April 2022.

## Events

We provide a range of workshops, along with network events for members and publications to support the Combined Authority.

Your officers attended one of our Financial Reporting Workshops in early 2022, which will help to ensure that they 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 Combined Authority are set out in our Sector Update section of this report.

## Audit Fees

During 2017, Public Sector Audit Appointments Ltd (PSAA) awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 was the third year of that contract.

Since that time, 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 Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve.

There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits and will agree any fee implications with management before advising the Audit Committee.

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

2021/22 Deliverables	Planned Date (see below)	Status
<b>Auditor's Annual Report</b> This Report communicates the key issues arising from our Value for Money (VFM) work.	June 2022	Work in progress – see pages 4 & 5
<b>Certificate</b> The certificate confirms that the audit has been completed.	June 2022	To be issued on completion of VFM work and WGA submission
<b>2021/22 Deliverables</b>		
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Combined Authority's 2021/22 financial statements and the Auditor's Annual Report on the Combined Authority's Value for Money arrangements.	April 2022	To be presented to April 2022 Audit Committee*
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the Combined Authority's Audit Committee on completion of our work.	September 2022**	Not yet due
<b>Auditors Report</b> This includes the opinion on your financial statements.	October 2022**	Not yet due
<b>Auditor's Annual Report</b> This Report communicates the key issues arising from our Value for Money work.	December 2022***	Not yet due

\* We will commence our Value for Money (VFM) risk assessment for 2021/22 once the VFM work for 2020/21 has been completed and reported. We will provide an update to the Audit Committee once this risk assessment has been completed.

\*\* The Accounts and Audit (Amendment) Regulations 2021 require draft accounts and Annual Governance Statement on or before 1 August 2022. DLUHC have proposed, subject to consultation and legislation, to extend the deadline for 2021/22 audited accounts to 30 November 2022. This has not yet been actioned.

\*\*\* The NAO has indicated that, as with 2020/21, it will de-couple the opinion on the financial statements with the Value for Money assessment and that the latter will be due within three months of the opinion on the Combined Authority's financial statements being issued. Our completion of this work by this indicative date is dependent on the completion and reporting of the work undertaken regarding 2020/21.

# Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Page 18 Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

# FRC annual report (cont.)

## Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

Grade	Number 2020/21	Number 2020/19	Number 2019/18
Satisfactory / generally acceptable	5	6	2
Improvement required	0	1	0
Significant improvement required	0	0	0
Total	5	7	2

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis.

As auditors we have shown compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Having formal internal consultations when considering complex technical issues.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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.

- [Grant Thornton Publications](#)
- [Insights from local government 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

# Emergency consultation on 2021/22 reporting

On 4 February CIPFA released an emergency four week consultation on time limited changes to the Code to help alleviate delays to the publication of audited financial statements. This explored two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code.

The decision to launch the consultation came after the Department for Levelling up, Housing and Communities (DLUHC) asked CIPFA to consider amendments to the Code of Practice on Local Authority Accounting, after just 9% of local audits for 2020-21 were published on time.

After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

1) An adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation. Whilst this issue is not relevant for WECA, we have included details of our position for completeness.

2) Deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

CIPFA Chief Executive Rob Whiteman said: “DLUHC is understandably concerned about this growing crisis – and CIPFA shares this concern. We are committed to supporting CIPFA LASAAC in its exploration of the options that may improve timeliness issues, without significantly impacting accountability. But this is a difficult issue, and we need feedback from stakeholders on whether and how this might work.”

CIPFA said that the changes do not represent the best form of financial reporting for local authorities, but are a “temporary expedient to help improve an unacceptable situation”.

## Summary of the Grant Thornton response

### Property, Plant & Equipment Valuations

In principle we are very supportive of changes to the measurement basis for operational property, plant and equipment. However our view is that it is too late to effect change for the 2021/22 reporting cycle. Our response highlighted a number of difficulties with this approach, including the risk that some assets then fall outside of the requirement to be revalued every five years as a minimum, and the challenge of consistent application of indexation. The proposed amendments to the Code do not appear to override the requirement that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period, which stems from IAS 16:31. If the financial reporting requirements are not sufficiently tightly defined and auditors therefore cannot obtain sufficient and appropriate audit evidence to support this requirement, there is a risk that audit opinions could be modified as a result.

### Deferral of IFRS 16 - Leases

The removal of the requirement for disclosure (based upon IAS 8) in 2021/22 is not likely to have a significant impact in terms of freeing up auditor time and audit work covering the disclosures in 2022/23 would then be required in the 2022/23 audit. Savings to preparer time and effort would depend on what progress has already been made in preparing for the imminent implementation of IFRS 16.

### Update

The consultation closed on Thursday 3 March.

The proposals regarding PPE valuations were not supported.

As regards the deferral of IFRS16, this change was supported and on 8 April 2022 CIPFA advised that that local authorities can defer the implementation of IFRS 16 to 1 April 2024, but that authorities will have the option to early adopt from 1 April 2022 or 1 April 2023.

The key issue in the short-term is that where an authority proceeds with adoption from 1 April 2022, then an IAS 8 disclosure (setting out the impact) will be needed in 2021/22 accounts.



# Good practice in annual reporting – NAO

The National Audit Office (NAO) has published this guide which sets out good practice principles for annual reporting with examples from public sector organisations

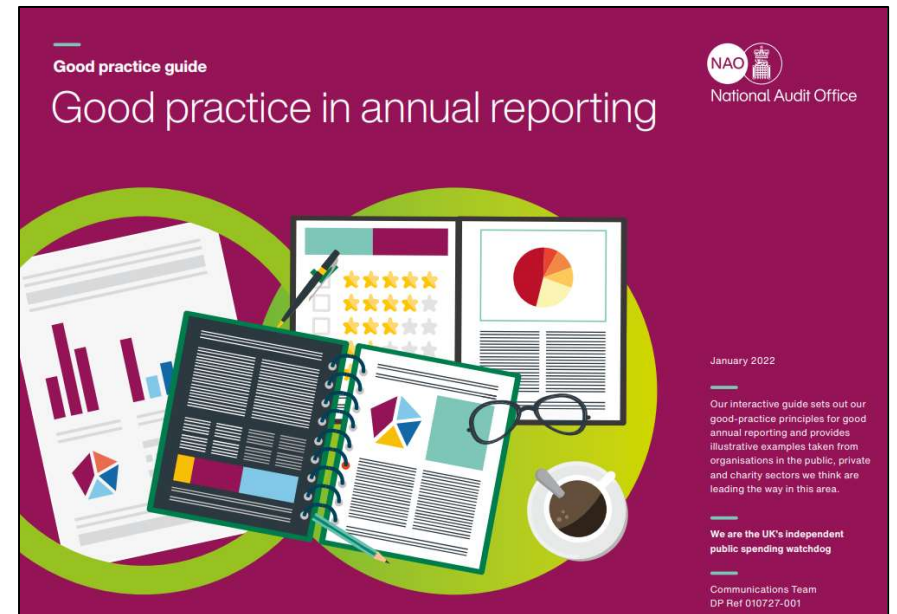
The NAO comment that the guide sets out “good-practice principles that we believe underpin good annual reporting. These principles are: Supporting Accountability; Transparency; Accessibility; and the need for the report to be Understandable.”

The NAO further comment “The best annual reports we have seen use these principles to tell the “story” of the organisation. It is important that stakeholders, including the public and Parliament, are able to hold an organisation to account. To do this effectively, stakeholders need to properly understand the organisation’s strategy, key risks that might get in the way of delivering this strategy and the effectiveness of their management, and the amount of taxpayers’ money that has been spent to deliver the outcomes the organisation seeks to achieve.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

Although the guide does not include any local authority examples, those included, and the underlying principles, are equally relevant to all public facing organisations.



The guide can be found here:

[Good practice in annual reporting - National Audit Office \[NAO\] Report](#)

# Levelling up White Paper – Department for Levelling Up, Communities and Housing (“DLUCH”)

On 2 February 2022 the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

The paper states “Levelling up requires a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity. Evidence from a range of disciplines tells us these drivers can be encapsulated in six “capitals”:

- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities, relationships and trust.
- Institutional capital – local leadership, capacity and capability.”

The paper also states “This new policy regime is based on five mutually reinforcing pillars.” These are set out and explained as:

- 1) The UK Government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives.
- 2) Central government decision-making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall.

- 3) The UK Government will empower decision-makers in local areas by providing leaders and businesses with the tools they need.
- 4) The UK Government will transform its approach to data and evaluation to improve local decision-making.
- 5) The UK Government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council.

[Levelling Up the United Kingdom - GOV.UK](https://www.gov.uk/levelling-up)  
([www.gov.uk](https://www.gov.uk))



# Grant Thornton – reaction to Levelling up White Paper

On 2 February 2022 the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

Commenting on the release of the government’s Levelling up White Paper plans, Phil Woolley, Head of Public Sector Consulting, Grant Thornton UK LLP, said:

“The publication of today’s White Paper plans is a welcome first step and it is reassuring to see the government recognise the need for systemic changes in order to deliver its central aim of Levelling up. The ‘12 missions’ can be seen as an attempt to consolidate existing elements of government activity behind a singular banner and now provides a clearer picture of the levelling up opportunity.

“Following a decade of successful regional devolution and mayors, the White Paper marks the next stage of the country’s devolution journey. With government now offering a clear framework of devolved powers and accountability, local leaders will need to embrace the opportunity and collaborate across the public and private sector to ensure they negotiate and then deliver the best deal for their communities. Grant Thornton’s Levelling Up Index shows that the economies of the 10 worst performing local authorities in England are on average over five times smaller than their best performing counterparts - highlighting the scale of the challenge ahead.

“To level up, these areas would need to grow their economies by £12billion, increase employment rates by 6 percentage points, create 1,700 new businesses a year and increase average weekly pay by £200. It is too early to determine whether the measures announced today will be sufficient, but it is a start. Success will ultimately depend on the ability and willingness of local and national government to translate these new frameworks into meaningful change in people’s lives.

“The Spending Review offers the next opportunity for government to show its commitment by realigning departmental objectives behind these new goals.”

# Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- The PAC was not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October 2021.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons  
Committee of Public Accounts

**Local auditor reporting on local government in England**

Eleventh Report of Session 2021–22

# 2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September 2021. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 10 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

# 2023-24 audit appointments – Public Sector Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

<https://www.psa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>

# Guide to support Value for Money (VfM) analysis for public managers – CIPFA

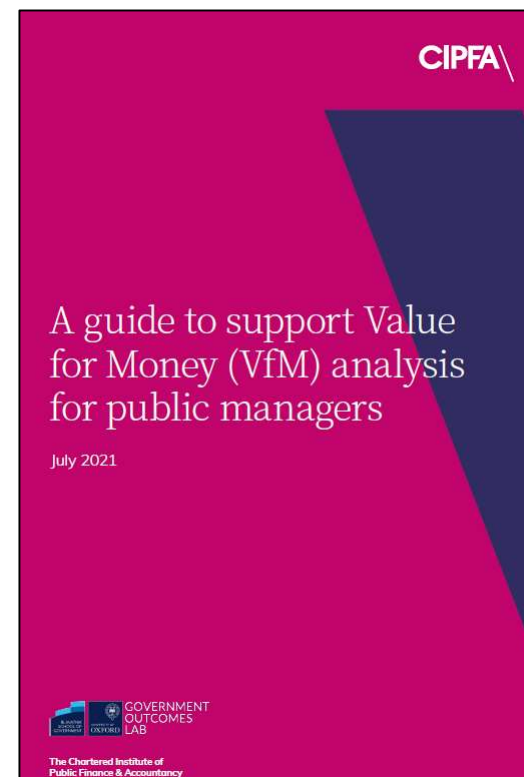
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



# Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)



# Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK's statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities.

Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



# Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

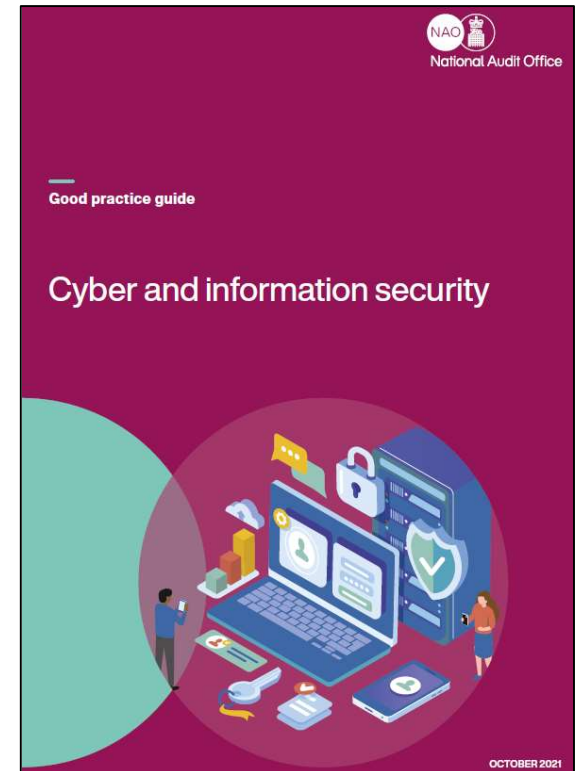
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>



# Appendix A

## Appendix A: VFM audit – risk assessment considerations

As stated on page 4 of this Audit Committee Update, we reported in our final Audit Findings Report for 2020/21, which was presented to the Audit Committee on 9 December 2021, that we had designated the governance arrangements regarding strained relationships within the West of England as a risk of significant VFM weakness.

We determined a plan of appropriate work relating to this particular risk and shared an outline of this at an Audit Briefing meeting on 3 February 2022. We subsequently held discussions with the Chief Executive and interim Monitoring Officer and the updated Terms of Reference is set out below.



### WEST OF ENGLAND COMBINED AUTHORITY (WECA)

External audit update paper for Audit Committee

VfM audit – risk assessment considerations

#### Background and objective of the paper

At WECA's Audit Committee of 9 December 2021, I advised the Committee of work undertaken as part of the statutory external audit regarding a proposed severance payment. My updated Audit Findings Report also informed the Committee:

- that I had required further disclosure in the draft accounts and Annual Governance Statement of the current strained relationships within the West of England; and
- that I had designated a risk of significant Value for Money (VfM) weakness impacting on the Authority's governance arrangements, due to these strained relationships.

I informed the Committee that this risk would now be considered and reported against in my forthcoming Auditor's Annual Report of the Authority's overall arrangements for delivering Value for Money (VfM). This work would also assess and comment on the qualitative findings from the work I had previously completed on the severance issue. Since the Audit Committee meeting, the severance matter was addressed at the extraordinary WECA Committee of 17 December 2021.

## Appendix A: VFM audit – risk assessment considerations

The Audit Committee Chair was also in attendance at the WECA Committee of 17 December 2021 and made a statement to the Committee highlighting a number of his concerns. Since then, I have met with the Audit Committee Chair and agreed that I would produce this paper to inform the Audit Committee members more fully of the nature of work I will now be undertaking and the potential significance of this work, within the context of the statutory audit duties, set out in the Local Audit Accountability Act 2014 and the National Audit Office's Code of Audit Practice. Furthermore, given the nature and potential significance of the issues, we also considered it important that this briefing was extended to a wider group of key stakeholders, including the Chief Executive, Chief Finance Officer and the WECA Committee's membership of the Unitary Authority leader's and Mayor.

### Statutory basis of the audit

The local audit of bodies such as WECA is performed under a different statutory framework than that applying to the corporate world. Under the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice, local authority auditors are required to perform a wider scope of audit than just the statement of accounts. This involves a VfM audit, which has been extended in this year's NAO Code update, that covers three prescribed Code Criteria':

- financial sustainability;
- improving economy, efficiency and effectiveness; and
- governance (including partnership working).

We are required to produce a comprehensive narrative within an Auditor's Annual Report at the end of this process, which is a public facing independent report on the Authority's arrangements. If significant weaknesses are identified, we are required to raise 'key recommendations', which are formally defined under the Code of Audit Practice as arising if, 'in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public'.

The wider scope of local audit also includes additional formal powers and duties that are required for more significant issues. These include:

- the ability to apply to the Court for a declaration that an item of account is contrary to law;
- the use of an advisory notice to make an application for judicial review;
- the responsibility to report matters in the public interest; and to make written statutory recommendations (which are reserved for more serious matters than the key recommendations referred to earlier).

These powers can be instigated directly by the auditor, or in response to questions raised and objections made by local government electors, when the audit of the accounts is advertised.

## Appendix A: VFM audit – risk assessment considerations

For the avoidance of doubt, I will consider the application of these powers during my forthcoming VFM review. I will also be unable to fully close matters relating to the 2021-22 year of account (including the severance payment) until the public rights to ask questions and/or raise objections have been exercised. Given the annual reporting timetable for 2021-22, this is not likely to be until Autumn/Winter of 2022.

### Areas of focus

To assist the Audit Committee understanding of my further work regarding the identified risk of significant VFM weakness, the following areas of focus have been identified for our audit. Should any other matters be identified for considering during the audit, they will also be reported to the Audit Committee as part of my report.

Issue	Audit consideration
Wider governance	
<p>Despite recent challenges around relationships and engagement between WECA and its constituent Councils, plans are now in train to address difficulties and move forward in a constructive way through an ongoing independent review. This area is a key area of governance within the NAO's audit expectations.</p> <p>The planned review of the terms of reference for the Joint Committee could have implications for funding arrangements between WECA and the Unitary Authorities.</p>	<ul style="list-style-type: none"> <li>Partnership governance arrangements between the Combined Authority and Councils and progress against the plans to address current difficulties, following the ongoing review</li> <li>Consider the scope and implications of the planned review of the Joint Committee terms of reference.</li> </ul>
<p>WECA's constitution proved difficult to apply when considering the severance matter and was acknowledged by all sides (including legal advisors) as being in need of review and clarification.</p>	<ul style="list-style-type: none"> <li>Specific identification of the key problematic areas and assessment of the Authority's proposed response in conducting its planned review.</li> </ul>
<p>In recent months, WECA has lost, or is about to lose, the services of a a number of senior officers, including statutory officers. Given the expansion of its role and scale, losing continuity of this number of senior and statutory officers at this time could prove highly problematic for the proper administration of the Authority and its ability to deliver its objectives.</p>	<ul style="list-style-type: none"> <li>Identification and commentary on whether there are any underlying issues contributing to the loss of key staff.</li> <li>Assessment of future plans to replace key roles with appropriately experienced individuals.</li> </ul>

## Appendix A: VFM audit – risk assessment considerations

Issue	Audit consideration
<p><b>Severance issue</b></p> <p>On the basis that she felt there were conflicts in place, the CEO did not initially involve the two statutory officers (Monitoring Officer and Chief Financial Officer) when agreeing a severance arrangement. Because of this, the CEO commissioned external legal advice to support her decision making.</p> <p>The former Monitoring Officer considered this was not effective working.</p> <p>Conflicting legal advice was obtained by different officers at different points in the process.</p> <p>Clarity is required on the rationale for proposing the severance payment and how the payment and its terms was constructed.</p>	<ul style="list-style-type: none"> <li>• Commentary on the matter of statutory officer conflicts and the engagement of external legal advice.</li> <li>• Assess the steps being taken to ensure that the Authority has procedures to protect the interests of statutory officers and to remove any uncertainty about responsibility.</li> <li>• To assess how the Authority managed that conflict and in particular what steps are being taken to ensure that future differences are handled in an open manner.</li> <li>• Assessment of the rationale for recommending the severance and supporting the amounts and arrangements proposed.</li> </ul>

### Timing and next steps

I have commissioned additional specialist audit resource to undertake this detailed risk-based work. The work is underway and the Audit Committee will be verbally advised of progress at its April meeting. Should further ‘additional powers reporting’ be required, I will keep the Committee fully informed.



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## WECA AUDIT COMMITTEE

28 APRIL 2022

## REPORT SUMMARY SHEET

### AUDIT COMMITTEE– VALUE FOR MONEY ARRANGEMENTS (2020-21)

#### Purpose

This paper provides the WECA Audit Committee with an overview of Grant Thornton's initial findings to date on the financial sustainability objective as prescribed by the National Audit Office (NAO) Code of Audit Practice.

#### Summary

This report includes the following key information:

- Commentary on the arrangements to secure economy, efficiency, and effectiveness in the use of resources.
- Financial sustainability.
- Opinion on the Financial Statements.

#### Appendices:

- A – The responsibilities of the Combined Authority.
- B – An explanatory note on recommendations.
- C – Formal Auditors Powers.

#### Impact of Covid-19 pandemic

The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic.

The Grant Thornton report includes the following as a result of COVID-19:

- Reference to the original budget for 2020/21 approved in January 2020 prior to the outbreak of COVID-19.

#### Recommendations

WECA Audit Committee are asked to note the report.

**Contact officer:** Richard Ennis

**Position:** Interim Director of Investment and Corporate Services

**Email:** Richard.Ennis@westofengland-ca.gov.uk

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# Audit Committee Briefing: Value for Money arrangements

The West of England Combined Authority

2020-21  
Page 203

18 April 2022



# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Opinion on the financial statements	11
Appendices	
A – The responsibilities of the Combined Authority	
B – An explanatory note on recommendations	
C – Formal auditor's powers	

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. 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 Combined 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.

# Commentary on the arrangements to secure economy, efficiency and effectiveness in the use of resources

All Local Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Combined Authority's responsibilities are set out in Appendix A.

Local Authorities report on their arrangements, and the effectiveness of these arrangements, as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial sustainability

Arrangements for ensuring the Combined Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Combined Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Combined Authority makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Combined Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



# Executive summary



## Value for money arrangements

We did not identify any risks of significant weaknesses during our initial planning work for 2020/21 and none were therefore included in our audit plan for that financial year.

Since issuing the audit plan for 2020/21, matters have been reported in the public domain regarding strained relationships within the West of England.

As reported in our final Audit Findings Report for 2020/21, which we presented to the Combined Authority's Audit Committee on 9 December 2021, we have designated the governance arrangements impacting these relationships as a risk of significant VFM weakness.

We have determined a plan of appropriate work relating to this particular risk, to determine whether or not a significant weakness exists, and shared an outline of this at an Audit Briefing meeting on 3 February 2022.

We subsequently held discussions with the Chief Executive and interim Monitoring Officer and agreed an updated Terms of Reference.

Work is currently underway in this area.

This briefing provides an overview of our findings to date on the 'financial sustainability' objective, as prescribed by the NAO's Code of Audit Practice.

We will include our detailed findings in this area in our Auditor's Annual Report alongside our governance findings and our conclusions regarding the Combined Authority's arrangements regarding the arrangements for improving economy, efficiency and effectiveness.

It is important to note that our work is still in progress and that this briefing paper contains our initial thoughts.

Given the overlap between the three areas of review (as summarised on the previous page), it is not yet appropriate to comment on the Combined Authority's arrangements for improving economy, efficiency and effectiveness as a significant weakness in the Combined Authority's governance arrangements, for example, could also impact on other areas – for example partnership working.

These preliminary findings may also be subject to change as our work is concluded and additional evidence is reviewed.



## Opinion on the financial statements

We presented the final version of our Audit Findings Report for 2020/21 to the Combined Authority's Audit Committee on 9 December 2021.

We subsequently issued an unqualified audit opinion on the Combined Authority's financial statements for the year ended 31 March 2021 on 10 December 2021.

At the time we issued our audit opinion we were unable to issue our certificate for the year because we had not completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

At the time of writing this Audit Committee briefing paper, the guidance regarding the Whole of Government Accounts has not been issued by the National Audit Office (NAO) and so this work remains outstanding for all Local Government organisations.

# Financial sustainability



## We considered how the Combined Authority:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Introduction

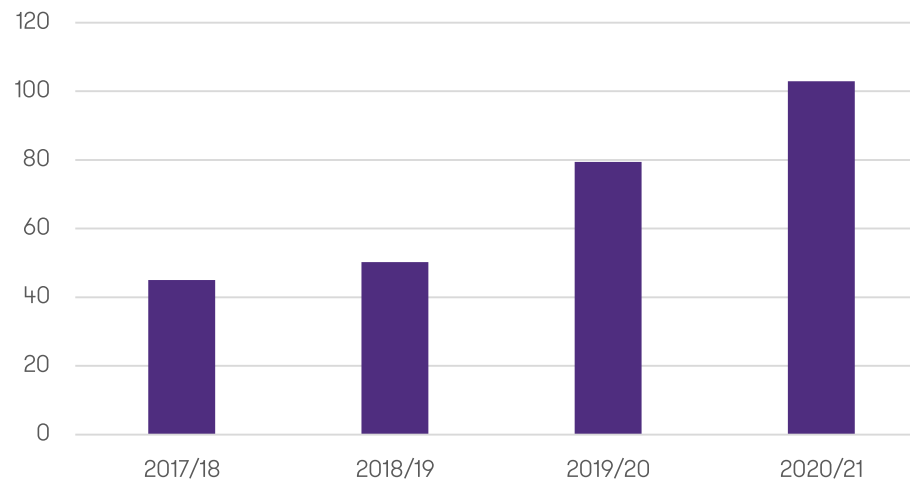
The Devolution Deal for the West of England was agreed with the Government in 2016.

This resulted in the establishment of the West of England Combined Authority (WECA) in February 2017 and the election of the first Mayor in May 2017.

As such, the Combined Authority is a relatively new organisation and its arrangements continue to evolve as the Combined Authority grows and becomes more established.

The total gross expenditure on the provision of services in each of the four years since its formation is illustrated below. The expenditure in 2016/17 was minimal as the Combined Authority was not established until February 2017.

Gross expenditure (£m)

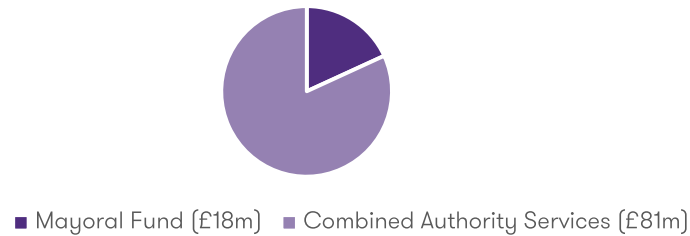


## Financial Planning

The budget setting and financial reporting arrangements differentiate between the Mayoral Fund and the Combined Authority itself and this split arises from the legislation which originally set up the Combined Authority in 2017 – the West of England Combined Authority (WECA) Order 2017 (the 2017 Order)

In 2020/21 the reported gross expenditure for the mayoral fund was £18m and the gross expenditure for the Combined Authority services was approximately £81m.

### Gross Expenditure in 2020/21



Page 208

The mayoral fund relates to those functions that fall under the specific responsibility of the Mayor in accordance with the 2017 Order.

For 2020/21, these functions primarily related to the payment of Highways and Transport Capital grants as well as the costs of the Mayor and related office expenses and election costs.

The funding for the Mayoral budget comes from the Retained Local Business Rates Pilot, (which meets the majority of Transport Costs), and a contribution from the West of England Combined Authority itself.

The Combined Authority covers the remainder of the service expenditure and the funding for the Combined Authority in 2020/21 came from five main sources::

- Investment funding provided by the Government as part of the Devolution Deal;
- A levy on the constituent councils for the costs of transport functions that transferred to WECA;
- A 5% share of business rates under the 100% Business Rates Retention Pilot;
- Government funding for various functions, capacity and projects including:
  - Adult Education Budget;
  - Housing Capacity Fund;
  - Mayoral Capacity Fund; and
  - Future Bright (providing career coaching).
- Interest on balances.



## Financial Planning (cont'd)

The 2020/21 budgets for the mayoral fund and the combined authority were both approved by the Combined Authority Committee on 31 January 2020, comfortably ahead of the start of the financial year. This was also just before of the outbreak of COVID-19 and, at the time the budget was set, the impact across the region – and the Country as a whole – could not have been foreseen.

Each budget was accompanied by a comprehensive paper clearly setting out the proposed income and expenditure for the year. Given the fact that the Combined Authority's spending plans are aligned to the income it receives, the budget setting is not as complex as with other local government bodies in that there are no trade-offs between different service areas and no Council Tax implications that need to be taken into consideration.

Budgets are kept under review and are flexed as necessary. For example, in June 2020 the joint meeting of the West of England Combined Authority Committee and the West of England Joint Committee approved the allocation of £5m to support COVID-19 economic recovery across the region.

### Medium term financial planning

As part of the budget setting process for 2020/21, the WECA Committee also approved a medium term financial forecast (MTFF).

This forecast set out the expected income and expenditure for a three year period – 2020/21 itself plus a further two financial years. The length of financial planning is consistent with other Local Government bodies.

However, medium term financial planning at The West of England Combined Authority does have differences compared to most Public Sector organisations in that:

- The Combined Authority produces a medium term financial forecast rather than a medium term financial 'strategy', which would look to achieve certain financial or operational ambitions.
- Although there was a 30 year devolution deal agreed with the government, ongoing funding is subject to interim gateway reviews every five years. Please see page 10 for additional commentary in this area.
- Notwithstanding the interim reviews noted above, the bulk of the funding is assured meaning the Combined Authority can plan over the medium term with reasonable confidence.
- As the Combined Authority is not delivering statutory services (such as adult social care) it has the option to flex its expected expenditure to match the resources that are available.

## Savings plans

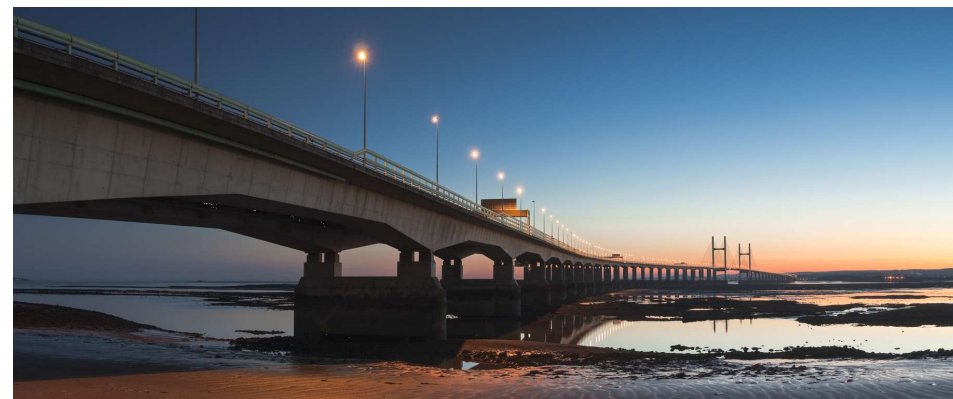
The primary purpose of the Combined Authority is to deliver long term sustainable growth projects and programmes across the region.

The West of England Combined Authority therefore does not have the same front-line service pressures that its neighbouring Unitary Councils experience, especially around the key national pressure points such as adult social care and children's services.

The core revenue funded activities relate to:

- integrated transport operations – which is fully funded via a levy from the constituent authorities; and
- the Adult Education Budget – which is managed through a robust grant process to various educational providers.

The Combined Authority's core funding is the Investment Fund which is a £30m per annum agreement with the Government over a 30 year period. WECA's responsibility is to ensure that its medium to long term investment programmes are affordable within the resources available at its disposal. As such, the Combined Authority has not needed to develop any savings schemes as part of its budget setting process.



## Budgetary control

Day-to-day budgetary control is considered to be strong.

At an operational level, there is monthly monitoring of all areas of the Combined Authority that:

- Compares the month's financial performance with the budget for that period
- Compares the year-to-date financial performance with the budget for that period
- Forecasts the financial performance for the full year and compares this to the annual budget.

Each of these internal reports clearly signposts the variances for management to act upon.

In addition to the above operational reports, there is regular reporting to the joint meetings of the West of England Combined Authority Committee and the West of England Joint Committee. This enables action at a strategic level – for example the allocation of £5m to support COVID-19 economic recovery – where appropriate.

## Page 210 2020/21 Outturn

The Combined Authority's accounts for the year ending 31 March 2021 report the outturn for the year compared to the budget.

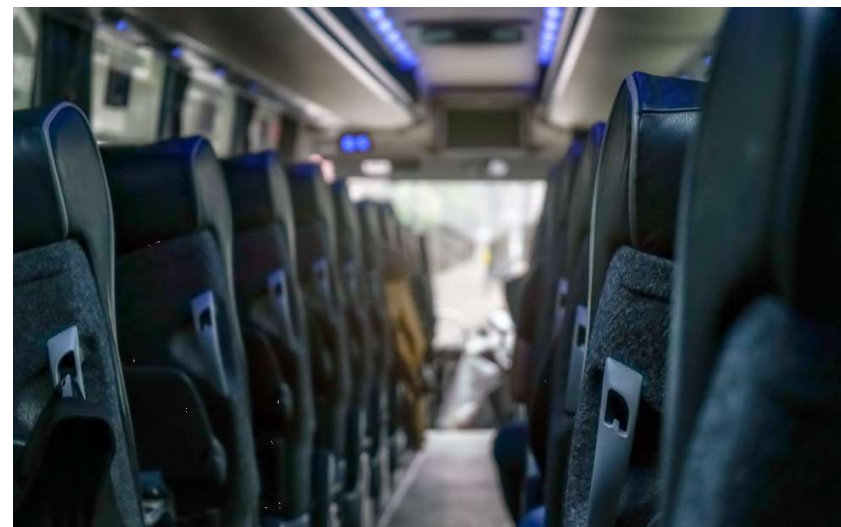
The mayoral fund income and expenditure were both in line with the budget and there was only a small variation of £41,000 relating to office and election costs.

This outturn reflects the predictable nature of both the income and expenditure of the mayoral fund.

As far as the Combined Authority itself is concerned, the outturn itself was also in line with the budget and the only significant variance (approximately £5m) related to supported bus services.

As noted on page 7, the original budget for 2020/21 was set in January 2020 which just before of the outbreak of COVID-19. The additional spending on supported bus services was as a result of the pandemic and not as a result of weaknesses in the budget setting or budgetary control processes.

This additional spending was financed by a range of Government grants and so there was no direct impact on this as far as the Combined Authority is concerned.



## Reserves

When the Combined Authority was established in 2017 there were no reserves or balances transferred to it from the constituent councils.

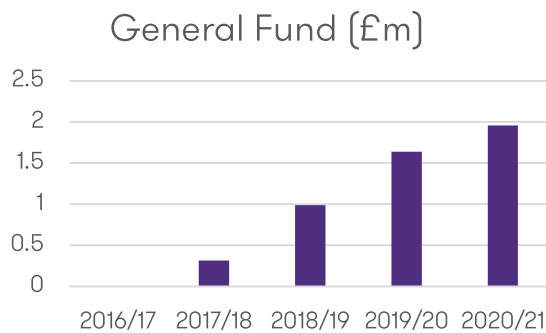
However, unlike a typical Council, the Combined Authority delivers very few front-line services and so does not face the level of risks associated with service cost and demand pressures that are experienced by other local government bodies.

Equally, the income of the Combined Authority is relatively certain within each year and there are no pressures around, for example, the level of income received from fees and charges or Council Tax collection rates.

The Combined Authority therefore does not need to maintain significant levels of reserves to help mitigate such financial risks.

There are inevitably some financial pressures for the Combined Authority and WECA has therefore started to build a General Fund reserve to manage future financial risk. These risks are primarily because the core operating costs are funded through temporary sources such as Mayoral Capacity Fund and Business Rates Retention Grant share, meaning there is no long-term certainty. There are also the inevitable day-to-day budgetary pressures experienced by every organisation.

However, this remains at a relatively low level compared to the size of the organisation and at 31 March 2021 the General Fund balance was approximately £2m:



The budget setting papers for 2020/21 and 2021/22 suggested that General Fund reserves of approximately 5% of total turnover would be appropriate for the Combined Authority.

WECA's revenue budget for 2021/22, which was approved by Combined Authority Committee on 29 January 2021, was £56.7m.

The target General Fund balance (5% of £56.7m) is therefore approximately £2.8m and so the current General Fund balance is only 70% of the amount the former Chief Financial Officer deemed appropriate.

It is therefore important for the Combined Authority to develop plans to achieve the level deemed appropriate, taking into account any projected changes in future revenue budgets.

The main exposure to financial risk that the Combined Authority faces in respect of increases in construction costs for the delivery of capital projects and this has become very real in recent times.

The Investment Programme is kept under regular review and all projects would be subject to a re-prioritisation process should the programme run into affordability issues. There is therefore no need to build reserves to help mitigate this risk.

## Cash Flow

The Authority holds significant cash investments which have arisen largely from income being received in advance of the corresponding expenditure as well internal balances and reserves held, although these are far less significant.

WECA's Treasury Management strategy for 21/22 states that since 1 April 2020, the Authority's investment balance has ranged between £178m and £285m.

For 2021/22 the balances were expected to range between £125m and £210m - this is slightly lower than the previous years due to capital grants and reserves being used to finance spend.

Cash flow is monitored and the maturity dates of investments take into account the projected needs of the Combined Authority in terms of planned expenditure.

However, with the level of investment balances referred to above, the key issue for WECA is one of timing rather than the risks of having insufficient funding or 'running out of cash'.

### Looking ahead

As part of devolution deal referred to on page 5, the West of England Combined Authority (WECA) was awarded a total of £900m - £30m per year over 30 years.

This funding is subject to a 5-year gateway review process – whereby an independent panel assesses the impact of investments on economic growth – and this review is used to trigger the release of the next 5-year tranche of funding.

As the funding was agreed as part of the devolution deal there is no ability to change the profile of that funding.

It is also important to recognise that the £30m per annum Investment Fund is fixed and is not increased to reflect increases in costs. Inflationary pressures have become more pertinent of late and they are particularly relevant for construction projects. The Combined Authority estimates that the impact of inflation over the 30 year investment period will be as follows:

Year	Grant	Equivalent Purchasing Power
0	£30m	£30m
10	£30m	£22.3m
20	£30m	£16.6m
30	£30m	£12.7m

The need to keep the future plans of the Investment Fund under review is therefore increasingly important if the expected benefits from the planned schemes are to materialise.

# Opinion on the financial statements



## Audit opinion on the financial statements

We issued an unqualified audit opinion on the Combined Authority's financial statements for the year ended 31 March 2021 on 10 December 2021.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Combined Authority's Audit Committee on 9 December 2021.

## Preparation of the accounts

The Combined Authority provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

## Issues arising from the accounts:

We identified nine adjustments to the draft financial statements that resulted in a £4.6m adjustment to the Authority's Comprehensive Income and Expenditure Statement.

These adjustments mainly arose because:

- There were a number of new starters that were not originally reflected in the actuarial report, and as this had an estimated material impact on the defined benefit net liability the Authority therefore needed to request an updated report from its actuary and to produce a revised set of financial statements. Officers have informed us that the Pension Fund was advised of the staff additions, although the impact on the liability was not appreciated when the initial figures were produced. This was because far more of the new starters were generally long-standing members of the Local Government Pension Scheme than would normally be the case.
- A number of required material adjustments were identified in relation to the creditors balance, which also affected the agency liability. We extended our sample of creditors items to reflect these initial errors.

## Other matters

We asked for the Annual Governance Statement to be updated to reflect that relationships within the West of England are currently publicly reported to be strained. This amendment was made and we therefore issued an unmodified opinion in this respect.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Combined Authority. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

At the time of writing this Audit Committee briefing paper, the guidance regarding the Whole of Government Accounts has not been issued by the National Audit Office (NAO) and so this work remains outstanding for all Local Government organisations.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.

# Appendices

# Appendix A - Responsibilities of the Combined Authority



## Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Combined Authority's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

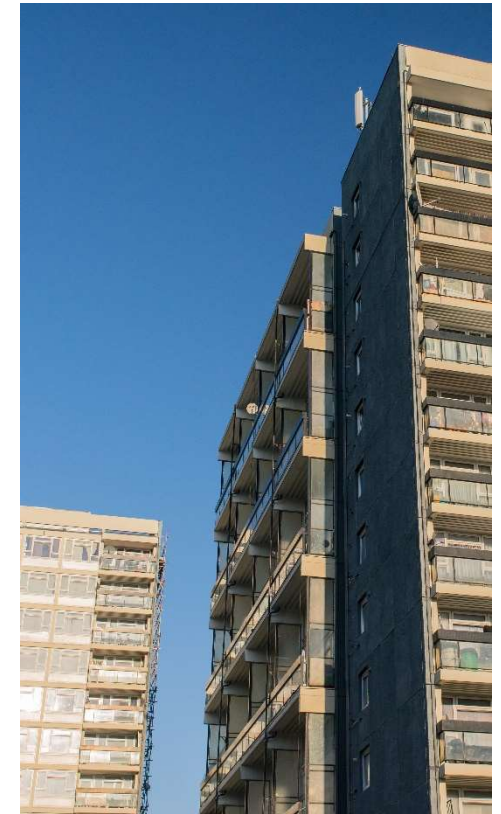
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Combined Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Combined Authority will no longer be provided.

The Combined Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Combined Authority's auditors as follows:

Type of recommendation	Background
Statutory	Written recommendations to the Combined Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Combined Authority to discuss and respond publicly to the report.
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Combined Authority. We have defined these recommendations as 'key recommendations'.
Improvement	These recommendations, if implemented should improve the arrangements in place at the Combined Authority, but are not a result of identifying significant weaknesses in the Combined Authority's arrangements.



# Appendix C - Formal auditor's powers

There are a range of formal powers available to External Auditors. These are summarised below.

We have not exercised any of these at the Combined Authority in 2020/21.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

## Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.





### **REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT COMMITTEE**

**DATE: 28<sup>th</sup> April 2022**

**REPORT TITLE: INTERNAL AUDIT ANNUAL REPORT 2021/22**

**AUTHOR: JEFF WRING – AUDIT WEST (INTERNAL AUDIT)**

#### **Purpose of Report**

1. This is the Annual Report of the Internal Audit service detailing progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

#### **Impact of the Covid-19 pandemic**

2. Although there have been limitations to the extent and method of audit testing due to continued home working recommendations throughout 2021/22, many online/digital auditing processes are now well established. Whilst measures continue to be taken to improve remote auditing processes, this nonetheless has continued to impact on the level of assurance that can be provided for the areas reviewed during the year.

#### **Recommendation**

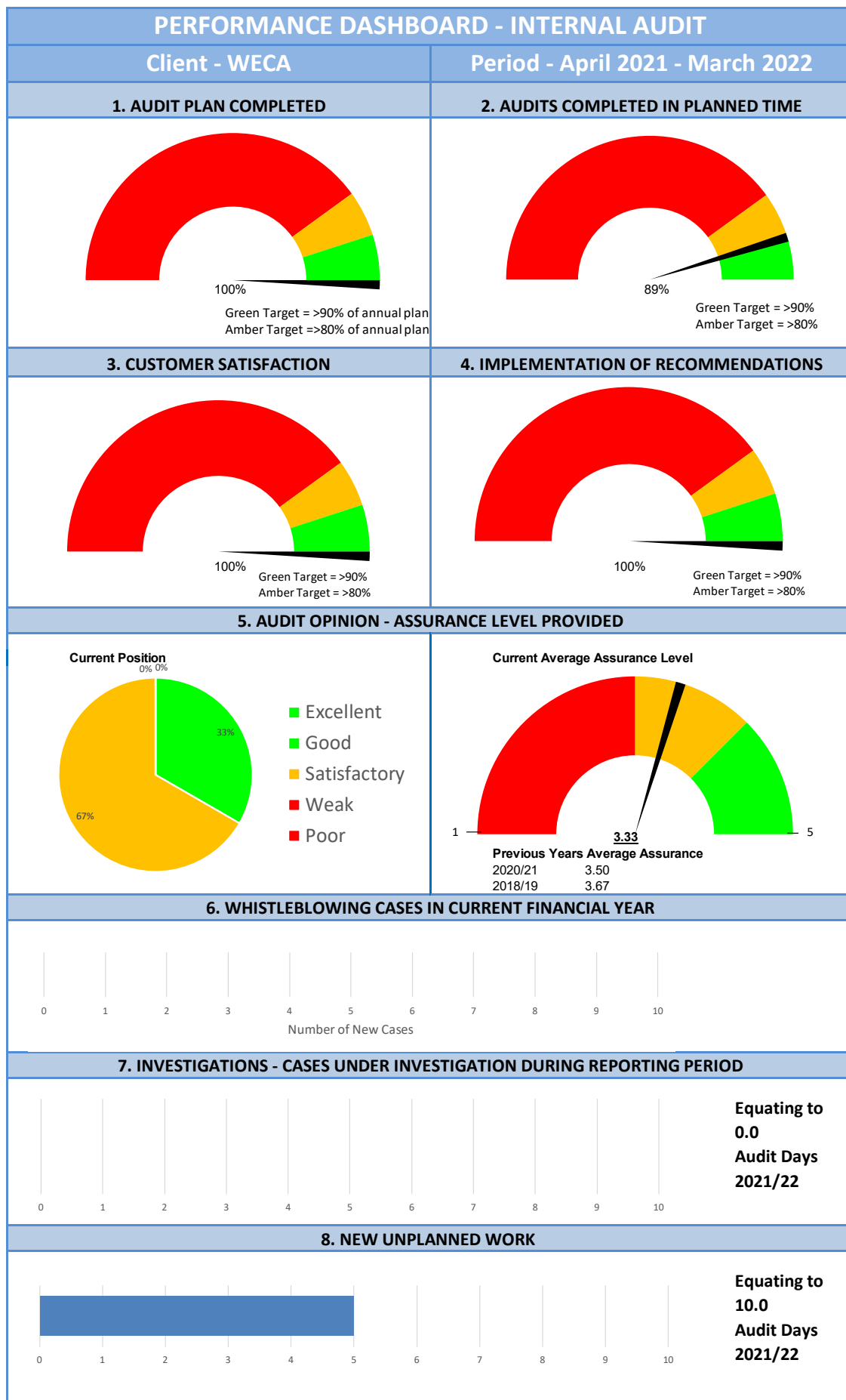
3. The Audit Committee notes that Internal Audit Report 2021/22 and formal opinion on the internal control framework.

#### **Background / Issues for Consideration**

##### **4.1 THE REPORT**

4.2 The Annual Internal Audit Plan for 2021/22 was presented to the West of England (WECA) Audit Committee on the 22<sup>nd</sup> September 2021. This approach involved a mixture of formal audit work along with an assessment of the internal control framework to inform the plan for future years. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the WECA's internal control environment.

4.3 The Committee receives verbal updates at each meeting and received a formal update on delivery against the plan in December 2021. This report builds upon that update and the chart overleaf records the position as at the end of the year.



## 5. PERFORMANCE SUMMARY

### 5.1 COMPLETION OF THE INTERNAL AUDIT PLAN

- 5.2 The performance dashboard shows that the Audit Plan is complete This includes work that is either finalised or at reporting stage. One review (Concessionary Travel) is in the final stage of reporting and one review (Climate Emergency Action Plan) will be delivered in the first half of 2022/23 once the new Strategy has been implemented.
- 5.3 Appendix 1 records the status of each audit review within the 2021/22 Audit Plan at the end of the year.
- 5.4 During 2021/22 it has been important to ensure that the Internal Audit Plan has remained fluid to enable the service to respond to WECA's changing risk environment.
- 5.5 In particular, with the impacts of the COVID-19 pandemic and the Mayoral Election, the Audit Plan was not formally approved until the Audit Committee in September 2021. Therefore, work in quarters 1 and 2 focussed on mandatory reviews such as grant certification audits.

### 6.1 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

- 6.2 The percentage of audits completed within the initial allocated days is recorded at 89%. This figure was calculated based on audits recorded as being at 'Final' and 'Completed' Report stage.
- 6.3 Whilst there have been individual audits which have exceeded the original budget, the overall plan remains within the agreed allocation.

## 7. CUSTOMER SERVICE

- 7.1 Customer service and providing value to clients is essential to the provision of a quality internal audit service. We are pleased to report that all questionnaires completed through the Internal Audit Computer System recorded good or excellent responses and this matched feedback received verbally from individual Service Managers.
- 7.2 Customer feedback is initially reviewed by the Audit Manager and the scores and comments are communicated onto the relevant auditor
- 7.3 Some of the comments received throughout the year across the spectrum of audit work are recorded below:

***“Working with (the auditor) was straightforward and easy, she was clear with all her requests and set out how the process would work.”***

***“A useful audit which was well conducted and reported.”***

## 8. IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

- 8.1 The dashboard records the implementation of recommendations at the time the audit was 'Followed-Up' at 100%. This is in line with last year's implementation rate, and an improvement from 80% implementation from 2019-20.

## 9. INVESTIGATIONS/WHISTLEBLOWING

- 9.1 During 2020/21 Audit West has not been involved in any formal Whistleblowing investigations, although it continues to provide management with advice and guidance on fraud and corruption threats. Examples of advice provided includes sharing of fraud alerts and fraud bulletins for distribution within WECA to alert staff.

**10. ASSURANCE LEVEL PROVIDED**

- 10.1 Appendix 1 details all the work undertaken and a summary of our opinions. Of the twelve completed audit assignments, nine were not suitable for an assurance opinion, for example compulsory grant certification reviews which require only an assurance letter for Central Government, and advisory work when reviewing new processes prior to, or during implementation. Of the three completed audit reports, two recorded an assurance level of level 3 – reasonable assurance and one received level 4 – substantial assurance. Please see Appendix 3 for a description of our assurance levels.
- 10.2 In addition to the formal audits, two advisory pieces of work were carried out, with one reviewing Cyber Security arrangements and the other reviewing compliance of the handling of a Whistleblowing case which took place across 2020/21 and early 2021/22. The final non-standard audit assignment used specialist data analytical techniques and software to provide assurance over the functioning of the Accounts Payable and Accounts Receivable systems, including the aim of identification of errors or anomalies.
- 10.3 Further to this, Internal Audit also supported the production of the Annual Governance Statement by reviewing all the sources of assurance and independently assessed the evidence with no significant issues identified for the statement, aside from the general risks and impacts of the COVID-19 pandemic. This was also validated by the work on Audit West's Reasonable Assurance Model which independently assesses eight key themes of organisational health and rates them based on levels of assurance and risk. Again, there were no significant concerns to report outside of those already discussed at recent Audit Committee meetings.
- 10.4 Finally, Internal Audit has also carried out an expanded range of grant certification work, as noted above, with six individual reviews undertaken, covering functions such as the Growth Hub, Future Transport Zone and the Bus Subsidy Revenue Grant. No significant issues were identified in any of these reviews and the grant returns were signed off.

**11. UNPLANNED AUDITS / WORK**

- 11.1 There were five unplanned pieces of work carried out in 2021/22 with three being grant certification reviews as noted above. A fourth piece of work concerned a review of the handling of a previous Whistleblowing allegation, as noted in paragraph 10.2, relating to a project in Adult Education. A fifth piece of work involved an item requested by the Audit Committee at its meeting in September around governance processes. The unplanned reviews amounted to ten additional days work.

**12. FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK**

- 12.1 The Service Director – One West (Acting as Chief Audit Executive for WECA) is required to give an opinion on the internal control framework.
- 12.2 Statement of the Chief Audit Executive - In forming an opinion on the internal control framework I have considered the work of the Audit & Assurance function as well as consideration of other assurances I can rely on and the wider governance framework and performance of the WECA.

It is my opinion that at the current time the WECA's internal control framework and systems to manage risk are reasonable.

- Reasonable assurance can be provided over the WECA's systems of internal control, helping to ensure corporate priorities can be achieved;

## ITEM 12

- Agreed policies, Financial Regulations and Contract Standing Orders are broadly being complied with;
- Managers throughout the WECA are aware of the importance of maintaining adequate and effective governance arrangements;
- Appropriate arrangements are operated to deter and detect fraud and investigations and did not identify any systemic failures;
- There were no fundamental system failures or control breakdowns to business-critical functions or any identified fraud. We remain alert however to external challenges which could impact on work in 2022/23;
- There were no poor or weak ratings from Audit Work;
- The Audit Committee's support in ensuring this balance and maintaining effective corporate governance is appreciated and I would like to thank all members of the committee for their input and guidance over the past year.
- Finally, I can confirm that the Internal Audit Charter has been reviewed, is still relevant and up to date and we are able to exercise our independence to perform our role against our professional standards.

### **Consultation**

13. The Annual Report refers to facts and opinions that have been included within individual audit reports which were distributed to, and agreed with, senior managers. The service meets regularly with the Senior Management Team and the Director of Investment and Corporate Services to update them on the audit plan and ensures the plan continues to reflect the risks.

### **Other Options Considered**

14. Not applicable

### **Risk Management/Assessment**

15. Risk assessment is a core building block of internal audit work. The audit plan and the associated audits and reports are drawn up and/or scored on a risk-basis.

### **Public Sector Equality Duties**

16. Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

### **Finance Implications, including economic impact assessment where appropriate:**

17. No direct implications – Cost of service within existing budgets.

### **Legal Implications:**

18. No direct implications.

### **Climate Change Implications**

19. Climate Change continues to be a key consideration in the audit planning process. Conversations were held with WECA management in 2021/22 as part of the planning for the audit of Climate Change Action Plan which was subsequently moved to early 2022/23 and remains a key element of the Audit Plan.

### **Land/property Implications**

20. No direct implications.

### **Human Resources Implications:**

21. No Direct Implications.

**Appendices:**

Appendix 1 – Audit Plan End of Year Position Statement 2021/22

Appendix 2 – Highlight Summary of Audit Reviews Undertaken

Appendix 3 – Audit Opinion Descriptions

**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 Quay, Bristol BS1 6EW; email:

[democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)



**ITEM 12**

**Appendix 1 – Audit Plan End of Year Position Statement 2021/22**

<b>Audit Area</b>	<b>Assurance Level or Risk Rating</b>
<b>Organisational &amp; Corporate Functions</b>	
Core Financial Systems – Data Analytics	N/A – Advisory work
Counter Fraud and Corruption	Level 3 – Reasonable Assurance
Grant Certification – Growth Hub Core Funding	N/A
Grant Certification – Growth Hub Supplementary Funding	N/A
Grant Certification – EU Transition Funding	N/A
Grant Certification – Future Transport Zone	N/A
Grant Certification – Peer Networks Grant	N/A
Grant Certification – Bus Subsidy Revenue Grant	N/A
Corporate Governance of the LEP	Level 4 – Substantial Assurance
IT Audit – Cyber Security	N/A – Advisory work
Project and Programme Management	Level 3 – Reasonable Assurance
Climate Emergency Action Plan	To be delivered in early 2022/23
Concessionary Travel	At Draft report stage
Whistleblowing Handling Assurance	N/A – Advisory work
Reasonable Assurance Model – Corporate Governance	Completed
Reasonable Assurance Model – Financial Management	Completed
Reasonable Assurance Model – Risk Management	Completed
Reasonable Assurance Model – Performance Management	Completed
Reasonable Assurance Model – Procurement	Completed
Reasonable Assurance Model – Information Management	Completed
Reasonable Assurance Model – Asset Management	Completed
Reasonable Assurance Model – Project Management	Completed
<b>Follow – Up Area</b>	<b>Original Assurance Level</b>
Follow-Up – Core Financial Systems – AP & AR	Level 3 – Reasonable Assurance
Follow-Up – Procurement	Level 3 – Reasonable Assurance
Follow-Up – Whistleblowing	Level 3 – Reasonable Assurance
Follow-Up – Workforce for the Future	Level 4 – Substantial

**ITEM 12**

	Assurance
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Appendix 2 – Highlight Summary of Audit Reviews Completed

Audit Name	Scope of review	Selected strengths	Recommendations
<p><b>Core Financial Systems – Data Analytics</b></p>	<p>Provide a level of assurance over the functioning of core financial systems through the use of data analysis, including identification of inconsistencies and anomalies.</p> <p>The data analysis will aim to cover:</p> <ul style="list-style-type: none"> <li>• Accounts Payable transaction data.</li> <li>• Accounts Receivable transaction data.</li> <li>• Supplier and Customer databases.</li> </ul> <p>Supplementary datasets may be used to perform further testing, depending on availability and suitability.</p>	<ul style="list-style-type: none"> <li>• No true duplicates were identified that WECA had not already identified through its own checks and analysis.</li> </ul>	<p>No formal recommendations provided as the audit was not testing controls. However, consideration raised for integrating additional analytical data reviews in future, and to widen scope to other databases.</p>
<p><b>Counter Fraud and Corruption</b></p>	<p>To ensure that WECA’s strategic approach to fraud is clear, documented, and in line with the latest best practice and guidance.</p> <p>To ensure staff throughout WECA are aware of fraud risks, and of their roles in tackling fraud.</p>	<ul style="list-style-type: none"> <li>• A suite of anti-fraud policies is in place and easily accessible by staff, allowing officers to understand the authority’s stance on fraud and their own roles.</li> <li>• A formal Register of Interests is in place with evidence of the log being used regularly and appropriately.</li> <li>• There is evidence of sharing of</li> </ul>	<ul style="list-style-type: none"> <li>• An annual review should be undertaken of controls in high risk fraud areas at WECA to identify where mitigating actions are required, especially in new and changing areas of WECA’s responsibilities and delivery as the organisation grows.</li> <li>• The Counter Fraud, Bribery and Corruption Strategy should be reviewed and updated to reflect the Fighting Fraud and Corruption Locally Strategy</li> </ul>

	<p>To ensure that the latest fraud risks against WECA are known and understood, and proportionate preventative measures are in place.</p>	<p>fraud alerts and bulletins across WECA, with a particular focus on financial fraud.</p> <ul style="list-style-type: none"> <li>Specialist fraud training sessions have been delivered within the last 18 months to management across WECA and to the Audit Committee, covering key Officers and Members</li> <li>Basic data analysis is undertaken on key financial systems on a routine basis to identify fraud and error, and has been supported in 2020/21 and 2021/22 by additional data analysis by Internal Audit.</li> </ul>	<p>for the 2020s, including adding the key pillar of 'Govern'.</p> <ul style="list-style-type: none"> <li>Counter Fraud training should be included as part of the mandatory training for new starters. Training should include anti-bribery and corruption, and anti-money laundering. Completion of training should be monitored.</li> <li>Fraud risks should be reviewed, re-scored and updated on the Corporate Risk Register to reflect the change of the fraud landscape during the pandemic.</li> <li>An email should be sent to all Officers and Members to remind them of their responsibilities, and to declare all gifts and hospitality received in the last year.</li> <li>A secure formal central record should be kept of suspected fraud cases covering all areas of WECA.</li> </ul>
	<p>To ensure that cases of suspected fraud are identified and investigated in a timely manner.</p>		
<p><b>Corporate Governance of the LEP</b></p>	<p>Ensure that policies, procedures and strategy are appropriate to govern the LEP, in line with organisational priorities and government requirements.</p>	<ul style="list-style-type: none"> <li>The Local Assurance Framework includes all the required elements specified within the National Local Growth Assurance Framework.</li> </ul>	<ul style="list-style-type: none"> <li>It is recommended that the LEP Policies are reviewed on an annual basis to ensure they hold up to date information. The updates should be recorded in a version control table within the document. In addition, the LEP</li> </ul>

	<p>Ensure LEP grant funding is subject to adequate assessment, clear scrutiny, transparent decision-making and appropriate approval.</p>	<ul style="list-style-type: none"> <li>• The LEP webpages contain the minimum requirements listed in the National Local Growth Assurance Framework and is subject to regular review.</li> <li>• LEP funding decisions are recorded transparently using the Modern.Gov app and a decision record is held with the Joint Committee meeting papers that are available on the LEP webpages.</li> <li>• Induction training is provided to all new LEP Board members within the first quarter they are in post which complies with the requirement in the National Growth Assurance Framework.</li> <li>• There is a scheme of delegation in place for approving decisions included in the Funding for Applicants Guidance document.</li> <li>• LEP funding updates are provided at LEP Board meetings and recorded in the minutes which are published on the LEP webpages.</li> </ul>	<p>webpages should be updated accordingly with new versions of the policies.</p>
<p>Ensure that all approved LEP grant funding is recorded, monitored, and reported upon in an accurate and timely manner.</p>			

<b>Project and Programme Management</b>	<p>To ensure that a project management framework has been formally adopted and that systems / processes have been documented and appropriately communicated to enable consistency and compliance</p>	<ul style="list-style-type: none"> <li>• An enhanced governance framework for managing projects was introduced for use across all WECA directorates, in July 2021.</li> <li>• The Operational Management Team has received formal training on the new project management methodologies.</li> <li>• Compliance checks are being introduced for key project stages.</li> <li>• There are systems in place to ensure that only appropriate staff can book time to a Project.</li> <li>• Where tested, there is evidence of steering groups functioning appropriately, with decisions, actions and owners recorded.</li> </ul>	<ul style="list-style-type: none"> <li>• A Project Management Handbook should be created in an easily navigable format, which should include version control and template documents for key project processes and stages.</li> <li>• Minutes and agreed actions of Finance Meetings should be recorded to enable monitoring and follow up.</li> <li>• Periodic reviews should be scheduled to consider the adequacy of the project management framework that was introduced in July 2021. Any updates should be presented to senior management for approval.</li> <li>• Regular formalised monitoring of contractor performance and delivery such as monthly forecasts, Capital Dashboards and KPIs, alongside regular scheduled meetings should be prepared.</li> </ul>
	<p>To ensure that project governance mechanisms are in place to provide clear and transparent ownership and accountabilities to enable effective project delivery.</p>		
	<p>To ensure performance monitoring and reporting is timely, accurate and consistent to enable key stakeholders to make informed decisions and for early identification of barriers to progress.</p>		

<p><b>IT Audit – Cyber Security</b></p>	<p>Key cyber security policies are in place, aligning with best practice as described by NCSC 10 Steps.</p>	<ul style="list-style-type: none"> <li>• There is now a comprehensive due-diligence questionnaire for use in the procurement of suppliers of digital services.</li> <li>• Multi Factor Authentication (MFA) is implemented across WECA to protect its systems.</li> <li>• An IT Security Plan has been drafted in line with the National Cyber Security Centre’s (NCSC) 10 Steps to Cyber Security.</li> <li>• WECA’s Intranet includes a dedicated section for Cyber Security.</li> <li>• Cyber security matters are included in ‘Staff Update’ circular emails.</li> <li>• New Starter Welcome Packs contain a link to an NCSC Cyber Security e-learning course.</li> <li>• Phishing and IT Security information is provided on WECA’s ‘The Training Centre’ internal web page.</li> <li>• WECA’s PSN Compliance submission has been completed for 2021.</li> <li>• Contact details for the reporting of incidents are made clear through various communication channels such as emails.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a formal IT Strategy that outlines the medium/long-term plan to deploy the ICT services, systems, and technologies.</li> <li>• Obtain and review all key policies, processes, procedures and results of testing under the responsibility of Agilisys.</li> <li>• The IT Service should catalogue and risk-assess all current digital services. Each procured service should be cross-referenced against WECA’s Cyber Security Checklist for Suppliers.</li> <li>• Broaden IT skills and awareness across the authority by implementing continuous and mandatory Cyber Security training / e-learning i.e. social engineering security awareness training</li> <li>• Ransomware and Malware incident response should be linked to disaster recovery, business continuity and crisis management plans.</li> <li>• It is imperative that a Cyber Security expert reviews the Cyber Security insurance policy prior to purchase, to ensure that it meets the needs of the organisation and covers emerging threats.</li> <li>• Develop and implement a BYOD policy in line with current NCSC guidance that considers the needs of users alongside the risks, and to ensure that devices are chosen and configured in a secure manner.</li> <li>• The ‘Split of responsibilities West of</li> </ul>
	<p>Internal / external reviews are conducted on a regular basis to provide management with a sufficient overview of the functioning of cyber security controls.</p>		

			<p>England Combined Authority / Agilisys' document should be signed off as a matter of urgency by both parties (WECA and Agilisys).</p> <ul style="list-style-type: none"> <li>• Implement an Information Classification Policy either as a standalone policy or as part of an overarching policy.</li> </ul>
<p><b>Whistleblowing Case Handling - Assurance Review</b></p>	<p>Review the handling of a Whistleblowing allegation received by WECA regarding suspected irregularities of a provider of Adult Education.</p>	<p>The 'referrer' could not strictly be deemed a Whistle-blower under the definition of the Public Interest Disclosure Act 199, nonetheless:</p> <ul style="list-style-type: none"> <li>• Steps were taken to protect the complainant.</li> <li>• There was effective communication with the external organisation that led the investigation.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider the adoption of a protocol to ensure that all external reports of wrongdoing are assessed as following their submission to determine which policy / procedures will be followed to investigate reported concerns and this would then be communicated to the 'discloser / complainant'.</li> <li>• Ensure guidance is in place to obtain assurance from organisations leading investigations that obligations under WECA policies have been discharged.</li> </ul>



## Appendix 3 – Audit Opinion Descriptions

Assurance Rating	Opinion
<b>Level 5 - Full Assurance</b>	The systems of internal control are excellent with a number of strengths, no weaknesses have been identified and full assurance can be provided over all the areas detailed in the Assurance Summary.
<b>Level 4 - Substantial Assurance</b>	The systems of internal control are good with a number of strengths evident and substantial assurance can be provided as detailed within the Assurance Summary.
<b>Level 3 - Reasonable Assurance</b>	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.
<b>Level 2 - Limited Assurance</b>	The systems of internal control are weak and only limited assurance can be provided over the areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the levels of risk exposure.
<b>Level 1 - No Assurance</b>	The systems of internal control are poor, no assurance can be provided 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.

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## ITEM 13

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY  
AUDIT COMMITTEE**

**DATE: 28<sup>th</sup> April 2022**

**REPORT TITLE: WECA – INTERNAL AUDIT PLAN (2022/23)**

**AUTHOR: JEFF WRING – AUDIT WEST (INTERNAL AUDIT)**

### **Purpose of Report**

1. To present the Internal Audit Plan for 2022/23 for approval.

### **Impact of Covid-19 pandemic**

The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:

- A flexible approach will continue to be applied for the 2022/23 Internal Audit Plan to take account of any changing risks caused by COVID-19 pandemic.
- As with the 2021/22 Audit Plan, COVID-19 impacts will continue to be considered at the planning stage for each individual review during the year.

### **Recommendation**

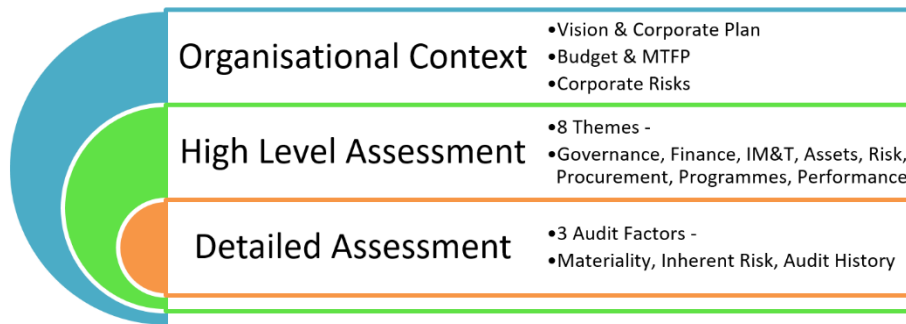
- To note the report and approve the Internal Audit Plan attached at Appendix 1.

### **Background / Issues for Consideration**

#### **2 Internal Audit Annual Plan 2021/22 (Appendix 1)**

- 2.1 The Public Sector Internal Audit Standards require Internal Audit to prepare a risk-based plan. This is the sixth year of WECA's operation and most of the key foundations of good governance are now in place and have been reviewed as part of our planned activities.

2.3 The Plan has been subject to consultation with the Director of Investment and Corporate Services (S73 Officer) and WECA’s Senior Management. The Internal Audit service (Audit West) use the reasonable assurance model to compile the plan, of which the essential elements are as follows –



2.4 As presented to the last Audit Committee in detail in previous meetings we have used the Reasonable Assurance Model as one of our core assurance processes as well as informing the plan for this year. Notwithstanding the assessment, specific circumstances (such as a significant reputational issue or request of S73 Officer or Senior Management Team) may on occasion mean that a new audit area may be included in the Plan.

2.5 Resources available to deliver the Plan will also inform the quantum of the Plan which amounts to approximately 100 days in total and the areas indicated in the plan relate to these numbers of days.

2.6 The Committee will receive an update on the work undertaken later in the year.

**2.7 Internal Audit Charter & Professional Standards**

2.8 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1st April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government, Central Government and the NHS. The PSIAS was revised wef 1st April 2017 and are based on the Institute of Internal Auditors’ International Standards. The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector.
- Set basic principles for carrying out internal audit in the UK public sector.
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

2.9 A key requirement of the PSIAS is an Internal Audit Charter which defines the internal audit activity’s purpose, authority and responsibility. The Internal Audit Charter establishes its position within the organisation; the nature of the Chief Audit Executive (CAE’s) functional reporting relationship with the Audit Committee; formally records its access to property, records and personnel; and defines the scope of internal audit activities. The CAE must periodically review the Internal Audit Charter and present it to the Audit Committee for approval. Attached at Appendix 2 is the latest version.

2.10 As part of best practice we always review the Charter annually to the Audit Committee

(which you approved last year) so that they are aware of how Internal Audit delivers its services and derives its authority and to re-confirm our independence.

2.11 Each year we will assess ourselves against the required standards and ensure a quality assurance and improvement programme (QA&IP) is in place requiring both internal and external assessment with an external assessment being required once every 5 years.

2.12 Audit West was externally assessed in 2018 and are pleased to confirm we have received the highest rating – general confirming to standards – and will ensure we keep the Committee appraised on an annual basis of our ongoing compliance.

### **Consultation**

3 Draft Plan was consulted with Senior Management team and Director of Investment & Corporate Services.

### **Other Options Considered**

4 Not applicable.

### **Risk Management/Assessment**

5 The Internal Audit Plan is drawn up on a risk basis, using the Reasonable Assurance Model.

### **Public Sector Equality Duties**

6 Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

### **Finance Implications, including economic impact assessment where appropriate:**

7 No direct implications – Cost of service within existing budgets.

### **Legal Implications:**

8 No direct implications.

### **Climate Change Implications**

9 Climate Change has been considered as a key point during the Reasonable Assurance Model. The deferred audit of the Climate Change Action Plan is included in the 2022-23 Annual Internal Audit Plan.

### **Land/property Implications**

10 No direct implications.

### **Human Resources Implications:**

11 No direct implications.

### **Appendices:**

Appendix 1 – Internal Audit Plan 2022/23.

Appendix 2 – Internal Audit Charter

**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 via email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

# Internal Audit Plan 2022/23



**Audit West**

Delivering Independent Assurance to the Public Sector

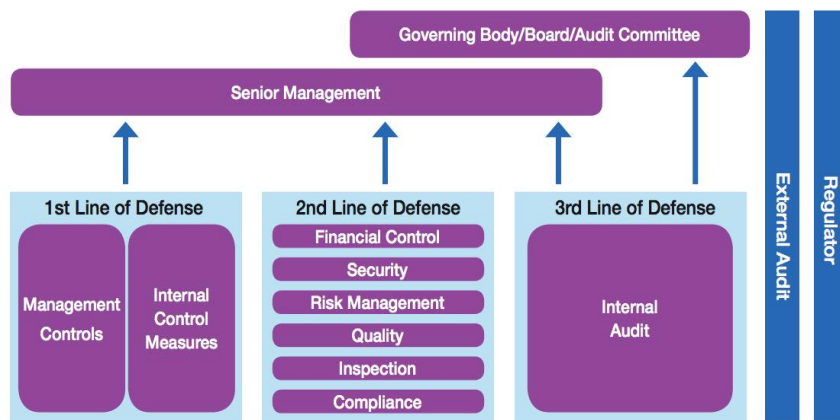
# 1. Our Role

## 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 2022/23.



## 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.

Central to everything we do is our ambition to address climate change, secure good jobs and ensure decent homes for all our people.

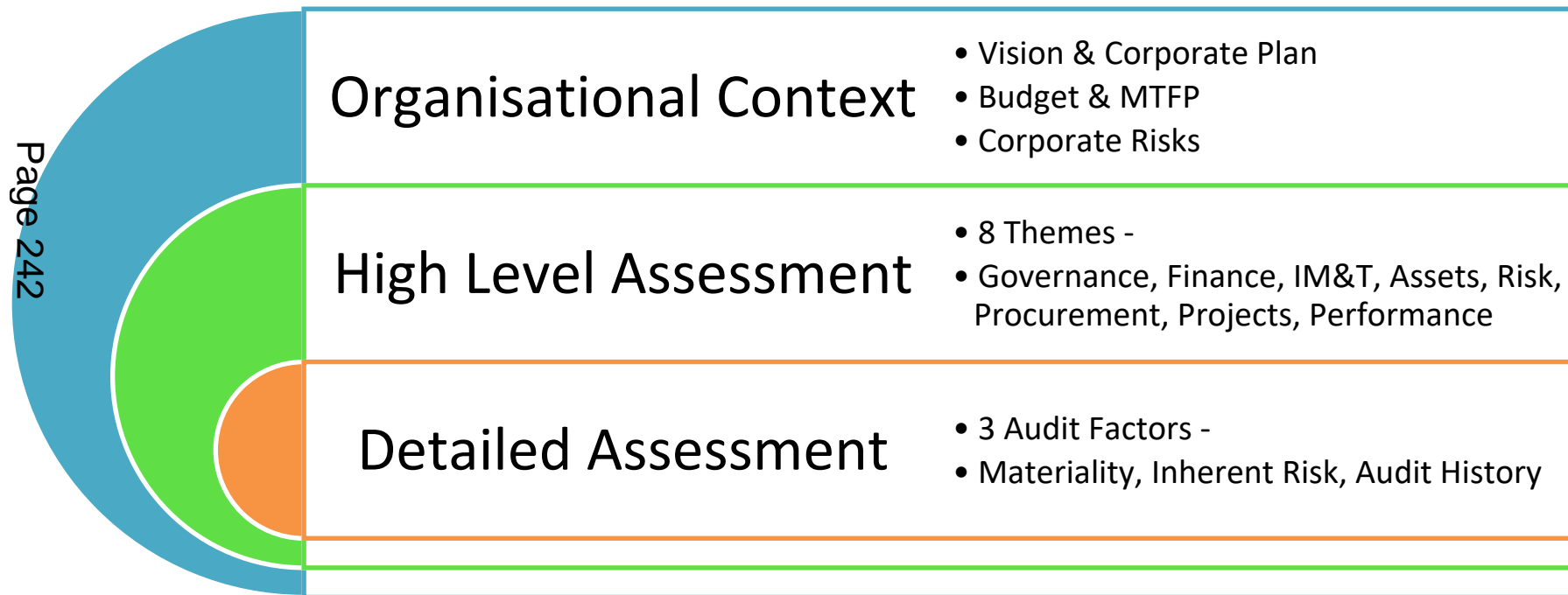
We will achieve our ambitions by working with our communities to deliver our priorities for infrastructure, skills and business.



### 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 –

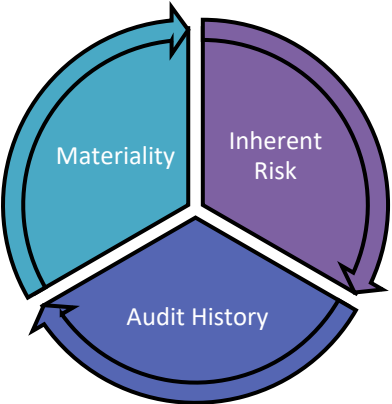


**HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE**

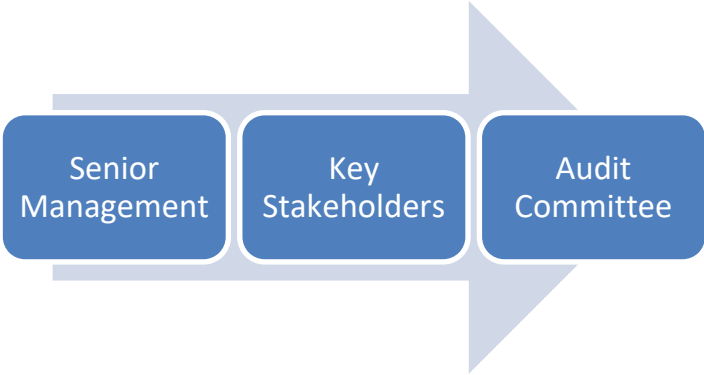


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**DETAILED CRITERIA – AUDIT PLAN LISTING**



**CONSULTATION & APPROVAL**



## 4 Areas for Review – 2022/23

ANNEX A

Internal Audit Areas	Reasonable Assurance Theme
<b>Organisational &amp; Corporate Functions (75 Days)</b>	
City Region Sustainable Transport Settlement	Financial Management / Corporate Governance / Project & Programme Management
Project Management – (TBC e.g. Future Transport Zone / Metrobus / Walking and Cycling)	Corporate Governance / Programme & Project Management / Procurement / Risk Management
Climate Emergency Action Plan	Corporate Governance / Performance Management / Risk Management
Performance Management	Corporate Governance / Performance Management / Risk Management
Counter Fraud and Corruption	Financial Management / Risk Management
Local Enterprise Partnership (LEP) – Governance	Financial Management / Corporate Governance / Performance Management
IT Audit	Information Management
Payroll	Financial Management / Information Management
<b>Corporate Governance (15 Days)</b>	
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
<b>Follow-Up Reviews (5 Days)</b>	
Core Financial Systems – Data Analytics	Financial Management / Corporate Governance
Counter Fraud and Corruption	Financial Management / Risk Management
IT Audit – Cyber Security	Information Management
Project/Programme Management	Financial Management / Procurement / Programme and Project Management
Concessionary Travel	Financial Management / Performance Management
<b>Grant Audit Certification – Various (5 Days)</b>	Financial Management

## CONTACT DETAILS

<b>Engagement Lead –</b>	Jeff Wring 01225 477323 <a href="mailto:jeff_wring@bathnes.gov.uk">jeff_wring@bathnes.gov.uk</a>
<b>Audit Manager -</b>	Pete Charles 07866 897357 <a href="mailto:Pete_Charles@bathnes.gov.uk">Pete_Charles@bathnes.gov.uk</a>
<b>Address</b>	One West Bath & North East Somerset Council The Guildhall High Street BATH, BA1 5AW

## **Internal Audit Charter**

**This document sets out the purpose, authority and principal responsibilities of the Internal Audit Service for West of England Combined Authority.**

### **1 Internal Audit's Purpose and Mission**

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the West of England Combined Authority (WECA) on its control environment.
- 1.2 Internal Audit helps the organisation to achieve its objectives through a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. Its mission is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

### **2 Internal Audit's Statutory Role**

- 2.1 The Accounts & Audit Regulations 2015 (Local Government England & Wales) states that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 2.2 Section 151 of the Local Government Act 1972 requires the Authority to designate an Officer to be responsible for “making arrangements for the proper administration” of the Council’s financial affairs. One of the ways by which this duty is discharged is by maintaining an adequate and effective Internal Audit Service.
- 2.3 The Audit Committee responsibilities are recorded in its’ own Terms of Reference, and are also subject to regular review.

### **3 Standards for Professional Practice of Internal Auditing**

- 3.1 Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Service Director – One West (representing Audit West) will report periodically to the WECA S151 Officer and the WECA Audit Committee regarding Internal Audit conformance to the Code of Ethics and the Standards.

### **4 Management's Responsibilities for Internal Control**

- 4.1 Responsibility for internal control rests fully with Management, who shall ensure that arrangements are appropriate and adequate. Management shall establish and maintain an adequate system of internal control to enable them to discharge their responsibilities and to ensure that the Council's resources are properly applied in the manner intended. This includes responsibility for the prevention and detection of fraud.

### **5 Audit West's Responsibility & Objectives**

- 5.1 Audit West is responsible for carrying out an appraisal of all the WECA's activities, financial or otherwise, in line with this Internal Audit Charter. Audit West will provide an annual opinion to the WECA Audit Committee, and will carry out Audits and other assurance work in order to deliver this opinion. In addition, Audit West will report to Management any material facts that may affect the delivery of the opinion.
- 5.2 As stated in Section 3 Audit West will be governed and will comply with the Professional Practices Framework, (including the Public Sector Internal Audit Standards), and will complete an annual fully evidenced internal assessment of compliance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The findings and any required actions will be reported to the WECA Audit Committee. Compliance will also be verified through an external review assessment every five years.
- 5.3 One of the key service objectives of Audit West will be to produce a risk based Annual Audit Assurance Plan for approval by the WECA Audit Committee. The Audit Plan will remain flexible to take account of the WECA's changing environment and risk profile.
- 5.4 Completion of all or a significant proportion of the approved Audit Plan will be a key performance measure of the Internal Audit Service.
- 5.5 Audit West will directly employ staff and contract as necessary to provide a service to the WECA.



## **6 The Scope of Internal Audit**

- 6.1 Audit West's work is not limited to the WECA's financial systems and records, but extends to all activities of the WECA. This enables Audit West to give an independent and objective opinion on the adequacy and effectiveness of governance, risk management and the control environment as a source of assurance to management.
- 6.2 This will include: reviewing and evaluating compliance with policies, laws and regulations; assessing the reliability and integrity of information; and, safeguarding the WECA's assets. In addition to this core internal audit work, it will undertake, where appropriate, other non-assurance work at the request of management. This may include consultancy and fraud / irregularity related work.
- 6.3 Where appropriate, there may be instances whereby Internal Audit works in partnership to meet objectives and deliver services. In these instances, Internal Audit will decide whether to conduct the work required itself or can place reliance on the work carried out by other Auditors or sources of assurance. If Internal Audit were to carry out the work, then access rights need to be established to all systems and documents. Management should ensure these are established as part of the partnership arrangements.

## **7 Audit West's Reporting lines**

- 7.1 Audit West is employed via a contractual agreement from Bath & North East Somerset Council so have no conflicts with regard to management reporting lines. They shall have direct access and the right of report to the WECA Mayor, Chief Executive, Monitoring Officer, Chief Finance Officer, the External Auditor, Chair of the Audit Committee and Chair of the WECA's Scrutiny Committee, where appropriate.
- 7.2 The WECA has an Audit Committee whose Terms of Reference include responsibility for monitoring the performance of the Internal Audit Service and approving its Annual Audit Plan. The Service Director – One West (representing Audit) West reports regularly to the WECA Audit Committee and is required on an annual basis to provide a formal opinion of the adequacy of the Internal Control Framework and systems to manage risk.

## **8 Internal Audit Independence**

- 8.1 A critical element of the performance of the Internal Audit function is independence from the activities it audits. This independence enables Audit West to form impartial and effective judgment for the opinions and recommendations made. To help ensure independence the Service Director – One West (representing Audit West) shall have direct access and the right of report to the Mayor, Chief Executive, Monitoring Officer, Chief Finance Officer, the External Auditor and the Chair of the Audit Committee.

- 8.2 Internal Auditors will be impartial, have an unbiased attitude and avoid any conflict of interest. Auditors will not undertake audit reviews in services where they have previously worked (directly working for the function or carrying out ‘consultancy services’) in the last two years. In terms of ‘consultancy services’ this is work which is going beyond providing an opinion on the control environment, i.e. they are designing or developing systems to fulfil an objective.
- 8.3 Internal auditors will disclose any impairments of independence or objectivity, in fact or appearance, to appropriate parties.
- 8.4 Before Audit West agrees to carry out consultancy services consideration will be given to any potential conflicts of interest. If it is concluded that the proposed work would compromise delivery of Audit West’s prime function then the work would be declined.
- 8.5 Where the Service Director – One West (representing Audit West) has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 8.6 The Service Director – One West (representing Audit West) will confirm to the WECA Audit Committee at least annually of the independence of the internal audit activity.

## **9 Internal Audit Fraud related work**

- 9.1 Audit West does not have responsibility for the prevention and detection of fraud. However, Audit West staff shall be alert in all their work, to risks and exposures that could allow fraud or corruption. Audit West work alone cannot guarantee that fraud and irregularities will be picked up even when work is performed in compliance with the Public Sector Internal Audit Standards.
- 9.2 The main source for Audit West to be alerted to possible fraud and irregularities will be through the awareness of the Officers and Members of the WECA, the Counter Fraud Strategy and associated policies (Money Laundering Policy; Anti-Bribery Policy and Whistleblowing Policy).
- 9.3 Audit West may also be requested by Management to assist with the investigation of potential cases of fraud and financial irregularities. The objective of the Internal Audit Service is to ensure that: 1) the matter is fully investigated and if necessary referred for Police or disciplinary action; and 2) the system of internal control is enhanced to avoid a repeat of the issue. All reported irregularities would be investigated in line with adopted Strategies, Policies and protocols.

## **10 Audit West’s Right of Access**

- 10.1 The Accounts & Audit Regulations 2015 provides that any Officer of the WECA must make available such documents of the Council which relates to its’ accounts and other records as appear to be necessary for the purpose of the Audit.

In addition the WECA's Financial Regulations state that the Internal Auditors shall have authority to:

- Enter at any reasonable times, any operational or administrative WECA premises or land and have access to all WECA property.
- Have access to (and where necessary to copy or retain) all records whether manually or electronically held, documentation, correspondence and computer systems relating to any transaction of the WECA, or non-official funds operated by WECA staff,
- Require and receive such explanations as are necessary concerning any matter under examination,
- Require any employee of the WECA to produce or account for cash, stores or any other property under their custody or control,
- Examine any work or services carried out for the WECA by an employee or contractor, and any goods purchased on behalf of the WECA,
- Review appraise and report on the soundness, adequacy and application of internal controls. This includes those controls to protect WECA resources, property and assets from loss / waste.

The Authority's Internal Auditors shall have direct access and the right of report to the WECA Mayor, Chief Executive, Monitoring Officer, Chief Finance Officer, the External Auditor, Chair of the Audit Committee and Chair of the WECA's Scrutiny Committee, where appropriate.

## **11 Relationship with External Audit & other assurance providers**

11.1 The relationship between Audit West and the WECA's External Audit should take account of their differing roles. The External Auditor has a statutory responsibility to express an opinion on the WECA's financial statements, whilst Audit West is responsible for assessing the adequacy and evaluate the effectiveness of its risk management, control and governance processes and advising Management accordingly.

11.2 Audit West will co-operate and co-ordinate with External Audit and other review agents to:

- Ensure that duplication of work is minimised
- Consider joint delivery where appropriate
- Determine the level of assurance that can be obtained from their work
- Review the reliance that can be placed on that assurance as part of Audit West's opinion on the control environment
- To enable access to all Audit West records as appropriate.

- 11.3 As part of its drive to secure efficiencies, Audit West will use all sources of assurance available to it to inform its opinion.

## **12 Quality Assurance and Improvement Plan**

- 12.1 The Service Director – One West (representing Audit West) has developed a quality assurance and improvement programme that covers all aspects of the internal audit activity. It has been designed to enable an evaluation of the Audit West’s conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Institute of Internal Auditors Code of Ethics. Identifying opportunities for improvement is a key requirement of the programme.
- 12.2 An annual internal assessment will be carried out using a methodology developed to review compliance with the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. The results of the internal assessment including any action plans will be reported as necessary to the WECA Audit Committee.
- 12.3 An external assessment will be carried out at least every five years by a qualified, independent assessor from outside the organisation.
- 12.4 The Service Director – One West (representing Audit West) will inform the WECA Audit Committee of the form of the external assessment and clarify the qualifications and independence of the external assessor. The results of the external assessment including any action plans will be reported in the relevant annual report to the WECA Audit Committee.
- 12.5 Any non-conformance to the International Standards for the Professional Practice of Internal Auditing and Code of Ethics will be highlighted for consideration for inclusion in the Council’s Annual Governance Statement.