

West of England Combined Authority (WECA)

Annual Governance Statement 2020/21

1. Scope of Responsibility – Context for Statement

- 1.1 West of England Combined Authority (WECA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, WECA is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.
- 1.3 WECA has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of our code is available from our website.
- 1.4 WECA's Local Code of Corporate Governance aims to ensure that in conducting its business it will:
- operate in a lawful, open, inclusive and honest manner
 - make sure public money is safeguarded, properly accounted for and spent wisely
 - has effective arrangements in place to manage and control risk
 - secure continuous improvements in the way it operates.
- 1.5 This Annual Governance Statement explains how WECA has complied with our Local Code of Corporate Governance and also meets the requirements of:
- The Accounts and Audit (England) Regulations 2015, specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.

2. Governance Framework – Background & Overview for 2020/21

- 2.1 In preparing the Annual Governance Statement WECA has:
- Reviewed the Authority's existing governance arrangements against the revised CIPFA / SOLACE framework - 2016 Edition' good practice guidance;
 - Assessed the effectiveness of WECA's Local Code of Corporate Governance;
 - Taken into consideration the findings of external inspection agencies, CIPFA guidance notes and the auditor's formal opinion on the internal control framework.
- 2.2 During the last year the governance framework was tested by the Covid-19 pandemic and as a result of the emergency legislation introduced by government the Authority responded promptly to ensure it could continue to function and make key decisions.
- 2.3 This led in the initial phase of the pandemic - in March 2020 - to enact emergency decision making through the Chief Executive Officer in consultation with the Mayor. Each of these decisions were then published on the Authority's website. This phase only lasted for a short period whilst the Authority adjusted to the national lockdown requirements and implemented the detail of the coronavirus regulations so that its governance framework could move to online delivery. This entailed all formal (& informal) governance boards and committees meeting virtually through the use of Zoom. This was

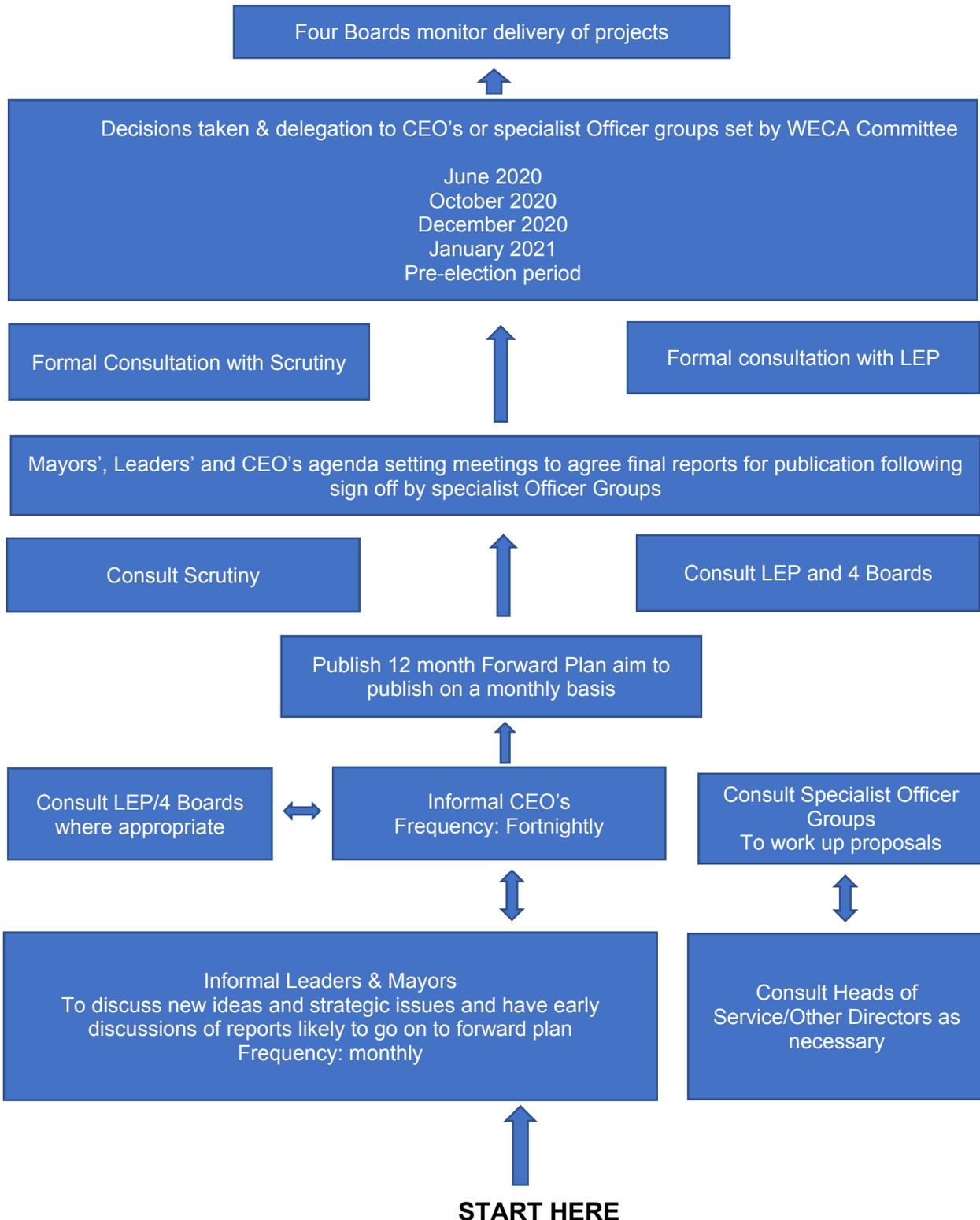
accomplished quickly and meant that no further significant changes were required to the processes underpinning key decision making, policy development and the Corporate Governance of the Authority.

- 2.4 WECA's Constitution, which sets out how the Authority operates, is kept under constant review and updated as necessary through the year. It clearly defines the roles of councillors and officers and this clarity contributes to effective working relationships.
- 2.5 As part of this ongoing review the WECA Committee, at its June 2020 meeting, approved further changes to its Constitution and governance framework including –
- a) Updates to Terms of Reference of the WECA Committee, Scrutiny Committee and Advisory Boards primarily in relation to tackling the Climate Emergency;
 - b) Widening delegations around transport to the Head of Transport as a result of the transfer of various responsibilities to WECA;
 - c) Referencing the move to online meetings to make key decisions;
 - d) Increasing the level of delegations for key officers in managing their respective functions;
- 2.6 There are two main decision-making committees being the WECA Committee, which oversees the operations of the Combined Authority, and the Joint Committee which governs decisions across the wider West of England region, including North Somerset Council. From January 2020 this became the West of England Combined Authority Committee and the West of England Joint Committee (for ease of reference through this document this is referred as the WECA Committee).
- 2.7 Prior to January 2020, the WECA Committee and the Joint Committee met separately on the same day. To streamline arrangements and to enable more efficient meetings, Mayors and Leaders agreed in January 2020 that the WECA Committee and the Joint Committee should meet together at a joint meeting. This enables, for example, all reports to be published as one, unified agenda and means that a combined public forum session can take place at the start of the meeting thus avoiding duplication. The two committees are separate bodies in legal terms but now meet as a joint meeting.
- 2.8 To supplement formal committees there are a number of established senior officer and member forums which facilitate full engagement and consultation on all significant issues and decisions for committee consideration. *Figure 1* details the governance structure for both formal member meetings and key internal officer groups.
- 2.9 Alongside the preparation of this statement we also rely on independent assurance provided by Internal Audit in reviewing the effectiveness of our governance arrangements. They do this through assessing the level of assurance provided against the eight themes of their 'Reasonable Assurance Framework' as detailed. This forms part of the core work of Internal Audit and is reported on through the WECA Audit Committee.



2.10 Elections were held during May 2021 for a new Metro Mayor for the West of England, with Dan Norris duly elected to represent WECA for the next four years. The process for elections was overseen by the Monitoring Officer acting as Returning Officer for the election taking into account the restrictions of the pandemic.

Figure 1: West of England Combined Authority Structure and Arrangements



3. WECA assessment against the 7 'good practice' Governance Framework Principles

The following section provides an update on the current status of WECA's governance and operations against the seven good practice governance framework principles as laid out within the CIPFA / SOLACE framework:

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

WECA has both a Members Code of Conduct and an Employees Code of Conduct which the respective Individuals are required to adhere to in their respective roles. The Members Code is recorded within the Constitution.

All members appointed to WECA roles have a full induction and training programme, including the Members Code of Conduct. Dependent on the roles allocated to members additional tailored training is provided. The Monitoring Officer has overall responsibility for member induction and support services for elected members.

Officers sign contracts of employment and are required to complete a probationary period of employment as standard. All relevant HR policies are in place and include a formal disciplinary procedure, a Whistleblowing Policy, Information Governance Policies, Counter Fraud Strategy bringing together the Authority's Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Money Laundering Policy under one umbrella. We maintain electronic registers of interests and gifts & hospitality for staff.

Members are required to declare interests, as a standing item at each committee, with declarations at meetings being recorded. There is also a member complaint policy which is overseen and administered by the Monitoring Officer.

WECA's Constitution sets out the legal requirements around its business including decision making. Guidance is available through the website to ensure that decisions are taken by the appropriate committee or nominated officer under the approved Scheme of Delegation.

All reports requiring decision must be cleared by the S151 and Monitoring Officers. The adopted report template requires the author to record consultation undertaken, a risk management assessment, public sector equalities duties and finance, legal, property, human resources and climate change implications.

All WECA contracts must comply with the Authority's Contract Standing Orders and guidance from specialist procurement officers and legal advice is available in order to comply with legal requirements e.g. EU Procurement regulations.

ii. **Ensuring openness and comprehensive stakeholder engagement**

The Constitution outlines citizen's rights to access information including rights to attend meetings; notice of meetings being held; access to agendas and reports; access to meeting minutes; and rules around the exclusion of access by the public to meetings.

Key decisions are all recorded and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. The forward plan of business is published in advance in accordance with access to information requirements.

To help ensure decision making rules are followed an intranet page provides officers with information about the stages to be followed for formal decision making and urgent decisions.

WECA's website contains information about services and provides key links such as 'Committee Meetings and Decisions'.

WECA also comply with the Local Government Transparency Code and the Transparency page on the internet provides the links to access business operations and outcomes (such as payments to suppliers / expenditure over £500) as required by the Code.

We have developed an effective and efficient system for managing Freedom of Information (FoI) and data protection requests and have an excellent record in terms of providing responses within required timescales.

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

WECA has had a published Operating Framework in place since 2018, as detailed under the Narrative report – Operating Framework section, which states the high-level objectives and priority areas that drives and determines the authority’s decision making.

Building on this, working in partnership with the Local Enterprise Partnership and other key regional stakeholders, WECA published a, strongly evidenced based, Local Industrial Strategy in the summer of 2019 which is the core strategic document that will direct and influence our future investment priorities.

Annual Business Plans are published and reviewed regularly at public committees. Business Plans translate longer term strategy into specific targets, measures and actions for the forthcoming financial year. Performance metrics are detailed within the 2020 WECA Business Plan which detail the anticipated outcomes that will be achieved through WECA investment by March 2023.

iv. Determining the interventions necessary to optimize the achievement of the intended outcomes

WECA published a £350m regional investment programme in July 2019 which details all priority interventions that will be made over the next three years. A Capital Investment Strategy is published in December each year which details the different funding streams available to the region explicitly detailing the purpose and uses of WECA funding. This is then regularly reviewed and updated through the WECA Committee.

Each individual project has to comply with published criteria prior to entry into the WECA investment programme which includes a transparent value for money assessment in terms of the outcomes achievable through investment.

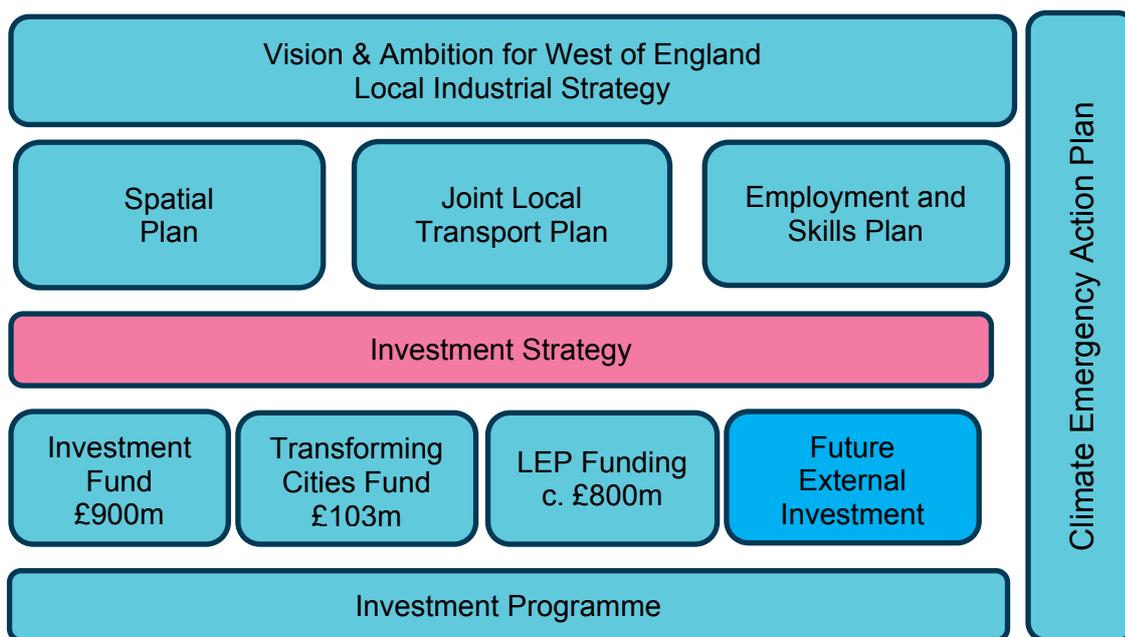
WECA Director of Infrastructure holds regular meetings with his counterparts within the neighbouring Unitary Councils to determine the priority interventions required for transportation and housing enabling - working jointly to develop a coherent regional investment programme. A similar process is facilitated through WECA Director of Business and Skills ensuring that investment is prioritised to deliver the core strands of the region’s Local Industrial Strategy.

Additionally, the Chief Executives meet on a regular basis to discuss strategic matters and current major cross-authority issues. This is chaired by the WECA Chief Executive Officer with the other constituent council Chief Executive Officers in attendance (B&NES, South Gloucestershire and Bristol) and is also attended by the North Somerset Chief Executive Officer.

There is also a separate (Local Growth) Assurance Framework which WECA operates and updates are provided each year to the Audit Committee.

Figure 2 details how WECA investment is aligned to the delivery of regional strategies and priorities. This graphic is detailed within our Capital Investment Strategy and Business Plan.

Figure 2: Linkage between WECA Strategic Direction and Funding decisions.



WECA’s decision making processes are set by its Constitution and citizens and service users are consulted where appropriate prior to decisions being taken.

The decision making process requires objective and rigorous analysis of options and associated risks. A Risk Management Strategy and Toolkit has been adopted and this provides guidance on the assessment of risks related to recommended actions / decisions.

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

WECA has an established senior management structure and has recruited suitably experienced officers into its leadership team. A structured organisational development programme was introduced from September 2019 which supplements and complements the authority’s appraisal process.

A comprehensive induction programme has been rolled out to all employees which incorporates a presentation from the Chief Executive on the vision, mission and objectives of the Combined Authority. A formal training budget has been established to fund bespoke training needs which supplements the organisational development programme.

WECA undertook its first formal staff survey in July/August 2019 with the overall results being extremely positive. Action plans have been developed by the Senior Management Team and Directorate Management teams to respond to identified areas requiring further development and this is repeated on an annual basis.

In terms of financial capacity, WECA has set about growing the expertise, knowledge and capabilities of in-house staff resource. Further investment has been made in the Finance service utilising funding that was previously allocated to third party support. Treasury Management was brought back in-house, (previously provided through Bath and North East Somerset), in April 2019 and reliance on contractor support for developing the authority’s Statement of Accounts has been reduced with WECA firmly leading the process for 2019/20. Bespoke support is still contracted on an identified needs basis for example, for specific tax advice, (through Public Sector (PS) Tax), and technical aspects of the accountancy requirements (through CIPFA).

WECA published a three-year Medium-Term Financial Plan on 31 January 2020 as an integral part of the 2020/21 budget setting process and this was updated in 2021. This plan details the revenue resources available to the Combined Authority through Investment Fund approvals along with various confirmed, and

anticipated, grant allocations. Contributions have been made to WECA General Fund Reserve throughout 2019/20 and 2020/21, with non-earmarked reserves increased.

WECA maintains strong relationships and networks both regionally, and nationally. Finance Directors and Monitoring Officers across the West of England meet regularly, developing regional solutions to issues and sharing best practice, and the authority is a key member and co-ordinator for the M9 Combined Authority (national) network, and the Monitoring Officer chairs the Urban Transport Group Legal arm.

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

WECA adopted a Risk Management Strategy and Toolkit during 2019/20 which has been endorsed by the Audit Committee. The Strategy records key activities and frequency with the toolkit providing detailed guidance on risk management processes.

WECA continues to raise awareness of the importance of good risk management and embed the adopted processes. Directors give on-going assurance to the Chief Executive regarding the management of risks within their area of service delivery. Risk management objectives are monitored through the Audit Committee in line with its terms of reference to evaluate the effectiveness of the risk management strategy and framework.

Performance Management arrangements continue to be strengthened with an adopted Monitoring and Evaluation Framework, (as endorsed by the Audit Committee), key performance metrics incorporated within WECA Business Plan and transparent published criteria in relation to outcomes being delivered through approved investments.

The Combined Authority Local Growth Assurance Framework was revised and approved by WECA Committee in January 2020. This embeds a 'single pot' approach to governing all core LEP and WECA funding streams including the:

- Investment Fund;
- Transforming Cities Fund;
- Local Growth Fund;
- Getting Building Fund;
- Revolving Infrastructure Fund;
- Economic Development Fund; and;
- Adult Education Budget

WECA maintains a robust system of internal control with a, (risk assessed), review and monitoring of internal controls undertaken by Internal Audit and other 'independent' inspectors. The Audit Committee's 'Terms of Reference' includes approving the Internal Audit Plan alongside monitoring its delivery and effectiveness (including the implementation of audit recommendations).

WECA's Financial Regulations require Members and staff to inform the Chief Finance Officer and / or the 'Chief Audit Executive' immediately of any suspected financial irregularity. This enables the Internal Audit function to investigate all reported cases promptly to ensure the integrity of the system of internal control.

Financial updates are regularly reported to WECA Committee and this includes budget monitoring and outturn reports. All decision papers for Committees, or officer delegated decisions, require S73 financial sign-off before the decision can be taken. The Director of Investment and Corporate Services acts as the S73 Chief Financial Officer for the Combined Authority.

As part of good governance WECA has also carried out an initial assessment against the CIPFA Financial Management code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management which is especially important considering the last 12 months. Whilst 2020/21 is a shadow year in terms of compliance, preparations have commenced including a full self-assessment by the Finance function to understand if any key actions are necessary. The outcome of this process has been positive with 32 out of 36 areas assessed as high compliance with the remaining 4 at medium compliance. This is an ongoing process and during 2021/22 any necessary actions or updates will be monitored through the Audit Committee.

The Director of Investment and Corporate Services has confirmed that the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer, (s151/s73 Officer), in Local Government have been compiled with in performing his duties.

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

Transparency is a key condition and driver for the delivery of WECA services. As a publicly funded organisation, we have a duty to our residents to be transparent about our business operations and outcomes.

Committee meetings and reports are easily accessible through WECA's website and the public are encouraged to engage with the operations of the authority and contribute to public committee meetings. Public Scrutiny Committees are held in advance of all WECA and Joint Committee meetings in order to scrutinise papers in advance of formal consideration. The respective Chairs of Scrutiny and the Local Enterprise Partnership have a standard slot on WECA committee agendas to feed in their comments in advance of the formal debate. Strong governance arrangements have remained fully effective, in a virtual environment, throughout the lockdown period.

WECA constitution requires decisions to be taken by an appropriate committee, or officer delegation, and requires formal 'sign-off' by the S73 and Monitoring Officers in advance. All decisions taken are published in a Decision Notice template.

The annual governance review, which has been carried out to produce this statement, requires a robust methodology to be followed to enable a statement to be published within the statutory Statement of Accounts.

4. Independent Assessment & Opinion – Internal Audit

Internal Audit works independently of the management of the organisation and reports through to the Audit Committee. During 2020/21 whilst work was naturally affected by the pandemic, no significant changes were necessary to planned work and the opinion of the Head of Internal Audit is that he is satisfied that the risk, governance and control environment of the Authority is adequate to ensure delivery of WECA's priorities. Through the work of Internal Audit and delivery of the Annual Audit Plan, some control issues have been identified, however none are deemed significant when assessed against the key criteria. Internal Audit is content that management have accepted responsibility to address the control weaknesses.

The Plan focused on core financial and other systems and areas presenting the greatest risk to the authority and was designed to ensure sufficient depth and breadth of audit coverage to meet the requirements of those charged with governance. In forming an opinion on the governance, risk and control environment Internal Audit also considered other sources of assurance including reports from external regulators, external audit and commissioned reviews.

West of England Combined Authority (WECA)

Annual Governance Statement (continued)

5a. Conclusion - Certification

As laid out in the statement WECA's governance arrangements have been reviewed and considered in line with the CIPFA/SOLACE code of practice. To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2020/21. Significant governance issues identified through the Annual Governance Statement Review process are recorded in Section 5.

We propose to take actions to address the issues raised with the objective of enhancing the WECA's governance arrangements. The issues and related actions will be monitored as part of the annual governance review process.

SIGNED BY:

DAN NORRIS

WECA MAYOR

PATRICIA GREER

CHIEF EXECUTIVE

DATE:

West of England Combined Authority (WECA)

Annual Governance Statement (continued)

5b. Conclusion – Significant Governance Issues

SIGNIFICANT GOVERNANCE ISSUES 2020/21

Having considered all of the evidence, data and input from regulators, the following significant governance issues have been identified within the 2020/21 financial year:

	Issues identified in 2020/21	Commentary & Mitigating actions for 2020/21
1	<p>Coronavirus/Covid-19 Impacts: The impacts of Covid-19 both internationally, nationally and regionally have been unprecedented in both Health and Economic terms. The country has been under emergency legislation which has led to a wider range of measures to manage the wide-ranging impacts.</p> <p>On a regional level this has significantly impacted on the Public Sector and the Constituent Authorities of WECA. Whilst WECA is less exposed economically due to its role as a Combined Authority it still has an important role to work with its constituent Authorities to support its local communities, specifically the business sector.</p> <p>The scale and scope of various grants has been significant and WECA has been central to this support process to assist regional business and to lobby central government on behalf of its constituent Authorities.</p> <p>The WECA Committee formally considered its response to the pandemic at its June and October 2020 meetings setting out its current position and the range of actions it was taking to support its communities.</p> <p>The recovery plan should be considered as an initial approach to address the known impacts of the crisis. Whilst the pandemic has had a significant impact on the region, the situation continues to evolve and the full extent of the long term implications are not yet clear. Work to respond to the impacts of the pandemic will continue over the coming months with further WECA funding allocated to recovery activity.</p>	<p>Actions to support recovery from Covid-19 are set out in detail within the papers for the WECA Committee. In summary these include –</p> <p>Establishment of a regional economic recovery taskforce and creating of specific actions around 5 key pillars –</p> <ul style="list-style-type: none"> a) Rebuild business to help new and existing businesses to survive and thrive in order to safeguard existing and create new jobs. b) Get residents back to work in jobs which pay above the living wage and offer security of employment through targeted training and brokerage to available opportunities. c) Strengthening inclusion to prevent further widening of inequalities and build an inclusive economy where everyone has the opportunity to achieve their potential and reducing inequality gaps. d) Green recovery to use the changes in behaviour brought about by the pandemic to accelerate our transition to net zero carbon. e) Renew places to re-think our approach to ‘place’ creating greener, healthier, more vibrant places to live and work and so continuing to attract people from across the world.

West of England Combined Authority (WECA)

Annual Governance Statement (continued)

Update on Previous Year – 2019/20

	Issues identified in 2019/20	Update on Mitigating actions delivered through 2020/21
1	<p>Coronavirus: The current (March 2020) global known, and anticipated, impact of the coronavirus might have a material impact on core governance issues. Flexibility will need to be exercised on areas such as delegated decision making and procurement practices. There could also be an impact on the transition to operating our new Agresso financial system through Agilisys from April 2020.</p>	<ul style="list-style-type: none"> • Refreshed WECA business continuity arrangements; • Ensured that core groupings of staff are able to process and authorise financial information remotely; • Equipped all WECA staff for effective homeworking; • Regular updates and communications provided to staff; • All relevant WECA events were re-scheduled as virtual sessions; • Maintained effective networks with neighbouring Unitary Councils and other Combined Authorities in terms of controls put in place in response to coronavirus; • Incorporated climate change considerations within WECA decision making processes; • Successfully facilitated, and enabled, virtual meetings of full WECA Committee and WECA Scrutiny Committee
2	<p>Robustness of the Statement of Accounts: Problems were encountered when finalising the Combined Authority's Statement of Accounts for 2018/19. Although draft accounts were issued on WECA website by the statutory deadline of 31 May 2019, the external auditors, Grant Thornton UK LLP, were not able to complete their audit, or form an opinion on the accounts, in time for the scheduled audit committee on 31 July 2019 due to a number of errors and incomplete information. Lack of functionality of our previous Finance system and problems encountered with external contractors, (commissioned to produce a draft set of accounts), were key contributing factors.</p>	<ul style="list-style-type: none"> • Conducted 'lessons learnt' sessions to identify improvements needed for the 2019/20 accounts closedown process – subsequently developed a finance improvement plan; • Increased in-house finance capacity in WECA and reduced reliance on external contractors for drafting a full set of accounts; • Commissioned, and developed, a new version of the Agresso finance system through a new ICT provider, Agilisys; • Commissioned expertise to help design the new finance system with a clear focus on improving automation and reducing reliance on manual systems; • Engaged CIPFA as technical experts, to supplement internal finance capacity, on specific elements of 2019/20 technical accounting identified as being high risk.

West of England Combined Authority (WECA)

Annual Governance Statement (continued)