

# West Midlands Combined Authority

Auditor's Annual Report for the  
year ended 31 March 2024

January 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction



## Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for West Midlands Combined Authority 'The Combined Authority' during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

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

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

## Responsibilities of the appointed auditor

### Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

### Value for money

We report our judgements on whether the Authority has proper arrangements in place regarding arrangements under the three specified criteria:

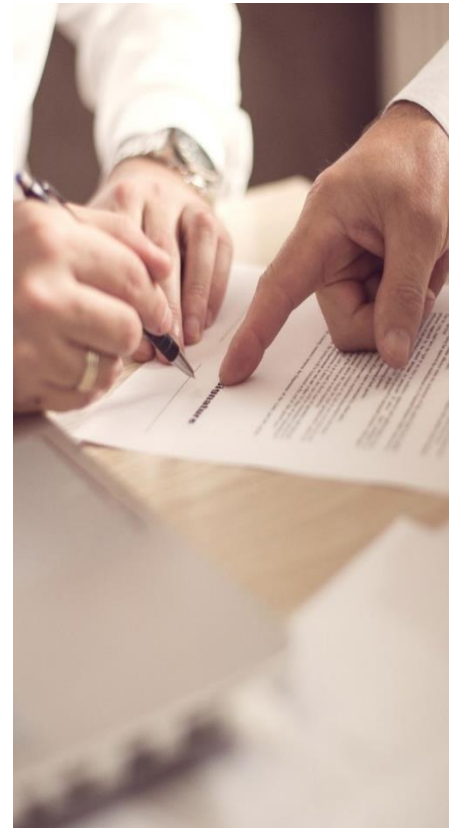
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

### Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 10 with a commentary on whether any of these powers have been used during this audit period.



# Executive summary



# Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. The outcome of the NAO's consultation on the Code is dependent upon the decisions made by the new government elected on 4 July 2024. These decisions are awaited at the time of drafting this report. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the NAO's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below.

**West Midlands Combined Authority (WMCA) continues to operate in an unprecedented period of opportunity and growth under its 'trailblazer' devolution deal, Integrated Settlement agreement and other investment. Alongside this comes some heightened risks that will need to be managed including some financial fragility among the Authority's member councils and particularly Birmingham City Council. The organisation is undergoing a period of substantial change as it gears up to change its funding model under the single settlement over a period when it is also re-aligning its strategic priorities under the new Mayor of the West Midlands.**



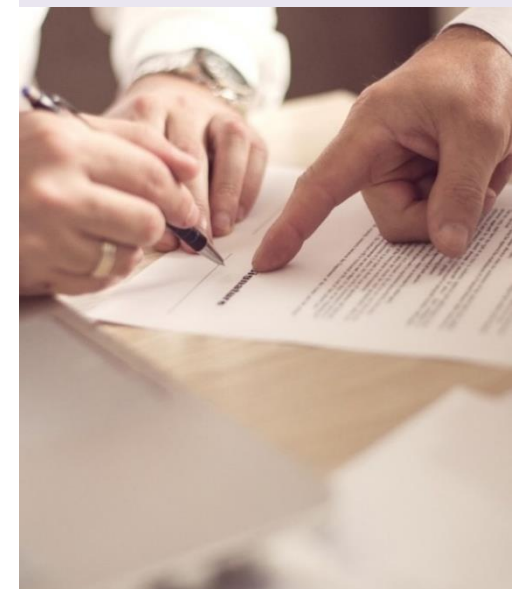
## Financial sustainability

The Combined Authority exhibited strong financial performance in 2023/24, finishing the year with a positive £2.0m variance to budget. For the 2024/25 year, the Combined Authority is forecasting a breakeven year-end position, further instilling confidence in the financial sustainability of the organisation. Despite some uncertainty in medium-term outlook as the future funding arrangements for combined authorities under the new government begin to emerge, the Combined Authority has been able to proactively manage its budget and medium-term outlook. One of the key challenges in the medium-term is how bus services will be funded beyond 2026 which is a key focus for the current round of financial planning. The Combined Authority has further bolstered financial resilience by transferring in-year surpluses to its General Reserve fund. Although the reserves are still below the generally accepted level of 3 to 5% of expenditure, the Authority is equipped to manage its financial outlook in the medium-longer term.



We have completed our audit and issued an unqualified audit opinion on 6 January 2025, following the Audit, Risk & Assurance Committee meeting and extraordinary meeting on 18 November and 5 December 2024 respectively.

Our findings are set out in further detail on page 9.



# Executive summary (continued)



## Governance

The Authority has continued to establish and develop appropriate risk management arrangements for the year 2023/24, guided by the Strategic Risk Management Framework. Throughout the 2023/24 financial year, the organisation refreshed the strategic risk register and closed risks that were no longer significant strategic concerns. Since our last review, the Combined Authority has transitioned and mobilised its in-house internal audit function, which has historically been provided by Wolverhampton Council. From our review, the transition to an in-house team has been positive, with a new Head of Audit, Information and Governance lead joining the authority in June 2024, and setting an ambitious yet achievable plan for the 2024/25 year. Throughout this transition, the function has continued to provide opinions on the adequacy and effectiveness of the Authority's governance, risk management, and control processes.

In year, the Combined Authority has implemented several cross-organisational panels designed to address identified issues, undertake specific work allocated by the Executive Board, Chair, and Panel, and monitor business-as-usual standards as outlined in their terms of reference. Alongside these changes, the Chief Executive office is currently leading on an Authority wide transformation programme, aimed at reducing silo working, the modernisation of systems and processes and the streamlining of operations to become more agile and responsive to both local and regional priorities.



## Improving economy, efficiency and effectiveness

The Combined Authority has delivered several successes throughout the year of 2023/24, alongside its stewardship in the election of Richard Parker as Mayor of the West Midlands, declared at the International Convention Centre in Birmingham on May 2024. The Authority has been operating in a circumstance unknown, with the change of government bringing in new legislation and vision for the future of Combined Authorities. During this changing environment, the Authority has taken forward its Plans for Growth, Business Growth West Midlands, West Midlands Investment Prospectus, Net Zero Five Year Plan, and the Local Transport Plan. The Authority has also initiated its Partnership Plan, aiming to build on its strong relationships with its constituent Local Authorities and wider regional partners, to bring better outcomes for the people of the West Midlands.

The Combined Authority has continued to advance its capital programme, whilst operating in an evolving external environment. The organisation is currently prioritising the reinforcement of its capital programme arrangements to ensure that, as the Combined Authority grows, there is focus on delivering both ongoing and new programmes in line with plan with a particular focus on transport and housing.

# Executive summary (continued)



## Overall summary of our Value for Money assessment of the Authority's arrangements

Auditors are required to report their commentary on the Combined Authority's arrangements under specified criteria and 2023/24 is the fourth year that these arrangements have been in place. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	A No significant weakness identified but one improvement recommendation made	No significant risks identified	A No significant weaknesses in arrangements identified, but we have raised one improvement recommendation with one prior year recommendation remaining open.	↔
Governance	A No significant weakness identified but four improvement recommendations raised.	No significant risks identified	A No significant weaknesses in arrangements identified, but two improvement recommendations have been raised.	↔
Improving economy, efficiency and effectiveness	A No significant weakness identified but three improvement recommendations raised.	No significant risks identified	A No significant weaknesses in arrangements identified but three improvement recommendations have been raised.	↔

<b>G</b>	No significant weaknesses in arrangements identified or improvement recommendation made.
<b>A</b>	No significant weaknesses in arrangements identified, but improvement recommendations made.
<b>R</b>	Significant weaknesses in arrangements identified and key recommendations made.



# **Opinion on the financial statements and use of auditor's powers**





# Opinion on the financial statements



## Audit opinion on the financial statements

We have completed our audit and issued an unqualified audit opinion on 6 January 2025 following the Audit, Risk & Assurance Committee meeting and extraordinary meeting on 18 November and 5 December 2024 respectively.

The full opinion will be included in the Authority's Annual Report for 2023/24, which can be obtained from the Authority's website.

## Grant Thornton provides an independent opinion on whether the Authority's financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Findings from the audit of the financial statements

The Authority provided draft accounts on 27 June 2024, which was later than the national deadline. Management communicated this plan to us in advance and delivered the financial statements in line with agreed timelines.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

We issued an unmodified opinion on the Authority's financial statements.

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. Our report was presented to the Authority's Audit, Risk & Assurance Committee on 18 November 2024, with a final version being issued on 20 December 2024. Requests for this Audit Findings Report should be directed to the Authority.

# Use of auditor's powers

We bring the following matters to your attention:

2023/24

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

# **Value for Money Commentary on arrangements**



# The current landscape

**it is within this context that we set out our commentary on the Authority's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.**



## National context

Combined authorities are relatively recent types of local government bodies which were first introduced by the Local Democracy, Economic Development and Construction Act 2009. Combined authorities enable groups of councils to take decisions across boundaries on issues that extend beyond the interests of any individual local authority. All consist of two or more neighbouring local government geographies. These generally form a coherent economic area and the preferred model is to have a leader who is directly elected to the role, commonly a regional mayor. The primary advantage of a combined authority is that it provides a vehicle for the devolution of central government functions, through which significant levels of government financial investment can be channelled to improve local infrastructure and act as a catalyst for economic development. Funding is generally allocated via a bidding process through successive rounds of devolution 'deals' or through sector specific investment budgets.

The powers and responsibilities of each combined authority can vary, depending on the outcome of negotiations with government via agreed devolution deals, but most have responsibility for transport, economic development and regeneration. Other responsibilities can vary greatly but may include areas such as environmental strategy, housing, the commissioning of police and fire and skills development for adults. The work of combined authorities is funded by devolved monies from central government or by revenues raised directly. The combination of funding methods varies between combined authorities. The Levelling-up and Regeneration Act 2023 allowed for combined county authorities to be created. There are currently eleven combined authorities or combined county authorities in England, with hard-earned others under consideration. From April 2024, government sponsorship and funding of Local Enterprise Partnerships (LEPs) will Authority and and combined authorities will take on these functions, which is to help drive economic development through partnerships with private sector businesses and other local stakeholders.

In March 2023, the Government introduced the English Devolution Accountability Framework, which introduced a framework of good governance for combined authorities. The framework aims to safeguard against unethical behaviour, inadequate performance, and poor value for money. By stipulating the Government's standards and expectations, the framework guides combined authorities in achieving their objectives while maintaining public trust and accountability.

Each combined authority will have unique objectives and challenges, but they all operate in an overarching context of local government and national government decisions. Some of the key challenges for combined authorities are in relation to governance, where the leadership provided by the combined authority is essential to building consensus and a shared strategic vision between councils that may have very different economic profiles, political priorities and financial and other challenges.



## Local context

West Midlands Combined Authority (WMCA) is a regional partnership set up in 2016 that brings together 18 local authorities, alongside other key bodies, such as local enterprise partnerships, the West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authority. With a focus on delivering the best outcomes for the people of the West Midlands, the WMCA plays a crucial role in coordinating and driving strategic initiatives across the region.

The West Midlands, known for its diverse communities and rich industrial heritage, faces a range of opportunities and challenges which are constantly evolving. From urban regeneration, housing, transport, economic growth and infrastructure, the region's needs are multifaceted and require a collaborative and coordinated approach to improving the West Midlands.

The new devolution deal puts the WMCA in an incredibly important strategic position. Through delivery of housing and regeneration, the skills agenda, business support, transport, net zero ambitions, WMCA has been able to demonstrate the impact it can bring to the region and its partners. The newly announced and confirmed Single and Multi year settlements provide a fundamental shift in the region's funding mechanism, providing more flexibility and strategic responsibility for its spending commitments, empowering local decision making and placed based initiatives.

Alongside the change in funding arrangements, in May 2024, Richard Parker was elected as Mayor of the West Midlands. Richard provides the organisation with new leadership in a new Labour Government. WMCA must continue to work with Central Government to strengthen the partnership network, understand the roles and responsibilities at both regional and local levels, and seek opportunities for mutual benefit and shared success.

# Financial sustainability



We considered how the audited body:

## Commentary on arrangements

## Assessment

ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;

The Authority has appropriate arrangements in place to identify and manage its financial pressures. This is done through a combination of growth in the budget and cost control measures for pressures that can be quantified and the use of contingencies and reserves to manage financial uncertainty. In the financial year ending March 2024, a surplus of £2.0m was recognised and subsequently transferred to the Combined Authority's General Reserves, resulting in a balance of £6.4m. This favourable variance considers the budgeted drawdown from reserves for Transport and Portfolio support totalling £20.0m, and prior Board-approved earmarked reserve requests of £5.0m.

In our prior year review, an improvement recommendation was raised for the Combined Authority to direct efforts towards building its general reserve balance closer to its target within a reasonable timeframe. While the appropriate level of general fund reserves is subject to the judgment of the Finance Director (Section 151 Officer), it is generally accepted for general fund reserves to be between 3% and 5% of expenditure.

Although the proposed balance has increased from £4.4m to £6.4m in 2024, this still sits at 1.7% which is below the generally accepted target range of 3-5% of net expenditure. We acknowledge the year on year strengthening of reserves and the intention to continue to build them over the life of the MTFS. However, we emphasise the importance of putting in place adequate reserves and carry forward the improvement recommendation we made in 2022/23. The bolstering of the general reserve balance will provide an important financial cushion against unplanned cost pressures in the revenue budget.

The latest updated of the Medium-Term Financial Plan (MTFP) shows a deterioration in its forecasted position since the February 2024. This has been driven by the anticipated support needed for the bus network going forward (£50m per annum). MTFP position and rising funding gap can be seen below:

£m	2025/26	2026/27	2027/28	2028/29	2029/30
MTFP funding gap	(93.6)	(123.4)	(133.1)	(138.0)	(142.8)

We note that the organisation has a number of options to bridge this gap. The most recent Budget information, confirmation of Integrated and Multi year settlement deals, and ongoing conversations with Central government have provided us assurance of WMCA's financial position within the short-medium term.

A

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

# Financial sustainability



We considered how the audited body:

## Commentary on arrangements

## Assessment

plans to bridge its funding gaps and identifies achievable savings	<p>During 2023/24, the Authority achieved its savings efficiency target of £3.0m. Specifically, £1.4m was achieved on each of the Child Concessionary and rail maintenance budgets, and a further £0.2m through vacancy management.</p> <p>Given the nature of the Combined Authority and its ongoing organisational development, an efficiency-led culture is crucial to bridge funding gaps instead of legacy on year-by-year savings targets. The Innovations, Productivity, and Efficiency panel provide opportunities for cashable and non-cashable savings for the organisation each year. In 2023/24, savings achieved totalled £759k against a target of £800k (95%). We are satisfied that the Authority has effective arrangements in place to develop savings plans and the ability to identify and achieve cashable savings. We recognise that the Authority is in the process of growing its operations and expanding its budget, and therefore the primary focus is on making savings from greater efficiency rather than seeking to cut or reduce service levels.</p>	G
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Combined Authority is aware of its key cost drivers over its services areas, which have been outlined within its MTFP. As the Combined Authority gears up for the confirmation of the Integrated and multi-year settlements, significant events such as the Mayoral Elections and the October Budget have impacted the external environment for the Combined Authority. Key assumptions have been integrated into both its financial and operational plans to support the body to plan in a manner that sustains delivery. Additionally, where necessary, arrangements for scrutiny in key services are deployed to ensure the authority achieves its strategic pledges to the people of the West Midlands.</p> <p>As per the MTFP, we are aware of the ongoing need to support the bus network across the medium term. Currently, the bus network is protected from any further cuts in service up to December 2024. After this date, the Combined Authority remained exposed to the financial risk of further commercial de-registrations, which are estimated to cost up to an additional £50m per annum. Although the Combined Authority have confirmation of grant funding to cover most of the financial gap that arises between 2024/25 and 2025/26, a solution must be found in the medium term to manage and eradicate this risk. We will therefore be raising an improvement recommendation for the medium-longer term arrangements for its bus network.</p>	A

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

# Financial sustainability

## We considered how the audited body:

## Commentary on arrangements

## Assessment

ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

The Combined Authority operates a system that integrates the key elements of financial planning. The Authority aligns its financial planning process, including budgeting and forecasting, with its Annual Business Plan. This creates a 'Golden Thread' between its financial, operational, and strategic ambitions.

The structure and cadence of reporting financial information to the appropriate committees allows for scrutiny of the Combined Authority's position. Where necessary, further investigation is undertaken to explain variances, shortfalls, or under/overspending in specific areas. This approach ensures that Those Charged with Governance (TCWG) have access to the appropriate information needed to make informed decisions.

An area of risk for the Combined Authority is its Capital Programme. As of March 2024, the annual capital expenditure was £374.1m, reporting an underspend of £242.23m against budget and £16.4m less than the in-year forecasted position. Overall, this has meant that 60.7% of the planned programme for 2023/24 had been delivered in line with the original phasing, with 66.3% of the internal programme delivered and 463% of the externally managed programme delivered. This variation is driven by the Transport programme (£111.6m), Housing and Regeneration (£42.6m) and further £92.1m within the capital programme delivered externally by Local Authorities. We have commented on the delivery of these schemes within the Economy, Effectiveness and Efficiency element of this report and raised improvement recommendations accordingly.

G

identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The new devolution deal puts the WMCA in an important strategic position as a 'trailblazer' helping to pilot the future funding model for regional combined authorities. The implementation of integrated and multi-year settlements, aimed at improving the stability of funding streams and increasing the flexibility of how the funding can be used, provide a significant opportunity for the region. Cooperation with the new Government will be crucial in achieving better outcomes for the region. Despite operating in an environment guided by ever-evolving legislation and policy coming from central government, the Combined Authority has clear arrangements to identify and manage risks to financial resilience.

Assumptions have been made in the MTFP around the ongoing support for its bus network and housing development schemes. The Authority faces challenges in its Housing plan, with the use of funding to deliver social housing in sufficient quantities, alongside addressing broader house building commitments.

In planning for this ever-changing environment, due regard has been made to the risks facing the Combined Authority as part of the budget setting process. Financial risks are identified and monitored through the Strategic Risk Register and Financial Monitoring Report, which are reported to the Executive Board in a timely and consistent manner. The risks identified are then built into both the annual budget setting process and MTFP.

G

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.



# Financial sustainability (continued)



## Areas for improvement

### Building of the General Reserve Balance

As at March 2024, the Combined Authority reported a surplus of £2.0m favourable to budget. This favourable variance takes into account the budgeted drawdown from reserves for Transport and Portfolio support totalling £20.0m and the prior Board approved earmarked reserve requests of £5.0m during the year. There has also been the following transfer to reserves:

- £2.4m for increase in the provision for building maintenance to comply with lease terms.
- £1.3m as revenue contributions to fund emerging pressures on the capital programme that are reported to the July WMCA Board.
- £0.7m for funding of upcoming transport events, such as the ITS world Congress. This is additional to the £0.5m which was approved by Board in June 2023.

In our prior year review, we raised an improvement recommendation for the Combined Authority to direct efforts towards building its general reserve balance to its target within a reasonable timeframe. While the appropriate level of general fund reserves is subject to the judgment of the Finance Director (Section 151 Officer), it is generally accepted for general fund reserves to be between 3% and 5% of expenditure.

Although the General Reserve balance has increased from £4.4m to £6.4m, at 1.7%, this still sits below the generally accepted range of 3-5% of expenditure. Therefore, we will carry forward this improvement recommendation. The increase in the general reserve balance will provide an important financial cushion against future uncertainty in revenue budgets.

**Improvement recommendation 1:** The Combined Authority should continue to direct efforts towards building its general reserve balance to its target within a reasonable timeframe.

### Development of a medium-long approach to support the bus network

In the MTFP and review of papers to Board, the risk associated to support the bus networks is a key pressure for the Combined Authority. After December 2024, the bus network will no longer be protected from any further service cuts. The Combined Authority has estimated that the financial exposure associated to further commercial de-commissioning could cost an additional £50m per annum, which has risen by £20m since the February 2024 MTFP estimates.

We have received confirmation of grant funding from the Department for Transport, which will cover most of the financial gap that arises between 2024/24 and 2025/26. However, the Combined Authority should prioritise finding a medium-long solution. This involves securing future grant income with increased flexibility under the single settlement, making adjustments to the transport levy, and considering the future level of bus service provision in the region.

**Improvement recommendation 2:** The Combined Authority should prioritise developing a medium to long-term bus network strategy, which includes outlining funding arrangements, adjusting the transport levy, and considering service level provisions.

# Governance



## We considered how the Audited Body:

## Commentary on arrangements

## Assessment

<p>monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Combined Authority has appropriate arrangements to manage risk. It has an established risk management framework, with a strategic risk register in place, outlining arrangements to identify, understand, record, assess, and score strategic risks. In our last review covering 2022/23, we recommended that the Combined Authority reconsider the number of strategic risks reported to the ARAC committee and map each risk to its relevant corporate objective. We are pleased to note that during 2023/24 financial year, the organisation refreshed the strategic risk register and closed risks that were no longer significant strategic concerns. During this period, the Combined Authority also refined the linkages between strategic risks and annual business plan performance reporting, allowing for greater granularity and specificity by cross-referencing risks to specific PIs and KPIs.</p> <p>On an operational level, our review and discussions with key stakeholders indicate that further development of a risk-based culture is needed. This will enable the reporting of relevant and timely information of risks to decision-makers. This will enable a longer-term view of the risks facing the Combined Authority. Consequently, we have recommended improvements in the development and ownership of a more robust risk culture within the organisation.</p> <p>The Internal Audit service of the Combined Authority has moved in-house, previously provided by Wolverhampton Council. This decision was made to enhance the organisational knowledge of the audit team and provide advisory services, acting as a 'critical partner' to the Combined Authority. A new head of Internal Audit and Information Governance has been recruited, and under their leadership an ambitious audit plan for 2024/25 has been set, with 30 individual audits planned. Notably, 16 of the planned audits have direct links to the strategic risk registers. Following our attendance at ARAC and discussions with key stakeholders, we have determined that the internal audit coverage has been adequate, and we have no concerns about its effectiveness at this stage.</p>	<p><b>A</b></p>
<p>approaches and carries out its annual budget setting process</p>	<p>The Combined Authority maintains a robust annual budgeting process, involving thorough analysis of its financial position, documentation of forecasted income and expenditure, and exploration of various grant funding streams. The Executive Board, Scrutiny Committees, and constituent members actively participate in scrutinising financial plans, budget principles, and assumptions. Meanwhile, the Mayor and the Combined Authority consult constituent members and key stakeholders as part of the budget-setting process. Furthermore, the budget is prepared within the context of agreed aims and objectives, as outlined in the Annual Business Plan, with ongoing performance tracking throughout the year. Consequently, the Combined Authority approved a balanced budget for the financial year 2024/25 and is on track to do so for 2025/26.</p>	<p><b>G</b></p>

**G**

No significant weaknesses in arrangements identified or improvement recommendation made.

**A**

No significant weaknesses in arrangements identified, but improvement recommendations made.

**R**

Significant weaknesses in arrangements identified and key recommendations made.

# Governance (continued)



## We considered how the Audited Body:

## Commentary on arrangements

## Assessment

<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>Quarterly budget monitoring reports are provided to the Executive Board, encompassing a comprehensive update on financial performance, associated risks, and opportunities. This includes a summary of the in-year position of both revenue and capital, variances to the budget, and breakdowns by directorate, along with a clear year-end forecast. The reports also outline mitigating actions developed to address overspending during the year and highlight key risks to budget delivery. Additionally, the Combined Authority tends to separate the reporting of performance and non-financial data from financial data.</p> <p>In year, we have noted a development in the reporting of the Capital Performance report, which will be presented to the Executive Board via the Transport Delivery Overview Scrutiny Committee. This update aims to provide the committee with a more robust mechanism for tracking the status and progress of key capital projects and programs in the Transport for West Midlands Capital Delivery Portfolio. Together with the Financial Monitoring Reports, this initiative will provide the Executive Board with a more comprehensive outlook, encompassing both operational and financial information regarding its capital schemes.</p>	<p><b>G</b></p>
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Combined Authority has established arrangements to ensure well-informed decision-making, supported by appropriate evidence, facilitating challenge and transparency. The Executive Board receives detailed reports, which are currently undergoing refinement to align with the Mayor's request for more concise and impactful reporting structure.</p> <p>Our attendance at Audit, Risk, and Assurance Committee meetings indicates that the Committee has the capacity and knowledge to effectively challenge management and auditors. In the previous year, we made an improvement recommendation regarding the quoracy of the ARAC. In March 2024, the terms of reference, membership, and reporting arrangements of the ARAC were reviewed, and it was agreed to increase the number of independent persons from one to two. However, this change is pending implementation, and consequently, we will carry forward this improvement recommendation for the current year.</p> <p>The Combined Authority has implemented several cross-organisational panels designed to address identified issues, undertake specific work allocated by the Executive Board, Chair, and Panel, and monitor business-as-usual standards as outlined in their terms of reference. Our review indicates that this structural shift has been positive, aiming to empower service line members to make decisions that do not require Executive Board approval. From our review, it has become apparent that the implementation of some panels has been more successful than others, and work should be done to identify how these governance structures are further embedded within the organisation to help them succeed. We are therefore recommending a yearly review of the panel's effectiveness to identify specific areas to improve within each of the working groups, to develop cross learning within the organisation.</p>	<p><b>A</b></p>

**G**

No significant weaknesses in arrangements identified or improvement recommendation made.

**A**

No significant weaknesses in arrangements identified, but improvement recommendations made.

**R**

Significant weaknesses in arrangements identified and key recommendations made.

# Governance (continued)



## We considered how the Audited Body:

## Commentary on arrangements

## Assessment

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

The Combined Authority welcomed a new Mayor of the West Midlands in May 2024. We note that the Mayor has initiated a series of reviews to ensure that governance arrangements are sufficiently strong to ensure that the Authority is fit for purpose as it emerges from a period of significant growth and change. We support this pro-active approach and will continue to consider the outcome of this work in 2024/25.

The Combined Authority has established adequate arrangements to report legislative and regulatory requirements, and standards concerning staff and non-executive behaviour. This includes monitoring compliance and effectively communicating expected and unacceptable behaviours to its staff and elected members, as outlined in WMCA's constitution and Code of Conduct.

During the year, Internal Audit conducted a review of the 'Gift and Hospitality' processes and procedures, which resulted in a 'Limited Assurance' rating. The review highlighted that the Combined Authority's policies were outdated, declarations needed to be more consistent and robust, data requirements and security settings required improvement, and the visibility of the Code of Conduct needed enhancement. As of the writing, all actions associated with these audit findings have been followed up and completed.

**G**

**G**

No significant weaknesses in arrangements identified or improvement recommendation made.

**A**

No significant weaknesses in arrangements identified, but improvement recommendations made.

**R**

Significant weaknesses in arrangements identified and key recommendations made.

# Governance (continued)



## Areas for improvement

### Identification and communication of risks

Throughout the year, the Combined Authority has updated its strategic risk register to address significant concerns and has closed risks that are no longer relevant to the organisation. However, conversations with key stakeholders have indicated that the Authority needs to further improve its identification and communication of the risks it faces. It has been observed that risks are often reported late to those Charged with Governance, and it is believed that enhancing this aspect would enable the organisation to adopt a proactive approach to risk management, rather than a reactive one. Therefore, we have proposed an enhancement of training and development in risk management for all staff, aiming to bring about a cultural shift in the organisation's risk management processes.

**Improvement recommendation 3:** We recommend that the Combined Authority establish clear guidelines and communication channels to facilitate the proactive identification and communication of risks, ensuring that potential issues are promptly reported and addressed.

### Development and embedding of its Internal Governance Panels

The Combined Authority has recently implemented several cross-organisational panels designed to address identified issues, undertake specific work allocated by the Executive Board, Chair, and Panel, and monitor business-as-usual standards as outlined in their terms of reference. Internal Governance Panels cover 5 areas, those being: Business Management, Delivery, People, Place and Policy, Strategy and Intelligence. These new governance structures instil a positive change within the Combined Authority, which has empowered employees to make decisions on the services provided, that are not required for board approval. From our review, it has become apparent that the implementation of some panels has been more successful than others, and work should be done to identify how these governance structures are further embedded within the organisation to help them succeed. We are therefore recommending a yearly review of the panel's effectiveness to identify specific areas to improve within each of the working groups and develop cross learning within the organisation.

**Improvement recommendation 4:** We recommend that the Combined Authority undertake a review of each new panel after one year to assess their effectiveness.

# Improving economy, efficiency and effectiveness



We considered how the audited body:

## Commentary on arrangements

## Assessment

uses financial and performance information to assess performance to identify areas for improvement

The Authority has put in place arrangements to monitor service performance to inform those charged with governance and facilitate effective leadership and decision making. During the year 2023/24, the Combined Authority has continued to develop its performance monitoring system which was subject to a significant upgrade 2022/23. Microsoft Power BI platforms are used to provide informational dashboards for management, which are linked to high level deliverables and milestones that underpin the organisation level aims and objectives.

The Combined Authority reports its performance monitoring against the Annual Business Plan through its Overview and Scrutiny Committee. The report provides an overview of the monitoring and reporting process for the fiscal year Annual Business Plan (ABP) and reviews the outturn performance for 2023/24. This approach aligns with the performance roadmap approved by the Executive Board, facilitating the triangulation of the organisation's financial, operational, and strategic aims. This is the third addition of the Annual Business Plan constructed alongside its financial budgets, allowing the Combined Authority to create a coherent flow of information, connecting WMCA's aims and objectives with Directorate plans.

At the 2023/24 year-end, 80% of the 127 performance indicators remained on track or have been completed, compared to 84% in 2023. There are 25 red or amber indicators reported in 2023/24, with 16 indicators attributed to Transport, Housing, and Reducing Carbon Emissions. Based on our assessment, we are satisfied that the Combined Authority has effective arrangements in place to utilise financial and performance data to assess performance and identify areas for improvement. The arrangements are subject to ongoing review to ensure that they deliver the information required by the new Mayor.

G

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

# Improving economy, efficiency and effectiveness (continued)



We considered how the audited body:

## Commentary on arrangements

## Assessment

evaluates the services it provides to assess performance and identify areas for improvement

The Combined Authority has initiated a transformation programme from 2024, driven by a new mayoral term, to strengthen its focus on devolution, with the target to create a more collaborative and impactful organisation. The programme is aimed at enabling WMCA to deliver more effectively across its key areas, working with its Local Authorities to meet the changing needs of the region. The programme sets to deepen collaborations between Local Authorities, business and stakeholders as part of the West Midlands Partnership Plan.

Alongside this structural change, the Combined Authority identifies the need prepare for new legislative arrangements. The transformation programme acknowledge the need for the Authority to maximise the new powers granted through the English Devolution Bill, as well as the ability to test new service delivery approaches under the Integrated and Multi-Year Settlements.

The Combined Authority has implemented several cross-organisational panels designed to address identified issues, undertake specific work allocated by the Executive Board, Chair, and Panel, and monitor business-as-usual standards. The Business Management Panel has been created to ensure the Combined Authority is managed efficiently and effectively to support the embedding of new ways of working. One of the main functions of the panel is to monitor the Combined Authority's performance against the business plan; supporting the implementation of new ways of working and legislative changes required by the external environment. Alongside this, the Combined Authority also has an Innovation, Productivity & Efficiencies Panel, which works over several directorate areas identifying potential improvement and assessing for better performance opportunities.

Operationally, the Combined Authority undertakes detailed reviews of areas of elevated risk. In year, several capital delivery programme updates have been reported to the Transport Delivery Overview & Scrutiny Committee and Executive Board for discussion. These reports assess performance against forecast, key milestones, risks issues and costs. The Combined Authority has improved its scrutiny mechanisms of capital programs to enhance delivery arrangements in the future.

G

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.



# Improving economy, efficiency and effectiveness (continued)



We considered how the audited body:

## Commentary on arrangements

## Assessment

ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

WMCA is a partnership between 18 local authorities and other bodies, including local enterprise partnerships, the West Midlands Police and Crime Commissioner, and the West Midlands Fire and Rescue Authority. The primary goal of the organisation is to effectively deliver its role within this network, engaging with constituent members to ensure the best outcomes for the people of the West Midlands. The Annual Business Plan outlines the strategic aims and objectives of the Combined Authority.

In our review, it has become apparent that due to the operating model of the Combined Authority, and how the organisation was both created and developed since its initiation, there is an issue of siloed working between its delivery directorates. This has hindered cross collaboration between delivery directorates, obstructing the ability to share best practice and achieve greater organisational coherence. Furthermore, in the most recent update of the Transformation Programme 2024, it has been stated that the organisation will address the challenges of siloed working through its reorganisation, with ambition to create a more collaborative and impactful organisation. As a result, we raise an improvement recommendation for the development of cross-departmental working, in line with the ongoing transformation programme, to enhance transparency and collaboration across the organisation.

Conversations with the newly elected Mayor and Chief Executive have highlighted ongoing efforts to further improve and develop the Combined Authority's already good relationship with its constituent members. The leadership team are currently developing a 'Partnership Plan', setting a roadmap of how the Combined Authority is to work across the regional network more effectively. A key reflection is the need for a clear understanding of the priorities at both regional and local levels, ensuring that delivery is paramount while avoiding duplication of service provision. We will be recommending the Combined Authority further develops its 'Partnership Plan', in communication with its constituent members to create a clear roadmap for implementation.

**A**

**G**

No significant weaknesses in arrangements identified or improvement recommendation made.

**A**

No significant weaknesses in arrangements identified, but improvement recommendations made.

**R**

Significant weaknesses in arrangements identified and key recommendations made.

# Improving economy, efficiency and effectiveness (continued)



We considered how the audited body:

## Commentary on arrangements

## Assessment

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives **(continued)**

In year, the Combined Authority has faced significant pressure with its capital budget, arising from excessive inflation, supply chain issues, design and site risks, as well as contractors entering administration. Overall, this has meant that 60.7% of the planned programme for 2023/24 had been delivered in line with the original phasing, with 66.3% of the internal programme delivered and 463% of the externally managed programme delivered. This variation is driven by the Transport programme (£111.6m), Housing and Regeneration (£42.6m) and further £92.1m within the capital programme delivered externally by Local Authorities.

In July 2024, Transport for West Midlands provided a capital spending pressures and programme update to the Executive Board. This outlined proposed solutions to address its cost pressures and re-prioritisation of the delivery of projects already in construction and development. In addition, the Mayoral Office has commissioned Arup to lead a review of the robustness of cost estimations and scheduling of the capital programme, highlighting the importance of the Combined Authority to deliver on its commitments.

From our review, we have gained assurance regarding the financial risk around the capital programme. Confirmation of the Single and Multi year settlements will be hugely important for the organisation to fund these schemes, alongside additional income from the Department for Transport to bridge the gap within the organisations MTFP. Alongside this, progress is being made to ensure the ongoing scrutiny of programmes and progress, with a change to its capital programme reporting structure in January 2024. Due to this, we are to raise an improvement recommendation for the Combined Authority to progress on with delivery when new funding becomes available, and ensure it is ready for the Integrated and Multi year settlement arrangements.

**A**

commissions or procures services, assessing whether it is realising the expected benefits

The Authority has put in place arrangements to manage procurement and the delivery of value for money through its contract management process. In our last review, we raised an improvement recommendation regarding the need for the Combined Authority to create a formal procurement strategy aligned to the mayoral priorities. In year, we are pleased to note this procurement strategy has been launched and that this is to be further developed to take into account implementation of the new Procurement Act.

Due to the role of the Combined Authority, the commissioning and procurement of services is significant in allowing for the strategic aims and objectives of the organisation to be realised. As per the 2024/25 Annual Business Plan, the way in which the Combined Authority is to add value to the region is to Deliver, Enable and Influence. The capital programme is key in unlocking the Combined Authority role to deliver at the regional level, such as co-ordinating transport services, regenerating brownfield sites, or by connecting partner organisations.

**A**

# Improving economy, efficiency and effectiveness (continued)



## Areas for improvement

### Development of cross-directorate working

The Authority has a very clearly defined role in terms of its core services and its planning reflects this. From our review of the MTFP, the Combined Authority has allocated funding to specific areas, which are built via its overarching strategic aims and objectives. This covers Transport for West Midlands, Strategy, Economy and Net Zero, Employment, Skills, Health and Communities and Housing and Regeneration. Through the creation of these directorates, it has been commented from key stakeholders that siloed working has developed, leading to a lack of cross departmental working. This has hindered cross collaboration between delivery directorates, obstructing the ability to share best practice and greater organisational understanding. The Combined Authority, with the help of the Mayors ambitions, should drive a collective and collaborative culture to provide the best for the people of the West Midlands.

**Improvement recommendation 5:** We recommend that the Combined Authority develops and implements a workstream to aid the ability for cross-directorate working, in line with transformation programme, to allow for sharing of best practice and greater organisational understanding.

### Development and implementation of the 'Partnership Plan'

From conversations with both the Mayor and Chief Executive, the ambition of West Midlands Combined Authority is clear. For the Combined Authority to operate with effectiveness, the working relationships it has with its Constituent members is significant. A workstream is currently underway, which is led by the Chief Executive, to develop a 'Partnership Plan'. This sets out the future ways of working between the Combined Authority and its Constituent members of how best to approach the regional and local priorities, with a roadmap to tackle its most relevant challenges. As this is still in development, we recommend for the Combined Authority to prioritise these efforts, creating a clear plan for all those involved, and enabling them to achieve the shared ambition.

**Improvement recommendation 6:** We recommend the Combined Authority further develops its 'Partnership Plan', setting out ambitious, yet realistic strategic aims for its Constituent members, with clear and concise directions on how to achieve the shared ambitions.

### Delivery of the Capital Programme

As noted in both the Financial Sustainability and Improving economy, efficiency and effectiveness sections, we have highlighted the risk associated with the delivery of capital programmes going forward.

**Improvement recommendation 7 :** We recommend that the Combined Authority conducts a comprehensive review of its capital programme, aligning with Arup's findings, to enhance scheme deliverability in line with the Integrated and Multi-year settlement.

**Value for Money  
Recommendations raised in  
2023/24**



# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR1 The Combined Authority should continue to direct efforts towards building its general reserve balance to its target within a reasonable timeframe	Improvement	Financial sustainability	Authority's outturn report Financial Monitoring reports	The increase in the general reserve balance will provide an important financial cushion against future uncertainty in revenue budgets.	<p><b>Actions:</b> The Combined Authority will continue its efforts towards building its general reserve balance to its target of between 3% and 5% of expenditure.</p> <p><b>Responsible Officer:</b> Kate Taylor, Head of Finance Business Partnering and Strategic Planning</p> <p><b>Executive Lead:</b> Linda Horne, Executive Director of the Finance and Business Hub</p> <p><b>Due Date:</b> June 2025</p>
IR2 The Combined Authority should prioritise developing a medium to long-term bus network strategy, which includes outlining funding arrangements, adjusting the transport levy, and considering service level provisions.	Improvement	Financial sustainability	Review of MTFP Interviews with key stakeholders Confirmation of grant funding	The Combined Authority has estimated that the financial exposure associated to further commercial de-commissioning could cost an additional £50m per annum	<p><b>Actions:</b> The Combined Authority will prioritise the development of a medium to long-term bus network strategy.</p> <p><b>Responsible Officer:</b> Kate Taylor, Head of Finance Business Partnering and Strategic Planning</p> <p><b>Executive Lead:</b> Linda Horne, Executive Director of the Finance and Business Hub</p> <p><b>Due Date:</b> June 2025</p>
IR3 We recommend that the Combined Authority establish clear guidelines and communication channels to facilitate the proactive identification and communication of risks, ensuring that potential issues are promptly reported and addressed.	Improvement	Governance	Interviews with key stakeholders Strategic risk register	This will enable the reporting of relevant and timely information of risks to decision-makers. This will enable a longer-term view of the risks facing the Combined Authority	<p><b>Actions:</b> The Combined Authority will establish clear guidelines and communications channels to facilitate the proactive identifications and communication of risks.</p> <p><b>Responsible Officer:</b> Fiona Bebbington, Head of Business Improvement</p> <p><b>Executive Lead:</b> Linda Horne, Executive Director of the Finance and Business Hub</p> <p><b>Due Date:</b> June 2025</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR4 We recommend that the Combined Authority undertake a review of each new panel after one year to assess their effectiveness.	Improvement	Governance	Review of Internal Panel governance arrangements Interviews with key stakeholders	Identify specific areas to improve within each of the working groups and develop cross learning within the organisation	<b>Actions:</b> The Combined Authority will undertake a review of each panel after one year to assess their effectiveness <b>Responsible Officer:</b> Julia Cleary, Head of Governance <b>Executive Lead:</b> Helen Edwards, Director of Law, Governance and Audit <b>Due Date:</b> July 2025
IR5 We recommend that the Combined Authority develops and implements a workstream to aid the ability for cross-directorate working, in line with transformation programme, to allow for sharing of best practice and greater organisational understanding.	Improvement	Improving economy, efficiency and effectiveness	Review of the 2024 Transformation plan Interviews with key stakeholders	Identify areas for cross directorate working and to allow for sharing of best practice and greater organisational understanding.	<b>Actions:</b> The Combined Authority will develop and implement a workstream to aid the ability for cross-directorate working in line with the transformation programme. <b>Responsible Officer:</b> Sarah Lal, Director of People and Culture & Nikita Jan, Head of Communications <b>Executive Lead:</b> Laura Shoaf, Chief Executive <b>Due Date:</b> April 2025
IR6 We recommend the Combined Authority further develops its 'Partnership Plan', setting out ambitious, yet realistic strategic aims for its Constituent members, with clear and concise directions on how to achieve the shared ambitions.	Improvement	Improving economy, efficiency and effectiveness	Interviews with key stakeholders Partnership plan	Prioritise efforts to create a clear plan for all those involved and enabling them to achieve the shared ambition.	<b>Actions:</b> The Combined Authority will further develop its 'Partnership Plan' setting out ambitious yet realistic strategic aims for its Constituent members. <b>Responsible Officer:</b> Sam Maybee, Strategic Advisor to the Chief Executive <b>Executive Lead:</b> Laura Shoaf, Chief Executive <b>Due Date:</b> April 2025

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR7 We recommend that the Combined Authority conducts a comprehensive review of its capital programme, aligning with Arup's findings, to enhance scheme deliverability in line with the Integrated and Multi-year settlement.	Improvement	Improving economy, efficiency and effectiveness	Financial Monitoring report Capital programme updates Interviews with key stakeholders	The capital programme is key in unlocking the Combined Authority role to deliver at the regional level.	<b>Actions:</b> The Combined Authority will conduct a comprehensive review of its capital programme, aligned with Arup's findings. <b>Responsible Officer:</b> Jo Shore, Director of Delivery, Transport Portfolio <b>Executive Lead:</b> Anne Shaw, Executive Director of Transport for West Midlands <b>Due Date:</b> March 2025

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.



# Appendices

# Appendix A:

# Responsibilities of the Authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

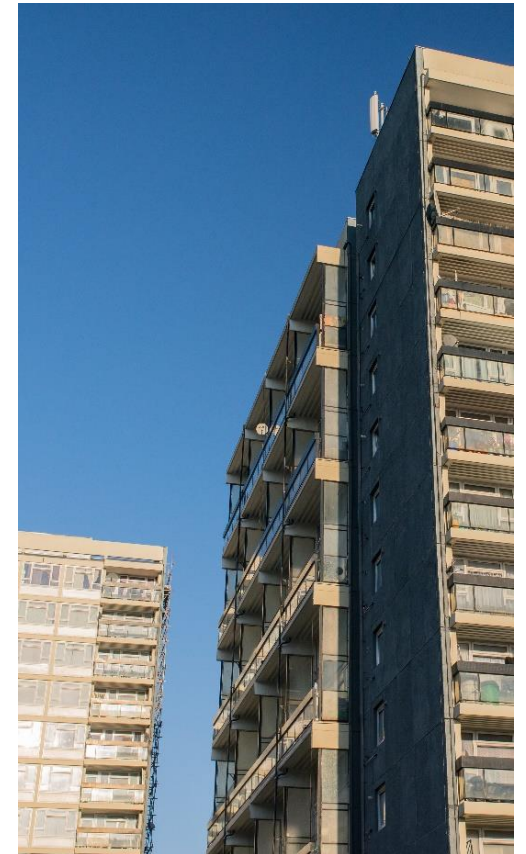
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B:

## Value for Money Auditor responsibilities



### Value for Money arrangements work

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

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

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

#### Financial Sustainability

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

#### Governance

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

#### Improving economy, efficiency and effectiveness

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

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

### Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Authority's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

#### Information which informs our risk assessment

Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

### Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

### Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Authority's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council (or equivalent) and a public response.
- **Key recommendations** – actions which should be taken by the Authority where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Authority's arrangements.

# Appendix C:

## Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1 The Combined Authority continues to direct efforts towards building its general reserves balance to its target within a reasonable timeframe.	Improvement	November 2023	<p>The general reserves balance increased by £2m in 2024/24 due to in year underspends and now stands at £6.4m. £26.8m was also transferred to earmarked reserves to mitigate against known or expected pressures; namely £9.4m for numerous specific purposes, £7.8m ENCTS underspend to the transport risk reserve for bus network protection and £9.6m of treasury windfall gains to be applied as budgetary support in future years.</p> <p>While WMCA recognises that General Reserves are still only just over 1% of the current expenditure, it feels that it has continued to make provision for financial risks when funds have become available.</p>	No	We have re-raised a recommendation to ensure that the Combined Authority is focused on delivering improvements. See Improvement recommendation IR1
2 The Combined Authority should review: <ul style="list-style-type: none"> <li>its Constitution to ensure it remains compliant with the most up-to-date legislation and organisational changes, and</li> <li>the Code of Conduct to ensure it remains appropriate.</li> </ul>	Improvement	November 2023	<p>In year, WMCA has:</p> <ul style="list-style-type: none"> <li>Reviewed of all organisational changes has been undertaken and the Constitution updated.</li> <li>A review of the Constitution has been initiated by the Monitoring Officer with an update to the Contract Procedure Rules scheduled to be considered by WMCA Board in January (to work alongside the new Procurement Act).</li> <li>Updated to the Gifts and Hospitality Policy and process for declaring gifts and hospitality have been updated and communicated.</li> <li>Communications are also being prepared in relation to the Code of Conduct and declarations of interest. The Code of Conduct remains appropriate.</li> <li>Training is being provided throughout September 2024 on all things governance, including the Code of Conduct, the Constitution, declarations of interest and gifts and hospitality.</li> <li>PCC functions are no longer being transferred</li> </ul>	Yes	Ongoing/open

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Appendix C:

## Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
3	Improvement	November 2023	A new operating model is being implemented and work is ongoing across the Organisation in relation to governance processes to manage the Integrated Settlement.	Yes	Improvement recommendations raised in this year's review relate to the ongoing governance developments at the Combined Authority.
			It is not considered necessary at this stage to amend the existing formal governance decision making structure following the removal of a number of advisory member boards following the mayoral elections.		
			The main focus in relation to governance and managing the integrated settlement is around training, awareness raising and a cultural change to ensure that all governance, legal, financial, procurement and project assurance and appraisal requirements are addressed in a more timely way and that report writing is improved.		
			To support this a full month of governance training has been taking place throughout September and a new look Guide to Corporate Governance will be launched in October, this will be an online resource and will incorporate all new requirements of the integrated settlement, functional strategies, place based strategies and the new target operating model.		
			A number of new internal governance panels have also been embedded across the Organisation to allow for great internal, cross organisational work and to free Executive Board to focus on the future strategic direction of the WMCA and implementing change.		

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Appendix C:

## Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>The Combined Authority should review its Strategic Risk Register to:</p> <ul style="list-style-type: none"> <li>reconsider how many strategic risks are being reported to the Audit, Risk and Assurance Committee, and</li> <li>map each risk to its relevant corporate objective, allocate each strategic risk to a named senior officer and outline the direction of travel for each risk</li> </ul>	Improvement	November 2023	<p>WMCA have refreshed its strategic risk register in year; closing risks that are no longer of significant strategic concern or where the nature of the risk has moved</p> <p>WMCA have also undertaken an exercise to ensure the register reflects the significant political changes we have seen this year, with a new mayor, new mayoral priorities, and a new Government.</p> <p>WMCA have further refined our linking of strategic risks to our ABP performance reporting, by cross-referencing risks to specific PIs and KPIs, thereby enabling greater granularity of detail and specificity. We continue to provide the EXB and ARAC with a strategic risk update and abridged risk register, as we believe this provides them with the relevant information, clearly, succinctly and in the required format. This approach includes all the key information about the risks, direction of travel, changes over a 12-month period, and risk ownership.</p>	Yes	No
<p>The Combined Authority should create a formal procurement strategy aligned to the Mayoral priorities.</p>	Improvement	November 2023	<p>The WMCA procurement strategy aligned with the recently launched Mayoral priorities and the new National Procurement Strategy announced by the Government will be developed in time for the go live of the Procurement Act.</p>	Yes	No

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Appendix C:

## Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>Regarding the Audit, Risk and Assurance Committee (ARAC), the Combined Authority should:</p> <ul style="list-style-type: none"> <li>Seek to revise the membership of ARAC to seek to bring it in line with CIPFA guidance, within the constraints of the establishment order and the Constitution.</li> <li>enshrine in its Constitution the separation of roles and include that it will institute the rule that a period of two years should elapse before a Councillor who previously held a senior policy role joins ARAC in line with CIPFA's guidance.</li> <li>consider the merits of appointing another appropriately qualified independent member to ARAC, and</li> <li>report annually on how ARAC has complied with the position statement, discharged its responsibilities and include an assessment of its performance.</li> </ul>	Improvement	November 2023	<p>The Terms of Reference, membership and reporting arrangements of ARAC were considered at the meeting held on 11 March 2024 in the context of the guidance published by CIPFA in 2022.</p> <p>The Committee resolved:</p> <p>The terms of reference including the addition, 'To approve under authority delegated by the WMCA Board on 8 December 2017, the WMCA's Statutory Statement of Accounts' be noted and</p> <p>2. The proposal to increase the number of independent persons from one to two (currently held by the Chair of ARAC) be supported.</p>	Yes	Ongoing/open

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.



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## Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
7 The Combined Authority should update the Contract Standing Orders that lie within the Constitution to ensure that they align with the most up-to-date legislation and regulatory requirements.	Improvement	November 2023	<p>One refresh has already been completed in July to amend grammatical errors and update legislative changes within the Contract Standing Orders</p> <p>A further refresh is currently in draft to update in accordance with the Procurement Act 2023, this is scheduled for approval at Jan 2025 board, to align with the Act being implemented in Feb 2025.</p>	Improvements to be made in Jan 2025	Ongoing/open

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

