

A meeting of the
West of England Combined Authority Audit Committee

will be held on

Date: Monday, 18 September 2023

Time: 10.30 am

Place: 70 Redcliff Street

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

Cllr Geoff Gollop, Bristol City Council
Cllr David Addison, South Gloucestershire Council
Cllr Andrew Brown, Bristol City Council
Cllr Ben Burton, South Gloucestershire Council
Cllr Tessa Fitzjohn, Bristol City Council
Cllr Zoe Goodman, Bristol City Council
Mark Hatcliffe, Independent Member of Audit Committee
Cllr John Leach, Bath & North East Somerset Council
Cllr Tim Rippington, Bristol City Council
Cllr Adrian Rush, South Gloucestershire Council
Cllr Toby Simon, Bath & North East Somerset Council
Cllr David Wilcox, Bristol City Council

Enquiries to:

West of England Combined Authority
70 Redcliff Street
Bristol
BS1 6AL
Email: democratic.services@westofengland-ca.gov.uk
Tel: 0743 660 0459

West of England Combined Authority Audit Committee Agenda

YOU HAVE THE RIGHT TO:-

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

OTHER LANGUAGES AND FORMATS

This information can be made available in other languages, in large print, braille or on audio tape.

Please phone 0117 42 86210

Guidance for press and public attending this meeting

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

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

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

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

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

1. EVACUATION PROCEDURE

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

2. APOLOGIES FOR ABSENCE

To receive apologies for absence from Members.

3. DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011

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

4. MINUTES

7 - 14

To consider and approve the minutes from 3 July 2023 of the West of England Combined Authority Audit Committee.

5. ITEMS FROM THE PUBLIC (QUESTIONS, STATEMENTS AND PETITIONS)

WRITTEN PUBLIC QUESTIONS (written procedure)

1. Any member of the public can submit a maximum of two written questions in advance of this meeting.
2. The deadline for the submission of questions is 5.00 pm, at least 3 clear working days ahead of a meeting. For this meeting, the deadline for questions is **5.00 pm on Tuesday 12 September 2023** .
3. Questions should be addressed to the Chair of the meeting and e-mailed to democratic.services@westofengland-ca.gov.uk
4. Under the direction of the Chair, wherever possible, written replies to questions will be sent to questioners by the end of the working day prior to the meeting.
5. Please note - under the Combined Authority's committee procedures, there is no opportunity for oral supplementary questions to be asked at committee meetings.
6. The written questions and replies will be circulated to committee members in advance of the meeting and published on the Combined Authority website.

PUBLIC STATEMENTS

1. Any member of the public may submit a written statement (or petition) to this meeting.
2. Please note that one statement per individual is permitted.
3. Statements must be submitted in writing and received by the deadline of 12 noon on the working day before the meeting. For this meeting, the deadline for statements is **12 noon on Friday 15 September 2023**. Statements should be emailed to democratic.services@westofengland-ca.gov.uk
4. Statements will be listed for the meeting in the order of receipt. All statements will

be sent to committee members in advance of the meeting and published on the Combined Authority website.

5. Please note:

If any member of the public wishes to attend the meeting to orally present their statement, they are asked please to notify the Combined Authority's Democratic Services team of this at the point when their statement is submitted and by 12 noon on the working day before the meeting at the very latest.

For those presenting their statements at the meeting, up to 3 minutes 'speaking time' is permitted for each statement. The total time available for the public session at this meeting is 30 minutes.

6. CHAIR'S ANNOUNCEMENTS

To receive any announcements from the Chair.

7. FORWARD PLAN

15 - 20

The report presents the Audit Committee Forward Work Plan.

8. THE AUDIT FINDINGS FOR THE WEST OF ENGLAND COMBINED AUTHORITY [EXTERNAL AUDIT]

21 - 54

This paper provides the West of England Audit Committee with Grant Thornton's Audit Findings for the West of England Combined Authority for year ending 31 March 2023.

The letter of representation is attached at Appendix 2.

9. STATEMENT OF ACCOUNTS [VERBAL UPDATE]

Members to received a verbal update on the 2022-23 draft accounts. The draft accounts are published on the Authority's website as below:

[Statement of Accounts for the year ended 31st March 2021 \(westofengland-ca.gov.uk\)](https://www.westofengland-ca.gov.uk)

10. CLIMATE RISK REGISTER

55 - 60

To present the current Climate Change Risk Register

11. UPDATE ON TRANSFORMATION PROGRAMME

61 - 86

To update Audit Committee on progress across the West of England Combined Authority transformation programme, which was established following the Grant Thornton external audit VFM report and the SOLACE Independent Peer Review of the Combined Authority.

12. UPDATE ON THE RECRUITMENT OF A SECOND INDEPENDENT COMMITTEE MEMBER [VERBAL UPDATE]

To update the Committee that the recruitment of the second independent member of the Committee was progressing and is now out for advertisement.

13. TREASURY MANAGEMENT MONITORING REPORT Q1 2023/24

87 - 96

The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice requires the Authority to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year. This quarterly report provides a review of performance to 31st July 2023

and includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the treasury management prudential indicators.

14. FEEDBACK SECTION

Members invited to give feedback on the meeting,

Next meeting: Monday, 4 December 2023

This page is intentionally left blank

Agenda Item 4

West of England Combined Authority Audit Committee

Monday, 3 July 2023, 10:30am
70 Redcliff Street

Present:

Cllr David Addison, South Gloucestershire Council
Cllr Andrew Brown, Bristol City Council
Cllr Ben Burton, South Gloucestershire Council
Cllr Tessa Fitzjohn, Bristol City Council
Cllr Geoff Gollop, Bristol City Council

Cllr Zoe Goodman, Bristol City Council
Cllr Tim Rippington, Bristol City Council
Cllr Toby Simon, Bath & North East Somerset Council
Cllr David Wilcox, Bristol City Council

Officers In Attendance:

Richard Ennis, Acting Interim Chief Executive
Stephen Fitzgerald, Interim Director of Investment and Corporate Services
Daniel Dickinson, Interim Director of Legal Services
Selonge Russell, Head of Finance
Jess Lee, Head of Strategy and Policy

Steve Finnegan, Financial Accountant
Jeff Wring, Internal Audit (Audit West)
Tariq Rahman, Internal Audit (Audit West)
Jon Roberts, Grant Thornton (External Audit)
Liam Royle, Grant Thornton (External Audit)
Alexa Ngini, Grant Thornton (External Audit)

Apologies:

Mark Hatcliffe, Independent Member of Audit Committee

Cllr John Leach, Bath & North East Somerset Council

Minutes

1	<p>Evacuation Procedure [The clerk opened the meeting and presided over items until election of Chair].</p> <p>The evacuation procedure was noted.</p>
2	<p>Committee Membership & Apologies for absence The Membership of the West of England Combined Authority Audit Committee for Municipal Year 2023/24 was noted.</p> <p>Apologies for absence had been received from Cllr John Leach and Mark Hatcliffe.</p>
3	<p>Election of Chair for Municipal Year 2023/24 The nomination of Cllr Geoff Gollop to be elected as Chair for the West of England Combined Authority Audit Committee for Municipal Year 2023/24 was proposed by Cllr David Wilcox and seconded by Cllr Ben Burton. There were no other nominees. The nomination was unanimously agreed by the Committee</p> <p>Resolved:</p> <p>That Cllr Geoff Gollop be elected as Chair of the West of England Combined Authority Audit Committee for Municipal Year 2023/24.</p>
4	<p>Election of Vice-Chair for Municipal Year 2023/24 Cllr David Wilcox was nominated as Vice-Chair by Cllr Geoff Gollop. This nomination was seconded by Cllr Tessa Fitzjohn. There were no other nominations. It was unanimously</p> <p>Resolved:</p>

	That Cllr David Wilcox be elected as Vice-Chair of the West of England Combined Authority Audit Committee for municipal year 2023/24.
5	Declarations of Interest under the Localism Act 2011 There were no declarations of interest declared under the Localism Act 2011.
6	Terms of Reference The Terms of Reference for the Committee as set out in the Authority's constitution had been circulated with the Committee papers. The Chair stated that he felt the Terms of Reference for the Committee were inadequate and had not been updated since the Authority's formation in 2017. He particularly highlighted the issues around reviewing and scrutinising the authority's financial affairs which he felt should be separate issues with a role for the Authority's Overview & Scrutiny Committee. In addition the terms of reference did not provide a link from the Committee to the Authority's main decision-making Committee. He asked that a report with a proposed updated Terms of Reference be brought to the next meeting, Jeff Wring, Internal Audit, stated that the review of effectiveness had recognised the need for the Authority's constitution to be refreshed. The Interim Acting Chief Executive stated that the constitutional rewrite was part of the ongoing peer review work and would be taken on by the new Monitoring Officer. Proposals could be discussed at an informal initially. It was also noted that the West of England Combined Authority' Committee Annual General Meeting held on 16 June 2023 had resolved that "the Chairs of the Local Enterprise Partnership Board, the Overview & Scrutiny Committee and the Audit Committee be afforded the opportunity to address each meeting of the Committee" as well as consideration of the Audit Committee's annual report. Resolved: That the Terms of Reference for the West of England Combined Authority's Audit Committee be revisited at the next meeting,
7	Minutes of the Previous Meeting The minutes of the meeting held on 28 April 2022 were agreed as a correct record and signed by the Chair. The Committee expressed a preference that the minutes include a summary of the individual comments made by members where possible.
8	Items from the Public (Questions, Statements and Petitions) Four statements had been received from Members of the Public. These statements had been circulated prior to the meeting and published on the Authority's website. The following persons attended the meeting and addressed the Committee on the topic of their statement for a maximum three minutes each: <ul style="list-style-type: none"> • Steve Reade; • Christina Biggs The Committee noted the comments made in the statements. The Committee asked that consideration be given of interchange transport hubs when designing and delivering projects with particular attention being given to the distance between transport hubs for those with physical impairments.
9	Treasury Annual Outturn Report Steve Finnegan, Financial Accountant, introduced a report which informed the Committee that the Chartered Institute of Public Finance and Accountancy (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, review performance during the

year, and approve an annual report after the end of each financial year. The Authority's Investment position as at 31 March 2023 was set out in Appendix 2. The report provided a review of performance to 31 March 2023. The Committee was asked to note the report. The following comments were raised:

- It was noted that the report had already been considered by the Authority's main Committee whereas the Audit Committee would normally have first sight of the report. This had been due to the local elections held in May 2023 and the process of reconstituting the Committee following those elections. It was noted that the normal timetable of reporting should now commence;
- It was noted that the large balance of cash holdings was mainly down to receiving grants at the start of the financial year and received in advance of the Authority needing to spend the specific grant;
- It was asked whether the Authority was confident that none of its investments were with Belarus, Russia or fossil fuels. It was noted that the Authority's investments were in accordance with advice from the Authority's Treasury Management advisors Arling Close who had not expressed any concerns. The opportunity for further green investments was slightly higher for pension funds.

NB: Subsequent to the meeting the following note was circulated to the members of the Committee:

"we have double checked the guidance we received last year relating to Belarus from our Treasury Advisors ArlingClose (which included both Russia and Belarus). We can confirm that on our pooled funds and money market funds no direct exposure to Russian or Belarusian assets had been identified within the MMFs, cash plus funds and strategic pooled funds that feature as part of their advice. ArlingClose remained comfortable with clients continuing to use these funds."

- It was asked whether comparative figures from previous years could be included in future reports;
- Risks were managed through regular meetings with the treasury advisors. The Authority worked on a basis of safety first and returns second. The Authority was also mindful of possible changes to International Reporting Standard 9 as previously reported to the Committee;
- It was confirmed that there were allowances made in the project plans to allow for inflation but there would still be some impact. Everybody in the supply chain would need to help absorb some of these pressures. The Committee asked for a workshop/informal session to assess the impact of inflation on delivery of services;
- A question was asked about emergency funding and whether this could be used for bus services. In response it was noted that the main BSIP funding came with significant value for money requirements and any changes to the terms and conditions of this grant had to be approved by the DfT. There was ongoing dialogue between the minister and the Metro Mayor. The grant was 14 months into its 36 month length and all had to be allocated by 2025. Members stated that any workshop arranged on funding sources, inflation risk and assessment of projects could maybe use this as a particular case study if useful.

Resolved:

That the Treasury Management Outturn Report to 31 March 2023, prepared in accordance with the CIPFA Treasury Code of Practice and the Treasury Management Indicators to 31 March 2023, be noted.

	<p>Jeff Wring and Tariq Rahman (Audit West, Internal Audit) introduced the Annual Report (2022/23) of the Internal Audit function which included a summary of Internal Audit performance, key findings / issues, as well as the formal opinion on the internal control framework. The number of days allocated to Internal Audit work was to increase from 100 days to 250 days per annum. At the time of writing there were two audits still to be reported to management (i) Project Management - Future Transport Zone (FTZ) – Governance (Strategy & Decision Making) and (ii) IT Audit (User ID and Authentication).</p> <p>The performance dashboard had recorded the implementation of agreed audit recommendations at 68%. This was lower than previous year's figures and could be linked to two audit reviews that management had not been able to implement the required actions within the timescale that they had agreed when responding to the audit reports. The IT Cyber Security audit report had nine recommendations and five had been implemented. The Project and Plan Management report had four recommendations and two had been implemented. Revised implementation dates have been agreed for all outstanding recommendations. It was noted that the cyber security outstanding recommendations were governance rather than technical issues and therefore did not pose an immediate risk of exploit. Internal Audit was aware that cyber security funding had been obtained, subsequent to the audit review, and this would be used to identify and mitigate cyber risks, including implementing the audit recommendations. The Committee was asked to note the report.</p> <p>The following comments were raised:</p> <ul style="list-style-type: none"> • The Committee was keen to ensure that the cyber security risk audit was completed on time so that all risk was minimised. A specific briefing session was requested on this topic; • There would be a further update to the Committee in due course on the concessionary fares agreement as well as further details to be brought on the CRSTS work; • In terms of occasions where management may disagree with the audit findings it was stated that there was an escalation process. The Interim Acting Chief Executive stated that the Authority welcomed the robust challenges and also welcomed the increase to 250 days of auditing. <p>Resolved:</p> <p style="padding-left: 40px;">That the Internal Audit Report 2022/23 and the formal opinion on the internal control framework be noted.</p>
11	<p>Unaudited Draft Statement of Accounts Progress Update [verbal update]</p> <p>Steve Finnegan, Financial Accountant, gave a verbal update on the draft statement of accounts which had been published by the Authority. A further briefing would be arranged in due course.</p> <p>Cllr Gollop stated that he had expressed dissatisfaction that the draft statement of accounts had been published with his name without him having seen them prior to that publication thus implying that he had approved them. He also stated that he would liked to have seen a note on the situation involving the current Chief Executive.</p> <p>The Interim Acting Chief Executive stated that he was aware of local press reports but the accounts would not comment on individual members of staff, The current Chief Executive remained unwell. The Interim Director of Investment and Corporate Services stated that the accounts were draft and there was a need to balance confidentiality and disclosure. He would speak to the Authority's External Auditors separately on this issue.</p>
12	<p>Grant Thornton: Informing the Audit Risk Assessment for the West of England Combined Authority 2022/23 [External Audit]</p> <p>Jon Roberts, Grant Thornton, External Audit, introduced a report and stated the purpose of the report was to contribute towards the effective two-way communication between the</p>

	<p>Combined Authority's External Auditors and Audit Committee (as those charged with governance). The report covered some important areas of the auditor risk assessment where Grant Thornton, The West of England Combined Authority's appointed auditors, had been required to make inquiries of the Audit Committee under auditing standards.</p> <p>The report included a series of questions on each of the areas where an initial risk assessment had been undertaken together with the response that Grant Thornton had received from the West of England Combined Authority's management, as detailed in Appendix 1.</p> <p>The full set of Statutory accounts would be presented to the audit committee for approval following the external audit review.</p> <p>Resolved:</p> <p style="padding-left: 40px;">That it be confirmed that the West of England Combined Authority management response to the auditor risk assessment was a true reflection of the authority's management processes.</p>
13	<p>Grant Thornton Auditor's Annual Report for 2021/22 [External Audit] The West of England Combined Authority was asked to approve the External Auditors (Grant Thornton) Annual Report for year ended 31 March 2022.</p> <p>Alexa Ngini, Liam Royle and Jon Roberts attended as the representatives from Grant Thornton and introduced and summarised the report. The main issues highlighted included the Combined Authority's progress against the recommendations raised in the Auditor's report on governance matters from December 2022 and the allocation of CRSTS funds. No particular areas of concern had been set out. The following comments were raised:</p> <ul style="list-style-type: none"> • Individual delivery of projects was below the level of the strategic overview report although there was a judgement the adequacy of the management structure that was in place allowed for individual policies to be implemented effectively. • There were some areas where the Authority's Overview & Scrutiny Committee may want to look at in more detail such as the CRSTS. Members asked whether Audit Committee members could be invited to informal meetings of the Overview & Scrutiny Committee and vice versa where appropriate; • There was a concern raised that although the Authority's Boards now had seemingly amalgamated the terms of reference for those Boards had not been updated and it was asked whether this could be revisited. It was also not clear how the comments and recommendations from these boards was fed into the decision-making process. It was noted that External Audit would look at the organisation's fitness for purpose as well as its working arrangements; • Cllr Gollop questioned the reasons given for cancellation of prior meetings when one meeting had been cancelled due to the death of the monarch and others due to delays in the readiness of the Auditor's VfM report. <p>Resolved:</p> <p style="padding-left: 40px;">That the External Auditors (Grant Thornton) Annual Report for year ended 31 March 2022 be approved.</p>
14	<p>Grant Thornton - West of England Combined Authority Audit Plan External Auditors presented the West of England Combined Authority Audit Plan for year ending 31 March 2023, attached at Appendix 1. Four significant risks had been identified and</p>

	<p>the External Auditor’s commentary on these had been included in the report. The report also included progress against prior year recommendations and the level of Audit Fees. These fees were higher as there had been additional work carried out with formulating the Value for Money report which included seeking legal advice.</p> <p>Resolved:</p> <p>That the External Auditors (Grant Thornton) Audit Plan for Year Ending March 2023 be approved.</p>
15	<p>Fraud Risk Register and Risk Management Update</p> <p>The Committee received the Fraud Risk Register for comment. The most significant /active risk/mitigations/notables risks highlighted in the report were as follows:</p> <ul style="list-style-type: none"> • The risk of data fraud was being mitigated further with the appointment of a data protection officer. Internal Audit would be undertaking a cyber security review in the autumn. This audit would be an opportunity to identify additional mitigations to address the risk of cyber-crime. Business continuity reviews by all service areas were also planned in 2023/24; • There were monthly meetings of the officer Corporate Governance Board to rapidly identify and address changes to risks across the organisation. <p>The following comments were raised:</p> <ul style="list-style-type: none"> • Officers were asked to look at the formatting of the report as some of the tenses were incorrect making it difficult to establish which scores were being investigated. It was suggested that the words ‘actioned’ or ‘non-actioned’ be used where possible; • Some of the risks appeared to not have been updated regularly such as the Risk of Fraudulent Grant Claim Submissions which appeared to have last been updated on 24 February 2023. This appeared to be an error in the update. It was confirmed that members of that team were working with programme managers to test the level of fraud risk; <p>Resolved:</p> <p>That the Fraud Risk Register and framework and the Committee’s comments made thereon be noted.</p>
16	<p>Transformation Programme & Regional Strategy</p> <p>Jess Lee, Head of Policy & Strategy, introduced a report setting out the progress and next steps on the West of England Combined Authority’s route to improvement. The report provided the Committee with an update on the West of England Combined Authority’s transformation programme that was underway to respond to and take forward recommendations from the recent Grant Thornton external audit report, the West of England Combined Authority Commissioned Independent Peer Review and the West of England Combined Authority Committee approved action plan.</p> <p>Cllr Gollop stated that he was concerned that this would be like the Authority marking its own homework and that with the next meeting of the Committee not scheduled until autumn 2023 any comments made were not likely to be taken forward. It was noted that this had been a consequence of the timing of the Annual General meeting but Audit Committee would have the opportunity to comment prior to the consideration by the main Committee at its meeting in September 2023.</p>

	<p>The following comments were raised:</p> <ul style="list-style-type: none"> • In terms of the timeline the recommendations were being worked through with agreement being sought over the role and purpose of the Combined Authority with the external facilitator from Solace; • Concerns were raised that the Combined Authority would not have any representation on the Joint Committee and what impact this would have on relationships with North Somerset Council. It was noted that there were also questions over the future role of the Local Enterprise Partnership Board and the legal implications of these issues were being worked through; • It was also asked whether the government could intervene if they disagreed with the agreed way forward that was arrived at. There would also be changes to the allocation of seats on the Combined Authority following elections in 2024; • The pace of work would move quickly with resources allocated to the work. There were some aspects of the work that could be implemented straight away while others would take a bit longer to come to fruition. <p>Resolved:</p> <ol style="list-style-type: none"> 1. That it be noted that the structure and content of the transformation programme had been discussed by West of England Combined Authority Committee at its meeting on 16 June 2023; 2. That the comments made on the structure and actions of the West of England Combined Authority transformation programme be noted. 3. That it be noted that a further update on the transformation programme would be provided to the West of England Combined Authority Committee meeting in October 2023; and would be brought to Audit Committee for consideration in advance of that meeting. 4. That the intention to invite a further external review of progress after approximately 12 months be noted.
17	<p>Annual Audit Committee Report and Self-Assessment Review</p> <p>The purpose of the Annual Report 2022/23 was to bring together in one document a summary of the work undertaken by the Audit Committee. The production of the report complied with current best practice for audit committees. It allowed the Audit Committee to demonstrate it had fulfilled its terms of reference and to share its achievements with the main Combined Authority Committee and was thought useful as a reminder to the organisation of the role of the committee in providing assurance about its governance, risk management, financial and business controls. The Chartered Institute of Public Finance and Accountancy (CIPFA) had issued guidance to local authorities to help ensure that Audit Committees operated effectively. The guidance recommended that Audit Committees should report annually on how they had discharged their responsibilities. A copy of the annual report of this Audit Committee had been attached. A copy of the Audit Committee’s Terms of Reference had also included for information.</p> <p>It was noted that the Chair and Vice-Chair of the Committee had been included in the report’s production.</p> <p>Resolved:</p> <p>That the Audit Committee’s Annual Report be endorsed and recommended for consideration by the West of England Combined Authority’s Committee.</p>
18	<p>Feedback Section</p> <p>Members of the Committee were invited to feed back on the effectiveness of the session. It</p>

<p>was requested that a forward plan of upcoming items be brought to each meeting. Members were keen to receive an update on the following issues at a future meeting:</p> <ul style="list-style-type: none">• Birthday Bus Ticketing;• Demand Responsive Transport (financial assessment);• Carbon budgets/assessing net zero;• E-scooters; <p>Members also asked that given an opportunity and space on the agenda whether issues around culture and housing could be discussed.</p> <p>A number of briefing and training sessions were planned to be held in the coming months and details of these would be circulated as soon as possible. These would include:</p> <ul style="list-style-type: none">• Update on First Quarter Revenue and Capital Monitoring;• Workshop on Draft Statement of Accounts;• A Briefing on Cyber Security;• Treasury Management;
Monday, 18 September 2023, 10.30 am, 70 Redcliff Street



ITEM 7

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

DATE: 18 SEPTEMBER 2023

REPORT TITLE: AUDIT COMMITTEE FORWARD WORK PLAN

**DIRECTOR: RACHEL MUSSON, INTERIM DIRECTOR OF
INVESTMENT AND CORPORATE SERVICES AND
SECTION 73 OFFICER**

**AUTHOR: SELONGE RUSSELL, HEAD OF FINANCE AND
DEPUTY SECTION 73 OFFICER**

Purpose of Report

1 The report presents to the Audit Committee Forward Work Plan.

Recommendation

- The Audit Committee is asked to review the Forward Work Plan and suggest any amendments required.

Background / Issues for Consideration

- 2 The Audit Committee's Terms of Reference are published in the Constitution. The attached Forward Work Plan details how the Committee meets those Terms of Reference.
- 2.1 Local Government Audit Committees should comply with the Chartered Institute of Public Finance and Accountancy's Position Statement and Practical Guidance for Audit Committees. The Terms of Reference for the Audit Committee are designed to ensure the Committee meets the CIPFA standards.
- 2.2 The forward work plan is designed to ensure that the key Audit Committee responsibilities are fulfilled.
- 2.3 The Forward Plan comprises a schedule of reports to be presented to the Audit Committee at each of its meetings during the year. Various reports have to be presented at specified meetings in order to comply with statutory requirements (for example relating to the statement of accounts and annual governance statement). An induction programme and training will also be put in place for new members to the Committee and factored into the forward plan accordingly.

Consultation

- 3 Relevant officers and the Audit Committee were consulted in producing the work plan.

Other Options Considered

- 4 The work plan for the Audit Committee is a helpful guiding document for the Committee itself and other stakeholders with an interest in the Committee's activities.

Risk Management/Assessment

- 5 The Audit Committee aims to comply with standards established by the Chartered Institute of Public Finance and Accountancy (CIPFA). The maintenance of a work plan is consistent with the CIPFA standards. The production of a work plan also helps the Audit Committee to ensure it achieves its terms of reference.

Public Sector Equality Duties

- 6 There are no direct Equalities implications arising from this report.

Climate Change Implications

- 7 There are no direct climate change implications arising from this report.

Advice given by: Roger Hoare, Head of Environment

Finance Implications, including economic impact assessment where appropriate:

- 8 There are no financial issues arising from this report.

Advice given by: Rachel Musson, Interim Director of Investment & Corporate Services

Legal Implications:

- 9 There are no direct legal implications associated with this report.

Advice given by: Daniel Dickinson, Interim Strategic Director - Legal Services

Human Resources Implications:

- 10 There are no Human Resources implications arising from the report.

Advice given by: Alex Holly, Head of Human Resources

Appendices:

Appendix 1 – Audit Committee Forward Work Plan.

Background papers:

Audit Committee Terms of Reference – West of England CA Constitution.

This page is intentionally left blank

Appendix 1 - Audit Committee Forward Work Plan

December 2023

Hybrid Informal Pre-meeting Workshop: Arlingclose present to discuss Treasury Options to help inform the Committee on the Treasury Management Strategy.

Formal Meeting to include:

- Draft Treasury Management Strategy
- Treasury Management Monitoring Update
- Internal Audit Progress and Required Reports
- External Audit Progress and Required Reports
- Update on Transformation Programme
- Corporate Risk Register including Business and Skills Risk Register
- Feedback Section and Forward Plan

March 2024

Hybrid Pre-meeting Workshop: TBC

Formal Meeting to include:

- Internal Audit Progress and Required Reports
- External Audit Progress and Required Reports
- Update on Transformation Programme
- Treasury Management Monitoring Update
- Corporate Risk Register including Strategy and Innovation Risk Register
- Feedback Section and Forward Plan

Summer 2024 (Date TBD)

Virtual Informal Pre-meeting Workshop: Walkthrough of the Unaudited Draft Statement of Accounts.

Formal Meeting to include:

- Unaudited Draft Statement of Accounts
- Treasury Annual Outturn Report
- Internal Audit Progress and Required Reports
- External Audit Progress and Required Reports
- Approval of the Assurances from management and TCWG (Standard External Audit Request)
- Annual Monitoring & Evaluation Framework
- Corporate Risk Register including a Specific Directorate Register
- Update on Transformation Programme
- Annual Audit Committee Report and Self-Assessment
- Feedback Section and Forward Plan

Autumn 2024 (Date TBD)

Hybrid Informal Pre-meeting Workshop: Final Statement of Accounts.

Formal Meeting to include:

- Sign off the Audited Final Statement of Accounts
- Corporate Risk Register including a Specific Directorate Risk Register
- Treasury Management Monitoring Update
- Internal Audit Progress and Required Reports
- External Audit Progress and Required Reports
- Update on Transformation Programme
- Feedback Section and Forward Plan

Future Informal Briefing Sessions/Deep Dives:

- Cyber Security
- CRSTS
- Housing
- Quarterly Monitoring Update

Potential Future Work Plan Areas:

- Future of the LEP and Integration
- Demand Responsive Transport – Financial Assessment based on Quarter 1
- E-Scooters
- Project Delivery
- Birthday Bus Fares Scheme
- Case Study on a Specific Funding source from Delivery to End Date



ITEM 8

WEST OF ENGLAND AUDIT COMMITTEE

18 SEPTEMBER 2023

REPORT SUMMARY SHEET

AUDIT COMMITTEE– THE AUDIT FINDINGS FOR THE WEST OF ENGLAND COMBINED AUTHORITY

Purpose

This paper provides the West of England Audit Committee with Grant Thornton's Audit Findings for the West of England Combined Authority for year ending 31 March 2023.

The letter of representation is attached at Appendix 2.

Summary

This report includes the following key information:

- Headlines
- Financial Statements
- Value for Money Arrangements
- Other Statutory Powers and Duties
- Independence and Ethics

Appendices:

- A Communication of Audit Matters to those Charged with Governance
- B Action Plan – Audit of Financial Statements
- C Follow Up on Prior Year Recommendations
- D Audit Adjustments
- E Fees and Non-Audit Services
- F Audit Developments
- G Management Letter of Representation
- H Audit Opinion
- I Audit Letter in Respect of Delayed Value for Money Work

Recommendations

The Audit Committee are asked to note the report.

Contact officer: Rachel Musson

Position: Interim Director of Investment and Corporate Services

Email: Rachel.Musson@westofengland-ca.gov.uk

The Audit Findings for West of England Combined Authority

Year ended 31 March 2023



Contents



Your key Grant Thornton team members are:

Jon Roberts

Key Audit Partner

E jon.roberts@uk.gt.com

Liam Royle

Manager

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

Aman Gandhi

Audit In-charge

E Aman.Gandhi@uk.gt.com

Section

1. [Headlines](#)
2. [Financial statements](#)
3. [Value for money arrangements](#)
4. [Independence and ethics](#)

Appendices

- A. [Communication of audit matters to those charged with governance](#)
- B. [Action plan – Audit of Financial Statements](#)
- C. [Follow up of prior year recommendations](#)
- D. [Audit Adjustments](#)
- E. [Fees and non-audit services](#)
- F. [Auditing developments](#)
- G. [Audit letter in respect of delayed VFM work](#)

Page

3
5
15
17

19
20
21
22
24
25
26

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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented to the Audit Committee on 18 September 2023.

JD Roberts

Name: Jon Roberts

For Grant Thornton UK LLP

Date: 7 September 2023

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

1. Headlines

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

Page 25

Financial Statements

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

- the Combined Authority's financial statements give a true and fair view of the financial position of the Combined Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed during July-September. Our findings are summarised on pages 7 to 21. We have identified 1 adjustment to the financial statements that resulted in a £0.61m adjustment to the Combined Authority's Comprehensive Income and Expenditure Statement and Statement of Financial Position. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (included as a separate agenda item) or material changes to the financial statements, subject to the following outstanding matters;

- completion of work outstanding on our testing of journal entries, the agency liability, grants received in advance, the pensions liability, and grant income;
- completion of final review and quality checks by the engagement manager and engagement partner;
- receipt of assurances from our pension fund auditor and completion of any follow-up work arising from this;
- receipt of management representation letter (included as a separate agenda item); and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Combined Authority's Value for Money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the Combined Authority's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Combined Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Combined Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Combined Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix G to this report. We expect to issue our Auditor's Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we consider whether there were any risks of significant weakness in the Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our risk assessment regarding your arrangements to secure value for money in 2022-23 is ongoing. Our 2021-22 report, presented to the July meeting of the Audit Committee, included four significant weaknesses which will be reconsidered in the 2022-23 report, along with any other risks of significant weakness identified.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not yet exercised any of our additional statutory powers or duties in 2022/23, although we issued three statutory recommendations as part of our 2020/21 governance work which remained in place following publication of our 2021/22 Auditor's Annual Report. Work in relation to these for 2022/23 is ongoing as described above.

We expect to certify the completion of the audit upon the completion of:

- consideration of a specific governance matter that has recently been raised with us
- our work on the Combined Authority's VFM arrangements, which will be reported in our Auditor's Annual report in December 2023
- the Whole of Government Accounts (WGA) procedures set by the National Audit Office. At the time of writing, the WGA guidance for 2022/23 had not been issued.

Significant matters

We identified one significant matter in relation to a contingent liability as reported on page 12.

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

While the audits of the Combined Authority have not been significantly delayed, over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Combined Authority for their support in working with us constructively towards the completion of our audit work. However, we have noted some delays in provision of information which have delayed the completion of our work within the anticipated timeframe.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ("the Code"). Its contents have been discussed with management and will be presented to the Audit Committee on 18 September 2023.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Combined Authority's business and is risk based, and in particular included:

- An evaluation of the Combined Authority's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 3 July 2023, except to re-assess our materiality level as detailed on page 6.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 18 September 2023. Our draft opinion has been included as a separate agenda item. The outstanding items are identified on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the materiality for the financial statements due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for West of England Combined Authority.

Combined Authority Amount (£) Qualitative factors considered

Materiality for the financial statements	£3,578,000	Financial statement materiality was determined based on a proportion of the gross expenditure of the Combined Authority for the financial year.
Performance materiality	£2,325,000	Set at 65% of materiality.
Trivial matters	£178,000	Set at 5% of materiality.



2. Financial Statements: Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates, or significant unusual transactions. <p>There were no significant changes to accounting policies in the year. Our work on this risk has not yet been finalised. Our work to date has identified one issue on management override of controls. One item in our journals selection had not been approved in the system, as the approval had been accidentally removed from the workflow which did not prevent the journal being posted. In reviewing this, finance officers identified two more journals where this had occurred. We are currently undertaking review on this issue and will update our findings at the Committee meeting.</p>
Risk of fraud related to expenditure recognition PAF Practice Note 10	<p>We have rebutted this presumed risk for the Combined Authority because:</p> <ul style="list-style-type: none"> • expenditure is well-controlled and the Authority has a strong control environment; • there is very little incentive for management to mis-represent expenditure; and • the Authority has clear and transparent reporting of its financial plans and financial position to those charged with governance. <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>
ISA240 revenue recognition risk	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Combined Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the Authority, mean that all forms of fraud are seen as unacceptable. <p>We therefore do not consider this to be a significant risk for the West of England Combined Authority</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Combined Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£3.755m in the Combined Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.

A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in either of these two assumptions would have approximately 1.5% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Combined Authority's pension fund net liability as a significant risk.

Commentary

We have:

- updated 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 evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- requested 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.

We have not yet received the assurances from the auditor of Avon Pension Fund, and so are unable to complete our work in this area. Our work to date has not identified any issues with the valuation of the pension fund net liability.

2. Financial Statements - Observations in respect of other risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	
<p>Cyber Security</p> <p>We note that the Combined Authority does not have a formal cybersecurity framework in place.</p>	<p>1 in 3 UK entities suffer from a cyber breach every month, so it's more a case of 'when' an attack happens, not 'if'.</p> <p>High profile cyber-attacks undermine trust in an organisation and shatter hard won reputations and consumer trust. Over 80% of the cyber-attacks we read about could have been prevented through good simple cyber hygiene. Understanding and managing cyber risk is fundamental to any business's growth journey.</p>	<p>Auditor view</p> <p>We recommend that the Combined Authority proactively looks at its cyber preparedness and puts in place appropriate policies/safeguards.</p> <p>Management response</p> <p>The Combined Authority has already commenced work on a Cyber Treatment Programme with a view to adopting an appropriate cyber framework following completion of the programme. This is likely to be the emerging Cyber Assessment Framework for Local Government (subject to the outcome of DLUHC's current pilot).</p>

2. Financial Statements: key judgements and estimates









Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £3.755m	<p>The Combined Authority's net pension liability at 31 March 2023 is £3.775m (PY £13.725m). The Combined Authority uses Mercer to provide actuarial valuations of the Combined Authority's assets and liabilities. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 31 March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £9.95m net actuarial gain/loss during 2022/23.</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed management's expert (Mercers) and assessed the actuary's approach taken and deemed it reasonable Used PwC as auditor's expert to assess actuary and assumptions made by actuary (see table below) Confirmed the completeness and accuracy of the underlying information used to determine the estimate Confirmed the reasonableness of the Authority's share of LGPS pension assets. Confirmed the reasonableness of the decrease in the liability estimate Confirmed the adequacy of the disclosure of the estimate in the financial statements <p>Our audit work to date has not identified any issues in respect of the valuation of the pension fund net liability. We have noted that the actuary has set a pension increase rate of 2.8%, which is 0.1% higher than CPI inflation of 2.7%. Our auditor's expert PwC expects these assumptions to be equal, but their report has concluded that Mercer's is a reasonable approach and therefore we do not consider this to be an issue.</p>	TBC																								
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.7%</td> <td>4.7% - 4.9%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.8%</td> <td>2.7%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.2%</td> <td>3.95% - 4.2%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>23.7/22.4</td> <td>22.4 – 24.3/ 21.0 – 22.6</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>26.4/24.4</td> <td>25.3 – 26.6 /23.5 – 24.7</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.7%	4.7% - 4.9%	●	Pension increase rate	2.8%	2.7%	●	Salary growth	4.2%	3.95% - 4.2%	●	Life expectancy – Males currently aged 45/65	23.7/22.4	22.4 – 24.3/ 21.0 – 22.6	●	Life expectancy – Females currently aged 45/65	26.4/24.4	25.3 – 26.6 /23.5 – 24.7	●	
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.7%	4.7% - 4.9%	●																								
Pension increase rate	2.8%	2.7%	●																								
Salary growth	4.2%	3.95% - 4.2%	●																								
Life expectancy – Males currently aged 45/65	23.7/22.4	22.4 – 24.3/ 21.0 – 22.6	●																								
Life expectancy – Females currently aged 45/65	26.4/24.4	25.3 – 26.6 /23.5 – 24.7	●																								

Assessment





- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Unit 4 Agresso	ITGC assessment (design effectiveness only)					Management override of controls
iTrent	ITGC assessment (design effectiveness only)					Pensions liability

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
<p>We discussed the disclosure of a contingent liability disclosed in the draft accounts, relating to an ongoing claim against the Combined Authority. Events subsequent to the balance sheet date required additional disclosure of a non-adjusting post-balance sheet event (PBSE) relating to this. The disclosure has been updated to include disclosure of the financial impact to the Combined Authority following this becoming certain.</p>	<p>We reviewed the form of the disclosure and its appropriateness in line with the requirements of the CIPFA Code of Practice.</p>	<p>We are satisfied that the disclosure is appropriate, subject to the updating of the draft accounts to reflect the non-adjusting PBSE and disclosing the financial impact on the following year's accounts.</p> <p>Management response</p> <p>The post balance sheet event note has been updated to reflect the relevant changes.</p>

2. Financial Statements: other communication requirements

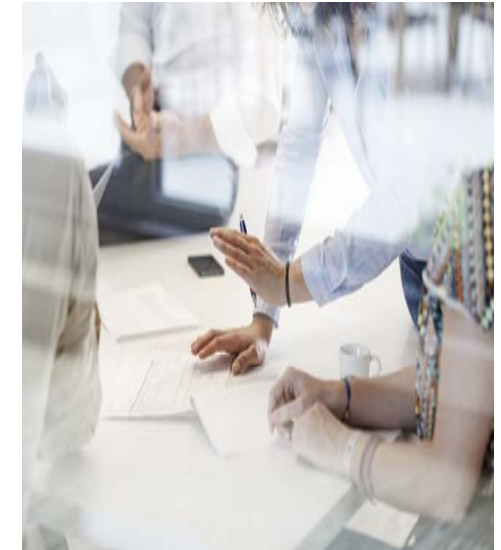
We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Page 35

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	We have been made aware of one possible instance of non-compliance in relation to laws and regulations. We are currently reviewing this and will report on our conclusions in our Value for Money work. It is not expected that there would be a material impact on the financial statements resulting from this.
Written representations	A letter of representation has been requested from the Combined Authority which is included as a separate agenda item. We have requested a specific representation in respect of the contingent liability and the non-adjusting post balance sheet event relating to it.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to its bankers and those organisations with whom the Authority has funds invested or has borrowed from. This permission was granted and the requests were sent. Two requests were not received so we undertook alternative procedures, in which an audit team member observed a finance officer accessing original copies of statements from investment brokers.
Accounting practices	We have evaluated the appropriateness of the Combined Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management were provided.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No material inconsistencies have been identified. Immaterial inconsistencies identified have all been amended. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>No additional work is required as the Combined Authority does not exceed the threshold set by the NAO. However, the NAO have not yet issued the instructions to auditors and so we are unable to complete our work in this area.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2022/23 audit of West of England Combined Authority in the audit report, as detailed in Appendix I, due to the fact that our work on the Combined Authority's Value for Money assessment has yet to be completed, and the WGA submission as noted above. In addition, we are currently responding to a specific governance matter that has been raised with us by management.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its 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 the three specified reporting criteria.



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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix G to this report. We expect to issue our Auditor's Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we consider whether there were any risks of significant weakness in the Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our risk assessment regarding your arrangements to secure value for money in 2022-23 is ongoing. Our 2021-22 report presented to the July meeting of the Audit Committee included four significant weaknesses which will be reconsidered in the 2022-23 report, along with any other risks of significant weakness identified.

4. Independence and ethics

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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Combined Authority's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Combined Authority's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and no non-audit services were identified.

Appendices

- Page 40
- A. Communication of audit matters to those charged with governance
 - B. Action plan – Audit of Financial Statements
 - C. Follow up of prior year recommendations
 - D. Audit Adjustments
 - E. Fees and non-audit services
 - F. Auditing developments
 - G. Management Letter of Representation
 - H. Audit opinion
 - I. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 1 recommendation for the Combined Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	As described on page 23, officers' remuneration was under-disclosed due to 3 individuals being excluded on the basis that their actual salary paid did not meet the threshold for inclusion as they had only been in post for part of the year. Under the CIPFA Code of Practice, 2 of these individuals should have been disclosed by job title, and 1 should have been disclosed by name, as the guidance states that although the note discloses actual remuneration paid the criteria for inclusion is based on the total salary to which they are entitled. A further 2 individuals had been excluded on the basis of insufficient seniority, who should have been included on the basis that they report directly to the Head of Paid Service (the Chief Executive). The remuneration of senior officers is of significant interest to users of the accounts.	<p>We recommend that appropriate disclosure is made in future.</p> <p>Management response</p> <p>The note has been updated accordingly.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of West of England Combined Authority's 2021/22 financial statements, which resulted in 3 recommendations being reported in our 2021/22 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	There were a number of issues identified regarding the accuracy of the Combined Authority's creditors in 2020/21 and 2021/22.	In our Audit Plan, management provided an update as to the processes implemented to improve the accuracy of creditors. Our work this year has only identified one issue with year-end accruals as reported on page 22, in which a grant recipient erroneously reported the value of their claim. There is also an unadjusted misstatement for capital accruals not made in 2021/22, but this error relates to the prior year in which our recommendation was made and is not reflective of current practice. Our completeness work did not identify any instances where items were not accrued in 22/23 and should have been. This is a substantial improvement on prior years and we consider the recommendation to have been implemented.
✓	<p>The Combined Authority strengthened its internal controls during the year and journals are now required to be approved within the ledger. Previously there was an inefficient manual process in place.</p> <p>However, the Authority was unable to provide a report listing the journals processed in the year, the poster and approver and the Financial Accountant needed to produce this manually.</p>	The listing was provided to support our work on journals testing with no issues arising.
✓	We noted that a member of the finance team had administrative rights and was able to process, but not authorise, journals. While the Combined Authority is a relatively small organisation, this is unusual as normally staff with administrator access are not able to process journals.	No inappropriate access rights were identified in 2022/23.

Page 43

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
One creditor was over-accrued by £615,218 due to an error by the debtor in calculating their likely claim for grant funding, overstating expenditure and payables in year.	(£615)	£615	(£615)	£615
Overall impact	(£615)	£615	(£615)	£615

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Two REFCUS transactions relating to 2021/22 were not accrued for and have been accounted for in 2022/23.	(£1,696)	Nil	(£1,696)	Nil	The error is immaterial and relates to the prior period. Under IAS 8 adjustment for prior periods is only required where the impact is material.
Overall impact	(£1,696)	Nil	(£1,696)	Nil	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 11 Officers' remuneration incorrectly excluded 3 individuals on the basis they had not met the threshold for inclusion. The Code of Practice is clear that this threshold is to be considered on the basis of annual remuneration and that individuals employed for only part of the year should be included even if their actual pay received is lower. A further 2 individuals had been excluded on the basis of insufficient seniority, who should have been included on the basis that they report directly to the Head of Paid Service (the Chief Executive).	The note should be updated to include all individuals falling within its scope, including comparators for 2021/22 where required. Management response Accepted and Statement of Accounts will be updated.	✓
The draft accounts included a prior period adjustment (PPA) to the opening balances of the General Fund and Collection Fund Adjustment accounts for an immaterial amount. IAS 8 only requires a PPA to be made if it is material.	The transaction should be processed within the 2022/23 year instead of adjusting audited prior year statements. Management response Accepted and Statement of Accounts will be updated.	✓
The Statement of Cash Flows included a £700k misstatement between the "interest receivable" and "increase in long and short-term investments" items. This had no impact on the overall cash flow for the year.	The Statement of Cash flows should be updated. Management response Accepted and Statement of Accounts will be updated.	✓
Note 13 External audit costs has been updated to disclose audit fee variations for the 2020/21 and 2021/22 audits authorised in year.	The note should be updated to disclose all costs in year. Management response Accepted and Statement of Accounts will be updated.	✓
Other minor disclosure and misclassification errors have been identified and amended including a variance between the Movement in Reserves Statement (MIRS) and note 4 Expenditure and Funding Analysis, and the sensitivity analysis included in note 29 Financial Instruments.	These disclosure errors should be updated. Management response Accepted and Statement of Accounts will be updated.	✓

E. Fees and non-audit services

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

Audit fees	Proposed fee
New Scale Fee published by PSAA for 2022-23	£23,947
Increase in the size and complexity of the Combined Authority 2022 and subsequently (still under consideration by PSAA)	£7,500
Additional work on Value for Money (VfM) under new NAO Code	£5,000
Increased audit requirements of revised ISA 540	£1,200
Increased audit requirements of revised ISA 240 journals testing	£2,100
Increased audit requirements of revised ISA 315	£1,000
Payroll change of circumstances testing	£500
Local risk factors*	£5,000
Total audit fees (excluding VAT)	£46,247
<i>*in respect of governance and related follow up matters</i>	

The fees reconcile to the financial statements. As per page 28, the audited financial statements include additional disclosure in Note 13 of fee variations relating to 2020-21 and 2021-22 which were not finalised until 2022-23 and therefore were not previously disclosed. Prior year fees have been disaggregated from those relating to the current year.

We will discuss with management a potential fee variation to address delays that the audit team experienced over the provision of information during the audit and other governance related matters and will report the final fee position in our Auditor's Annual Report for the year.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Audit letter in respect of delayed VFM work

Cllr G Gollop
West of England Combined Authority – Audit Committee
70 Redcliff Street
Redcliffe
Bristol
BS1 6LS

18 September 2023

Dear Cllr Gollop,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. As our prior year's VFM report had only recently been considered by the Combined Authority (due to the significant governance issues identified in prior years), we have scheduled the 2022-23 work to be undertaken in the autumn of this year.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to be able to report on this work to the 4 December 2023 Audit Committee, with publication to follow, which will be in line with the NAO's timetable for audit reporting.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours sincerely

Jon Roberts
Key Audit Partner & Engagement Lead for West of England Combined Authority

This page is intentionally left blank



Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Grant Thornton UK LLP

**West of England Combined Authority
Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of West of England Combined Authority for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Combined Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Combined Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Combined Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Combined Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of defined benefit net pension fund liabilities, year-end provisions, year -end accruals and fair value estimates. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering 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 estimate used. We are

satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Combined Authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Combined Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial and relate to a prior period and therefore do not require restatement. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Combined Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Combined Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Combined Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Combined Authority's ability to continue as a going concern need to be made in the financial statements

- xv. The Combined Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Combined Authority's financial statements in the event of non-compliance.
- xvi. We have reflected the current position on a claim received during 2022-23 that was disclosed as a contingent liability at 31 March 2023. As the amount of the final settlement is still unknown, we have not included an amount in the PBSE update.

Information Provided

- xvii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Combined Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Combined Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Combined Authority and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the Combined Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Combined Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Combined Authority's financial and operating performance over the period covered by the Combined Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Combined Authority's Audit Committee at its meeting on 18 September 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Combined Authority

ITEM 10

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

DATE: 18 September 2023

REPORT TITLE: CLIMATE CHANGE RISK REGISTER

DIRECTOR: ROGER HOARE

AUTHOR: ROGER HOARE

Purpose of Report

- 1 To present the current Climate Change Risk Register.

Recommendation

- 2 For Audit Committee to note and comment on the Climate Change Risk Register

Background / Issues for Consideration

- 3 At the Audit Committee held in March 2023, a timetable for regular review of selected risk registers was approved for consideration at future Audit Committee meetings.
- 4 The forward timetable is as follows:
 - 2023 Q3 – Climate Risk Register
 - 2023 Q4 – Business & Skills Risk Register
 - 2024 Q1 – Strategy & Innovation Risk Register
- 5 Regular review of directorate risk registers takes place and informs updates to the mitigation activity underway.
- 6 Further refinement of governance and risk management arrangements are underway through the corporate governance board. This work will lead to proposals to update the risk management framework, establishing our risk appetite and refreshing the corporate risk register.

Climate Change Risk Register

- 7 As agreed in March, the climate change risk register is brought for review and is attached at Appendix A.
- 8 Current most significant /active risk/mitigations/notables are:
 - a. The SW Electricity Grid and the associated transition network aren't fit for purpose and are constraining investment in net zero solutions;

- b. Sustainability needs to be a critical consideration in everything the region invests in if it is to deliver on Net Zero and Nature Recovery ambitions;
- c. Without business and resident support for the delivery of Net Zero and Nature Recovery we won't succeed; and
- d. Inadequate resourcing will prevent the region building its resilience to the impacts of climate change.

Consultation

- 9 The risk registers are produced in consultation with risk and mitigation owners. Escalation follows project and programme reviews of the risks and mitigations, into the directorate risk registers and the corporate risk register.

Other Options Considered

- 10 None, Audit Committee have asked to be kept informed.

Risk Management/Assessment

- 11 Without a formal risk management framework and processes we will be unable to anticipate and take preventative action to avoid risk and it is likely we may then incur time and additional cost in managing the consequences of unplanned events.

Public Sector Equality Duties

- 12 There are no equality implications arising directly from this report.

Finance Implications, including economic impact assessment where appropriate:

- 13 The overarching 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: Selonge Russell, Head of Finance and Deputy Section 73 Officer

Legal Implications:

- 14 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: Daniel Dickinson, Interim Director of Legal Services

Climate Change Implications

- 15 The entire report is focused on these implications and their management.

Land/property Implications

- 16 *n/a*

- 17 None arising from this report. 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 A – West of England Combined Authority Climate Risk Register

Background papers: n/a

West of England Combined Authority Contact:

Report Author	Contact Details
Roger Hoare	Roger.hoare@westofengland-ca.gov.uk

This page is intentionally left blank

Climate Change Risk Register																
ID	Category	Date Entered on Register	Risk Description	Risk Impact	Initial Score			Mitigation	Residual Score			Mitigation Action				
					L	I	Score		L	I	Score	CA Owner	CA Action Owner	Status	Date of Last Update	Update on Progress/Notes
1	T/O	05/12/22	Constrained electricity grid: will mean limited or no new large scale renewable projects will be able to proceed until 2030's significantly impacting the national and regional Net Zero ambitions.	No new larger (>1MW) renewable electricity generation applications are likely to be approved in our region until sometime in the 2030s	5	4	20	Work w/ National Grid to: - Deliver approved connections to generation (<40%) - Remove stalled connections, retaining capacity locally - Implement smart local energy solutions - Lobby and seek regulatory changes to allow generation and demand to be considered as one	3	4	12	Head of Environment	Net Zero Manager		27/07/23	National issue and debate which the CA and UA partners are contributing to, putting forward the regional need for action. Ongoing conversations with National Grid and OFGEM
2		04/04/23	Sustainability / environment standards aren't fully integrated into infrastructure delivery. Carbon and nature recovery fails to be integrated and opportunities missed. Legal and Mayoral requirements risk not being met	Reputation and environment change	4	5	20	Secure suitable resource to integrate issue into project delivery.	3	3	9	Head of Environment / Director of Infrastructure	Sustainable Transport Manager / Head of Transport Manager		31/08/23	Gap analysis and resourcing proposals awaiting review.
3		03/01/23	Lack of public support for decarbonisation of transport - If we are unable to successfully set out the need and benefits of changes required to meet Net Zero we won't have public support for action.	Reputation and loss of public confidence/trust and increase in public anxiety	5	5	25	Very careful public engagement required to set out the challenge and the options for behaviour change. Requires joined up approach across the CA and UAs to manage this risk	4	3	12	Head of Transport Strategy	Sustainable Transport Manager		27/07/23	
4	R	26/06/23	Acting at pace with incomplete evidence - Climate and Nature emergencies mean we need to act at speed. This presents a significant risk to the organisation due to taking radical/quick decisions which may fail	Projects could fail creating distrust in the Combined Authority from residents, businesses and other stakeholders.	4	3	12	Clear communications with stakeholders about the need to act and recognition that some things might not work. Actions should include close working with External Engagement lead to ensure messaging captures this	3	3	9	Head of Environment	Campaigns, Marketing and Engagement Manager		31/08/23	Building regional environmental data sets is underway, starting with evidence for our regional Local Nature Recovery Strategy. Regional engagement work will also be clear about the need to act with the best info we have now.
6	T/O/E/F	19/05/23	Inadequate supply chain impacts delivery of retrofit programmes	without supply chain support we will not be able to operate at the scale required to meet the Net Zero 2030 ambition; we won't be able to use national funding in the region without the supply chain to deliver it for us.	3	4	12	Retrofit West Business Support investment; investment in skills and training providers to support develop the workforce required	3	3	9	Head of Environment	Regional Low Carbon Delivery Programme Manager	Open	08/02/23	
7		26/06/23	Insufficient levels of citizen support for difficult choices linked to Climate Change and Nature Recovery	Reputational; environmental outcomes	4	4	16	Understand public engagement risks and identify options to mitigate the risks. Resources required to deliver quality campaign, alongside regional support. Actions underway to build support include using climate action panel to launch; ensuring campaign can be joint badged; seeking budget to ensure technical capacity available	3	4	12	Head of Environment	Campaigns, Marketing and Engagement Manager	Open	31/08/23	Regional Engagement campaign supported by UA's and Regional Partners. Detailed planning now underway. Proposed public launch in October 2023.
8		31/07/23	Decline in national and regional political support for climate change and nature recovery policies	Undermines our ability to meet our 2030 Net Zero and Nature Recovery ambitions	3	5	15	Investment in public engagement to understand their motivations and willingness to act to support regional leaders in their decision making; continued collaboration with local authorities and other organisations establishing regional environment policy; and continued input into relevant central Gov working groups and consultations on related policy initiatives	2	5	10	Head of Environment	Head of Environment		31/08/23	Evidence base to support response will in part be delivered by regional environment engagement exercise currently being planned.
9		31/07/23	Lack of government action to enable our 2030 ambitions for Net Zero and Nature Recovery	Loss of confidence in the Combined Authority	4	4	16	Improve evidence base so that we can clearly describe the impact of steps taken and the contribution that further steps would make on our way to achieving these ambitions; recognition these are ambitious that require systemic change to be achievable	3	4	12	Head of Environment	Net Zero Manager / Nature Recovery Manager		31/08/23	As CA environment resources increases there will be greater capacity to work with central government on behalf of the region to attract funding and investment.
10		31/07/23	Climate Resilience work doesn't receive the necessary focus and resources to meet the regions needs	the most vulnerable communities suffer most as climate changes begin to impact the region, with more frequent extreme weather events, including floods and heatwaves, disrupting infrastructure, homes, health and supply chains	4	5	20	Region wide collaboration, investment and resources to build resilience work into emergency planning, infrastructure, service provision etc	3	4	12	Head of Environment	Climate Resilience Manager		31/08/23	Work underway to start to mitigate this risk but this remains a significant concern for the region. More work and resources are needed to start to reduce this risk for residents and businesses.

This page is intentionally left blank



ITEM 11

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

DATE: 18 SEPTEMBER 2023

REPORT TITLE: TRANSFORMATION PROGRAMME UPDATE

DIRECTOR: JESS LEE, HEAD OF STRATEGY & INNOVATION

AUTHOR: RACHEL PYKETT, HEAD OF POLICY

Purpose of Report

- 1 To update Audit Committee on progress across the West of England Combined Authority transformation programme, which was established following the Grant Thornton external audit vfm report and the SOLACE Independent Peer Review of the Combined Authority.

Recommendation

- Audit Committee is recommended to:
 1. Note and provide feedback on progress across the programme and issues that are due to be considered by the West of England Combined Authority Committee in October.

Reasons for recommendation

- Audit Committee is receiving regular updates on the transformation programme, in line with agreed transformation programme oversight arrangements set out in the June 2023 Committee Paper on this programme.

Background / Issues for Consideration

- 2 At the West of England Combined Authority Committee meeting on 17th March 2023, Committee:
 - Approved the action plan that had been developed in response to the

Grant Thornton external audit report.

- Agreed the conclusions of the Independent Peer Review that was committed to in December 2022.
- Delegated to the West of England Combined Authority Chief Executive, in consultation with the Chief Executives of the Unitary Authorities, to incorporate recommendations from the Independent Peer Review into the action plan as appropriate.

1.1 At the June 2023 Committee meeting, members welcomed the progress being made across the transformation programme and requested a further update at their October meeting.

1.2 Audit Committee received an update on progress across the programme at their meeting on 3rd July. This paper updates on progress since then.

1.3 In line with the update provided to previous Audit and West of England Combined Authority Committee meetings, this paper provides an overview of action underway across the four workstreams that have been established to deliver the transformation programme:

- Purpose and strategy
- Workforce and culture
- Governance and structures
- Effectiveness, efficiencies and delivery

1.4 Since July Audit Committee, CEOs have continued to work together to oversee the West of England Combined Authority transformation programme. Figure 1 provides a reminder of the structure and focus of the programme workstreams.

Figure 1: Transformation programme overview

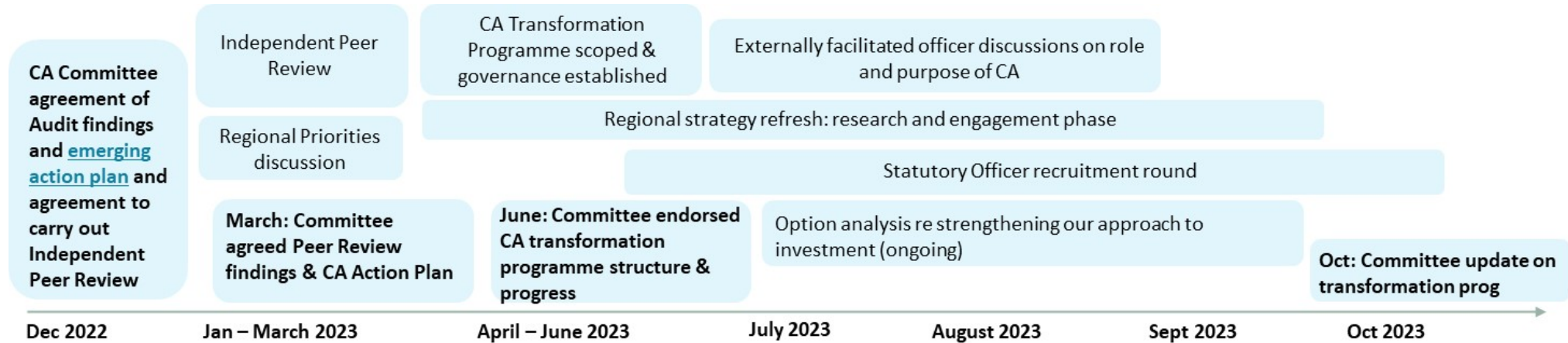
	1	2	3	4
	Purpose & Strategy	Workforce & Culture	Governance & Structures	Effectiveness, efficiencies & delivery
	Programme Level Actions (actions that cut across all workstreams)			Workstream lead: Jess Lee
Aims of workstream	Developing a shared view of the role and purpose of the Combined Authority	Ensuring that the Combined Authority has the right resources, people management processes and culture to enable successful delivery	Ensuring that the Combined Authority has the appropriate governance structures and constitutional arrangements to support effective decision making	Ensuring that the Combined Authority can deliver on corporate objectives and achieve efficiencies, delivering value for money
Summary of core actions to deliver	<ul style="list-style-type: none"> Discussion of regional priorities Facilitated, structured discussions on core purpose of the CA Refreshed regional strategy Facilitated work with business community to redefine role of Business Board Joint Committee meetings held alongside the CA Committee 	<ul style="list-style-type: none"> Roll out 'step change' programme that will: <ul style="list-style-type: none"> Establish working behaviours and principles for the CA Strengthen the corporate core Build enhanced relationships with UAs Complete a management restructure 	<ul style="list-style-type: none"> Develop CA operating principles Establish a set of committees/ meetings to deliver on CA operating principles Consider use of Leader portfolio model Revise CA constitution as required to deliver ambitions of the transformation programme 	<ul style="list-style-type: none"> Revisit the business case/project evaluation process Build use of the Programme Delivery Board to ensure delivery remains on track and delivers <u>vfm</u> Build the internal CA organisational Governance Board to strengthen governance and processes within the organisation Consider routes to maturing the approach of the CA to attracting and delivering investment
Workstream lead	Jess Lee Head of Strategy & Innovation	Alex Holly Head of People & Assets	Daniel Dickinson Interim Director of Legal Services	Rachel Musson Interim Director of Investment & Corporate Services

The table above sets out workstreams. Work will progress on all the different workstreams both simultaneously and sequentially as appropriate.

Action to date

2.4 Since Audit Committee last reviewed progress across the transformation programme, a range of action has continued to progress this work. Figure 2 provides a snapshot of key action to date and work that is ongoing in the lead into October Committee.

Figure 2: Progress to date in delivering the West of England Combined Authority transformation programme



Workstream updates

2.5 The following sections of the report provide an update on each workstream across the transformation programme. Key progress to note since the July 2023 Audit Committee discussion includes:

- Progress in shaping the approach to independently facilitated discussions between Mayors and Leaders on the role and purpose of the West of England Combined Authority.
- Collaboration between West of England Combined Authority and Unitary Authority officers to consider the issues that should form a basis of the refreshed regional strategy.
- Broader engagement with a range of regional stakeholders to ensure the refreshed regional strategy is informed by a wide range of partners.
- The recruitment process to appoint permanent members of the West of England Combined Authority Corporate Management Team is progressing. The S73 and Monitoring Officer roles were advertised over the summer and the shortlisting and interview process is underway.
- The LGA is providing support to the delivery of aspects of the workforce and culture workstream, providing benchmarking support around organisational design and structures.
- Audit and Scrutiny Committees met over the summer and both committees have received updates on the transformation programme. The Centre for Governance and Scrutiny will be working with us to ensure appropriate support is in place for Committees.
- Preliminary work to consider areas where the West of England Combined Authority constitution can be strengthened is underway, and potential areas for constitutional change are under discussion. A substantial refresh can only progress in earnest following planned discussions on the role and purpose of the West of England Combined Authority.
- Work is underway to develop a range of options that could be considered to support work to mature our approach to investment. This work is intended to provide options to consider for how we could make existing funds work harder and bring additional investment into the region.

2.6 The following sections of the report provide updates across the transformation programme action plan that has been agreed.

2.7 Actions across the programme reflect the conclusions of the Grant Thornton Audit report, the Independent Peer Review, and the Committee approved action plan. Across these reports there has been a degree of duplication and overlap in conclusions and recommendations. The transformation programme streamlines actions into a clear set of activity. Annex 1 provides an overview of all recommendations and actions that have informed the programme, providing clarity and transparency on how actions have been mapped

Programme level workstream

2.8 Figure 3 provides an update on programme level actions within the transformation programme.

Figure 3: programme level workstream

Action No.	Action	Progress since June and next steps	Key dates
TP1	Bring together recommendations and actions from independent reviews and West of England Combined Authority Committee agreed action plan into a single transformation programme plan	Creation of a single transformation programme has taken place with workstreams approved by CEOs. This document brings the approved programme into a single programme plan.	April – May 2023 ACTION COMPLETE
TP2	Independent progress reviews to be carried out , monitoring progress of the transformation programme and should be reported to Committee	The LGA and Solace are involved in the work and an independent progress report will be commissioned.	Progress report: 1 year on Mar 2024
TP3	Senior Officers will continue to meet collectively and on a 1:1 basis going forward	A range of senior officer groups are in place, including fortnightly meetings of CEOs. Attendance and regularity of meetings will be monitored via independent progress reports. 1 to 1's between the West of England CEO and the Unitary Authority CEO's have been set up.	Progress to be reported via reports noted in action TP2
TP4	Senior Leaders and officers will: a. Work collaboratively and engage in meaningful consultation when developing solutions and proposals to help leaders to mitigate points of contention where possible ahead of West of England Combined Authority Committee meetings. Where possible, flagging matters of contention in good time to allow for solutions to be developed ahead of West of England Combined Authority Committee meetings. b. Commit to promoting a culture of respect and understanding at all times. c. Seek mediation at an early stage if required to ensure working practice continue and solutions can be developed.	TP4a. To be managed through CEO meetings or 121 discussions, as appropriate. TP4b. Progress to be considered via reports noted in action 2. TP4c. Progress to be considered via reports noted in action 2. Access to mediation to be considered as part of workstream 2. A programme of external engagement (including with Government) will be developed to ensure stakeholders are aware of progress and able to provide constructive feedback. A programme of external engagement to support the regional strategy refresh has been taking place since Committee last reviewed progress in delivering the transformation programme.	Progress to be reported via reports noted in action TP2
TP5	A forward plan of decisions and activities will be developed to help with planning / resourcing / engagement for CEOs meeting.	Progress continues to be made in establishing a longer-term forward plan with CEO engagement built in at an early stage of the Committee cycle to support collaboration in development of papers.	Progress to be reported via reports noted in action TP2

Workstream 1: Purpose and strategy

2.9 Figure 4 provides an overview of workstream 1. A more detailed update on this workstream is set out below.

Figure 4: purpose and strategy workstream

Action No.	Action	Progress since June and next steps	Key dates
PS1	The West of England Combined Authority will engage in a facilitated structured conversation to revisit and clarify its core role and purpose including the policy areas where we agree working together regionally to develop strategies and plans is beneficial. Discussions on role and purpose will also consider when and how to engage with partners outside the combined authority, potentially including deepening partnership arrangements where appropriate.	Officer discussions with an agreed external facilitator have taken place to help inform preparation for Mayors and Leaders discussions on the role and purpose of the West of England Combined Authority. Mayors and Leaders have held 121 discussions with the external facilitator and a programme of joint discussions is in progress.	Discussions anticipated over Autumn
PS2	The West of England Combined Authority, in dialogue with partners, will co-produce a Regional Economic Strategy , providing a common narrative for all regional stakeholders to be able to promote the economic vision of the region to external audiences. Through this work, highlighting investment opportunities across the region.	Research and analysis to inform the refreshed regional strategy has progressed since June. Unitary Authority and West of England Combined Authority officers have identified a range of actions we could seek to take to address regional challenges and build on regional strengths. Engagement with a range of regional partners has taken place to ensure a wide range of perspectives informs the strategy. Discussions with Mayors and Leaders on the action they wish to take will inform the final strategy.	Updates to future Committee meetings to ensure Mayors and Leaders continue to set strategic direction
PS3	Using independent facilitation, work with the business and partner community to refine a Terms of Reference for a Business Board to advise, support and challenge the West of England Combined Authority. Through this work, delivering a LEP integration plan	Government announced in August that funding to LEPs would cease and functions would transfer to MCAs (or groups of LAs where MCAs do not exist). Work is underway to develop a range of options for how we could respond to this announcement.	TBC
PS4	Align the West of England Combined Authority and the Joint Committee into the same business meeting.	These meetings will be set up as required to deliver the business of each Committee.	ACTION COMPLETE

PS5	Activity to agree regional priorities including allocation of resources.	A regional priorities workshop took place in February 2023. Out of this, Mayors and Leaders agreed work to progress a revised regional strategy; work to support refinement of regional investment opportunities; work to strengthen our investment in the region; and a strengthened focus on working together to deliver. The regional strategy will be refreshed on a regular basis as required. The conclusions of this workshop are being taken forward across the transformation programme.	Workshop in Feb 2023. Actions now embedded across the transformation programme. ACTION COMPLETE
PS6	Board members to be involved at an earlier stage in setting strategic regional direction	Feb 2023 workshop set initial direction. CEOs are acting as a steering group for this work.	Mayors and Leaders will continue to set strategic direction

Workstream 2: workforce and culture

2.10 This workstream is primarily focused on ensuring that the West of England Combined Authority has the right resources, people management processes and culture to enable successful delivery, both through directly addressing the recommendations raised in the Grant Thornton and Solace reports, and through the implementation of themes of work as identified in the West of England Combined Authority's agreed HR strategy. Figure 5 provides an overview of actions under workstream 2 of the transformation programme.

Figure 5: workforce and culture workstream

Action No.	Action	Progress since June and next steps	Key dates
WC1	Through 'Step Change' programme, develop revised leadership structure for the West of England Combined Authority organisation including review of senior pay and grading structures and titles and creation of consistent 'job families' across the authority	Leadership structure has been reviewed and is currently being benchmarked with support from the LGA to support ongoing discussions on this matter. Senior pay and grading work complete and formed part of the agreed Pay Policy in June 2023. Work is currently underway to create a consistent set of job families across the Authority at all levels. It is expected that this	Ongoing

		work will be complete by the end of the calendar year.	
WC2	Through 'Step Change' programme, establish working behaviours and principles for the West of England Combined Authority and revised values for the organisation, using established LA networks as appropriate	Corporate values have been agreed following full staff engagement and were shared with all staff in September 2023 at an all staff awayday. Further work on expected core behaviours to underpin the values expected to be complete by October 2023.	Values agreed by the West of England Combined Authority staff in September 2023. Underpinning work on culture and behaviours underway
WC3	Through 'Step Change' programme, strengthen the function of the 'corporate core' of the West of England Combined Authority organisation	Infrastructure Directorate "Target Operating Model" work is complete, with expected implementation over the next six months. Review of corporate functions has identified some gaps on the West of England Combined Authority's "road to normality" – and the recruitment of key roles to fill these gaps has already started.	Ongoing
WC4	Complete management restructure to fill interim posts permanently in consultation with the LAs, with external support, and in line with the constitution of the West of England Combined Authority. Ensure Monitoring Officer role is at Director level	Permanent Strategic Director of Infrastructure in place since April 2023. Conclusion of recruitment process for Strategic Director of Resources (s.73 Officer) and Director of Legal Services (Monitoring Officer) expected in Autumn. It is anticipated that the successful candidates will commence in post in early 2024.	Recruitment to be complete by Autumn 2023, ratification October 2023, new incumbents start early 2024
WC5	Ensure performance reviews are formally recorded	Performance reviews completed across the organisation at all levels in August 2023. Revised approach and new system to continuous Performance Management across the West of England Combined Authority has been agreed by the Corporate Leadership Team and will be implemented by the end of the calendar year.	All performance reviews by August 2023. New performance approach implemented by December 2023
WC6	Consideration of the GT Auditing Culture report made by the Head of HR in consultation with UA HR leads (and others as relevant), and recommendations for improvement made for consideration by the constituent member CEO group	Action to be closed. Regular meeting between the HR leads of the authorities are already in place. GT culture report has been considered as part of wider culture work covered in action WC2 above.	ACTION COMPLETE

WC7	Agree process for sharing performance indicators and information with member organisation relating to organisational culture and health	HR dashboard is in place and metrics agreed. Revised metrics will be fully implemented by the end of the calendar year.	Ongoing reporting on a quarterly basis.
WC8	Review of recruitment and attraction strategy to ensure that the Authority can bring in the right people with the right skills and reduce interim usage	Through organisational workforce strategy, external benchmarking will take place to support delivery of this action. Planned activity over the next 6 months.	Ongoing

Workstream 3: governance and structures

2.11 Figure 6 provides an overview of actions in the governance and structures workstream. A number of the actions that fit within this workstream were completed before the transformation programme was established (details on these actions can be found in annex 1). The more substantial actions around reviewing the West of England Combined Authority constitution and meeting structures will be progressed through discussions on the role and purpose of the West of England Combined Authority. Planning for these sessions is underway, as noted in the update to workstream 1. However, a number of required changes to the constitution have been identified and are under discussion.

Figure 6: governance and structures workstream

Action No.	Action	Progress since June and next steps	Key dates
GS1	Following discussions on the role and purpose of the West of England Combined Authority , develop revised West of England Combined Authority operating principles as part of revisions to the Constitution of the West of England Combined Authority. Have regard to the Constitutions of other CAs as revisions are made. In reviewing the Constitution, revise the scheme of delegations.	Whilst a more substantive overhaul of the Constitution will take place following the outcome of the role and purpose discussions, a number of initial constitutional changes are under discussion. An update will be provided to Audit Committee once this work has progressed.	Ongoing
GS2	Establish a set of meetings with the purpose of enhancing ownership and collaboration of the agenda and the West of England Combined Authority. Committees to have clear ToR, forward timetable and training programme to support implementation. This work should be independently supported	On a macro scale, the programme of role and purpose meetings is intended to reach outcomes which will enhance ownership and collaboration of the agenda of the West of England Combined Authority in the widest sense.	Scrutiny and Audit Workshops through the autumn with any necessary

		<p>In a more focused sense, regular meetings of CEOs are taking place to provide much earlier sight of, and input to, committee paper preparation.</p> <p>Commencing for the June 2023 AGM, draft reports have been circulated to UA CEOs 3-4 weeks in advance of the committee meeting, with a formal CEOs meeting with those authors to inform further drafting. In addition, the high level purpose and indicative recommendations are shared and discussed at a prior CEOs meeting.</p> <p>In terms of committee terms of reference, forward-planning committee work and a programme of training and support, this piece of work is well underway. Three additional meetings have been agreed for the Scrutiny Committee to provide time in the programme for “deep dive” sessions. The first of these will have occurred by the time the Combined Authority Committee meets on 6 October.</p> <p>The Scrutiny Committee Chairman is working closely with the Monitoring Officer and the newly appointed Democratic Services and Scrutiny Manager to re-set Scrutiny working practices and work-planning arrangements. An informal meeting of Scrutiny Members took place on 7 July to begin that process.</p> <p>Officers are in discussion with the Local Government Association, the Centre for Governance and Scrutiny and the Chartered Institute of Public Finance and Accountancy with a view to arranging externally facilitated workshops with Officers and Members to help identify and adopt best practice across Scrutiny and Audit, which will include a review of Committee Terms of Reference, appropriate delineation between the two committees, work-planning and member/officer training & development. Scrutiny Committee received a paper and presentation on this at its meeting on 8 September. Changes to</p>	<p>constitutional changes anticipated to be taken to January Committee</p>
--	--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------

		committee terms of reference require a unanimous resolution of the Combined Authority Committee.	
GS3	Consider assigning Leader portfolios and CEO portfolios to support Leaders.	Through discussions on role and purpose of the West of England Combined Authority, the question of Leader portfolios can be considered as and when appropriate.	TBC - Following role and purpose discussions
GS4	West of England Combined Authority officers will ensure Cabinet Members from Unitary Authorities can request briefings from senior West of England Combined Authority officers as required	The Combined Authority Chief Executive has offered briefings to all Local Authority member portfolio holders in advance of committee meetings. There will now be a standing agenda item at CEO meetings where requests for briefings can be made and discussed/actioned.	ACTION COMPLETE
GS5	Regional Monitoring Officers will meet regularly to discuss matters regarding the constitution that need addressing	The CA's Monitoring Officer has established a programme of meetings with the Monitoring Officers from its four partner UAs. These are intended to take place at least monthly and a series of 121 introductory meetings took place in July. These meetings are not restricted to discussions on constitutional matters but provide an opportunity to identify and resolve emerging issues across the board. In addition, contacts have been established with other senior legal managers and similar relevant personnel on an inter-authority basis for the same purposes, and to explore opportunities for collaborative working on legal matters across joint projects. In addition, the CA's Monitoring Officer meets regularly with the other M10 Monitoring Officers to share knowledge and best practice on matters affecting Combined Authorities generally.	Implemented and Ongoing
GS6	Following the 2023 local elections, highlight the opportunity of joining the Audit and Scrutiny Committees to UA members.	Material will be provided to new members as part of their induction process and all members will be offered the opportunity to meet with West of England Combined Authority officers to discuss the role of Audit and Scrutiny Committees	Complete. Also, see GS2 above.

2.12 The West of England Combined Authority Action Plan, following the Grant Thornton external audit report, agreed a range of specific actions associated with agreement of a new protocol covering when legal advice can be sought. These actions have

all been completed (as noted in annex 1) and a constitutional amendment was approved by Committee in March 2023.

- 2.13 As noted above, other actions associated with this workstream which are about improving working practices (i.e. briefing cabinet members, regular meetings of the regional Monitoring Officers group) have been taken forward and are now part of our ongoing approach to working across the West of England Combined Authority partnership, and across the wider M10 network.
- 2.14 At the steering group for the transformation programme, the CEOs have agreed that a number of the actions set out in Figure 6 will be taken forward following discussions on the role and purpose of the West of England Combined Authority.

Workstream 4: effectiveness, efficiencies and delivery

- 2.15 Figure 7 provides an update on workstream 4 of the transformation programme, including strengthened arrangements in place to review progress in project delivery.

Figure 7: effectiveness, efficiencies and delivery workstream

Action No.	Action	Progress since June and next steps	Key dates
DE1	Review the process for project evaluation of Business Cases , having regard to the models used in other Combined Authorities – ensuring business case assessment and decision-making is transparent and streamlined, and that criteria are clear.	<p>We will review the Business Case process to ensure robust testing of proposals, involvement by decision-makers at the right time, and linkage to the strategic prioritisation exercise. This will include increasing external transparency on when funding is available for non-government delivery partners.</p> <p>The business case process continues to be reviewed and streamlined where appropriate, whilst continuing to meet the requirements of the National Local Growth Assurance Framework guidelines. As an example, the streamlined approach for smaller scale, less complex transport schemes</p>	Ongoing

		launched in April has already been adopted by six schemes allowing business cases to be produced more efficiently.	
DE2	Use the Programme Review Board to review progress on agreed projects , providing challenge and support to ensure more timely delivery of all projects.	<p>The Programme Review Board meets once a month and has scrutinised delivery on a wide range of projects involving senior officers from both the West of England Combined Authority and the Unitary Authorities.</p> <p>The Programme Review Board has recently considered</p> <ul style="list-style-type: none"> • Changes to Key Projects • Line by line review of projects • UK Shared Prosperity Fund programme • The Rebasing of City Region Sustainable Transport Settlement programme • Projects funded through the Green Recovery Fund <p>To support more timely delivery of all projects, the Infrastructure Directorate of the West of England Combined Authority is implementing a change programme, ensuring it is positioned effectively to oversee the delivery of the significant infrastructure programme over the coming years.</p>	Ongoing
DE3	Use the West of England Combined Authority Corporate Governance Board to strengthen governance throughout the organisation.	The Corporate Governance Board has been established to lead on all aspects of Governance across the organisation in support of the statutory officers. This includes organisational processes and standards, financial management, employment practice, audit and risk, and health and safety. The board has undertaken a gap analysis of where Governance needs to be improved and this is being developed into a work program. It will deliver improved oversight for day-to-day delivery of the work of the organisation. A particular workstream is the undertaking of work in respect to the legal aspects of delegations to support the delivery of programmes.	Ongoing
DE4	Review approach to existing investment funds providing CEOs with up-to-date position on commitments, headroom, delivery timeframes.	The West of England Combined Authority has initiated a detailed line by line review of projects both in infrastructure and across the totality of the West of England Combined Authority's operations. This work is underway and challenge sessions are taking place with all West of England Combined Authority directors and relevant officers in unitary authorities.	Ongoing

DE5	<p>Bring forward proposals for revisions on how we invest current funds and proposals for new investment approaches to help money go further</p>	<p>The West of England Combined Authority is preparing a concept paper on how it develops its role as an investment organisation to complement its existing grant giving responsibilities. The expert input of an external partner has been procured and they are supporting the West of England Combined Authority on the production of a concept paper to inform future options for maturing our approach to investment. This work will be progressed with the input of UA colleagues.</p>	Ongoing
DE6	<p>Through a programme of effectiveness and efficiency reviews:</p> <ul style="list-style-type: none"> a. consider the appropriate routes to allocating the final 10% of the staffing budget increase agreed at Jan '23 Committee b. Consider areas for 'shared services' 	<p>As noted in updates on workstream 2 (workforce and culture) work is underway to review the West of England Combined Authority organisational leadership structure. Work is also progressing to consider the future role and purpose of the West of England Combined Authority. Effectiveness and efficiency reviews will take place at the appropriate point following completion of these actions.</p> <p>The West of England Combined Authority will actively work with the Unitary Authorities to explore the opportunity for the delivery of operations through shared service arrangements both within the West of England and beyond.</p>	Ongoing
DE7	<p>Strengthen monitoring and evaluation of all projects to meet requirements of the Investment Fund Gateway Review and the CRSTS national evaluation. This will include updating the monitoring and evaluation framework and providing clearer guidance to project managers on proportionate requirements.</p>	<p>Preparation for the second Gateway Review is underway. The Local Evaluation Framework has now been submitted to Government, including setting out those projects in scope for impact or progress evaluation, together with proposals for complementary workstreams as set out in the National Evaluation Framework. This process has included a review of the evaluation plans of schemes selected for impact evaluation and there will be regular dialogue with project leads moving forward, including briefing sessions held in August, through to conclusion of this second Gateway process in 2026.</p> <p>The West of England Combined Authority has recruited a Monitoring & Evaluation manager, who will lead work to update our M&E framework for all funding streams. This will bring more consistency to the evaluation of projects to ensure</p>	<p>30 June</p> <p>December</p>

		<p>that a proportionate approach is taken to identify lessons for future delivery and to meet the needs of funders.</p> <p>We are awaiting guidance from DfT on the framework for M&E for CRSTS. We will develop a comprehensive approach that collects relevant data across the region and provides a framework for all projects to follow.</p>	October
--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

2.16 As noted above, a range of activity is underway to deliver this workstream. To continue strengthening our focus on delivery, the Programme Review Board is continuing to meet regularly, providing support and challenge to ensure delivery remains on track.

Consultation

- 3 This report draws on updates that have been provided to the regional CEO group, who are acting as the steering group for both the transformation programme.

Risk Management/Assessment

- 4 Failure to address the issues highlighted in the Grant Thornton Audit report and Independent Peer Review will hamper the West of England Combined Authority's ability to deliver for the residents of the West of England. It may also impact on the highly successful track record of attracting additional funding from Government for the region.

Public Sector Equality Duties

- 5 There are no specific equality implications arising directly from this report at this stage.

Climate Change Implications

- 6 The West of England Combined Authority's Climate Emergency Action Plan has been considered in the production of this report and there are no specific implications at this stage.

Report and advice reviewed and signed off by: Roger Hoare, Head of Environment

Finance Implications, including economic impact assessment where appropriate:

- 7 The financial implications both in terms of supporting expenditure and potential savings are currently under consideration. As work across the transformation programme progresses, financial implications will be discussed with the CEO steering group and will be brought to Committee as appropriate for decision.

Report and advice reviewed and signed off by: Selonge Russell, Deputy Section 73 Officer.

Legal Implications:

- 8 There are no direct legal implications contained in this report. The transformation programme will include work to consider revisions to the West of England Combined Authority constitution. Legal implications will be set out as this work progresses.

Report and advice reviewed and signed off by: Daniel Dickinson, Monitoring Officer.

Human Resources Implications:

- 9 While there are no direct HR implications arising from this report, workstream two in particular highlights a programme of HR-related activity. Specific HR implications arising from the development and completion of this work will be highlighted to Committee as required as the programme progresses.

Report and advice reviewed and signed off by: Alex Holly, Head of People and Assets.

Land/property Implications

- 10 There are no land or property implications contained in this report. Any land or property issues arising from the transformation programme as it progresses will be highlighted to Committee.

Report and advice reviewed and signed off by: Selonge Russell, Deputy Section 73 Officer.

Appendices:

List any appendices to the report:

Appendix 1 – overview of all recommendations and actions that have informed the development of the West of England Combined Authority transformation programme

West of England Combined Authority Contact:

Report Author	Contact Details
Rachel Pykett	Rachel.Pykett@westofengland-ca.gov.uk

Appendix 1: All recommendations and actions informing the West of England Combined Authority transformation programme plan

Actions set out in the transformation programme have been identified through a range of sources. Action sources are:

- The Grant Thornton external audit report
- The Independent Peer Review conducted by SOLACE
- The West of England Combined Authority Action Plan agreed by Committee in March 2023

There is a degree of overlap between actions and recommendations from these sources. To keep the transformation programme coherent and manageable, a streamlined set of actions has been established. All actions below are incorporated into the transformation programme – the tables below show where actions can be found in the programme plan.

Grant Thornton audit recommendations

Recommendation	Source Code	Where this can be found in the transformation programme	Action status
The Mayor and members of the West of England Combined Authority represented by the Council Leaders, must commit to improving their working relationship and demonstrate that significant progress has been made within a reasonable timeframe to be determined by the Mayor and the West of England Combined Authority. This should include a role for independent mediation and the constructive consideration of advice arising from this process.	SR1	Workstream 1, action PS1	Open
A formal protocol should be agreed between member organisations within the West of England Combined Authority to commit to consultation on key proposals, that they should define, at an earlier stage. The West of England Combined Authority members should engage effectively in this process, to help mitigate points of contention before they are published and debated in public. This should include a commitment to deliver proposals on a reasonable timetable.	SR2	Workstream 3, action GS1 and GS2	Open
In future, in all circumstances, including where there is a potential conflict of interest affecting individual statutory officers, adequate steps must be taken to ensure the	SR3	Action complete. Provision for a deputy to act now in the Constitution	Complete

statutory duties of these officers is effectively discharged			
The future management structure of the West of England Combined Authority should be reviewed in order to ensure it is fit for purpose in the context of new funding awards and strategic priorities and this must include appropriate consultation and agreement by the West of England Combined Authority Committee.	KR1	Workstream 2, action WC1	Open
The Constitution of the West of England Combined Authority should be revised to define the conditions under which it is acceptable for other officers and members to seek independent legal advice, without reference to the Monitoring Officer and/or Head of Legal Services.	KR2	Action Complete. Constitutional amendment made.	Complete
We recommend that consideration of relationships within the Chief Executive Group should be incorporated into any relationship development and mediation work undertaken.	IR1	Programme level workstream, action TP3, TP4	Open
We recommend that the Constitution be reviewed, as previously considered by the West of England Combined Authority members. This should incorporate the new Monitoring Officer protocol but also focus on the specific ambiguities raised in recent legal advice including the definition of statutory roles, delegated powers, managing conflicts of interest, decisions on all senior staffing matters including restructure and severance. The results should be reported to Committee and used alongside the points we have raised as a basis for revision. There may be value in reviewing other combined authority constitutions to optimise the opportunity to improve the document in these areas.	IR2	Workstream 3, action GS1, GS2 (refer to constitutional review) – the new MO protocol on accessing legal advice is in place.	Open
We recommend that the annual performance reviews of senior officers be formally recorded, including reasonable steps taken to manage issues and provide access to resources to enable skills development as appropriate.	IR3	Workstream 2, action WC5	Open
We recommend that the Monitoring Officer role retains its current seniority at Director level in any future restructure or that sufficient safeguards are implemented to protect the authority and influence of the role.	IR4	Workstream 2, action WC4	Open

Independent Peer Review recommendations

Recommendation	Source Code	Where this can be found in the transformation programme	Action status
The West of England Combined Authority to engage in a facilitated structured conversation to revisit and clarify its core purpose taking on views from strategic partners, business and other regional bodies.	S1	Workstream 1, action PS1	Open
The West of England Combined Authority to co-produce a Regional Strategic Economic Strategy which is accessible and provides a common narrative for all regional stakeholders to be able to promote the economic vision of the region to external audiences.	S2	Workstream 1, action PS2	Open
To explore whether the process of developing a Spatial Development Strategy could be revisited.	S3	Workstream 1, action PS1	Open
To consider expanding the membership of The West of England Combined Authority	S4	Workstream 1, action PS1	Open
Roll out the 'Step Change' programme with external support and facilitation. Establish working behaviours and principles for The West of England Combined Authority.	S5	Workstream 2, action WC2	Open
Strengthen the function of the 'corporate core' to be fit for the new West of England Combined Authority delivery function.	S6	Workstream 2, action WC3	Open
Continue to build on enhanced relationships with the LAs based on agreed principles.	S7	Programme level action TP3, TP4	Open
Complete a management restructure to fill interim posts permanently in consultation with the LAs	S8	Workstream 2, action WC1 and WC4	Open
Use independent facilitation to work with the business and partner community to redefine the role and Terms of Reference of a Business Board to advise, support and challenge The West of England Combined Authority. Ensure that the Board fits into policy/decision at an early stage in The West of England Combined Authority processes. Consider the collaboration of other regional bodies such as Western gateway, Universities and other Local Authorities in this work.	S9	Workstream 1, action PS3	Open
As part of the work in redefining the core purpose of the West of England Combined Authority , with independent support, develop fundamental the West of England	S10	Workstream 3, action GS1	Open

Combined Authority operating principles.			
With independent support, establish a set of meetings as above with the purpose of enhancing ownership and collaboration of the agenda and the West of England Combined Authority itself. Develop clear ToRs for these meetings and move in a phased way with a defined timetable and training programme to full implementation.	S11	Workstream 3, action GS2	Open
Consider assigning Leader portfolios to help with the work of The West of England Combined Authority as above. Consider assigning Chief Executive portfolios to support the Leaders with their work and co-design a working protocol for operation of the portfolios.	S12	Workstream 3, action GS3	Open
Revisit the process for Project Evaluation with regard to models adopted in other Combined Authorities.	S13	Workstream 4, action DE1	Open
Identify the issues with the constitution which would help The West of England Combined Authority to work in a more effective and agile way. Have regard to constitutions in other Combined Authority areas. This process would have regard to activity in other recommendations listed above and would need to be sequenced as such.	S14	Workstream 3, action GS1, GS2	Open
Hence, review the constitution making representations to government on proposed changes, if necessary.	S15	Workstream 3, action GS1, GS2	Open
As trust begins to become stronger, it will become necessary to align the West of England Combined Authority and the Joint Committee into the same business meeting. This will serve as an indicator as to the maturity of the West of England Combined Authority.	S16	Workstream 1, action TP5	Open
With independent support, the West of England Combined Authority should rework the action plan to include recommendations in this review and of any other external feedback, for example, any potential monitoring report from External Auditors Grant Thornton.	S17	Programme level action TP2	Open
Progress on the action plan should be subject to external independent review every four months and reported to Audit and Scrutiny Boards and through to the West of England Combined Authority Board for consideration.	S18	Programme level action TP2	Open

West of England Combined Authority Action Plan agreed March 2023

Recommendation	Source Code	Where this can be found in the transformation programme	Action status
Leaders will continue to regularly meet with the West of England Combined Authority Metro Mayor as required to both address any concerns early and to identify opportunities.	AP1	Programme level action TP3, TP4	Open
A programme of activities to agree regional priorities will take place in 2023. This will involve free and frank discussion regarding the allocation of existing resources in the context of new and emerging challenges, such as inflationary pressures, to primarily focus on the delivery of projects. A Regional Priorities workshop which leaders have all agreed to attend is scheduled for January.	AP2	Workstream 1, action PS5	Complete
Board members will be involved at an earlier stage in setting a strategic regional direction	AP3	Workstream 1, action PS6	Open
Consideration of appropriate attendees (wider than Mayors, Leaders and CEOs) to attend the regional prioritisation workshop will be made (including regional finance officers (S.151) officers, Directors for Infrastructure, and independent voice(s)), to ensure the workshops results in meaningful outcomes	AP4	This workshop took place in Feb 2023. Mayors, Leaders and CEOs were in attendance	Complete
Senior Officers will meet collectively and individually with their counterparts as policies and projects progress, from conception to delivery and evaluation.	AP5	Programme level action TP3	Ongoing
The West of England Combined Authority will ensure that Cabinet Members from the Unitary Authorities can request briefings with senior CA officers as required. Any existing regular meetings will continue in line with agreed arrangements.	AP6	Workstream 3, action GS4	Ongoing
An officer delivery board has been established and meets twice a month to review progress on agreed projects and to provide challenge and support to ensure more timely delivery on all projects where relevant. These boards will continue and will report directly to regular joint CEO meetings. This process will be reviewed to further strengthen the board if necessary	AP7	Workstream 4, action DE2	Open
To help support driving delivery of key projects, proposals will include a commitment to deliver on a reasonable timetable (agreed by the Committee), which will be	AP8	Workstream 4, action DE2	Ongoing

included in relevant papers going forward			
The protocol will be shared with UA Leaders, Chairs of Audit and Scrutiny for comment before being adopted and published.	AP9	Action complete prior to transformation programme plan.	Complete
The protocol will be published on the West of England Combined Authority's website and shared with West of England Combined Authority officers.	AP10	Action complete prior to transformation programme plan.	Complete
The West of England Combined Authority Monitoring Officer will brief senior officers regarding the implications of the protocol.	AP11	Action complete prior to transformation programme plan.	Complete
A new Senior Leadership Structure of the West of England Combined Authority will be developed in 2023.	AP12	Workstream 2, action WC1	Open
The West of England Combined Authority will use expert support to determine necessary skills and appropriate structures are in place so as to recruit suitably skilled permanent staff at pace.	AP13	Workstream 2, action WC8	Open
It will be agreed in line with the Constitution by the West of England Combined Authority Committee	AP14	Workstream 2, action WC4	Open
Process regarding Senior Officer appointments to be guided by external expert support	AP15	Workstream 2, action WC4	Open
The West of England Combined Authority Monitoring Officer will provide wording for the constitution at the next suitable meeting of the West of England Combined Authority Committee (no later than March) in consultation with the Monitoring Officers of the Unitary Authorities.	AP16	Action complete prior to transformation programme plan.	Complete
Such a change would require unanimous support of the Mayor and Leaders at a West of England Combined Authority Committee meeting.	AP17	Action complete prior to transformation programme plan.	Complete
Senior Officers will continue to meet collectively and on a 1:1 basis going forward.	AP18	Programme level action TP3	Ongoing
All Senior officers will work collaboratively and engage in meaningful consultation when developing solutions and proposals to help leaders to mitigate points of contention where possible ahead of the West of England Combined Authority Committee meetings.	AP19	Programme level action TP4	Ongoing
Where possible, matters of contention will be flagged with all senior officers in good time to allow for solutions to be developed ahead of the West of England Combined Authority meetings.	AP20	Programme level action TP3, TP4	Ongoing

All Senior Leaders will commit to promote a culture of respect and understanding at all times.	AP21	Programme level action TP4	Ongoing
Where relationships require support, Senior Leaders will seek mediation at an early stage to ensure good working practice continue and solutions can be developed.	AP22	Programme level action TP4	Ongoing
A forward plan of decisions and activities to help with planning / resourcing / engagement for CEOs meeting will be developed.	AP23	Programme level action TP5	Open
The Constitution will be revised to include the new Monitoring Officer protocol.	AP24	Workstream 3, action GS1, GS2. However, the new MO protocol is agreed.	Complete
Regional MOs to meet regularly to discuss any matters regarding the constitution that need addressing.	AP25	Workstream 3, action GS5	Open
Internal actions put in place to ensure Performance reviews are formally recorded.	AP26	Workstream 2, action WC5	Open
Consideration of the GT Auditing Culture report made by the Head of HR in consultation with UA HR leads (and others as relevant), and recommendations for improvement made for consideration by the constituent member CEO group	AP27	Workstream 2, action WC6	Open
Process agreed by March 2023 for the recording and sharing of key organisation performance indicators and information with member organisations relating to organisational culture and health	AP28	Workstream 2, action WC7	Open
Monitoring Officer to be confirmed at Director Level in any future leadership structure. Any change would require a vote of the West of England Combined Authority Committee.	AP29	Workstream 2, action WC4	Open

This page is intentionally left blank



ITEM 13

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

DATE: 18th SEPTEMBER 2023

**REPORT TITLE: TREASURY MANAGEMENT MONITORING REPORT
Q1 2023/24**

**DIRECTOR: RACHEL MUSSON, INTERIM DIRECTOR OF
INVESTMENT AND CORPORATE SERVICES (S73
OFFICER)**

AUTHOR: STEVE FINNEGAN, FINANCIAL ACCOUNTANT

Purpose of Report

- 1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice requires the Authority to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year. This quarterly report provides a review of performance to 31st July 2023 and includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the treasury management prudential indicators.

Recommendations

The West of England Combined Authority Audit Committee is required to:

1. Note the Treasury Management Monitoring Report to 31st July 2023, prepared in accordance with the CIPFA Treasury Code of Practice and the Treasury Management Indicators.

Treasury Investment Activity

- 2.1 The Authority holds £373.9m of invested funds, representing income received in advance of expenditure, plus balances and reserves held. The investment position is shown in table 1 below.

Table: 1 Investments by Type

	31-Mar-23 Actual Portfolio £m	Net Movement £m	31-July-23 Actual Portfolio £m	31-July-23 Average Rate %
Treasury investments by type:				
Banks & building societies (unsecured)	16.9	-9.3	7.6	1.56
Government (incl. local authorities)	272.0	-7.4	264.6	3.05
Registered Providers	10.0	0	10.0	2.90
Money Market Funds	3.9	35.8	39.7	4.60
Social Housing Real Estate Investment Trust	5.00	0	5.00	2.56
Other pooled funds:				
CCLA Property Fund	10.0	0	10.0	3.70
Investec	10.0	0	10.0	3.69
Kames	10.0	0	10.0	5.05
Threadneedle	3.5	0	3.5	3.20
M & G	3.5	0	3.5	4.92
Royal London Enhanced Cash Plus Fund	10.0	0	10.0	1.65
Total treasury investments	354.8	19.1	373.9	3.35

- 2.2 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 2.3 The Authority expects to be a long-term investor and treasury investments therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.
- 2.4 Bank Rate increased by 0.75%, from 4.25% at the beginning of April to 5% by the end of June, with the prospect of further increases to come. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates

to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of June and Money Market Rates between 4.6% and 4.9%.

- 2.5 £47m of the Authority's investments are invested in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds are generating an average total return of 3.97%, and £4.7m of unrealised capital loss. See table 2 below.
- 2.6 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three-to-five-year period total returns will exceed cash interest rates.

Table 2: Pooled Funds

Fund Name	Asset Class	Purchase Value £000s	Fair Value as at 31/7/23 £000s	Capital Growth/(Loss) £000s	Income Return In Year	Income Return Since Purchase
CCLA Property Fund	Property	9,956	8,997	-959	3.70%	20.81%
Ninety One Diversified Income Fund (Investec)	Multi Asset	10,000	8,840	-1,160	3.69%	12.30%
Aegon Diversified Monthly Income Fund (Kames)	Multi Asset	10,000	8,524	-1,476	5.20%	14.25%
Threadneedle Strategic Bond Fund	Bond	3,500	2,939	-561	3.42%	5.32%
M&G UK Income Distribution Fund	Equity - UK	3,500	3,340	-160	4.92%	10.48%
Royal London Short Term Enhanced Cash Fund	Cash Plus	10,000	9,871	-129	1.90%	1.20%
Fundamentum Social Housing REIT	Property	5,000	4,714	-286	2.86%	2.56%
		51,956	47,225	-4,731	3.97%	13.65%

- 2.7 Financial market conditions were volatile during the quarter, but favourable in some areas. Resilient economic data, which led to diminishing talk of recessions at a time when interest rate peaks are thought to be near initially helped UK, euro-area and US equity markets. However, UK equities fell in May (sterling's strength weighed on some sectors) and ended the quarter marginally lower. Eurozone equities were slightly higher but did not match the larger global rally in US equities (helped by a soft-landing scenario for the economy and enthusiasm over AI) and Japanese.
- 2.8 Fixed income markets, however, moved lower as interest rate expectations picked up again. This was most apparent in the UK government gilts with rising yields (i.e. prices falling) on higher than expected inflation. Corporate bond yields also rose but were helped by a narrowing in credit spreads as the fallout from the March mini-bank crisis continued to fade. This has directly affected capital values of the Authority's bond funds, and, to a lesser extent, the multi-asset funds where there was some beneficial offset from equity performance.
- 2.9 UK property markets continued to struggle as higher interest rates and bond yields and higher funding costs weighed on the sector. There was some improvement in May, building on signs of returning investor interest and transactional activity in calendar Q1 and a perception that the downturn in commercial real estate may be bottoming out. This has helped support capital values and rental income. The additional move upwards in yields in late May/June and the prospect of sluggish economic growth however constrain the outlook.

Summary of Borrowings

- 3 The Authority does not currently have any underlying need to borrow long term to fund capital expenditure. As part of its approach to liquidity management, the Authority may borrow short term loans to cover any unplanned cash flow shortages as they arrive. As at 31st July 2023 the Authority held £5m of short-term loans shown in table 3 below.

Table 3: The Authority's external borrowing as at 31st July 2023

	Balance at 31st July £000s
Public Works Loan Board	0
Banks (LOBO)	0
Banks (Fixed Term)	0
Local Authorities (Long Term)	0
Local Authorities (Short Term)	5,000
Total	5,000

Treasury Management Prudential Indicators

- 4 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the below treasury management prudential indicators. The Authority's Prudential Indicators for 2023/24 were agreed by the Authority at its meeting on 27th January 2023 and performance against the key indicators is shown below. All indicators are within target.

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

Credit risk indicator	Target	Actual
Minimum portfolio average credit rating	A-	A+

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

Liquidity risk indicator	Target	Actual
Total sum borrowed in past 3 months without prior notice	£40m	£0

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

Interest rate risk indicator	Limit	Actual
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£1m	£882k

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

Price risk indicator	2023/24 Target	2023/24 Actual	2024/25 Target	2024/25 Actual	2025/26 Target	2025/26 Actual	+3 Years Target	+3 Years Actual
Limit on principal invested beyond 364 days as % of total cash balance	50%	19%	30%	19%	20%	15%	20%	14%

Risk Management/Assessment

5 The Authority's lending & borrowing list is regularly reviewed, and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits, with approved institutions. Investment and Borrowing advice is provided by our Treasury Management consultants Arlingclose.

The CIPFA Treasury Management in the Public Services: Code of Practice requires the Authority nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The West of England Combined Authority Audit Committee carries out this role.

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.

Climate Change Implications

7 The Authority will continue to work with its Treasury Advisors Arlingclose for support and advice through its Environmental, Social and Governance (ESG) and responsible investment service.

Advice given by: Roger Hoare, Head of Environment

Finance Implications, including economic impact assessment where appropriate:

8 A breakdown of the revenue budget that was set for interest income and the July outturn position is included in table 4 below. The full year budget for 2023-24 investment income is £4m and following the Authority's successful treasury strategy and investment decisions, will expect to achieve a forecast year end outturn position of £10.8m which is a positive variance of £6.8m.

Advice given by: Selonge Russell, Head of Finance and Deputy Section 73 Officer

Table 4: Interest Income and Financing Costs as at 31st July 2023

April 2023 to July 2023	Budgeted Income £'000	Outturn Income £'000	Outturn over or under spend £'000	Adv/Fav
Interest & Capital Financing				
- Debit Costs (Borrowing)	0	(16)	(16)	Adv
- Interest on Balances				
West of England Combined Authority	1,333	2,921	1,588	Fav
Revolving Infrastructure Fund (RIF)	0	19	19	Fav
Total - Interest & Capital Financing	1,333	2,924	1,591	Fav

Legal Implications:

- 8 The Prudential Code and CIPFA's Code of Practice on Treasury Management requires regular monitoring and reporting of Treasury Management activities.

Advice given by: Daniel Dickinson, Interim Director of Law and Governance

Appendices & Background papers:

Appendix 1 – Arlingclose's Economic & Market Review for Q1 2023/24

Appendix 2 – Summary Guide to Credit Ratings

Background Papers: Treasury Management Strategy Statement & Investment Strategy 2023/24 – As reported to West of England Combined Authority Committee on 27th January 2023.

Economic and Market Review for Q1 2023/24

Economic background: From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease and central banks turned more dovish in tone. Only a few weeks later, stronger and more persistent inflation data, particularly in the UK, changed the picture.

The UK situation was not welcome news for the Bank of England. GDP growth was weak, confirmed at 0.1% in Q1, although more recent monthly GDP data has been somewhat better. The housing market has stalled, consumer demand is weak but seemingly recovering despite higher interest rates, and labour demand remained strong, with repercussions for wage growth which is accelerating.

April data showed the unemployment rate increased to 3.8% (3mth/year) while the employment rate rose to 76.0%. Pay growth was 6.5% for total pay (including bonuses) and 7.2% for regular pay, the largest growth rate of the latter outside of the Covid pandemic. Once adjusted for inflation, however, growth in total pay and regular pay remained negative.

Inflation fell from its peak of 11.1% reached in October 2022, but annual headline CPI in May 2023 was higher than the consensus forecast at 8.7% (8.4% expected), largely driven by services inflation, while the annual measure of underlying core inflation rose to 7.1% from 6.8%.

After a sharp rise in interest rate expectations, with clearly serious implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary Policy Committee reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%. At both meetings the vote was 7-2 in favour of increasing rates, with the two dissenters preferring to keep rates on hold.

Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its forecast to forecast a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting policy interest rates above 6%.

With many mortgages at low fixed rates now systematically being re-set over the next 12-24 months at higher rates at the end of their fixed rate period, there has been a lagged effect of the feed through of monetary policy on households' disposable income. The economic slowdown is expected to develop over time and therefore, despite the GfK measure of consumer confidence rising to -24 in June, it is likely confidence will be negatively affected at some point. The manufacturing sector contracted during the quarter according to survey data, which will eventually feed into services, whose expansion is slowing.

Despite the US Federal Reserve increasing its key interest rate to 5.00-5.25% over the period, activity in the region continued to defy monetary tightening, particularly in labour markets which have so far appeared robust, supporting the Fed's assertions of two more rate hikes after it paused in June. Annual US inflation continued to ease, falling from 4.9% in April to 4.0% in May, the lowest level since March 2021. US GDP growth at 2% annualised in the first

calendar quarter of 2023 was also significantly stronger than expected against the initial estimate of 1.3%.

In the euro zone, the picture was somewhat different. The European Central Bank maintained its hawkish tone and increased its key deposit, main refinancing, and marginal lending interest rates to 3.50%, 4.00% and 4.25% respectively. There were signs of weakening activity, particularly in Germany whose manufacturing sector has taken a hit from high energy prices and weaker global demand. However, inflation remained sticky, annual headline CPI fell to 5.5% in June while annual core inflation rose to 5.4% from 5.3%, which means the ECB is unlikely to stop monetary tightening.

Financial markets: Financial market sentiment and bond yields remained volatile, the latter continuing their general upward trend as uncertainty and concern over higher inflation and higher interest rates continued to dominate.

Gilt yields rose over the period. The 5-year UK benchmark gilt yield rose from 3.30% to 4.67%, the 10-year gilt yield from 3.43% to 4.39%, and the 20-year yield from 3.75% to 4.51%. The Sterling Overnight Rate (SONIA) averaged 4.37% over the quarter.

Credit review: Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days.

Over the period S&P upgraded NatWest Group and related entities to A+ (except NatWest Markets which was upgraded to A), revised the UK sovereign outlook to stable from negative, and upgraded both Barclays Bank PLC and Barclays Bank UK PLC to A+.

Fitch put the US sovereign rating on Rating Watch Negative following increased political partisanship which at the time was hindering the latest resolution to raise the debt ceiling. It also upgraded the outlook on United Overseas Bank to stable, the outlook on Clydesdale to positive, and the outlook on Bank of Montreal to stable.

Moody's withdrew Guildford BC's rating (who chose not to continue being rated) and affirmed the Aaa rating of the European Investment Bank.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress but made no changes to the counterparty list or recommended durations over the quarter. Nevertheless, heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicate san issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.