

## **GOVERNANCE AND AUDIT COMMITTEE**

**MEETING TO BE HELD AT 11.00 AM ON FRIDAY, 27 NOVEMBER 2020  
AS A REMOTE MEETING - TO BE LIVESTREAMED HERE:  
[HTTPS://WWW.YOUTUBE.COM/CHANNEL/UCAZJNSGPQZZT41VIBN2  
ZK9A/LIVE](https://www.youtube.com/channel/UCAZJNSGPQZZT41VIBN2ZK9A/LIVE) (COPY AND PASTE THE LINK IN YOUR BROWSER)**

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### **A G E N D A**

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
- 3. EXCLUSION OF THE PRESS AND PUBLIC**
- 4. MINUTES OF THE MEETING OF THE GOVERNANCE AND  
AUDIT COMMITTEE HELD ON 30 JULY**  
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- 5. INTERNAL AUDIT PROGRESS REPORT**  
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- 6. EXTERNAL AUDIT PROGRESS REPORT**  
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**Signed:**



**Managing Director  
West Yorkshire Combined Authority**



**MINUTES OF THE MEETING OF THE  
GOVERNANCE AND AUDIT COMMITTEE  
HELD ON THURSDAY, 30 JULY 2020 AT REMOTE MEETING - TO BE  
LIVESTREAMED HERE:  
[HTTPS://WWW.YOUTUBE.COM/CHANNEL/UCAZJNSGPQZZT41VIBN2  
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**Present:**

Andy Clayton (Chair)	Independent Member
Joanna Wardman	Independent Member
Councillor Susan Hinchcliffe	Bradford Council
Councillor Jane Scullion (Substitute)	Calderdale Council
Councillor Peter McBride (Substitute)	Kirklees Council
Councillor Steven Leigh MBE	Calderdale Council

**In attendance:**

Angela Taylor	West Yorkshire Combined Authority
Bronwyn Baker	West Yorkshire Combined Authority
Jonathan Sheard	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

**1. Apologies for Absence**

Apologies for absence were received from Councillor Pandor and Councillor Swift.

**2. Declarations of Disclosable Pecuniary Interests**

Under minute 8 in Councillor Scullion declared an interest in that she was a recipient of the West Yorkshire Pension Fund.

**3. Exclusion of the Press and Public**

There were no items which required the exemption of the press and public.

**4. Minutes of the Meeting of the Governance and Audit Committee held on 12 May**

**Resolved:** That the minutes of the meeting of the Governance and Audit

Committee held on 12 May be approved.

## **5. Internal Audit Progress Report**

Members considered a report which set out progress against delivery of the annual internal audit plan and the performance of Internal Audit.

Members noted that a different approach would be taken for the 20/21 plan with a greater emphasis on advice and guidance as opposed to compliance with focus given to the organisation's preparations to become a Mayoral Combined Authority.

The proposed changes to the plan were included in the progress report.

Members noted that the plan was ambitious and questioned if the internal audit function was confident of meeting the audit areas. Any instance in which resource was insufficient and priorities had to be chosen would be brought back to the Committee. Recruitment was underway for a principal auditor.

Members felt that the plan was robust and targeted and identified the most important areas, particularly ICT and cybersecurity.

The Chair requested that senior officers attend the Committee to ensure members had a more rounded view of the Combined Authority.

Members noted the key audit priorities outlined in the plan which would be essential to provide an end of year opinion in case of further disruption caused by the pandemic. Covid response, Devolution, MCA readiness and systems and compliance were identified as the key audit areas.

**Resolved:** That the progress of Internal Audit to date be noted

## **6. Review of Internal Audit and effectiveness of Internal Audit**

Members considered a report on the outcome of a review of internal control and the effectiveness of internal audit.

Members noted that the 2019 independent external quality review which concluded that that West Yorkshire Combined Authority's internal audit activity generally conforms with the definition of Internal Auditing, the Code of Ethics and the Public Sector Internal Audit Standards.

Resourcing for the Internal Audit team would be kept under review and it was important that internal audit was focussed on key areas where they could add value.

**Resolved:** That the outcome of the review of internal control and of the effectiveness of internal audit be approved.

## **7. Internal Audit Annual Report and Opinion 2019/20**

Members considered a report which outlined the internal audit annual opinion

for the 2019/20 year.

The Head of Internal Audit reported that the opinion for the year was that the systems, controls, and governance was adequate.

Opportunities to improve controls had been identified and would be mostly systems driven. Workstreams had been established to look at the systems for HR, procurement and finance which could make reporting on compliance more efficient.

It was reported that enough work had been done to give an audit opinion for the year. The only third party assurance that had been relied upon related to treasury management.

Members discussed the need for assurance around data and cyber security and whether the internal audit function was equipped to carry out audits into these areas and the possible need to buy in audit specialisms.

The Chair requested a more joined up approach between the Governance and Audit Committee and the Overview and Scrutiny. A report would be brought to the next meeting providing an update on the work undertaken by the Overview and Scrutiny Committee.

**Resolved:** That the internal audit report and opinion be noted.

## **8. External Audit Progress Report**

Members considered a report which provided an update on external audit matters since the last meeting.

It was reported to the May 2020 meeting that due to the Covid-19 outbreak public authorities had been granted deadline extensions for their annual accounts, with final accounts due by 30<sup>th</sup> November 2020. It was hoped that the accounts could be brought to this meeting but some audit work around pensions was outstanding.

It was proposed that the accounts and audit completion report be presented to the meeting in October 2020, which would meet the statutory deadline.

Mark Kirkham from Mazars reported that the bulk of the audit procedures had been completed and no significant adverse findings had been identified.

The Chair asked for more detail on the audit file relating to the West Yorkshire Pension Fund when it was available.

**Resolved:**

- (i) That the final audited annuals be presented at the 29 October meeting.
- (ii) That the external audit matters detailed in the report be noted.

## **9. Compliance and Monitoring**

Members considered a report which set out arrangements for internal control since the last meeting.

It was reported that there have been no significant changes to internal controls in the period and monthly reconciliations are up to date

There had been no areas of concern raised regarding the Combined Authority's treasury managements arrangements.

It was reported that the 2019/20 financial outcome was a better year end position that initially predicted with a £1.3 million surplus.

Regarding the Revenue budget for 2020/21 it was noted that due to the impact of Covid 19 there was potential for a £12 million gap. This scenario was based on assumptions and the impacts of Covid 19 on the 20/21 budget remained unclear and would be adjusted as the situation progressed.

It was reported that the corporate risk register had been updated to reflect the pandemic and the work underway to become a Mayoral Combined Authority.

It was noted that no money from central government had been made available for Combined Authorities although discussions had taken place and the case was being made for the challenges facing Combined Authorities.

The Chair requested a deep dive into the work to become a Mayoral Combined Authority.

**Resolved:** That the report be noted.

## **10. Annual Accountability Reporting**

The Committee considered a report which provided an annual report in respect of complaints and concerns raised about the LEP.

It was reported that there had been no complaints regarding the LEP, and a list of grant application considered under the conflict of interest procedures was set out in appendix 1.

**Resolved:**

- (i) That the Governance and Audit Committee notes that no complaints or concerns have been raised this year about the LEP (or about any member of the LEP Board) under the LEP's complaints procedures, the Combined Authority's complaints policy and the LEP's whistleblowing policy.
- (ii) That the Governance and Audit Committee notes the summary set out in Appendix 1 to this report, relating to grant applications considered under conflict of interest arrangements in place during 2019-20.

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**Report to:** Governance and Audit Committee

**Date:** 27 November 2020

**Subject:** **Internal Audit Progress Report**

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**Director(s):** Angela Taylor, Director, Corporate Services

**Author(s):** Bron Baker, Head of Internal Audit

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## 1. Purpose of this report

- 1.1. To ask members to consider the contents of the report and supporting appendix detailing progress against delivery of the annual internal audit plan and the performance of Internal Audit to date.

## 2. Information

### **Audit Delivery for 2020/21**

- 2.1 Internal audit has a number of audit pieces underway against the 2020/21 plan, but as previously reported, the plan will need regular review and updating to reflect the changing risks and emerging priorities for the West Yorkshire Combined Authority due to both the Covid-19 crisis and the work resulting from the Devolution deal.

### **Completed reviews since the last Governance and Audit Committee**

- 2.2 Since the last Governance and Audit Committee meeting reviews on the Local Transport Capital Block Funded Grant and the ICT Risk Assessment have been issued. There is also a significant amount of advice and guidance work that has been undertaken to support delivery of the MCA Ready Workstreams and other Corporate Technology projects. This work is summarised in the attached progress report at Appendix 1.

### **Customer Feedback**

- 2.3 Customer feedback has been more of a challenge in the current situation where most of Audit's work has been focussed on advice and guidance on MCA Readiness projects and the intention is to seek some feedback on audit's contribution to these at the end of the plan year. Feedback is still being collected on other audit work, but at this point has not yet been received by the team.

## **Internal Audit Organisational Design**

- 2.4 The recruitment process for a half time Principal Auditor was successfully concluded to provide the necessary resource to support the devolution of the Adult Education Budget.

## **Fraud/ Whistleblowing/ Money Laundering**

- 2.5 There have been no money laundering incidents to investigate so far this year or whistleblowing reports to raise at this time. Audit has very recently received a fraud referral which is now under preliminary investigation.

## **3. Financial implications**

- 3.1 None.

## **4. Legal implications**

- 4.1 None.

## **5 Staffing implications**

- 5.1 None.

## **6. External Consultees**

- 6.1 No external consultations have been undertaken.

## **7. Recommendations**

- 7.1 That the Committee consider the internal audit progress to date.

## **8. Background Documents**

None.

## **9. Appendices**

Appendix 1 – Internal Audit Progress Report November 2020

**Governance & Audit  
Committee Internal Audit  
Progress Report**

**November 2020**

# Key Headlines / Index

**Top three issues** – Mayoral Combined Authority (MCA) readiness due to tight deadlines, Post Covid-19 Recovery Plans and Current Covid impacts on the business

**Reports/updates issued-** Summaries of the scope and findings of these reviews can be found at Pages 2-8

- MCA Workstreams Update
- Adult Education Budget (AEB)
- Grant Certification
- Local Transport Plan Grant
- ICT Risk Assessment
- Digitisation and Corporate Technology Programme
- Counter Fraud and Whistleblowing

**Progress against 2020/21 Audit Plan and any planned changes** - detailed at pages 7-13

**Outstanding actions-** There are currently no overdue agreed actions.

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**Feedback from clients** – As the majority of the current work is taking the form of advice and guidance within the parameters of the various MCA workstream programmes, there is no customer feedback at this point, however Internal Audit will be seeking feedback from the various project leads at the end of this plan year as to the effectiveness of the support provided. Audit will also continue to collect feedback on specific audits as these conclude.

**Staff Changes** – Recruitment for the half post to cover the Adult Education Budget (AEB) development work is complete and a new Principal Auditor is now in post. There has been an additional resource issue as one of the internal auditors has been on long term absence. Some temporary resource is due to commence mid November to assist with covering some of the gaps this has left.

# Reports Issued/ Progress against Plan

## MCA Workstream Updates

Internal Audit has been providing advice and guidance to various MCA workstreams as part of its planned work for 20/21. The following updates confirm the activity being undertaken and the contribution to ensuring appropriate consideration of controls and governance in the work that is ongoing.

### MCA Workstream – **Decision Making and Committee Arrangements:**

Head of Internal Audit is on the Project Delivery Group which is co-ordinating a review of the Combined Authority's governance arrangements to identify amendments to:

- reflect the revised WYCA Order, including mayoral arrangements
- comply with all other relevant legislation,
- promote good governance including efficiency, transparency and accountability, and
- better reflect the objectives of political stakeholders.

### MCA Workstream - **Integrated Corporate System and Casework & Correspondence System:**

Head of Internal Audit sits on the Steering Committee for this work which oversees progress against milestones, management of risks and strategic direction of the project. Internal Audit also provided a significant amount of time to review of the existing and proposed systems for HR and Finance, considering the current processes and controls and the desirable future state. Similarly Head of Internal Audit has also been on the project team for the Casework and Correspondence System working with that group to make proposals for the future system.

### MCA Workstream – **Police and Crime Commissioner (PCC) Preparations:**

This has been ad hoc review, research and contributions as needed.

### MCA Workstream – **Assurance Framework Review:**

Internal Audit were asked to consider specific aspects of the Assurance Framework and to contribute to the overall review of the proposed changes.

## Adult Education Budget (AEB)

As reported to the Governance and Audit Committee on 12<sup>th</sup> May 2020 the Combined Authority is to receive devolved powers and manage the devolved Adult Education Budget (AEB) from early 2021 on which additional assurances will need to be given by Internal Audit.

The work to prepare for AEB devolution has moved on significantly with the following key milestones taking place:

- The Combined Authority submitted their 'Readiness Assessment' to the Department for Education (DfE) in late May 2020 (in line with what was presented to the GAC as Appendix 1) which was agreed, along with our application for Implementation Funding to support its preparation for AEB devolution.
- In September 2020 the DfE has issued a Memorandum of Understanding for the £464,000 funding the DfE will provide, which is to be matched by the Combined Authority. An initial claim for costs incurred to date has been submitted.
- The AEB Strategy was approved by the Combined Authority on 4 September 2020.
- A provider briefing event was held on 17 September 2020 where we had over 113 attendees, 80% of these were independent training providers with the remaining attendees, from colleges and local authorities.
- Launch of a dedicated AEB webpage which hosts the AEB Strategy, film of the provider event and links to procurement activity [AEB website](#)
- Stage 1 of the Dynamic Purchasing System (DPS) for contracts of services went live on 28 October 2020.

Internal Audit have continued to be active Project Board members, providing support at a strategic level. The Principal Auditor who leads on this area has also been involved in work on the following workstreams:

- **Audit and Assurance**- attending the regular Education Skills Funding Agency/ MCA Audit, Assurance and Fraud Investigators (AAFI) liaison meetings, determining assurance that will need to be provided on the procurement process and identifying appropriate due diligence measures to be considered that can be tested against.
- **Procurement**- assisting in the review and publication of the DPS in line with the deadlines set in October 2020.
- **Finance**- developing our approach to accounting for resource and the assurance processes over expenditure in preparation for the first implementation funding claim in September 2020.
- **Legal and governance**- advising on various governance and organisational matters, including risk registers, approvals and project documentation.
- **ICT and data**- helping compile system requirements and how these might be delivered as part of the working group on this area.

Achieving readiness is heavily contingent upon the projected timescales agreed with DfE being met. Key milestones for the AEB programme ahead are:

- Approval by the Combined Authority of the AEB governance process (November 2020).
- The formal stage laying of orders as part of the wider devolution deal (December 2020).
- Commissioning for 2021/22 provision (October 2020 – March 2021)
- West Yorkshire funding allocation confirmed by DfE (March 2021)
- Delivery and management begin (1 August 2021)

## Grant certification

The plan contains an audit resource to certify grant claims where the Combined Authority acts as the Accountable Body or the grant conditions require an Internal Audit sign off.

Over the year this work has taken on two strands. Firstly, at an operational level Internal Audit have continued to certify, on request, various grant claims submitted by the Combined Authority. Examples of claims that have required certification have included European Regional Development Funds, Local Transport Grants, Bus Services Support Grants and the Growth Service. This has included performing due diligence checks and certifying the accuracy of claims prior to submission to the relevant funding bodies. Where required, we have made comment on suggested areas for improvement and in one instance (LTP grant, see below) this has culminated in an audit report.

Secondly, and more significantly, the Head of Internal Audit is working with the business as part of a wider discussion around the grant certification process with the aim of reducing the reliance on audit to provide all the checks and balances on grant claims. A task and finish group has been established to which Audit is providing advice and guidance on appropriate controls and which will help the business to manage the process itself, a further update will be provided to Committee at the next meeting.

## Local Transport Plan (LTP) Grant review

The Combined Authority receives substantial Local Transport Capital Block Funding (Integrated Transport and Highways Maintenance) (LTP) annually which requires Internal Audit certification prior to submission to the Department for Transport.

The review examined the certification process and followed up previous audit recommendations made in an 2018-19 review of LTP. Arising from our work, we identified matters which resulted in two actions for management to implement. The actions primarily related to improving administrative processes and carrying out pre-audit documentation checks which once implemented should

ensure controls are strengthened and aid a smoother certification process, the overall opinion of **REASONABLE** assurance was given.

## ICT Risk Assessment

This risk assessment was undertaken to provide an evidence base from which some further specific pieces of ICT audit work could be agreed and commissioned. The work was done using the knowledge and skills of the Salford ICT audit team that considered the general impacts to Local Authorities, discussions with key ICT staff at the Authority, comparisons to other similar organisations, controls in place, significant risks, previous audits and accreditations.

Given the outcome from the risk assessment, the Head of Internal Audit and the Head of ICT Services have agreed to focus on 3 main areas that would provide the timeliest assurances in this plan year, namely:

### **3<sup>rd</sup> Party Supplier Management**

- Authorisation and approval of access requests
- Due diligence management of key 3<sup>rd</sup> party suppliers access
- Mechanism(s) for providing 3<sup>rd</sup> party access
- Due Diligence management of security for hosted solutions
- Access monitoring
- Access removal

### **Vulnerability Management**

- Vulnerability discovery process
- Vulnerability prioritisation process
- Vulnerability reporting, remediate and rescan process
- Trending and Metrics
- Event Management business case
- Event log collation sources
- Event alert configuration and responses
- Event capacity management

### **Payment Card Industry (PCI) Compliance**

- Identification of the payment methods available
- The completed SAQ is appropriate to the payment methods conducted
- The relevant vulnerability scans are conducted and all relevant vulnerabilities rectified
- Network segregation of cardholder data

- Authority processes for the installation of new card payment mechanisms/software ensures that it is properly authorised and included in the PCI Data Security Standard process

## Digitisation and Corporate Technology Programme

As part of the ongoing work to digitise processes within the West Yorkshire Combined Authority, the Head of Internal Audit has been part of the working group that has been developing the new digital Request for Decision (RfD) process. This new process is due to be launched soon and has particularly emphasised the following:

- Through the development of a guidance hub, more attention and better early engagement with parties that will either have an interest in the decision or who may have skills and expertise that would be of benefit to the author
- Ensuring that key decisions are identified earlier in the process with the additional requirements around these noted and built into timelines and statutory requirements
- Using the new process to drive continuous improvement through better recording and monitoring, data analysis and feedback
- Speeding up the process and making the decisions (where appropriate) more visible and transparent.

The Head of Internal Audit is also part of the group developing a new application for reporting Health & Safety Incidents. This is progressing well and is intended to make it much easier for everyone to report incidents including near misses which should in turn drive the chance to take early action to prevent things becoming more significant.

Audit has also been involved in developing the new digitised process for Business Planning which is looking to enhance work across directorates making it easier to gain insight on interdependencies earlier in the process.

Audit has also been taking a proactive role in relation to the Corporate Technology Programme which has included being one of the first teams to move into a new document repository system that enables more collaborative working and greater transparency of information. Feedback from this process has been used to help to identify training needs and to help iron out some of the unexpected issues with the transition.

## Counter Fraud and Whistleblowing

A referral has been received for investigation which is currently being assessed and will be reported on as appropriate.

The Whistleblowing Policy has been updated and revised in line with those for other MCA's and is with Legal Services for review prior to submission for approval.

A template reporting form has been devised, and the Whistleblowing Hotline number updated as part of this work.

The Counter Fraud, Bribery and Money Laundering Policies are also now under review.

The Principal Auditor/ Counter Fraud Specialist has now received basic training on IDEA Data Analytics and a programme of potential data analytics testing is being devised as a result.

The data for the latest National Fraud Initiative (NFI) has now been submitted and the appropriate data sharing notifications issued as part of this. Results for analysis are due in Q4.

## 2020/21 Internal Audit Plan

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	Assurance Area	Proposed scope and any changes	Proposed delivery quarter
1	Strategic planning	A high level review of the strategic, directorate and team business planning functions against best practice. This review needs to be deferred until after the Authority has become a Mayoral Combined Authority.	Deferred, but audit involvement in the development of digitised business planning
2	Corporate Governance (in particular connectivity across directorates)	Head of Internal Audit part of project delivery team for MCA Workstream 4 – Decision Making and Committee Structures – see MCA programmes update above	Ongoing
3	Management Information Systems (MIS) – Corporate	Business continuity/ disaster recovery and all management information systems involved to be covered with particular emphasis on COVID-19 Recovery.	Quarter 4

4	Management information systems (MIS) – HR & Finance <i>now Integrated Corporate Services System Development</i>	A project to develop new systems for Finance, Payroll and Human Resources (HR) commenced as part of the MCA preparation work in June 2020. This will involve the mapping of all current processes and future requirements - see MCA programmes update above.	Ongoing
5	GDPR and data privacy	Working with the Information Governance Team to develop a self-assessment and subsequent audit verification system for directorates. This is currently in the pilot stage with the Transport and Property Services directorate but has been delayed due to the focus on COVID-19 response and MCA readiness.	Quarter 3-4
6	Culture – working together	Given the current circumstances and the changes necessitated by both Covid and MCA implications, this work is no longer considered appropriate for this plan year.	Deferred
7	Financial – access to future funding streams	This is to change due to the move to an MCA where significant devolution funding should be available across several areas.	Deferred
8	ICT including cyber security (vulnerability management)	ICT Risk Assessment carried out by Salford Council's ICT Internal Audit team of specialists to advise on what should be prioritised for consideration in 2020/21. This review was delayed at the request of our ICT Services Team due to COVID-19 but has now been completed – see progress update above.	Quarter 3 - Advice and guidance risk assessment completed, further work to be undertaken in Quarter 3 & 4
9	Digitisation	The Head of Internal Audit has been a key member of the digitisation workshops for both the Request for Decision	Ongoing

		(RFD) process and Corporate Technology Project (CTP) workstreams. - see progress update above	
10	Health and safety	Previous external work identified a number of areas of improvement required. However, this is less applicable with the move to more staff working from home due to COVID-19, the changing health and safety framework and any changes a Mayor may want to make. Audit has been working on the development of the Health & Safety reporting app - see digitisation update above	Ongoing
11	Climate change	To cover the CA's commitment to 'Tackling the Climate Emergency' and how we propose to do this, including how this feeds into our project evaluation and relates to the Devolution workstreams on this area.	Quarter 3 – scope has been agreed and audit is currently in progress. Focus of the work is on delivery of the internal climate emergency action plan.
12	Risk management	Annual health check to inform the audit opinion and follow up work from 2019/20.	Quarter 4
13	HR compliance follow up review	This is to be combined with the work on the HR Strategy Implementation (currently 21) and the Workforce Development Devolution workstream (currently 22).  This follow up/ review is to be done in tandem with the Strategy Implementation Plan itself to ensure all work is being completed on schedule.	Quarter 4
14	Programme assurance	A rolling programme of reviews to be undertaken to health check that projects and programmes are moving appropriately through the assurance framework process, and how well we are applying our preferred project management methodology.	Ongoing - A selection of projects selected for review in Quarter 1 were put on hold, these will be picked up in Quarter 4.

15	Counter fraud work	Investigative work as required, and a Proactive Counter Fraud workplan to be developed for the year to include data analytics testing and reviews on high risk areas to provide assurance on controls.	Ongoing- See Counter Fraud and Whistleblowing Progress update above
16	Security of assets	A review of how the organisation classifies, records and secures its physical assets to ensure this is in line with the Combined Authority Financial Regulations.  To include existence checks and valuation considerations.	Scope written and currently in progress to be completed in Quarter 3
17	Compliance with Contracts Standing Orders & Financial Regulations	Initial focus on Purchase to Pay with checks on segregation of duties and possible collusion. This can be done via Internal Audit representation on the new ERP system project board (see 4 above) where processes will be broken down and examined.  Other work to be done using data analytics to detect non-compliance/ potential duplicate payments.	Ongoing
18	Equalities, including bus station safety and accessibility	A review of the CA's framework to measure and ensure equality internally and throughout the region. In particular to consider the action to be taken as a result of the 'Black Lives Matter' movement to reduce racial inequality, but to also cover other biases due to sex, sexual and gender orientation and physical and mental ability. Work around bus stations is on hold given the current Covid situation.	Quarter 4
19	Procurement	A quarterly set of checks to be undertaken on contract waivers, reports of outliers and procurements being undertaken as follow-up to the 2019/20 review.	This has been scoped and is due to be conducted in Q3 and 4
20	Contract management	Follow up on IA work from 2019/20.	Quarter 4

21	HR Strategy implementation	See 13 above.	Quarter 4
22	Devolution	<p>An initial focus on Adult Education Budgets (AEB) by significant involvement on their project board and the development of an Audit and Assurance framework - see AEB progress update above</p> <p>To consider other workstreams as part of relevant assurance areas as detailed elsewhere (Corporate Governance- currently 2, Climate Change- currently 11 and HR Strategy/ Compliance- currently 13) - see MCA Workstreams Update above</p>	Ongoing
23	Brexit	While the COVID-19 crisis and Devolution deals resulted in a shift in the priority accorded to this area within the business and from government, it is now becoming more critical, however there is still little potential for a specific audit at this point.	On hold
24	Quality Assurance	A review of the quality standards the CA is subject to and the assurance it seeks to ensure these are being met. This will also be considered as part of the development of an assurance reporting framework.	Ongoing with the Head of Internal Audit working with the Corporate Performance Team to build the framework.
25	Skills and property	Due to current Covid-19 circumstances and the MCA readiness work, this will be considered as part of other reviews specifically HR and MCA.	To be considered as part of other reviews and removed as a separate item
26	Construction (Design and Management) CDM	This was a very specific piece of work relating to Health & Safety that may require an external consultant for delivery.	Deferred
27	Safeguarding	This was initially proposed by Transport Services with regards to their role with children and young people,	Deferred

		however it may need expanding after considering new responsibilities after devolution, such as vulnerable adults receiving adult education.	
28	Complaints handling/ casework	These processes are currently being considered as part of the MCA Readiness Workstreams, with potential links to CTP digitalisation, the Head of Internal Audit is involved with both these projects providing advice and guidance on controls and governance - see MCA programmes update above.	Ongoing
29	Various grant certifications	See grants progress update above.	Ongoing
30	LTP Grant Audit - NEW	This was a small focused audit to follow up on previous recommendations and to highlight two more as a result of the work undertaken.	REASONABLE
31	Energy Accelerator Contract Review - NEW	A high level advisory review assessing the compliance systems and processes in place to manage the Energy Accelerator programme against our contractual requirements, in preparation for an independent assessment at the end of the programme.	Ongoing

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**Report to:** Governance and Audit Committee

**Date:** 27 November 2020

**Subject:** External audit progress report

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**Director(s):** Angela Taylor, Director, Corporate Services.

**Author(s):** Angela Taylor/ Jon Sheard

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## 1. Purpose of this report

- 1.1 To provide an update on external audit matters that have occurred since the last meeting.

## 2. Information

### Annual Accounts 2019/20

- 2.1 It was reported to the July 2020 meeting that due to the recent Covid-19 outbreak, public authorities have been granted deadline extensions for the annual accounts, with final / audited accounts due by 30<sup>th</sup> November 2020.
- 2.2 Every effort had been made to present the final accounts earlier and draft accounts were published in time. However due to matters outside our control, some important and necessary work and external assurances have been delayed, most notably external audit assurance on the pension disclosure figures.
- 2.3 For this reason, and because it is still within the statutory deadline for 2019/20 accounts, the accounts and audit completion report are presented on a separate report on today's agenda. Mazars will be available at the meeting to present the work they have undertaken.

### Public Sector Audit Appointments Ltd (PSAA) Update

- 2.4 The following paragraphs provided a summary of the most recent update regarding the Redmond Review consultation (2019), that we responded to and invited views from those with a direct or indirect interest in local authority audit and financial reporting.

- 2.5 At the July 2020 meeting, members were informed that the consultation had been delayed slightly by the coronavirus pandemic but was eventually published in September 2020.
- 2.6 An executive summary and recommendations from this review are attached at Appendix 1. A brief summary extract is as follows
- (i) Its main recommendation is the creation of a new body, the Office of Local Audit and Regulation (OLAR), to manage, oversee and regulate local audit. This body will take over all the functions currently exercised by PSAA, as well as some functions currently carried out by other bodies such as the National Audit Office, the Financial Reporting Council and the Institute of Chartered Accountants in England and Wales;
  - (ii) All auditors engaged in local audit be provided with the requisite skills and training;
  - (iii) The current fee structure for local audit be revised;
  - (iv) External Audit recognises that Internal Audit work can be a key support;
  - (v) The deadline for publishing audited local authority accounts be revisited, along with a review to determine whether there is scope to simplify the accounts.

#### PSAA fee variations consultation

- 2.7 PSAA has advised of a consultation underway to change the process for the approval of fee variations, distinguishing those that impact across the sector from those that are localised. Appendix 2 sets out further detail and the Committee is asked if it wishes to make a response.

#### Audit Engagement Lead

- 2.8 Mazar has advised the Combined Authority that the Engagement Lead for the Combined Authority from next year will be Mark Dalton. Mark Kirkham has been the partner on the audit for five years and in line with best practice and the FRC's ethical standard that ensure continued objectivity, he is required to move to other clients. Mark Dalton has previously worked on the Combined Authority audit and will bring that previous knowledge and experience with him.

### **3. Financial Implications**

- 3.1 As set out in the report.

### **4. Legal Implications**

- 4.1 There are no legal implications directly arising from this report.

### **5. Staffing Implications**

- 5.1 There are no staffing implications directly arising from this report.

**6. External Consultees**

6.1 No external consultations have been undertaken.

**7. Recommendations**

7.1 That the Committee consider the information provided on external audit matters.

**8. Background Documents**

None.

**9. Appendices**

Appendix 1 – Redmond Review: Executive Summary and Recommendations

Appendix 2 – PSAA consultation on fee variations

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## Redmond review

### Executive Summary

1. This Review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It has also considered whether the current means of reporting the Authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound. It is important to note that this Review encompasses not only principal local authorities but also PCCs, Fire and Rescue Authorities, Parish Councils and Meetings and Drainage Boards.
2. The Review has received 156 responses to the Calls for Views and carried out more than 100 interviews. Serious concerns have been expressed regarding the state of the local audit market and the ultimate effectiveness of the work undertaken by audit firms. This is not to say that the audits are carried out unprofessionally but there remains a question of whether such audit reports deliver full assurance on the financial sustainability and value for money of every authority subject to audit. A particular feature of the evidence submitted relates to concern about the balance of price and quality in the structure of audit contracts.
3. A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process. Although there is some scope to effect alterations to the individual roles, appropriately fulfilled with the existing framework, this would not achieve the overriding objective of providing a coherent local audit function which offers assurance to stakeholders and the public in terms of performance and accountability of the local authority and the auditor.
4. Consequently, a key recommendation is to create a new regulatory body responsible for procurement, contract management, regulation, and oversight of local audit. It is recognised that the new body will liaise with the Financial Reporting Council (FRC) with regard to its role in setting auditing standards. The engagement of audit firms to perform the local audit role would be accompanied by a new price/quality regime to ensure that audits were performed by auditors who possessed the skills, expertise and experience necessary to fulfil the audit of local authorities. These auditors would be held accountable for performance by the new regulator, underpinned by the updated code of local audit practice. A further recommendation is to formalise the engagement between local audit and Inspectorates to share findings which might have relevance to the bodies concerned.

5. The Regulator would be supported by a Liaison Committee comprising key stakeholders and chaired by the Ministry of Housing, Communities and Local Government (MHCLG). The new regulatory body would be small and focused and would not represent a body which has the same or similar features as the Audit Commission.
6. The report recognises that local audit is subject to less critical findings in respect of audit procurement and quality relating to smaller authorities. However, the recommendations include a review by Smaller Authorities' Audit Appointments (SAAA) of current arrangements relating to the proportionality of small authority audits together with the process for managing vexatious complaints where issues have been raised by those bodies which have experienced such challenges.
7. Governance in respect of the consideration and management of audit reports by authorities has also been examined in considerable detail. Based on evidence presented, there is merit in authorities examining the composition of Audit Committees in order to ensure that the required knowledge and expertise are always present when considering reports, together with the requirement that at least an annual audit report to be submitted to Full Council. This demonstrates transparency and accountability from a public perspective which is currently lacking in many authorities.
8. The issue of transparency is of equal relevance to the current presentation and publication of the annual accounts. Given that the feedback from practitioners and other key stakeholders revealed that current statutory accounts prepared by local authorities are considered to be impenetrable to the public, it is recommended that a simplified statement of service information and costs is prepared by each local authority in such a way as to enable comparison with the annual budget and council tax set for the year. This would enable Council taxpayers and service users to judge the performance of the local authority for each year of account. The new statement would be prepared in addition to the statutory accounts, which could be simplified. All means of communicating such information should be explored to achieve access to all communities.
9. The outcome of this Review is designed to deliver a new framework for effective local audit and an annual financial statement which enables all stakeholders to hold local authorities to account for their performance together with a robust and effective audit reporting regime.
10. Aside from the additional costs arising from a fee increase, the resource implications of the new regulatory body would amount to approximately £5m per annum after taking into account the amount related to staff subject to transfer under the TUPE arrangements.
11. Implementation of recommendations contained in this Review would, in part, require regulatory or legislative change but it is important to note that many of the issues identified in this report require urgent attention, given the current concerns about local audit demonstrated in this Review.

## Recommendations

The recommendations of this Review are as follows:

### External Audit Regulation

1. A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:
  - procurement of local audit contracts;
  - producing annual reports summarising the state of local audit;
  - management of local audit contracts;
  - monitoring and review of local audit performance;
  - determining the code of local audit practice; and
  - regulating the local audit sector.
2. The current roles and responsibilities relating to local audit discharged by the:
  - Public Sector Audit Appointments (PSAA);
  - Institute of Chartered Accountants in England and Wales (ICAEW);
  - FRC/ARGA; and
  - The Comptroller and Auditor General (C&AG)to be transferred to the OLAR.
3. A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.
4. The governance arrangements within local authorities be reviewed by local councils with the purpose of:
  - an annual report being submitted to Full Council by the external auditor;
  - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
  - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer to meet with the Key Audit Partner at least annually.
5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.
6. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
7. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.

9. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.
10. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
11. The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.
12. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.
13. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.

#### Smaller Authorities Audit Regulation (SAAA)

14. SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.
15. SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m.
16. SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.

#### Financial Resilience of local authorities

17. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.
18. Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.

#### Transparency of Financial Reporting

19. A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.
20. The standardised statement should be subject to external audit.

21. The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.
22. CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.
23. JPAG be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:
  - Whether “Section 2 – the Accounting Statements” should be moved to the first page of the AGAR so that it is more prominent to readers;
  - Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and
  - Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.

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## PSAA proposals for a new approach to fee variations

PSAA is consulting on proposed new arrangements for determining fee variations for local audits of opted-in bodies from audits of 2020/21 accounts onwards.

The current fee variations process requires the auditor to discuss all proposed variations with the audited body before submitting them to PSAA for determination. Feedback from both auditors and audited bodies frequently refers to the practical challenges and limited value of local discussions about proposed variations which relate to those factors which affect most or all audited bodies. Many contributors have asked PSAA to take a national lead on additional fees, where possible removing the need for local negotiations.

We are therefore proposing a new approach, based on two types of variation:

- **national variations**, required for changes that relate to the conduct of all or most audits, such as changes to the auditing and accounting codes, standards and regulatory requirements, where a standard cost can be reasonably estimated; and
- **local variations**, required for issues that relate to local factors arising from the conduct of a particular audit, such as the additional audit work required if accounts reflect complex transactions that are not built into the scale fee, or where working papers are poorly prepared, or for work relating to an auditor's statutory responsibilities such as objections, statutory recommendations or public interest reports.

The consultation is available on our website at [Fee variations consultation - November 2020](#).

We welcome comments on the proposals set out in the consultation from all stakeholders. The consultation will close on **Tuesday 1 December 2020**.

Please note that fee variation arrangements for 2019/20 audits remain unchanged and are not affected by the proposals in this consultation.

The consultation questions are set out below:

1. Do you agree that fee variation arrangements should be changed to improve the efficiency of the process and to help manage the pressures on senior finance staff and auditors?
2. Do you agree that a system based on two distinct categories - national variations and local variations - would be a logical approach?
3. Do you agree that PSAA should lead on national variations, carrying out research to enable it to assess appropriate additional fees for groups of bodies with similar characteristics, with appropriate consultation?
4. Do you agree that local discussions between the auditor and the audited body should continue to be a requirement in relation to additional audit work arising from factors which are specific to a particular audited body?
5. Do you agree that the fee rates applicable to fee variations should be increased in recognition of the importance of maintaining a sustainable local audit market?

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**Report to:** Governance and Audit Committee

**Date:** 27 November 2020

**Subject:** **Annual Accounts 2019/20**

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**Director(s):** Angela Taylor, Director, Corporate Services

**Author(s):** Jonathan Sheard

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## 1. Purpose

- 1.1 To present to the Committee for their approval the annual accounts for 2019/20 for the West Yorkshire Combined Authority.

## 2. Information

- 2.1 Normally there is a statutory requirement for approval of the annual accounts by 31 July, though for 2019/20, due to the Covid-19 pandemic, a new deadline of 30 November 2020 was agreed. All effort was made to conclude the necessary work to the original timescales and draft accounts were prepared and published in May / June 2019.
- 2.2 The accounts were also presented for audit at the same time and Mazars have substantially completed their audit work, subject to completing the outstanding work as set out in their Audit Completion Report – Executive Summary (page 3), which is attached at **Appendix 3**.
- 2.3 It is not expected that the outstanding work will result in material amendments to the accounts and nor will it affect the results and closing reserves for the year. It is anticipated, therefore, that an unqualified audit opinion, without modification, will be given on both the financial statements and value for money conclusion.
- 2.4 Members are therefore asked to consider today's report and associated appendices and approve the accounts as presented. A verbal update will be provided at the meeting on the outstanding matters.
- 2.5 The following appendices are attached:

**Appendix 1** Final accounts of the Combined Authority 2019/20

**Appendix 2** Treasury management statement

**Appendix 3** Audit completion report

- 2.6 The accounts have been prepared on an International Financial Reporting Standards (IFRS) basis in accordance with the CIPFA Code of Practice on Local Authority Accounting UK.
- 2.7 There are a number of accounting / other matters in the accounts which are drawn to the Committee's attention below.
- 2.8 **International Accounting Standard (IAS) 19 Employee Benefits** requires a particular accounting treatment of pension costs and liabilities. In effect the accounts provide a snapshot in time of the organisation's element of the West Yorkshire Pension Fund at the balance sheet date, based on information from the actuaries. In common with most local authorities this results in a deficit on the scheme but under the Account and Audit Regulations (England) 2011 this apparent deficit is funded by the creation of a corresponding reserve. The reality is that the deficit in the scheme is being addressed through the annual employer contribution rates set by the actuary and will reduce within the required timescales. The liability will only crystallise should either the West Yorkshire Pension Fund cease to exist, or Combined Authority cease to exist without a successor organisation to take on the liability. The deficit has increased during the financial year 2019/20 from £84.6 million to £89 million as a result mainly of the financial actuarial assumptions changing over the course of the year.
- 2.9 **Pension Disclosure (Asset Valuation).** The West Yorkshire Pension Fund advised that the outbreak of COVID-19 has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity is being impacted in many sectors. The valuation of pension assets they received from fund managers, especially property funds and their external valuers (CBRE) considered that less weight could be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that external valuers were faced with an unprecedented set of circumstances on which to base a judgement. Where CBRE's valuation were used these were, therefore reported on the basis of 'material' valuation. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.
- 2.10 The **going concern principle** is always required to be considered as part of the year end process. The IFRS Code's underlying assumption is that accounts shall be prepared on a going concern basis where the functions of the 'authority' will continue in operational existence for the foreseeable future. The Covid19 situation that emerged in March 2020 continues to evolve and the full impact yet to be realised. The Combined Authority is still in receipt of its key funds and currently managing the situation through use of reserves and representations with Central Government for support. In addition, the Combined Authority secured a devolution deal in March 2020 and is working

towards becoming a Mayoral Combined Authority over the coming year. The deal includes 'gainshare' funding for 30 years, worth £1.14 billion.

- 2.11 The going concern assumption is further made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. The Combined Authority relies on funding from its constituent members, all of which are local authorities with revenue raising powers, and it is able to levy on them the funding it requires to deliver its services. The Combined Authority's accounts have therefore been prepared on a going concern basis.
- 2.12 **Impairment** – officers have considered, in preparing the accounts, whether there are any circumstances arising in the year that would trigger the need for an impairment review of the carrying value of the properties of Combined Authority. The conclusion is that there are none and this was also supported by the property valuation undertaken by independent surveyors Lambert Smith Hampton.
- 2.13 **Accounting policies** – there are no significant changes to note from last year.

#### **Final accounts of the Combined Authority (Appendix 1)**

- 2.14 The Combined Authority's accounts comply fully with the required accounting standards.
- 2.15 The final revenue budget position for 2019/20 was reported to the Combined Authority meeting in June 2020. The final position is a £1.3 million surplus that adds to the general reserves giving a balance of £8.1 million. The year had started with a budgeted £1.2 million deficit, though a forecast undertaken during year estimated a £0.3 million surplus position with further updates indicating this position was likely to improve further towards the year end. The improved year end position is mainly attributable to the additional interest earned on short term investments due to the delays in the grant funded capital programme (£0.9 million), savings in bus operator payments (£0.2 million), savings across all supplies and services (£0.4 million) and these offset by reduced income compared to that previously forecast (£0.5 million).
- 2.16 In comparison to 2018/19 the Combined Authority's balance sheet shows an increased level in assets. As accountable body for the Leeds City Region Enterprise Partnership, the Combined Authority has been in receipt of Growth Deal payments as well as several other upfront grant payments such as Leeds Public Transport Package (LPTIP) and Transforming Cities Fund (TCF). There have been increase in capital grants unapplied of £45 million and in short term investments of £87 million. The capital expenditure for 2019/20 has increased by £2 million (£158 million in 2018/19 and £145 million in 2017/18).

## **Treasury Management statement (Appendix 2)**

- 2.17 The Treasury Management Statement for the year is set out in **Appendix 2**. The budget report to the Combined Authority in February 2020 confirmed the treasury management arrangements in place for the year and no subsequent changes are proposed at this stage. These arrangements and prudential borrowing rules will continue to be applied throughout the coming year.

### **Capital expenditure**

- 2.18 Total capital expenditure in the year was £160 million, funded through a combination of income streams but primarily grants from the Department for Transport and the Department of Communities and Local Government (in relation to the Growth Deal). These included the Local Transport Plan Integrated Transport block funding and highways maintenance grant totalling £43 million which is then utilised by Combined Authority and the constituent District Councils. The Combined Authority also received capital grants for the Leeds Public Transport Package (LPTIP £63.7 million) and Transforming Cities Fund (TCF £15 million). Some funding was carried forward from 2018/19, reflecting the practice of the Department for Transport in paying multi-year grants in advance. Similarly, funding will be carried forward to 2020/21 enabling committed schemes and projects to be delivered despite changes in the timing of delivery.
- 2.19 The Growth Deal funding of £73.5 million received for 2019/20 plus the carried forward amount from 2018/19 of £31 million have been applied to some £70 million of projects originally identified within the programme submitted to government. An underspend on the Growth Deal in year has been accounted for in capital grants unapplied and the balance will be utilised on projects that have been re-profiled to 2020/21 and beyond.

### **Audit Completion Report – (Appendix 3)**

- 2.20 Mazars have completed their audit work on the annual accounts and their conclusions are set out in their Audit Completion Report (draft) which is attached as **Appendix 3**. The Committee is required to consider this report before considering and approving the annual accounts. The auditors, Mazars, will be in attendance at the meeting to present their report and answer any questions.
- 2.21 The key messages are set out in the Executive Summary on pages 3-4 of the report which overall anticipates that an unqualified audit opinion, without modification, be given on the financial statements. It also anticipates an unqualified value for money conclusion.
- 2.22 The rest of the report goes on to consider how the significant audit risks identified at the planning stage and the key areas of management judgement have been addressed and the outcome of that work. It also sets out observations on the internal control environment from page 10 onwards. There is one new recommendation made in relation to internal control that has been

identified and a management response is provided that also sets out the agreed action to be taken.

- 2.23 Some changes from the draft accounts are set out in section 4 and these have been addressed in the final accounts at **Appendix 1**. They are largely reclassifications, additional disclosures and/or presentational and therefore have no impact on the results for the year.
- 2.24 The auditors will require a representation letter to be signed by management. This is a standard part of the process and effectively provides assurances that the Combined Authority has provided all necessary information and disclosures to the auditors. The draft wording of that representation letter is included on pages 21-23 of Mazars report and the Director, Corporate Services will provide a signed copy of this to the auditors. The letter of representation also confirms that no events have occurred in the period from the completion of the audit to the date of the signing of the accounts which would require any changes to the accounts.
- 2.25 Mazars are required to issue an audit completion notice by the statutory date of 30 November to confirm that they have completed their work in relation to the annual accounts. There is not a requirement to audit the Whole of Government Accounts submission as due to threshold changes the Combined Authority, for 2019/20, falls below the required level.
- 2.26 In the report, page 8, Mazars have mentioned the additional work they have had to undertake regarding independent quality review and the impact on the previously agreed fee (circa £26k). The intention is therefore to discuss the fee variation with management upon completion of the audit work. Any fee variation is subject to approval from the Public Sector Audit Appointments Ltd (PSAA ).

### **3. Financial implications**

- 3.1 The audit fee is set nationally by PSAA and is included in the Combined Authority's annual budget. As mentioned above, any fee variations will be the subject of a consultation process with the PSAA.

### **4. Legal Implications**

- 4.1 None arising directly from this report.

### **5. Staffing Implications**

- 5.1 None arising directly from this report.

### **6. Recommendations**

- 6.1 That the Treasury Management Statement be recommended for approval.

- 6.2 That Mazars Audit Completion Report be considered.
- 6.3 That the Committee approve the attached annual accounts for the year ended 31 March 2020.

**7. Appendices**

Appendix 1 – West Yorkshire Combined Authority – 2019/20 Statement of Accounts

Appendix 2 – Treasury management statement

Appendix 3 – Audit Completion Report 2019/20 (Mazars)

# Statement of Accounts

Audited figures

For the year ending 31 March 2020

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# West Yorkshire Combined Authority

## Narrative Report to the Annual Accounts 2019/20

### Introduction

This report provides context to the West Yorkshire Combined Authority's accounts for 2019/20, a year which saw continued success delivering growth through transport and economic development and regeneration.

The West Yorkshire Combined Authority has been the Local Transport Authority for West Yorkshire since 2014 and also has power to exercise economic development and regeneration functions in conjunction with the Local authorities of West Yorkshire. The Combined Authority also includes as members the leader of the City of York Council and the Chair of the Leeds City Region Local Enterprise Partnership (LEP). The Combined Authority has established a Transport Committee, through which it conducts the majority of its Local Transport Authority functions, and an Investment Committee which provides strategic guidance in relation to the investment in and funding of transport and economic development schemes. Membership of the Combined Authority committees is drawn from all Local authorities within West Yorkshire, together with City of York Council.

### Responsibilities

The Combined Authority's vision is 'We want Leeds City Region to be recognised globally as a strong, successful economy where everyone can build great businesses, careers and lives.' The Combined Authority is the guiding organisation behind this collective vision, working to ensure it, with local authorities and businesses, is delivering economic prosperity with a high quality of life, supported by world-class connectivity.

With regard to transport the Combined Authority fulfils the functions of the Local Transport Authority and is responsible for determining public transport policies in West Yorkshire, operating the concessionary travel scheme and producing the statutory Local Transport Plan.

With regard to the economy the Combined Authority is the accountable body for the Leeds City Region Local Enterprise Partnership (LEP). The LEP determines the policies and strategies to drive the economic growth and regeneration agenda with the Combined Authority ensuring funding is properly managed to ensure delivery of the interventions required to achieve the growth targets.

The Combined Authority has an important role to play in providing the vehicle for closer partnership working between the local authorities of West Yorkshire and York and the LEP in order to ensure improved economic outcomes for local people. It focuses on the areas that make the most sense to deliver at the city region level.

### Review of the year

2019/20 is the sixth year of business for the Combined Authority and the fifth which fully includes the activities and funding of the LEP.

During 2019/20, alongside our external facing work, we have made significant progress with our ambitious programme of internal transformation, deepening our level of partnership working, strengthening our monitoring and evaluation capabilities, and continuing to enhance our accountability and transparency. There has been a continued focus on delivering at pace the projects and services that support the Combined Authority priorities and a focus on ensuring that all the Combined Authority activities are contributing towards delivering inclusive growth that benefits all our communities.

Every year the Combined Authority publishes a Corporate Plan setting out its achievements from the previous year, its priorities for the coming year and how it will deliver these. This includes detail on how it will allocate its budget, its governance processes which ensure transparency and accountability for its investment, and how it will measure success through its key performance indicators (KPIs). The Corporate Plan is available at [www.westyorks-ca.gov.uk/corporateplan](http://www.westyorks-ca.gov.uk/corporateplan).

### **Transforming the organisation**

We continue transforming our organisation to ensure it is in the best possible place to deliver the investment for which we are now responsible and be “mayor-ready” ahead of any devolution deal to the region.

This organisational transformation will continue to be a priority for us during the coming year and beyond and further details are available in both our Strategic Economic Plan (SEP) and Corporate Plan (again available on our website).

### **Meeting the challenges and opportunities ahead**

The general economic outlook continues to be difficult with the public sector continuing to face funding challenges. The revenue funding for many of the Combined Authority’s activities comes from the West Yorkshire local authorities, with further contributions from them and the other LEP local authorities for some of the economic activities. All areas of the budget are reviewed as part of the Transformational Programme to ensure that resources are focussed on the organisational priorities. Recognising the pressure on local authority budgets the Combined Authority agreed a further cut in the transport levy for 2019/20 and 2020/21 and plans are progressing on the detail of how the agreed savings and cuts can be delivered. The Combined Authority still has significant capital funding through the Growth Deal, the Local Transport Plan funding and the Leeds Public Transport Infrastructure Programme amongst others and further work will continue to be undertaken during 2020/21 to ensure the most effective use is being made of all the capital and revenue income streams available to the Combined Authority, with the focus being the delivery of the objectives and outcomes as set out in the SEP.

As at the time of drafting this report the national issues relating to Covid 19 created a period of significant business disruption across the country. The Combined Authority (the CA) closed its main offices in the week commencing 16th March 2020 in response to the Government ‘lockdown’ announcements, though all office based staff were equipped and immediately able to work from home with full access to systems and information. The CA business continuity plans were invoked and adjusted internal controls were introduced to key systems and processes.

In order to ensure service continuity during and after the outbreak the CA acted swiftly to ensure contractors and service providers at risk were in a position to resume normal service delivery once the outbreak is over. Following the principle and guidance of the two Government issued Procurement Policy Notes (PPN's), the CA introduced the following arrangements:

- Supplier relief scheme due to COVID-19 – An internal working that reviews and responds consistently and fairly to supplier relief requests.
- Transport bus services retention scheme – From 20 March 2020, bus services were reduced to a minimal Key Worker Bus Service. The sudden reduction in passenger revenues were having a significant impact on the viability of bus services and there were concerns about the capacity of the bus sector in the recovery period. The Department for Transport urged the CA (as Local Transport Authorities (LTA)) to continue to pay bus and coach operators for tendered services, home to school transport, and operators for concessionary fares at levels before any downturn in service provision or patronage, for at least the period of the outbreak. The urban LTAs developed a series of conditions which required the operators agreement prior to continued payments. Additionally, the Department for Transport announced £1.086m of bus services support grant for the CA under its Better Deal For Bus Users. In addition, the Combined Authority will also receive £779k which would offset losses and support marginal services on bus services.
- Debt relief scheme - An internal working that reviews and responds consistently and fairly to customer, tenants and debtors with regard to monies owed.

A detailed assessment has commenced on the impact of Covid-19 on the revenue budget for 2020/21 and beyond. The work is evolving but discussions have commenced with the CA Board and also with government departments on how the financial impact is to be addressed.

As the situation continues to develop and work is underway to revisit the Corporate Plans and budgets that were approved by the Combined Authority in February 2020.

The following paragraphs summarise the plans for the next year and beyond, though these are likely to change once the impact of Covid 19 is understood further. More detail can be found in the published Corporate Plan with the following a summary of the planned activity.

As an organisation, we are working with our partners to secure the extra powers and funding our City Region and residents needs to thrive. Over the year we will:

- Complete our £1 billion plus Growth Deal package of investment by March 2021
- Focus on becoming a Mayoral Combined Authority and having an elected Mayor in May 2021.
- Ensure the LEP meets new government requirements
- Influence the shape and size of future regional funding (including the UK shared prosperity fund)
- Secure funding to deliver against key corporate objectives.
- Maximise delivery against European funds.
- Ensure the successful transition of Transforming Cities Fund bids into delivery

### **Boosting productivity**

- Support business to respond to the challenges and opportunities of Brexit and changes needed following COVID19
- Implement the Local Industrial Strategy and Strategic Economic Framework
- Complete delivery of the Skills Commission, maximising its influence & embedding it in the Leeds City Region
- Provide businesses with intensive support to boost productivity/innovation capacity
- Attract global investors to the region and the creation of new job and training opportunities
- Help businesses to increase overseas trade
- Embed the Regional Digital Framework

### **Enabling inclusive growth**

- Deliver an Inclusive Growth Programme in line with the Strategic Economic Framework
- Enable necessary passenger journeys where possible by public transport
- Develop a safe operating model for demand responsive transport services
- Reach people with targeted careers information
- Engage businesses with skills initiatives
- Continued delivery of [re]boot & Employment Hub
- Connect home & businesses to superfast broadband where there is limited commercial viability
- Embed inclusive growth across our policies

### **Delivering 21<sup>st</sup> century transport**

- Increase bus patronage & satisfaction through the West Yorkshire Bus Alliance
- Transform passenger information and modernise travel centres
- Increase bus use amongst under 25s at no increased cost
- Manage over 1 million MCard sales and launch a mobile app
- Continue work on future bus options and alternative governance models
- Develop a strategic business case for urban transit proposals
- Establish a rail strategy, preparing for HS2 & Northern Powerhouse Rail
- Deliver schemes in WY+ Transport Fund, LTP and Leeds Public Transport Investment Programme & delivery of a Transforming Cities Fund

### **Tackling the climate emergency**

- Mobilise the Climate Coalition, to achieve early years targets to reach zero-carbon by 2038.
- Deliver priority projects in the Energy Strategy
- Provide intensive clean growth support to businesses (through Resource Efficiency Fund and the Travel Plan Network)
- Enable a further schemes to be supported by the Energy Accelerator
- Complete installation of electric vehicle charging points
- Establish a connectivity plan and pipeline, promoting active & decarbonised travel
- Reduce carbon from the Combined Authority's assets

## **The accounts**

The accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting UK 2019/20 which is based on approved International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards (IAS) Board. The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts consist of the following:-

**The Statement of Responsibilities** for the Statement of Accounts, which sets out the requirements for the Combined Authority and the chief financial officer's responsibilities.

**The Annual Governance Statement** is not part of the Statement of Accounts but is required to be provided with them. It provides information regarding the system of internal control during the financial year and covers the effectiveness of this for the Combined Authority.

**The Accounting Policies** which explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. This includes the basis of charges to revenue and the calculation of balance sheet items.

**The Movement in Reserves Statement** reconciles the outturn on the income and expenditure account to the balance on the General Fund that is established by complying with the relevant statutory provisions. It facilitates a full presentation of the financial performance of the Combined Authority for the year.

**The Comprehensive Income and Expenditure Statement** which shows the net cost for the current year of all the services for which the Combined Authority is responsible and demonstrates how that cost has been financed.

**The Balance Sheet** shows the Combined Authority's assets and liabilities.

**The Cash Flow Statement** summarises the inflows and outflows of cash arising from transactions with other parties for revenue and capital purposes.

Following the IFRS Based Code requirements means that the Combined Authority has a significant liability arising from the requirements of IAS19 Accounting for Pension Costs. This requires the Combined Authority to show in their accounts any deficit arising on their proportion of the West Yorkshire Pension Fund obligations as measured by the Actuary. Whilst this is in accordance with the requirements of the Accounts and Audit Regulations 2015 it is offset by a negative Pensions Reserve. However, the impact of the deficit is long term and action is being taken to address it in accordance with the Actuary's projections.

	2019/20 Approved Budget	2019/20 Actual
	£m	£m
<b>Funding</b>		
Special Rail Grant	0.9	0.9
LEP General Funding	1.2	1.5
Growing Places Fund Interest	0.3	0.7
Enterprise Zone Receipts	2.0	2.4
Transport levy applied	93.2	93.2
Transfer from / (to) reserves	1.2	(1.3)
	98.8	97.3
<b>Revenue Expenditure</b>		
<b><u>Transport Services:</u></b>		
Concessionary Fares	56.6	55.2
Subsidised Bus Services	16.8	17.0
Passenger Services	6.1	5.6
Rail SRG spend	0.9	0.9
<b><u>Economic Services</u></b>	0.9	0.9
<b><u>Policy, Strategy and Communications</u></b>		
<b><u>Corporate</u></b>	4.7	4.8
Pension&Financing Charges	8.9	7.5
Corporate inc one organisation	4.1	5.3
	98.8	97.3

The presentation above reflects the format in which the original budget was approved by the Combined Authority and provides a useful analysis of expenditure for the users of the accounts. The transfer to reserves figure (£1.325m) is the revenue position for 2019/20. This is lower than the budget set due to a number of savings being realised across the operational areas and increased capitalisation.

## Revenue funding

The Combined Authority's expenditure was met by a levy on the five constituent West Yorkshire local authorities (Bradford, Calderdale, Kirklees, Leeds and Wakefield) and contributions from them and the other LEP local authorities for the economic activities. Funding is also received from government in support of LEP core costs and to fund business and skills activities, such as grants to businesses for apprentices. In 2019/20 grant income of £878k was received from Central Government to cover the administrative costs of managing the rail franchises. Since 1 April 2016 rail franchise payments have been paid via Rail North and not via the Combined Authority. Grants formerly received directly from central Government towards the costs of the English National Concessionary Travel Scheme and rural bus services are now paid to the local authorities as part of the revenue support grant. Income from the LEP Enterprise Zones accrues to the Combined Authority and a sum of £2.3m has been accounted for in 2019/20, with this set to rise as more businesses locate to the Enterprise Zones.

In 2006/07 the government introduced free local bus travel for senior citizens and disabled passengers and funded this through increases to the revenue support grant provided to the constituent local authorities. There was an uneven distribution between local authorities and the levy was issued to adjust for this with any excess being returned to the local authorities. This agreement has subsequently been continued and the transport levy shown in the accounts for 2019/20 is the net amount.

## **Revenue expenditure**

The net levy available for normal transport purposes was reduced by £1m as that paid to the Combined Authority in 2019/20. The annual amount set aside for the West Yorkshire plus Transport Fund (WY+TF) remained at the same level of approximately £5m. This is in addition to the amounts set aside in previous years for this purpose, demonstrating the local commitment to establishing the WY+TF.

The reduction in the levy for normal transport purposes has only been possible as a result of the approach taken by the Combined Authority to ongoing cost reductions. This includes the continued and successful reduction in costs of tendered bus services, along with the changes to the reimbursement of discretionary concessionary fares. As well as these other efficiency savings have continued to be pursued.

Funding awarded for Economic Services comes from a range of different sources, including UK Government (e.g. Department for Business, Energy and Industrial Strategy and Department for International Trade and the Skills Funding Agency), from the European Union (European Social Fund, European Regional Development Fund and Interreg) and from local sources, such as the Leeds City Region Business Rates Pool. This focusses on helping existing businesses to grow, attracting new business investment to the City Region and addressing skills shortages at all levels.

In common with local government across England, the Combined Authority expects to face challenging financial constraints over the coming years. Work is underway on a challenging programme of review of the services we currently support to enable a balanced medium term financial strategy to be achieved.

## **Capital expenditure**

Total capital expenditure in the year was £158.7m (please see note 18 page 52), funded through a combination of income streams but primarily grants from the Department for Transport and the Ministry of Housing, Communities and Local Government (in relation to the Growth Deal). These included the Local Transport Plan Integrated Transport block funding and highways maintenance grant totalling £42m which is then utilised by the Combined Authority and the constituent Local authorities, and the £63.7m capital grants for the Leeds Public Transport Improvement Package.

The Growth Deal funding of £74m received for 2019/20 has been applied to £70m of projects within the programme. An underspend in year on the Growth Deal has been accounted from capital grants to be applied in future years.

The significant capital schemes delivered in the year are set out in the above narrative and as well as these there have also been investments in ICT, contributions to highways and City Connect schemes, and car parks and further investment in clean bus technology.

## **Treasury management**

The Combined Authority has continued to follow its approved treasury management policy. Changes to this policy have been made during the year to enable the Combined Authority to better manage its increasing cash balances. There has been significantly more income received in the year with the trend set to continue, as a result of the Combined Authority taking on the responsibility of accountable body for funding awarded

to the LEP. This has resulted in short term investment of £186m being invested as at 31 March 2020.

The Combined Authority's long term borrowing remains at £75m at the end of 2019/20. The Combined Authority's borrowing requirement is increasing over coming years, reflecting the capital programme approved on 6th February 2020. This will be periodically reviewed as the West Yorkshire plus Transport Fund and other activities of the Combined Authority are further developed.

### **Statement on the economy, efficiency and effectiveness of Combined Authority in its use of resources**

The Combined Authority in line with other public sector bodies, has always been mindful of the requirement to demonstrate value for money in its activities. This value for money can be described in terms of the 'three Es' of economy i.e. careful use of resources to save expense, time or effort, efficiency i.e. delivering the same level of service for less cost, time or effort and effectiveness i.e. delivering a better service or getting a better return for the same amount of expense, time or effort.

The Corporate Plan and associated budgets are approved by the Combined Authority at the February meeting each year. Plans are underway to develop the medium term financial strategy that will identify spending and saving plans, funding stream and emerging financial risks.

Investment in infrastructure projects is driven by the SEP and all projects are subject to the Appraisal Framework which tests the robustness of each scheme in the pipeline to ensure the strategic fit along with a financial and economic appraisal. The Assurance Framework is reviewed annually by the Combined Authority and by the Department for Business, Energy and Industrial Strategy.

The Corporate Plan is closely linked to the aims of the SEP and provides a vision, mission, objectives and outcomes for the coming years. Clear and measurable targets and outcomes for key priorities are identified, with key performance targets being measured regularly throughout the year.

### **Further Information**

The Combined Authority's accounts can also be supplied in large print, Braille or audiotape. Anyone wanting these options should contact the Combined Authority on 0113 251 7227.

Further information on the Combined Authority is available on its website [www.westyorks-ca.gov.uk](http://www.westyorks-ca.gov.uk)

Address: Wellington House, 40/50 Wellington Street, Leeds LS1 2DE

Telephone for general enquiries: 0113 251 7272

Metroline for travel enquiries etc: 0113 245 7676

LEP Growth Service for businesses seeking support to grow: 0113 348 1818

## **Statement of Responsibilities for the West Yorkshire Combined Authority**

### **1. The Combined Authority's Responsibilities**

The Combined Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Combined Authority, that officer was the Director, Corporate Services who is designated as Chief Financial Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

### **2. The Chief Financial Officer's Responsibilities**

The Chief Financial Officer is responsible for the preparation of the Combined Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present a true and fair view of the financial position of the Combined Authority at the accounting date and its income and expenditure for the year ended 31 March 2020

In preparing this Statement of Accounts, I have selected suitable accounting policies and then applied them consistently, made judgements and estimates that were reasonable and prudent and complied with the Code of Practice.

I have also kept proper accounting records which were up to date and taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **3. Certification of the Accounts**

I certify that the unaudited Statement of Accounts present a true and fair view of the financial position of the West Yorkshire Combined Authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

A Taylor  
Chief Financial Officer

#### **4. Approval of the Accounts**

I certify that the Statement of Accounts was authorised for issue and approved by a resolution of the West Yorkshire Combined Authority Governance and Audit Committee meeting on 27 November 2020 in accordance with the Accounts and Audit Regulations 2015. There are no material events after the balance sheet date that require reflecting in the Statement of Accounts.

Councillor Hinchcliffe  
Chair of the Authority

27 November 2020

# **West Yorkshire Combined Authority Annual Governance Statement 2019/20**

## **1. Scope of Responsibility**

West Yorkshire Combined Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Combined Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Combined Authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk. The Combined Authority annually approves a Code of Corporate governance consistent with the principles of CIPFA Solace framework "Delivering good governance in Local Government".

In accordance with the Accounts and Audit Regulations 2015 this Annual Governance Statement (AGS) considers compliance with the Corporate Governance Code and Framework, and sets out how the Combined Authority 'ensures that the financial management is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.'

## **2. The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the Combined Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Combined Authority to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services for its customers.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Combined Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

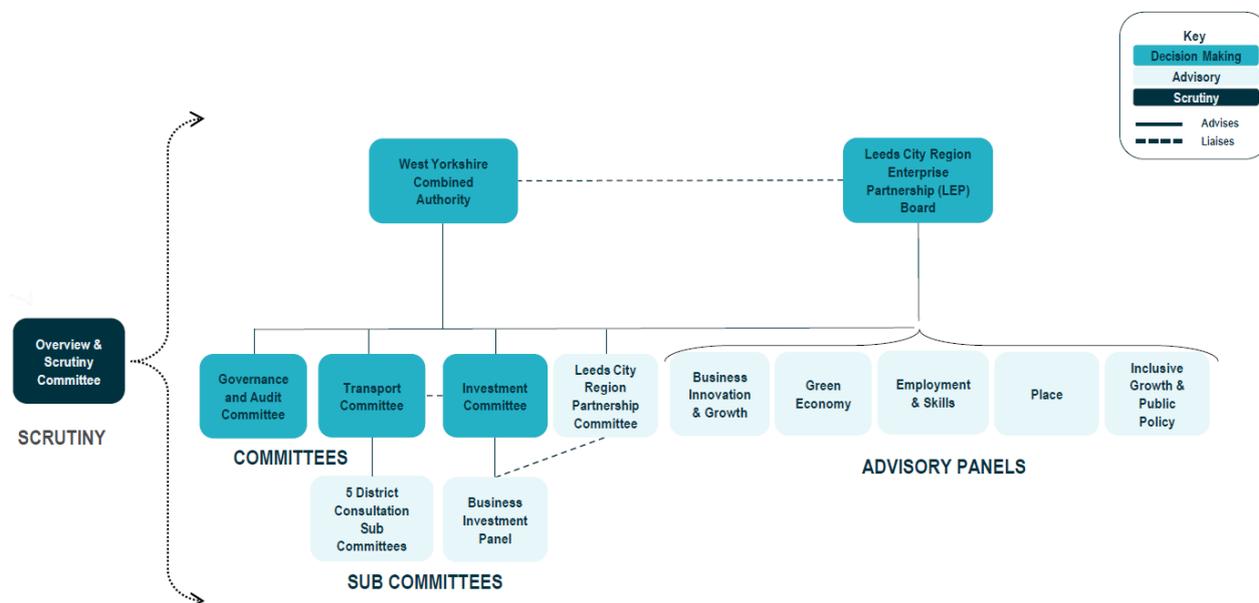
The governance framework has been in place at the Combined Authority throughout the year ended 31 March 2020 and up to the date of approval of the financial statements.

## **3. The governance framework**

There are a number of key elements of the systems and processes that comprise the Combined Authority's governance arrangements. These are set out in the approved Corporate Governance Code and Framework and which is available on its website. The Combined Authority took on accountable body status for funding awarded to the Leeds City

Region Enterprise Partnership (LEP) from 1 April 2015 and governance arrangements reflect this responsibility and continue to develop to further enhance this. During 2017/18 a review of these arrangements resulted in formalising the LEP advisory panels that provide policy direction and guidance to the LEP Board and these arrangements remained in place for 2019/20, with ultimately financial approvals provided by the Combined Authority.

## Governance Structure



- a) Corporate policies and objectives are set and communicated by the Combined Authority. The Combined Authority has clearly defined its ambitions to work with its partners across the region to effect economic growth in the Leeds City Region; these ambitions are set out in the Strategic Economic Plan (SEP). The SEP presents investment priorities across the four pillars of growing business, developing a skilled workforce, clean energy and environmental resilience and delivering the infrastructure for growth. The SEP has been endorsed by both the LEP and Combined Authority Boards and is kept under review to ensure it continues to align with the region's needs and recognises relationships with new and emerging strategies such as the Local Industrial Strategy.
- b) The LEP panels (with their public and private sector representation) are integrated into the Combined Authority's decision making process as advisory committees, thus providing a consistent, accountable and transparent framework across both the LEP and the Combined Authority, so far as possible. The status of the advisory committees brings the panels under the statutory provisions relating to local authority meetings and the Combined Authority's Members' Code of Conduct.
- c) A review of LEP governance and transparency was carried out during 2017/18 which considered local arrangements and recommendations from the DCLG Review of Local Enterprise Partnership Governance and Transparency. The review led to the adoption of a LEP constitution and associated procedures that have been in place for 2019/20. All documents were reviewed by the LEP, further to the publication by Government of the revised National Local Growth Assurance Framework guidance. All governance documents comply with the guidance published by Government. The

outcome of the most recent Annual Conversation carried out by the Cities and Local Growth Unit confirmed that the LEP’s governance is considered to be good.

- d) The statutory Local Transport Plan (LTP) in place for 2019/20 was adopted by the Combined Authority in August 2017 and sets out a step change in the quality and performance of the transport system within West Yorkshire and its connections with the rest of the country. It sits within the policy framework of the Combined Authority, with the development of a Leeds City Region Industrial Strategy at its heart, targeted at placing the City Region on the front-foot with an ambitious policy platform that improves competitiveness and drives inclusive growth outcomes.
- e) A suite of supporting plans and strategies set out further detail on a range of priority areas, including housing and regeneration, digital infrastructure, green infrastructure, skills and trade and investment. The work underway on the Local Industrial Strategy will bring these together to enable a clearer focus on driving economic growth.
- f) The Leeds City Region Assurance Framework is in line with national best practice and is peer reviewed and updated on an annual basis building on existing good practice and reflecting any changes in both government guidance and improvements to the Combined Authority’s procedures. The Assurance Framework was comprehensively reviewed during 2019/20, to comply with the revised National Local Growth Assurance Framework Guidance. Changes were considered and endorsed by a working group of the Overview and Scrutiny Committee and further considered by the Governance and Audit Committee, the LEP Board and the Combined Authority. It supports decision making on projects and guides investment decisions across the full portfolio of capital interventions. It sets out the appropriate safeguards and processes to be put in place to ensure the proper use of public funds and that value for money is secured and outcomes are clearly agreed when investing in schemes. This includes the prioritisation process for identifying the schemes that are included for funding with a three stage approval process now in place to enable the prioritisation of schemes. As a minimum all projects will formally need to pass decision points 2 and 5 as set out in the diagram below, with the requirement to meet the intervening activities deemed on a project by project basis. The Investment Committee will consider the majority of projects at these points with the Combined Authority approving all schemes at decision point 2, with subsequent decisions delegated thereafter to the Investment Committee and/or Managing Director (as appropriate).



- g) The Combined Authority’s scrutiny arrangements consist of a politically balanced Overview and Scrutiny Committee of 18 members co-opted from the five West Yorkshire Councils and York. In November 2018, a new Chair was appointed following the previous Chair’s resignation as a councillor. This year the committee has scrutinised the transforming cities bid, local industrial strategy, skills commission, digital inclusion/exclusion, inclusive growth and business grants performance. In addition, the committee has maintained an overview of developments in devolution,

the LEP Review, budget and business planning and progress with enterprise zones. The committee's annual report which is a summary of work undertaken and recommendations made in the 2019/20 municipal year, is considered by the LEP Board and by the Combined Authority at their respective annual meetings.

In addition, the Combined Authority continues to assist and advise local Council scrutiny enquiries where the topics affect its sphere of activity. The District Consultation Sub-Committees in each partner council give a level of local involvement and allow an opportunity to obtain feedback on changes to transport policy and services.

- h) The Combined Authority's Governance and Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk management, internal control (including internal audit) and treasury management. It has responsibility for the approval of the annual accounts. In accordance with changes in legislation an independent member was appointed to the Committee by the Combined Authority at its meeting on 28 June 2018, who chaired the committee during the last municipal year. An officer Regulatory and Compliance Board chaired by the Director, Corporate Services, provides an operational level management and review of internal control, risk, health and safety, information security and governance arrangements in place.
- i) Staff roles are defined and documented through role profiles. These set out clear competencies and accountabilities for each role and are key to making successful recruitment decisions. Appointments have been made to all the posts required by statute, including Head of Paid Service (which forms part of the Managing Director's role), s73 Officer (Director, Corporate Services), and the Monitoring Officer (Head of Legal and Governance Services).
- j) Staff behaviours are guided by Combined Authority's values and its Code of Conduct and a similar Code exists for elected Members; both employees and Members are required to maintain a register of interests. A code of conduct for LEP Board members has been approved and all Board members completed registers of interest which are available for inspection on the Combined Authority website.
- k) The Combined Authority conforms to the requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2015)*. The Chief Financial Officer is the Director, Corporate Services who is a key member of the leadership team and is responsible for the proper administration of the Combined Authority's financial arrangements through a suitably qualified and resourced finance function.
- l) An internal team provide the internal audit service to the Combined Authority. Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the internal audit activity to be defined in an internal audit charter, consistent with the definition of Internal Auditing, the Code of Ethics and the Standards. The Internal Audit Charter establishes internal audit's position within the organisation, including the mandatory nature of the Chief Audit Executive's role; functional reporting relationship with the management team; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

- m) Compliance with established procedures, laws and regulations is ensured by a system that requires all decisions to set out all legal and financial implications. Schemes of officer delegation ensure that decisions are made at the appropriate level within the Combined Authority. Procedures and policies are in place to ensure compliance with the Freedom of Information Act, Data Protection Act and Health and Safety requirements. A whistleblowing policy and guidance notes are available on the website. Regular reviews and exception reporting are conducted through the officer Regulatory and Compliance Board and through the Member Governance and Audit Committee, including arrangements for risk management.
- n) Risk management is embedded in the activities of the Combined Authority. A Corporate Risk Management Strategy, including a risk policy and risk appetite statement, has been endorsed by the Governance and Audit Committee and sets out the way in which risks are identified, recorded and monitored. A review of the risk management arrangements, including risk appetite and a revised risk register was undertaken during 2019/20 with oversight provided by the Governance and Audit Committee and findings of that review are covered in Section 4 – Review of Effectiveness.
- o) Communication on transport operational matters has taken place with stakeholders through the District Consultation Sub-Committees and Operator Groups. Consultation events have taken place during the year on the Strategic Economic Plan, the Single Transport Plan, major schemes and the bus area network reviews which have successfully sought to contain costs but retain accessibility for bus users. In addition, youth engagement is now built in as we develop our bus and transport strategy.
- p) A system of formal procedures, Contracts Standing Orders and Financial Regulations protect the organisation. These are reviewed and approved annually. A revised Capital Strategy and Procurement Strategy were approved by the Combined Authority in May 2020.
- q) External reviews carried out by auditors and other agencies to achieve Customer Service Excellence and other accreditations with any recommendations identified creating a work plan for future improvements.
- r) With regard to the transport ticketing systems the Combined Authority has in place arrangements whereby an enhanced assurance statement is sought from the train operating company Northern stating that their systems have operated adequately with no material errors or weaknesses. Sales through the Payzone network are reconciled to the back-office system ensuring that the proceeds from such card sales are fully reimbursed to the Combined Authority.

#### **4. Review of Effectiveness**

The Combined Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the Internal Audit section and that of management within the Combined Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by external auditors.

The Combined Authority has in place a system based on a framework of contract standing orders, financial regulations and administrative controls including codes of conduct and administrative policies and procedures. All key administrative controls and financial instructions are reviewed on a regular basis by the Combined Authority's management with internal audit undertaking reviews based on risk. Contract standing orders and financial regulations are updated as required and re-approved annually by the Combined Authority at its Annual Meeting. In terms of financial accounting the Combined Authority utilises a core financial system which is tested and evaluated annually by internal and external audit. During the last year the Chief Financial Officer has provided to the Governance and Audit Committee a regular confirmation that key controls have been operating in the period. Regular reports are also provided to the Regulatory and Compliance Board that key controls have been operating in the period.

One of the key responsibilities within the Combined Authority is to determine, agree and monitor the annual budget. This responsibility involves setting an appropriate budget to fulfil the resource requirements of the Combined Authority in undertaking its transport, economic development and regeneration activities. This budget is an integrated one for the full breadth of the activities of the Combined Authority, including the bringing together of transport and economic policy funding. The organisational directorate ensures that the most effective arrangements are in place to enable delivery of the Combined Authority's objectives and the budget is defined to follow these arrangements.

The budget setting process requires a comprehensive budget report to be presented to the full Combined Authority which gives a detailed forecast outturn for the current financial year and the proposed budget for the forthcoming financial year. The budget process is overseen and scrutinised by Members through the Member Budget Working Group, Overview and Scrutiny Committee, Governance and Audit Committee and the Combined Authority and is shared with the LEP Board.

Regular review of revenue and capital budgets is undertaken by senior management with regular updates to the Combined Authority and other committees presented through the year.

Within the Combined Authority budgetary responsibility is devolved to Budget Holders and Controllers who are responsible for monitoring and controlling their assigned budget. Regular budget performance reports are prepared by the Finance team for those charged with governance to ensure ongoing budgetary control is achieved.

The Treasury Management function for the Combined Authority is undertaken in conjunction with Leeds City Council. Their internal audit section provide an annual certification confirming the work they have undertaken during the year and their conclusions reached.

An internal team provides the internal audit resource for the Combined Authority. The work of Internal Audit is informed by an assessment of risk and a strategic audit plan is devised based on these assessments. This plan and the audit reviews are submitted to the Combined Authority's Governance and Audit Committee for consideration and approval. Regular update reports are provided to the Governance and Audit Committee by the Head of Internal Audit, including progress made on the implementation of audit recommendations. Within the Combined Authority an Audit Actions Register is used to monitor progress in implementing audit recommendations and is regularly reviewed by the directorate management teams and the officer Regulatory and Compliance Board.

From the work undertaken during the financial year 2019/20 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the effectiveness of the Combined Authority's framework of control and governance is operating adequately. Risk management arrangements have improved during 2019/20, though further development continues and therefore only partial assurance can be provided until that work is completed.

The Combined Authority continues to review, develop and refine its Assurance Framework to ensure that there is greater accountability and improved governance with regard to the management and delivery of projects. As part of the Delivery Directorate, a Portfolio Management Office manages a three stage pipeline approval process, designed to support the Leeds City Region Assurance Framework. All partner authorities delivering schemes funded by the Combined Authority follow this framework and close working with partner authorities is key to successful delivery of the wide-ranging portfolio.

Regular reports are provided to the Investment Committee and the Combined Authority on progress with Local Growth Deal schemes, including the projects within the West Yorkshire plus Transport Fund.

The Combined Authority has in place risk management arrangements that are continually reviewed and improved. Reviews of risk take place at directorate management team level, supported by guidance on the identification, assessment and reporting of risk. An officer Regulatory and Compliance Board meets on a periodic basis to ensure consistency in the assessment and management of risk and to provide an overview of the process. The Combined Authority's strategic risk register has been updated during the year and is considered regularly by the Governance and Audit Committee and reported to the Combined Authority meeting as part of the regular corporate performance management report.

Building on the work previously undertaken, a further review and update of the Combined Authority's risk management framework was completed in 2019/20 to further develop and embed risk management arrangements across the organisation. This has included work to consolidate all risk registers throughout the organisation and to ensure that risk is considered consistently in line with the principles set out in the revised Corporate Risk Management Strategy.

Internal Audit's Quality Assurance and Improvement Program ensures that activity is assessed against the requirements of professional standards, the definition of Internal Audit and the Code of Ethics as specified by the Institute of Internal Auditors.

An independent external quality review which assessed the Internal Audit function in relation to compliance with Public Sector Internal Auditing Standards (PSIAS) was completed during 2018/19 and the findings / recommendations considered by the Governance and Audit Committee during 2019/20. The conclusion was that the Internal Audit activity generally conforms to the definition of internal auditing, the Code of Ethics and the PSIAS. An action plan was determined to address recommendations for further development of the function.

The Combined Authority has reviewed its systems of internal control, including the internal audit function and concluded that it complies with the requirements of PSIAS and the Local Government Application Note.

## **5. Programme of Improvement**

During 2019/20 the Combined Authority continued to progress its 'One Organisation' Transformation Programme aimed at ensuring the Combined Authority has the right structures, processes and people to enable the successful delivery of its objectives and priorities. Significant progress has been made with regard to recruiting to new structures and subsequent alignment of budgets, corporate plans and the embedding of the new set of values and behaviours. This has been accompanied by an increased focus on transparency in decision making across both the Combined Authority and the LEP Board.

Building on the significant work undertaken in 2018 to ensure compliance with the requirements of the General Data Protection Regulation, work is continuing to ensure information security arrangements remain up to date and are regularly monitored and reported.

Work has continued on the review of the internal governance arrangements to ensure they align to best effect with the revised committee and advisory panel arrangements and that delegations are exercised to best effect to enable transparent, accountable and effective decision making.

A dedicated Scrutiny Officer is in place to support the Overview and Scrutiny Committee.

## **6. Significant Governance Issues**

This section considers any significant issues that have arisen during the year. This is by exception only.

### Covid19

The Combined Authority closed its main offices in the week commencing 16<sup>th</sup> March 2020 in response to the Government 'lockdown' announcements. As this was relatively close to the financial year end, it had little impact on 2019/20.

Office based staff could continue to work from home, as the newly introduced ICT facilitated this and staff could access all relevant systems and files. Business continuity plans were invoked and adjusted internal controls introduced to key systems and processes.

Though more an impact in 2020/21, the formal committee meetings have continued by using technologies such as Zoom and meetings therefore planned for the rest of the year.

At the reporting date for these accounts, all controls have worked well and business as usual is prevalent through the organisation.

Other than the Covid 19 issue, no other significant issues have arisen in the year.

We are satisfied that an effective system of internal control has been in place throughout the financial year and is ongoing.

Throughout 2019/20 the Combined Authority has demonstrated an ongoing commitment to best practice and good corporate governance consistent with the principles of the CIPFA/SOLACE Framework in Local Government and this is clearly demonstrated by the

adoption of an updated Corporate Governance Code and Framework which captures and summarises these updated principles. We are also satisfied with the improvements that are continuing under the guidance of the Governance and Audit Committee.

Councillor Hinchcliffe

B Still

Chair

Managing Director

27 November 2020

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. Those that can be applied to fund expenditure) and 'unusable reserves'. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold); and reserves that hold timing differences (for example the Capital Adjustment Account). The net surplus on provision of service shows the economic cost of providing the Combined Authority's services and the provision of grants to fund the introduction of capital assets, more details of which are shown in the Comprehensive Income and Expenditure Statement.

2019-2020		Useable							Unusable					Total	
	Note	General Fund	Capital Grants	Capital Receipt Reserve	WY Rail Reserve	WY Transport Fund	NGT Reserve	Total Usable reserves	Capital Adjustment Account	Financial Instruments Adj A/C	Revaluation Reserve	Donated Asset A/C	Pension Reserve	Unusable reserves	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1st April 2019		6,848	70,974	9,435	863	34,286	971	123,377	10,278	(1,477)	14,801	668	(84,640)	(60,370)	63,007
Transfer of balances 1 April 2018															
<b>Movement in reserves during 2019/20</b>															
Surplus/(Deficit) on Provision of Service		51,578						51,578						-	51,578
Remeasurement of the net defined benefit liability	5							-					(2,365)	(2,365)	(2,365)
Revaluation of non-current assets	9.22							-		(532)	1,403			871	871
<b>Total Comprehensive Income and Expenditure</b>		<b>51,578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,578</b>	<b>-</b>	<b>-</b>	<b>(532)</b>	<b>1,403</b>	<b>(2,365)</b>	<b>(1,494)</b>	<b>50,084</b>
Rebasing adjustments			(6,581)	4,577				(2,004)	333			(333)		-	(2,004)
<b>Total Comprehensive Income and Expenditure after rebasing</b>		<b>51,578</b>	<b>(6,581)</b>	<b>4,577</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,574</b>	<b>333</b>	<b>-</b>	<b>(532)</b>	<b>1,070</b>	<b>(2,365)</b>	<b>(1,494)</b>	<b>48,080</b>
<b>Adjustments between accounting basis and funding basis under regs</b>															
Minimum Revenue Provision (MRP)	19	(3,115)						(3,115)	3,115					3,115	-
Finance costs early settlement discounts	4	(6)						(6)		6				6	-
Revenue Expenditure Funded from Capital under Statute (Refocus)	22.1	156,830						156,830	(156,830)					(156,830)	-
Capital grants applied	21.5	(157,957)		(83)	(695)			(158,735)	158,735					158,735	-
Capital Grants unapplied	21.5	(46,445)	46,445					-						-	-
Depreciation	9	3,802						3,802	(3,792)			(10)		(3,802)	-
Transfer W/down of Soft Loans		204						204		(204)				(204)	-
Transfer to pension reserve	5	2,031						2,031				(2,031)		(2,031)	-
GPF loan repayments				2,135				2,135	(2,135)					(2,135)	-
Other Capital Loan repayments		(367)		1,817				1,450	(1,450)					(1,450)	-
Asset disposal (profit)/loss	3	202		365				567	(567)					(567)	-
Kirklees college overage repayment adjustment		(1,423)						(1,423)	1,423					1,423	-
<b>Total adjustments between accounting basis and funding basis under regs</b>		<b>(46,243)</b>	<b>46,445</b>	<b>4,234</b>	<b>(695)</b>	<b>-</b>	<b>-</b>	<b>3,741</b>	<b>(1,501)</b>	<b>(198)</b>	<b>-</b>	<b>(10)</b>	<b>(2,031)</b>	<b>(3,740)</b>	<b>-</b>
<b>Increase/ (decrease) in year before</b>		<b>5,335</b>	<b>39,864</b>	<b>8,811</b>	<b>(695)</b>	<b>-</b>	<b>-</b>	<b>53,315</b>	<b>(1,168)</b>	<b>(198)</b>	<b>(532)</b>	<b>1,060</b>	<b>(4,396)</b>	<b>(5,234)</b>	<b>48,080</b>
Transfer to ear-marked reserve		(4,010)				4,010		-						-	-
<b>Increase/ (decrease) in year</b>		<b>1,325</b>	<b>39,864</b>	<b>8,811</b>	<b>(695)</b>	<b>4,010</b>	<b>-</b>	<b>53,315</b>	<b>(1,168)</b>	<b>(198)</b>	<b>(532)</b>	<b>1,060</b>	<b>(4,396)</b>	<b>(5,234)</b>	<b>48,080</b>
Balance at 31st March 2020		8,173	110,838	18,247	167	38,297	971	176,693	9,109	(1,675)	14,269	1,728	(89,036)	(65,605)	111,088

# Movement in Reserves Statement

Continued

2018/19	Note	Useable		WY		Total Usable reserves	Capital Adjustment Account	Financial Instruments		Revaluation Reserve	Donated Asset A/C	Pension Reserve	Total Unusable reserves	Total	
		General Fund	Capital Grants Unapplied	Capital Receipt Reserve	Rail Reserve			Transport Fund	NGT Reserve						Adj A/C
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
<b>Balance at 1st April 2018</b>		<b>5,217</b>	<b>88,266</b>	<b>1,242</b>	<b>2,075</b>	<b>28,109</b>	<b>971</b>	<b>125,880</b>	<b>13,092</b>	<b>(1,573)</b>	<b>13,789</b>	<b>668</b>	<b>(74,746)</b>	<b>(48,770)</b>	<b>77,110</b>
Transfer of balances 1 April 2018															
<b>Movement in reserves during 2018/19</b>															
Surplus on Provision of Service		(9,837)						(9,837)						-	(9,837)
Remeasurement of the net defined benefit liability	5							-				(5,452)		(5,452)	(5,452)
Net increase in liability on disposal/acquistn								-						-	-
Revaluation of non-current assets	9.22							-		1,012				1,012	1,012
Other adjustments			173	(250)				(77)	250					250	173
<b>Total Comprehensive Income and Expenditure</b>		<b>(9,837)</b>	<b>173</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,914)</b>	<b>250</b>	<b>-</b>	<b>1,012</b>	<b>-</b>	<b>(5,452)</b>	<b>(4,190)</b>	<b>(14,104)</b>
<b>Adjustments between accounting basis and funding basis under regs</b>															
Minimum Revenue Provision (MRP)	19	(3,124)						(3,124)	3,124					3,124	-
Finance costs early settlement discounts	4	33						33		(33)				(33)	-
Revenue Expenditure Funded from Capital under Statute (Refcus)	22.1	148,831						148,831	(148,831)					(148,831)	-
Capital grants applied	21.5	(155,842)		(1,526)	(1,211)			(158,579)	158,579					158,579	-
Capital Grants unapplied	21.5	17,465	(17,465)					-						-	-
Depreciation	9	4,266						4,266	(4,266)					(4,266)	-
Transfer W/down of Soft Loans		(128)						(128)		128				128	-
Transfer to pension reserve	5	4,442						4,442				(4,442)		(4,442)	-
GPF loan repayments				9,690				9,690	(9,690)					(9,690)	-
Conversion of Local Growth Fund (LGF) loan		300						300	(300)					(300)	-
Asset disposal (profit)/loss	3	601		279				880	(880)					(880)	-
Impairment GPF Loans		800						800	(800)					(800)	-
<b>Total adjustments between accounting basis and funding basis under regs</b>		<b>17,644</b>	<b>(17,465)</b>	<b>8,443</b>	<b>(1,211)</b>	<b>-</b>	<b>-</b>	<b>7,411</b>	<b>(3,064)</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>(4,442)</b>	<b>(7,411)</b>	<b>-</b>
<b>Increase/(decrease) in year before</b>		<b>7,807</b>	<b>(17,292)</b>	<b>8,193</b>	<b>(1,211)</b>	<b>-</b>	<b>-</b>	<b>(2,503)</b>	<b>(2,814)</b>	<b>95</b>	<b>1,012</b>	<b>-</b>	<b>(9,894)</b>	<b>(11,601)</b>	<b>(14,104)</b>
Transfer to ear-marked reserve		(6,176)				6,176		-						-	-
<b>Increase/(decrease) in year</b>		<b>1,631</b>	<b>(17,292)</b>	<b>8,193</b>	<b>(1,211)</b>	<b>6,176</b>	<b>-</b>	<b>(2,503)</b>	<b>(2,814)</b>	<b>95</b>	<b>1,012</b>	<b>-</b>	<b>(9,894)</b>	<b>(11,601)</b>	<b>(14,104)</b>
<b>Balance at 31st March 2019</b>		<b>6,848</b>	<b>70,974</b>	<b>9,435</b>	<b>863</b>	<b>34,286</b>	<b>971</b>	<b>123,377</b>	<b>10,278</b>	<b>(1,477)</b>	<b>14,801</b>	<b>668</b>	<b>(84,640)</b>	<b>(60,370)</b>	<b>63,007</b>

# Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards ("IFRS") adopted by the Code of Practice on Local Authority Accounting 2019/20 and the Accounts and Audit Regulations 2015.

2018/19			2019/20			
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
202,673	(16,743)	185,930	Transport Services	227,927	(16,999)	210,928
54,226	(5,668)	48,558	Economic Services	35,444	(7,439)	28,005
4,463	(477)	3,986	Policy, Strategy & Communications	5,805	(1,007)	4,798
3,894	(3,375)	519	Delivery	4,020	(4,039)	(19)
10,566	(4,391)	6,175	Corporate Services	10,213	(4,219)	5,994
<b>275,822</b>	<b>(30,654)</b>	<b>245,168</b>	<b>Net cost of services</b>	<b>283,409</b>	<b>(33,703)</b>	<b>249,706</b>
3,220		3,220	Interest Payable	3,229		3,229
	(2,761)	(2,761)	Interest and Investment income		(3,324)	(3,324)
1,886		1,886	Net interest on the pension defined benefit liability	1,912		1,912
601		601	(Gain) or loss on disposal of assets	202		202
<b>281,529</b>	<b>(33,415)</b>	<b>248,114</b>	<b>Net Expenditure after financing and investment</b>	<b>288,752</b>	<b>(37,027)</b>	<b>251,725</b>
<b>Non-Specific Grant Income</b>						
-	(99,900)	(99,900)	District Council Levies		(98,901)	(98,901)
-	(138,377)	(138,377)	Government and Other Grants (Capital)		(204,402)	(204,402)
<b>281,529</b>	<b>(271,692)</b>	<b>9,837</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>288,752</b>	<b>(340,330)</b>	<b>(51,578)</b>
-	5,452	5,452	(Surplus)/Deficit on remeasurement of the net Defined benefit liability		2,365	2,365
-	(1,012)	(1,012)	(Surplus)/Deficit on revaluation of non-current assets		(871)	(871)
-	4,440	4,440	<b>Other Comprehensive Income and Expenditure</b>	-	1,494	1,494
		<b>14,277</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(50,084)</b>

## Balance Sheet

The balance sheet is the key statement of the Combined Authority's financial position at the year-end. It shows its balances and reserves, and the values of its long term and current assets and liabilities.

<u>31 March 2019</u>	£000s	<u>31 March 2020</u>	<i>notes</i>
	<i>Non-current assets</i>		
76,108	Property, plant and equipment	74,516	9(d)
17,591	Long-term debtors	21,623	15
93,699		96,139	
	<i>Current assets</i>		
99,590	Short term investment	186,711	20
44,202	Short term debtors	40,621	13
73,034	Cash and cash equivalents	55,277	14
216,826		282,609	
	<i>Current liabilities</i>		
(1,047)	Short term borrowing	(1,056)	17
(65,481)	Trade and Other payables	(80,452)	16
(21,153)	Accruals and deferred income	(21,909)	16
(197)	Provisions for current liabilities	(205)	23
(87,878)		(103,623)	
222,647	Total assets less current liabilities	275,124	
	<i>Long-term liabilities</i>		
(75,000)	Long-term borrowing	(75,000)	17,20
(84,640)	Net pensions liability	(89,036)	5
(159,640)		(164,036)	
63,007	Total assets less liabilities	111,088	
	Financed by		
6,848	General Fund Reserve	8,173	
9,435	Usable Capital Receipts Reserve	18,247	21
70,974	Capital grants unapplied	110,838	21
863	Rail Reserve	167	21
971	New Generation Transport Reserve	971	21
34,286	WY Transport fund Reserve	38,297	21
123,377	<i>Usable reserves</i>	176,693	
10,278	Capital Adjustment Account	9,108	21
(1,477)	Financial Instruments Adjustment Account	(1,675)	21
(84,640)	Pensions Reserve	(89,036)	21
14,801	Revaluation Reserve	14,269	21
668	Donated Asset Account	1,729	9(c)
(60,370)	<i>Unusable reserves</i>	(65,605)	
63,007	Total reserves and balances	111,088	

## Cash Flow Statement

The cashflow statement is a financial statement that shows changes in balance sheet account and income after cash and cash equivalents, and breaks the analysis down to operating, investing and financing activities. Essentially, the cashflow statement is concerned with the flow of cash in and cash out of the Combined Authority.

<u>2018/19</u>	£000s		<u>2019/20</u>
	Operating activities :		
(9,837)	Surplus/(Deficit) on the Provision of Service		51,578
4,266	Depreciation	9d	3,802
1,005	Write down of loans		(1,592)
8,716	Increase in creditors	16	13,715
(12,950)	Decrease in debtors	13,20	(1,958)
4,442	Transfer to the Pension Reserve	22	2,031
1	Provisions	23	8
601	(Profit)/Loss from disposal of assets	3	202
927	Fixed assets charged to revenue	9d	1,023
(2,829)	Net cash generated from operating activities		68,809
	Cash flows from investing activities		
(1,379)	Purchase of property, plant & equipment,	9d	(4,128)
(9,297)	New long term debtor loans advanced	15	
33,500	Short term investment	20	(86,750)
279	Proceeds from the sale of property, plant & equipment	3	365
23,103	Net cash flows from investing activities		(90,513)
	Cash flows from financing activities		
-	Repayment of loans		-
9,869	Receipt of Debtor Loan repayments	15	3,947
9,869	Net cash used from financing activities		3,947
30,143	Increase/(Decrease) in cash and cash equivalents		(17,757)
42,891	Cash and cash equivalents at the beginning of the reporting period		73,034
73,034	Cash and cash equivalents at end of reporting period	14	55,277

The deficit on the provision of service includes the following items:

<u>2018/19</u>			<u>2019/20</u>
£000's			£000's
3,220	Interest paid	4	3,229
(2,761)	Interest received	4	(3,324)

Cash and cash equivalents comprises operational cash balances, cash at bank and short-term bank deposits. Bank overdrafts that are repayable on demand also form an integral part of the Combined Authority's cash management arrangements. Included in cash and cash equivalents is cash at bank held on behalf of third parties where the liability to repay these amounts is recognised under creditors.

# Explanatory Notes to the Accounts

## ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises the Combined Authority's transactions and its position for the year end of 31 March 2020. The Combined Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, following the appropriate accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). The Code constitutes a "proper accounting practice" under the terms of section 21(2) of the Local Government Act 2003. The Code is based on approved accounting standards, supported by International Financial Reporting Standards (IFRS).

The Combined Authority prepares its accounts using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the non-current assets and financial instruments.

### 2. Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### 3. Statement of Compliance with IFRS

The following accounting standards have been adopted since the 2018/19 accounts:

- IFRS 9 Financial Instruments (replaces IAS39)
- IFRS15 Revenue from Contracts with Customers (replaces IAS11, IAS18, IFRIC13, 15, 18 and SIC 31)

The following accounting standards have been issued but not yet adopted by the Code:

- IFRS16 Leases (replaces IAS17) and effective from 2020/21 and establishes a new model for lessees.

### 4. Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make certain assumptions, estimates and judgements that may affect the reported amounts of assets, liabilities, income and expenses. These are based on historical experience and

any other factors, including expectations of future events, that are considered appropriate and consistent. Subsequent actual results may however differ from these estimates and judgements. Where the effect of a change to an estimation technique is material, a description of the change and, if practical, the effect on the current period result is disclosed. Areas where assumptions, estimates and judgements may give rise to adjustments to the carrying values of assets and liabilities in the financial year are as follows:

- Property revaluation: The Combined Authority carries its non-infrastructure land and buildings at fair value. Periodically, external surveyors are used, and the most recent full independent survey was carried out as at 31 March 2020. Between independent surveys, desk top based annual reviews are carried out by qualified surveyors. Such valuations and any attached estimates are subject to some judgement.
- Retirement benefit obligations: the cost of defined benefit pension plans is determined using an independent actuarial valuation, involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates, inflation and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries.

## 5. Accrual of expenditure and Income

Activities is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Employee costs are charged to the accounts of the period within which the employees worked. Accruals have been made for wages earned but unpaid at the year-end.
- Interest payable on external borrowings and interest receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Expenditure on supplies and services is accrued and accounted for in the period during which they are consumed or received. Accruals have been made for all material sums unpaid at the year end for goods or services received or work completed.
- Revenue from contracts is recognised when the Combined Authority satisfies a performance obligation under a contract, at the transaction price relating to that performance obligation. This means that revenue from the sale of goods is recognised when the purchaser obtains control of the goods from the Combined Authority. Revenue from on-going services provided over time is recognised over time by measuring the progress towards complete satisfaction of a performance obligation, to the extent that the Combined Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.
- Revenue from the sale of goods is recognised when the Combined Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.
- Revenue from the provision of services is recognised when the Combined Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 6. Employee Benefits and Pension Costs

6.1 The Combined Authority accounts for employee benefits in accordance with the requirement of IAS19. Accrual for short-term employee benefits are those due to be settled within twelve months of the year end. This may include wages and salaries, paid annual leave and paid sick leave and non-monetary benefits for current employees and are recognised as an expensed for services in the year. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end.

## 6.2 Pension Costs

The requirements of IAS 19 "Retirement Benefits" have been fully adopted in the financial statements of the Combined Authority.

The Combined Authority is an employing authority within the West Yorkshire Pension Fund which is a funded pension scheme. Most employees participate in this scheme which provides defined benefits payable to members on and after their retirement. Contributions made to the fund for both current and past services are charged to the revenue account as they are paid. Contribution levels are determined by the Fund. The Fund is a statutorily established pension fund and the benefits are paid under the provisions of the Local Government Pension Scheme Regulations 2014.

The Combined Authority has a continuing responsibility for payments to the Fund in respect of all staff who were transferred to Yorkshire Rider Limited (now First West Yorkshire) because of the Transport Act 1985. The annual cost of this responsibility is to be charged to the revenue account.

The liabilities of the pension fund attributable to the Combined Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employees turnover rates, etc., and estimates of projected earnings for current employees.

The assets of the pension fund attributable to the Combined Authority are included in the Balance Sheet at their fair value:

- Quoted securities at current bid price
- Unquoted securities based on professional estimate
- Unitised securities at current bid price
- Property at market value

The change in the net pension's liability is analysed into seven components:

Current service costs - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked;

Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the service costs;

Interest expense on the defined benefit obligation - the interest on the present value of liabilities and interest on the net changes in those liabilities during the year calculated using the discount rate at the start of the period debited to the Pensions interest expense/income on the net liability in the Comprehensive Income and Expenditure Statement ;

Interest income on assets - the interest income applied to the asset and net changes in the asset during the year - credited to the Pensions interest expense/income on the net liability in the Comprehensive Income and Expenditure Statement;

Gains or losses on settlements and curtailments - the result of actions to relieve the Combined Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the service costs;

Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve; and

Contributions paid to the pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to the retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Combined Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable that are unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the adverse impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## 7. Leases

The Combined Authority has classified leases as either finance or operating leases based on the extent to which the risks and rewards incidental to ownership lie with the lessee or lessor.

### 7.1 Finance Lease

Assets acquired under finance leases, where substantially all the risks and rewards of ownership of the assets have passed to the Combined Authority, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability.

### 7.2 Operational Lease

Rentals payable under operating leases (where the risks and rewards incidental to ownership remain with the lessor), are charged to the income statement on a straight line basis over the lease term. When the lease becomes onerous full provision is made of the expected discounted future cost of the lease.

## 8. Investments

Investments are shown on the Balance Sheet at amortised cost less provision, where appropriate, for loss in value. Investment income is credited to the revenue account when it falls due.

#### 9. Reserves

The General Fund Balance is a revenue reserve and transfers to and from the reserve are recognised through the Movement in Reserves Statement. Expenditure is charged to revenue and not directly to the reserve. Other reserves (Capital Adjustment, Financial Instruments Adjustment, Revaluation, and Pension Reserves) are not available for revenue purposes and can only be used for specific statutory purposes.

#### 10. Provisions

A provision is recognised in the Balance Sheet when the Combined Authority:

- Has a present legal or constructive obligation as a result of a past event, and
- It is probable that an outflow of economic benefits will be required to settle the obligation,
- And a reliable estimate can be made of the amount of the obligation

Provisions are charges as an expense to the appropriate service line in the revenue account and are included in either long term or short-term liabilities on the Balance Sheet as appropriate. When expenditure is incurred to which the provision relates, it is charged directly to the provision.

Where a material contingent loss cannot be accurately estimated or an event is not considered sufficiently certain, or where a material contingent gain is identified it is not accrued for within the accounting statements, these are disclosed in the explanatory notes.

#### 11. Provision for doubtful debts

Debtors are adjusted for doubtful debts which are provided for with known uncollectable debts being written off.

#### 12. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred by the Combined Authority that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged to the Comprehensive Income and Expenditure account. The Combined Authority meets this expenditure from existing capital resources with capital grants reversed against the expenditure charged to revenue so there is no impact on the revenue account.

#### 13. Rail Infrastructure

Expenditure incurred by the Combined Authority on any rail infrastructure projects is not capitalised. The Combined Authority has no ownership/legal rights in respect of the infrastructure and as a consequence the costs are charged directly to revenue.

#### 14. Charges to Revenue

For the Combined Authority depreciation has been shown as part of the service expenditure. The Combined Authority has considered the impairment of fixed assets in accordance with IAS 36 and no charges for impairment have been made. Such depreciation or impairment is then required by the Code to be credited in the Movement in Reserves Statement on the General Fund Balance to avoid it being a net charge to the accounts. Amounts set aside

from revenue for the repayment of external loans are also shown separately through the Movement in Reserves Statement on the General Fund Balance.

## 15. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Combined Authority when there is reasonable assurance that:

- The Combined Authority will comply with the conditions attached to the payments,
- The grants or contributions will be received.

Amounts recognised as due to the Combined Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as deferred income. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or General government grants (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Grants to fund capital expenditure from government and other bodies are credited to the Comprehensive Income and Expenditure Statement (CIES) where the grant conditions have been met. In order to recognise that the capital grants are provided to finance capital expenditure the grants are subsequently transferred from the General Fund to the Capital Adjustment Account. If expenditure has not been incurred at the balance sheet date the grant is transferred to the Capital Grants Unapplied Account.

The Comprehensive Income and Expenditure Statement will recognise capital grants to the extent that they offset capital expenditure charged directly to revenue.

## 16. Recognition of capital expenditure (de-minimis policy)

In accordance with International Accounting Standard 16 (IAS16), the Combined Authority recognises non-current assets as:

- Assets where it is expected that future economic benefit will flow to the Combined Authority.
- Assets where the cost can be measured reliably and expected to be used for more than one financial period.

The de-minimis for recognition of capital expenditure is set as £10,000 (inclusive).

Expenditure below this level is deemed to be non-enhancing unless funded by a Capital grant, and therefore is charged to revenue as it is incurred. This includes initial recognition of assets and subsequent asset expenditure. Any expenditure above £10,000 will be treated as capital expenditure as the amount is significant enough to increase the useful life of an asset.

## 17. Property, Plant and Equipment

### 17.1 Recognition of assets

All expenditure on the acquisition, construction or enhancement of property, plant and equipment, as defined by the Code has been capitalised and classified as a long-term

asset, where the asset brings benefit to the Combined Authority for a period of more than one year. This includes both economic benefit and benefits derived from service potential.

## 17.2 Classification and valuation

Non-Infrastructure Land and buildings are measured at current value which is Existing Use Value (EUV) where there is an active market or Depreciated Replacement Cost (DRC) where it relates to a specialised asset.

In accordance with the Code, the Combined Authority carries regular review on its non-infrastructure land and buildings, over a period of at most five years by a Royal Institute of Chartered Surveyors (RICS) qualified valuer. Between full revaluation, an annual desk top reviews are carried out. Such valuations and any attached estimates are subject to professional judgement. A full revaluation of the Combined Authority's Non-Infrastructure Land and Buildings and the office building (Wellington House) was carried out by a MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors as at 31 March 2020 on an Existing Use Value (EUV) and Depreciated Replacement Cost (DRC) in accordance with IAS 16.

Infrastructure Assets, such as bus stations are measured at depreciated historical cost, net of accumulated impairment losses. Cost includes professional fees and for assets constructed by the Combined Authority, any related works to the extent that these are directly attributable to the acquisition or construction of the asset.

Vehicles, plant and equipment are held at historic cost less depreciation.

Capital spend on land and property assets is included in the carrying value of an asset until such time as it is revalued. Where material capital spend has occurred on an asset, a revaluation is carried out in the year in which work is completed. Where construction or major enhancement work to an asset spans more than one year, any financing costs incurred during the construction period are included in the capital cost of the acquisition or enhancement.

At revaluation, any gains are credited to the revaluation reserve. Any revaluation losses are firstly written down against any previous revaluation gains or where there are no previous revaluation gains, such losses are charged to the Comprehensive Income and Expenditure Account in accordance with the Accounting Code of Practice. Where revaluation losses which have been charged to the income and expenditure account are reversed by subsequent events, the reversing revaluation gains are credited to the Comprehensive Income and Expenditure Statement.

## 17.3 Depreciation and amortisation

Depreciation or amortisation is provided so as to write off, on a straight-line basis, the cost of property, plant and equipment and intangible fixed assets including those held under finance leases. These charges are commenced from the dates the assets are available for their intended use and are spread over their estimated useful economic lives.

The estimated useful lives of assets are reviewed regularly and, when necessary, revised. Accelerated depreciation or amortisation is provided where an asset is expected to become obsolete before the end of its normal useful life or if events or changes in circumstances indicate that an impairment loss needs to be recognised, as discussed below. No further charges are provided in respect of assets that are fully written down but are still in use.

The estimated useful lives for the main categories of property, plant and equipment and intangible assets are:

- Freehold and Long Leasehold Buildings between 5 and 50 years
- On-street Furniture and Infrastructure 20 years
- Vehicles Between 4 and 16 years
- Plant and Equipment Between 4 and 10 years
- Office Furniture and Equipment Between 4 and 10 years

Freehold land, either at cost or valuation, is not depreciated. Management regularly considers whether there are any indications of impairment to carrying values of property, plant and equipment. Impairment reviews are based on risk adjusted discounted cash flow projections. Significant judgement is applied to the assumptions underlying these projections which include estimated discount rates, growth rates, future selling prices and direct costs. Changes to these assumptions could have a material impact on the financial position of the Combined Authority and on the result for the year.

#### 17.4 Asset Disposal

When an asset is disposed of or decommissioned, the gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Sale proceeds in excess of £10,000 are categorised as Capital Receipts. Receipts are credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the CA's underlying need to borrow (the Capital Financing Requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Sale proceeds of £10,000 and below are credited straight to the Comprehensive Income and Expenditure Statement.

#### 17.5 Progress payments for capital assets

Progress payments for capital assets or schemes not yet completed are held in Work In Progress. The assets are transferred to the appropriate category and are subject to depreciation when they become available for use. The Combined Authority writes out directly attributable costs on capital schemes where no tangible asset exists to reflect a true and fair view of the asset base.

#### 17.6 Discontinued Operations and Non-current Assets Held for Sale

Discontinued operations and Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Discontinued operations and current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This is the case, when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale is considered to be highly probable. A sale is considered to be highly probable if the appropriate level of management is

committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated.

#### 17.7 Donated Assets

Donated assets are assets that have been transferred to the Combined Authority at nil value or acquired at less than fair value. Donated assets are initially recognised at fair value at the date of acquisition. After initial recognition the donated assets will be revalued and depreciated in accordance with the Combined Authority's revaluation and depreciation policy. A Donated Assets account recognises the benefit received from these assets where conditions apply to the assets use.

#### 18. Capital Receipts

Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003. Capital receipts must be used to fund capital expenditure, to repay debt, or to fund credit arrangements, subject to the de minimis level set out in the relevant regulations (currently £10k). Capital receipts realised from the sale of land and buildings are fully usable.

#### 19. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities. The Combined Authority accounts have been prepared in accordance with IFRS 9 (which replaced IAS 39) which is effective from 2018/19 accounts. The main implications of the change is in the classification and measurement of financial assets and for recognising and measuring impairment.

#### 19.1 Financial Assets

Financial assets can be classified as cash and cash equivalents (short term deposits) trade receivables and loans receivable. The Combined Authority does not hold instruments designated as available-for-sale assets. Financial assets are initially recognised at fair value and subsequent measurement depends on their classification as follows: -

**Cash and cash equivalents:** consist of funds placed with banks and other institutions with deposit terms of 3 months or less. For the purpose of the cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

**Loans and receivables:** Consist of non-derivative financial assets with fixed or determinable payments not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. This means for most of the loans advanced by the Combined Authority the amount presented in the balance sheet is the principal plus accrued interest, with the exception of soft loans where a present value calculation of future cashflows discounted at the higher effective interest rate is undertaken. Gains and losses are recognised in the Income and Expenditure Statement when the assets are amortised, derecognised or impaired.

**Trade and other receivables:** recognised and carried at invoice or contract value less an allowance for any amounts which may not be collectable. Should an amount become uncollectable, it is written off to the income statement in the period in which it is recognised.

**Impairment of financial assets:** the Combined Authority assesses at each period end whether there is any evidence that a financial asset, or group of assets, is impaired. Financial assets are impaired if, and only if, there is objective evidence of one or more events that will negatively impact future expected cash flows, and the impact can be reliably estimated. Objective evidence may be that a debtor is experiencing financial difficulty to the extent that cash flows are, or are likely to be, negatively impacted. If such objective evidence exists, then the financial asset is impaired to the extent of the present value of estimated cash flow shortfall. The amount of the allowance for impairment is recorded separately to the asset and written off against income. Financial assets are derecognised when the appropriate cash flows have been received, or when the rights to receive cash flows from the asset have expired.

## 19.2 Financial Liabilities

Financial liabilities can be classified as loans and borrowings and trade and other payables and are initially recognised at fair value. Subsequent measurement of liabilities depends on their classification as follows:

**Loans and borrowings:** non-derivative financial liabilities with fixed or determinable payments not quoted in an active market. Such interest-bearing liabilities are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income and Expenditure Statement when the liabilities are amortised, derecognised or impaired.

**Trade and other payables:** recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the Statement of Income and Expenditure in the period in which it is recognised.

Financial liabilities are derecognised when the appropriate cash flow obligations have been discharged, expired or otherwise cancelled.

## 19.3 Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset, and the net amount reported in the Balance sheet, if and only if there is an enforceable legal right to offset, and there is an intention to settle on a net basis in order to realise the assets and discharge the liabilities simultaneously.

## 20. Cash and cash equivalents

The Combined Authority's Cash Flow Statement reflects the movements in cash and cash equivalents during the year. Cash is represented by cash in hand and the net balance on the CA's operational bank accounts, including any overdrawn balances. Cash equivalents include those investments that are held for treasury management purposes and are readily convertible to known amount of cash which insignificant risk of change in value. This includes any Call accounts.

## 21. Foreign Currency Transaction

All foreign currency income and expenses are translated at the rate ruling on the day of the transaction with the resultant profit or loss recognised immediately in the revenue account. All foreign currency assets and liabilities in the balance sheet are translated at the balance sheet date.

## 22. Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Irrecoverable VAT on the purchase of assets or services is recognised as an expense in the income statement.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet.

## 23. Consolidation of Joint Venture

The concept of materiality has been considered in respect of the consolidation of Yorcard Ltd into the Combined Authority's accounts. Materiality is determined as an omission or misstatement that may influence an economic decision of the user of the accounts. On this basis Management have adopted a policy to exclude the Yorcard Ltd Joint Venture from full consolidation but have disclosed in note 24 the financial performance and position in accordance with IAS31 "Interests in Joint ventures".

## 24. Contingent Assets and Liabilities

A contingent liability arises where an event has taken place that gives the Combined Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## 25. Exceptional Items

The Combined Authority presents certain items separately as 'exceptional'. These are items, which in management's judgement, need to be disclosed by virtue of their size and incidence in order for the user to obtain a proper understanding of the financial information. The determination of which items are separately disclosed as exceptional items requires a significant degree of judgement.

## 26. Events after the Balance Sheet Date

The Statement of Accounts are to be authorised for issue by the Chief Financial Officer as at 31 July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of the information (adjusting events). Events indicative of conditions that arose after the reporting period are not adjusted (non-adjusting events).

## Explanatory Notes to the Accounts

1. The CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards in the United Kingdom 2019/20 (IFRS based code). The IFRS based code requires all authorities who have a group interest in another organisation to produce group accounts based on IFRS 3 business combinations and IAS 27 consolidated and separate financial statements except where interpretations or adaptations for public sector apply. The accounts of the Combined Authority however have not been prepared as group accounts reflecting that the Combined Authority is a single entity with a small joint venture which is not consolidated within the financial statements as disclosed at note 24.

## 2. Comprehensive Income and Expenditure Statement (CI&E) and Expenditure and Funding Analysis (EFA)

2.1 IFRS15 Revenue from Contracts with Customers has been adopted since the 2018/19 accounts. The Combined Authority (CA) administers a prepaid ticket scheme. The CA receives revenues from prepaid ticket sales which are then pooled and distributed to operators based on passenger journey and usage data collected. Under IFRS15 the net income from the scheme is included in the CA's revenue account within Transport Services. The total payment to operators was £32.5m in 2019/20 (£33.5m in 2018/19).

2.2 The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the CA for the year has been used in providing services in comparison with those resources consumed in accordance with general accepted accounting practices. The expenditure and funding analysis also show how this expenditure is allocated for decision-making purposes between the CA's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### 2.2 (a) Expenditure and Funding Analysis

2018/19				2019/20		
Expenditure Chargeable to GF	Adjustment between funding and accounting	Net Expenditure in the CI&E (1)		Expenditure Chargeable to GF	Adjustment between funding and accounting	Net Expenditure in the CI&E (1)
80,136	105,794	185,930	£000s	79,114	131,814	210,928
1,458	47,100	48,558	Transport Services	(386)	28,391	28,005
4,005	(19)	3,986	Economic Services	4,771	27	4,798
534	(15)	519	Policy, Strategy & Communications	(40)	21	(19)
1,670	4,505	6,175	Delivery	3,890	2,103	5,994
		-	Corporate Services			-
87,803	157,365	245,168	Net cost of services	87,349	162,356	249,706
4,764	(2,419)	2,345	Financing and investment income and expenditure	4,523	(2,707)	1,816
	601	601	Loss on disposal of assets	-	202	202
(94,198)	(144,079)	(238,277)	General grant income	(93,198)	(210,104)	(303,302)
(1,631)	11,468	9,837	(Surplus) / deficit on provision of services	(1,325)	(50,253)	(51,578)

## 2.2 (b) Note to the Expenditure and Funding Analysis

2018/19				2019/20				
Adjustments for Capital Purposes (2)	Net Change for Pensions Adjustments (3)	Other Differences (4)	Total Adjustments	£000s	Adjustments for Capital Purposes (2)	Net Change for Pensions Adjustments (3)	Other Differences (4)	Total Adjustments
(105,821)	27	-	(105,794)	Transport Services	(131,780)	(34)	-	(131,814)
(47,112)	12	-	(47,100)	Economic Services	(28,375)	(16)	-	(28,391)
	19	-	19	Policy, Strategy & Communications		(27)	-	(27)
	15	-	15	Delivery		(21)	-	(21)
12	(4,517)	-	(4,505)	Corporate Services	(478)	(1,625)	-	(2,103)
(152,921)	(4,444)	-	(157,365)	Net cost of services	(160,633)	(1,723)	-	(162,356)
		2,419	2,419	Financing and investment income and expenditure			2,707	2,707
		(601)	(601)	Loss on disposal of assets			(202)	(202)
138,377		5,702	144,079	General grant income	204,402		5,702	210,104
			(11,468)	Difference Between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the provision of Services				50,253

- (1) This column shows income and expenditure recognised in accordance with the IFRS can be seen in the Comprehensive Income and Expenditure Statement on page 22.
- (2) This relates to adjustments to meet the IFRS, including depreciation, impairment and revaluation gains/losses, and the adjustment within General Grant Income relates to capital grants.
- (3) These adjustments relate to pension contributions and other employee benefits under IAS19.
- (4) These adjustments relate to gains/losses on the disposal of non-current assets (within the other operating expenditure), and statutory charges for capital financing within the net cost of service and other movement between earmarked reserves.

## 2.3 Subjective Analysis of Comprehensive Income and Expenditure

A disclosure on the nature of expenses is presented as recommended by the Code. The following table gives a breakdown by type of the external income and expenditure within the Combined Authority's overall results for the year.

2018/19	£000s	2019/20
	<u>Income</u>	
(21,299)	Other service income	(54,031)
(2,762)	Interest and investment income	(3,324)
(146,292)	Government Grants	(214,386)
(99,900)	Transport Levy	(98,900)
(270,253)	Total Income	(370,641)
	<u>Expenditure</u>	
21,198	Employee expenses	23,227
248,919	Other service expenses	286,691
4,266	Depreciation, amortisation and impairment	3,803
3,220	Interest payments	3,229
601	Gain or loss on disposal of non-current assets	202
1,886	Pension interest costs	1,912
280,090	Total Expenditure	319,064
9,837	(Surplus)/ deficit	(51,578)

### 3. Disposal of Fixed Assets

The figures shown in the Comprehensive Income and Expenditure Statement for gains or losses on the disposal of fixed assets represents the difference between the carrying value of assets which have been disposed of and the proceeds of any sale, less any administrative costs of disposal. The table below gives a breakdown of the figures.

	2018/19 £000's	2019/20 £000's
Net Book Value of Assets	880	567
Proceeds from sale	<u>(279)</u>	<u>(365)</u>
(Profit)/Loss on disposal of fixed assets by the Authority	<u>601</u>	<u>202</u>

### 4. Financing Income and Costs

	2018/19 £000's	2019/20 £000's
Interest receivable on Loans, deposits and other debts	<u>(2,761)</u>	<u>(3,324)</u>
Interest payable on Loans	<u>3,220</u>	<u>3,229</u>
Effect of early settlement of Loans	<u>(33)</u>	<u>6</u>

### 5. Pension Costs

#### 5.1 Defined Benefit Pension Scheme

The Combined Authority is a member of the West Yorkshire Pension Fund, administered by Bradford Metropolitan City Council. The West Yorkshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and is subject to statutory Local Government Pension Scheme Regulations, which specify the benefits earned, the contribution rates for employees, and the framework for calculating employers' contribution rates, which are determined by triennial actuarial valuations.

The West Yorkshire Pension fund is treated as a defined benefit scheme under IAS19, meaning that the Combined Authority and their employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The contribution rate for 2019/20 is 14.6% (14.6% for 2018/19), and the deficit lump sums are £1.295m and £1.254m for 2019/20 and 2018/19 respectively.

#### 5.2 Capital Cost of Discretionary Increase in Pension Payments

The Combined Authority is required to disclose the capital cost of discretionary increases in pension payments, which related to the award of added years on the early retirement of employees. Separate disclosure is required for the in-year discretionary awards and the ongoing costs of previous years discretionary payments. The capital costs relating to the awards of discretionary added years are set out below

A proportion of the pension costs in respect of former employees is in respect of staff transferred to Yorkshire Rider Limited (now First West Yorkshire), as explained in the Combined Authority's accounting policy note on pension costs.

	2018/19 £000's	2019/20 £000's
Current Employees	3,471	3,726
Former Employees	890	922

### 5.3 Actuarial Assumptions

The Combined Authority's West Yorkshire Pension Fund assets and liabilities have been assessed by AON Hewitt Ltd, an independent firm of actuaries. In calculating the assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future, meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values.

The main assumptions used

	2018/19		2019/20	
	Unfunded 12yrs	Funded 14.3yrs	Unfunded 12yrs	Funded 14.3yrs
Duration of liabilities				
Inflation : RPI	3.3%	3.3%	-	-
CPI	2.2%	2.2%	2.0%	2.0%
Rate of increase in salaries	-	3.5%	-	3.3%
Rate of increase for pensions in payment	2.2%	2.2%	2.0%	2.0%
Pension account revaluation rate	-	2.2%	-	2.0%
Rate used to discount funded scheme liabilities	2.4%	2.4%	2.3%	2.3%

#### Post retirement mortality (retirement in normal health)

2018/19		2019/20	
Standard SAPS Normal Health All Amounts		Standard SAPS Normal Health All Amounts	
Males : CMI 2012 Long term rate of improvement of 1.5%		Males : CMI 2018 Long term rate of improvement of 1.5%	
Females : CMI 2012 Long term rate of improvement of 1.5%		Females : CMI 2018 Long term rate of improvement of 1.5%	
<hr/>			
Life Expectancy			
	2018/19	2019/20	
- of a male (female) future pensioner aged 65 in 20yrs time	23.2 (27.2) Years	22.5 (25.7) Years	
- of a male (female) current pensioner aged 65	22.2 (25.4) Years	21.8 (24.6) Years	

As part of the latest 2019 actuarial valuation the mortality experience was analysed across the fund over a 3 year period and assumptions have been amended regarding life expectancy. The mortality allowance for future improvements uses the Continuous Mortality Investigation (CMI) Mortality Projections model with the model updated annually to reflect the latest emerging experience. This means there will continue to be regular changes to the assumptions for future improvements in mortality rates as new data is taken into account.

### 5.4 Sensitivity Analysis

Any change in the above assumptions would have an impact on the present value of the defined benefit obligation. The sensitivity analysis below shows the impact on the liability if each assumption changes by 0.1% (or 1 year for mortality assumptions). In each case all other assumptions remain constant.



	2018/19				2019/20			
	Quoted %	Unquoted %	Total %	Asset £000's	Quoted %	Unquoted %	Total %	Asset £000's
Equities	62.5	11.5	74.0	113,642	67.4	10.1	77.5	110,332
Government Bonds	11.2	-	11.2	17,200	9.6	-	9.6	13,667
Other Bonds	4.0	-	4.0	6,143	5.1	-	5.1	7,261
Property	0.2	4.5	4.7	7,218	1.9	2.6	4.5	6,406
Cash/Liquidity	-	2.3	2.3	3,532	-	1.9	1.9	2,705
Other	-	3.8	3.8	5,836	-	1.4	1.4	1,993
<b>Total</b>	<b>77.9</b>	<b>22.1</b>	<b>100.0</b>	<b>153,571</b>	<b>84.0</b>	<b>16.0</b>	<b>100.0</b>	<b>142,364</b>

The West Yorkshire Pension has advised that outbreak of the COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. The valuation of assets the Pension fund received from fund managers, especially property funds and their external valuers (CBRE) considered that less weight could be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that external valuers were faced with an unprecedented set of circumstances on which to base a judgement. Where CBRE’s valuation were used these were, therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

## 5.7 Reconciliation of present value of scheme liabilities

2018/19			2019/20		
£000's	£000's		£000's	£000's	
Unfunded	All Benefits		Unfunded	All Benefits	
10,790	220,536	Opening balance 1 April	10,300	238,211	
	4,341	Current service cost		6,080	
268	5,632	Interest cost	237	5,560	
	1,074	Member Contributions		1,189	
	2,645	Past service cost		(1,272)	
181	10,763	Actuarial gain/loss financial assumptn	(61)	(3,519)	
		Actuarial gain/loss Demographic	(929)	(8,593)	
30	2,273	Actuarial gain/loss experience	(962)	2,859	
		Curtailments			
		Net increase in liabilities from disposals/acquisitions			
(969)	(9,053)	Benefits paid	(895)	(9,115)	
10,300	238,211	Closing balance 31 March	7,690	231,400	

There were two emerging national pension issues, namely McCloud Judgement and Guaranteed Minimum Pension (GMP) Equalisation in the year ended 31 March 2019. Under the guidance of the Government Actuary’s Department and advice from the Fund’s actuary Aon at the time, an indicative £2,645k Constructive Obligation was included in the account as past service costs in 2018/19. For the years ending 2020 a potential McCloud past service liability was calculated at the opening balance sheet date, and an uplift to the current service cost for future service, based on updated membership data provided for the 2019 valuation data. This calculated past service cost in 2019/20 was lower than the indicative figure provided last year due to a change in salary increase assumption and no longer using the ‘worst case’ figures set out by the Government Actuary’s Department. The difference has been adjusted in the 2019/20 account.

## 5.8 The amounts recognised in the Comprehensive Income and Expenditure Statement

2018/19 £'000	Cost of Service	2019/20 £'000
4,341	Current Service Cost	6,080
2,645	Past Service Cost	(1,272)
	- Curtailments or settlements	
	- Financing Investment Income and Expenditure	
1,886	Interest on net defined benefit liability	1,912
8,872	Total pension cost recognised	6,720
	<b>Remeasurements in Other Comprehensive Income and Expenditure</b>	
(7,584)	Return on plan assets (in excess)/below that recognised in net interest	11,618
10,763	Actuarial (gains)/losses due to change in Financial assumption	(3,519)
	Actuarial (gains)/losses due to change in	
	- Demographic assumption	(8,593)
2,273	Actuarial (gains) due to liability experience	2,859
5,452	Total amount recognised in Other Comprehensive income	2,365
-	Net increase in liabilities from disposals/acquisitions	-
14,324	Total amount recognised	9,085

## 5.9 Estimated pension expense in future periods

This is an estimate of the charges to the surplus or deficit on the income and expenditure account in future period, based on the assumptions as at 31 March 2020.

Funded LGPS benefits - Expected amounts charged to Surplus or Deficit on the Provision of Services

	31/03/2021 £'000
Projected service cost	5,773
Past Service cost	-
Interest on the net defined benefit liability/(asset)	1,838
	7,611

Unfunded LGPS benefits - Expected amounts charged to Surplus or Deficit on the Provision of Services

	31/03/2021 £'000
Interest on the net defined benefit liability/(asset)	167
	167

## 6 Government and Other Grant Income

The Combined Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement against the appropriate provision of services:

	2018/19 £000's	2019/20 £000's
<u>Revenue credited to cost of Service</u>		
Transport Services		
Special Rail Grant (SRG) - Department for Transport	878	878
Bus Service Operator Grant - Department for Transport	2,063	2,063
	<u>2,941</u>	<u>2,941</u>
Economic Services & Strategy, Policy and Communications		
Apprentice Grant for Employers - Dept. Business Innovation & Skills	92	123
Enterprise Advisor - Careers & Enterprise Company	409	587
Strategic Heat Network - Dept. Energy and Climate Change	6	-
Business Growth Hub - Dept. Business Innovation & Skills	512	546
Growth Service - Business Rates Pool	44	846
Headstart - Skills Funding Agency	52	-
Careers Learning Pilot - Learning & Work Institute	262	(8)
Employment Hub, [re]boot & Investment Readiness - European Structural Fund	1,095	1,936
Access&Innovation and Resource Efficiency Fund - European Regional Development Fund	1,007	1,580
Strategic Growth Funding - European Regional Development Fund	1,003	596
Brexit Readiness - Ministry of Housing, Communities and Local Government	-	291
Low Emission Buses - Ministry of Housing, Communities and Local Government	234	-
Travel Plan Network - Interreg	103	86
S31 Skills grant - Department for Education	244	272
Key Account Management - Dept. International Trade	200	200
Energy Hub - Tees Valley Combined Authority	10	-
	<u>5,273</u>	<u>7,055</u>

## 7 Non-specific Grant Income

The Combined Authority credited the following grants to the Comprehensive Income and Expenditure Statement under non-specific grant income.

	2018/19 £000's	2019/20 £000's
Capital grants and other Contributions		
Local Growth Fund Allocation - Ministry of Housing, Communities and Local Government	74,349	73,510
Leeds Public Transport Package - Department for Transport	-	63,739
One Public Estate - Ministry of Housing, Communities and Local Government	395	80
ULEV Taxi Scheme - Department for Transport	15	878
Integrated Transport Block/Maintenance - Department for Transport	42,343	41,507
Section 31 Cycle City Ambition Grant - Department for Transport	13,799	106
Cleaner Bus Technology Grant - Department for Transport	54	3,448
Flood Resilience Fund - Department for Transport	-	1,727
HS2 Strategy Tranche 2 - Department for Transport	102	-
Transforming City Fund - Department for Transport	-	17,966
Other Capital Contributions	7,320	1,440
	<u>138,377</u>	<u>204,401</u>
Local Authority Levies	<u>99,900</u>	<u>98,900</u>

The funding for the provision of rail services under the franchising arrangements was no longer paid directly to the Combined Authority since 2017. The Combined Authority received the contribution to its administration costs. The amounts received as follows:

	2018/19 £000's	2019/20 £000's
Contribution to the Combined Authority's administration costs	878	878
	<u>878</u>	<u>878</u>

## 8 Officers' Remuneration and Members Allowances

### 8.1 Employee costs

	2018/19 £000's	2019/20 £000's
Wages and Salaries	15,048	16,836
National Insurance Contribution	1,493	1,683
Other Pension Costs	3,419	3,726
	<u>19,960</u>	<u>22,245</u>

The total Members' allowances paid in the year to 31 March 2020 was £132,698 (£136,424 at 31 March 2019).

8.2 The Accounts and Audit Regulations 2015 requires the CA to disclose Information on their employees' remuneration in three sections. Full details are required for senior employees who have a role in the overall management of the CA or who occupy certain statutory posts, and whose annual salary is above £50,000. Those senior officers whose salary is above £150,000 are required to be named.

In addition, two additional summary disclosures are required, covering the numbers of other staff whose total remuneration (i.e. salary plus pension etc.) is above £50,000, and the number and value of all exit packages agreed during the year.

The following table gives details of the remuneration for senior officers (as defined above) with an annual salary of above £50,000:

		Salary Fees Allowances	Bonuses	Expenses Allowances	Pension Contributions	Total
Managing Director - Ben Still	2018/19	156,075	-	192	22,787	179,054
	2019/20	159,665	-	117	23,311	183,093
Director, Transport Services	2018/19	98,922	-	-	14,443	113,365
	2019/20	106,257	-	-	15,513	121,770
Director of Delivery	2018/19	108,814	-	-	15,887	124,701
	2019/20	111,317	-	24	16,252	127,593
Director of Corporate Services-S73 Officer	2018/19	108,814	-	41	15,887	124,742
	2019/20	111,317	-	0	16,252	127,569
Interim Director of Policy, Strategy and Communications (to Sep18)	2018/19	40,872	-	-	5,967	46,839
Director of Policy, Strategy and Communications (from Sept 18)	2018/19	47,249	-	59	6,898	54,206
	2019/20	101,197	-	340	14,775	116,312
Executive Head of Economic Services (to 29.04.19)	2018/19	86,046	-	115	12,563	98,724
	2019/20	7,189	-	10	1,050	8,249
Interim Executive Head of Economic Services to 05.01.20	2019/20	57,337	-	-	8,371	65,708
Director of Economic Services (fr 06.01.20)	2019/20	23,939	-	0	3,495	27,434
Head of Legal & Governance Services	2018/19	76,671	-	24	11,194	87,889
	2019/20	82,169	-	16	11,997	94,182

Note: The Chair of Leeds City Region Enterprise Partnership (LEP) is an independent member, an annual fee of £60k was paid to the Chair on IR35 basis.

### 8.3 Other employees

The following table gives the numbers of employees whose total remuneration is above £50,000 but who are not included in the detailed disclosure for senior employees given above.

Band	Senior Officers 2018/19	Senior Officers 2019/20
£50,001 - £55,000	16	18
£55,001 - £60,000	7	4
£60,001 - £65,000	4	7
£65,001 - £70,001	4	2
£70,001 - £75,000	3	2
£75,001 - £80,000	1	2
£80,001 - £85,000	-	1
£90,001 - £95,000	-	1
£95,001 - £100,001	-	-
£100,001 - £105,000	-	-
£115,001 - £120,000	-	-
	35	37

### 8.4 Costs of redundancies and other leavers

The Code requires the Combined Authority to disclose any costs it has incurred as a result of compulsory and voluntary redundancies. Termination benefits were paid by the CA arising from the termination of employment incurring liabilities of £8,936 in 2019/20 (£76,346 in 2018/19). The exit package payable included voluntary redundancy payments and enhanced pension benefits payable arising from the re-structuring and rationalisation of specific business areas.

Exit Package cost band (inc. special payments)	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £	2019/20 £
£0-£20,000	9	-	-	3	9	3	76,346	8,936
£20,001-£40,000	-	-	-	-	-	-	-	-
£40,001-£60,000	-	-	-	-	-	-	-	-
£60,001-£80,000	-	-	-	-	-	-	-	-
£80,001-£100,000	-	-	-	-	-	-	-	-
Total	9	-	-	3	9	3	76,346	8,936

## 9 Property, Plant & Equipment

- (a) As at 31<sup>st</sup> March 2020, a full revaluation of the Combined Authority's non-infrastructure land and buildings was carried out by an MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. The full revaluation was on fair value basis in accordance with IAS16. Management has also considered the value of assets not included in the valuer's report, such as the On-street furniture assets under IFRS code were re-classified as infrastructure assets and valued at depreciated historical costs, and have concluded that asset values are materially accurate.

As part of this assessment the Authority has considered a 'material valuation uncertainty' disclosure relating to the CV-19 outbreak in the valuer's correspondence as follows:

*"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a 'Global Pandemic' on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.*

*Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.*

*Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty –and a higher degree of caution –should be attached to our valuation than would normally be the case".*

The Combined Authority is not in a position to quantify the degree of uncertainty but will keep the valuation of its estate under review during 2020/21.

The Combined Authority have also considered the impairment of fixed assets in accordance with IAS 36 and after taking into account factors since external surveyors reviewed the property portfolio can identify no circumstances or events that would affect the carrying values of the assets. The full revaluation by the external surveyors as at 31 March 2020 also confirmed this position.

(b) Assets Held for Sale

The Combined Authority has no asset held for sale as at 31 March 2020.

(c) Donated Assets Account

The CIPFA code introduces the concept of Donated Assets where assets have been acquired for less than their fair value. The code stipulates that the difference between the fair value of the asset and the consideration paid shall be recognised immediately in the Comprehensive Income and Expenditure Statement as income, or in the event that the transfer has conditions, recognised in the Donated Assets Account until such time as the conditions have been met. The Combined Authority's leased bus stations and land in Apperley Bridge station meet the criteria of Donated Assets with conditions attached, as failure to fulfil the conditions on an ongoing basis would result in the assets being returned to the relevant local authorities. These assets were received at little or no cost but are recognised on the balance sheet at fair value to reflect the true benefit of these assets with a corresponding reserve created in the form of a Donated Assets Account. The Donated Assets Account also recognises revaluation gains arising before conversion to historical cost basis as at 1 April 2007. After initial recognition Donated Assets are categorised as either Infrastructure Assets and are valued at historical cost or for Non-Infrastructure Assets are valued at current value.

	2018/19	2019/20
	£000's	£000's
Balance at start of the year	668	668
Adjustment of depreciation		(333)
Adjusted at start of the year	668	335
Movement in year	-	1,393
Balance at end of the year	668	1,728

(d) The Balance Sheet movements of Fixed Assets

2019/20

	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
	LAND AND BUILDINGS	INFRA-STRUCTURE ASSETS	DONATED ASSETS	VEHICLES OWNED	VEHICLES LEASED	PLANT & EQUIPMENT OWNED	PLANT & EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION	
<b>COST VALUATION</b>									
Opening Balance	149,753	10,405	80,016	763	18,723	8	23,301	54	16,483
Additions	4,128				84		3,092		952
assets in course of construction	(1,201)								(1,201)
Disposals	(4,396)				(4,396)				
Revaluation Adjustments	566	(814)		1,380					
Write off to Revenue	(1,022)								(1,022)
At 31 March 2018	147,828	9,591	80,016	2,143	14,411	8	26,393	54	15,212
<b>ACCUMULATED DEPRECIATION</b>									
Opening Balance	73,644	-	34,200	428	16,348	8	22,606	54	-
Charge for the year	3,802	282	2,586	10	718		206		
Disposals	(3,829)				(3,829)				
Revaluation Adjustments	(305)	(282)		(23)					
At 31 March 2018	73,312	-	36,786	415	13,237	8	22,812	54	-
<b>NET BOOK VALUES</b>									
31 March 2020	74,516	9,591	43,230	1,728	1,174	-	3,581	-	15,212
Opening Balance									
31 March 2019	76,108	10,405	45,816	335	2,375	-	695	-	16,483

2018/19

	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
	LAND AND BUILDINGS	INFRA-STRUCTURE ASSETS	DONATED ASSETS	VEHICLES OWNED	VEHICLES LEASED	PLANT & EQUIPMENT OWNED	PLANT & EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION	
<b>COST VALUATION</b>									
Opening Balance	153,070	9,678	80,007	763	22,985	8	22,917	54	16,658
Additions	1,379		9		234		384		752
Disposals	(4,496)				(4,496)				
Revaluation Adjustments	727	727							
Write off to Revenue	(927)								(927)
At 31 March 2019	149,753	10,405	80,016	763	18,723	8	23,301	54	16,483
<b>ACCUMULATED DEPRECIATION</b>									
Opening Balance	73,278	-	31,612	418	18,749	8	22,437	54	-
Charge for the year	4,266	285	2,588	10	1,214		169		
Disposals	(3,615)				(3,615)				
Revaluation Adjustments	(285)	(285)							
At 31 March 2018	73,644	-	34,200	428	16,348	8	22,606	54	-
<b>NET BOOK VALUES</b>									
31 March 2019	76,108	10,405	45,816	335	2,375	-	695	-	16,483
Opening Balance									
31 March 2018	79,792	9,678	48,395	345	4,236	-	480	-	16,658

This note analyses the movement in the balance sheet value of the Combined Authority's land, building and other fixed assets. The table above shows a breakdown of the carrying value for each category of fixed assets. The balance sheet value is made up of the cost or valuation, less any accumulated depreciation and impairment.

Cost or valuation is the historical cost or revalued amount of assets at the beginning of the year, plus any additions and revaluations (both positive and negative) during the year. The cost or revalued amount of assets disposed of during the year is written out to give the year-end balance.

The accumulated depreciation for an asset is written out when the asset is revalued, and all accumulated depreciation and impairment values are written out when an asset is disposed of.

(e) Gains or losses on the disposal of fixed assets

The figures shown in the Comprehensive Income and Expenditure Statement for gains or losses on the disposal of fixed assets represents the difference between the carrying value of assets which have been disposed of and the proceeds of any sale, less any administrative costs of disposal. Please also see note 3.

## 10 Related Party Transactions

The Combined Authority is required to disclose material transactions with related parties in accordance with IAS 24 "Related party transactions". Related parties are bodies or individuals that have the potential to control or influence the Combined Authority or to be controlled or influenced by the Combined Authority. Disclosure of these transactions allows readers to assess the extent to which it might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Combined Authority.

### Members

The Combined Authority requires Members to complete a declaration of members' disclosable pecuniary interests, and a financial yearend related party transaction declaration covering their close family. Information of both declarations are used to prepare this note.

All members have at least two roles under the Local Government Act 1985 in that they are members of one of the five constituent levying local authorities or City of York Council and are appointed to the Combined Authority or co-opted to one or more of its committees.

The Combined Authority has a number of financial transactions with related parties. The significant revenue transactions, not separately disclosed elsewhere or covering basic areas of expenditure such as rates and other service charges are:

- The UK Government exerts significant influence through legislation and the grant funding it provides to the Combined Authority. Government grant funding received is disclosed in Note 6 and 7.
- The Combined Authority receives financing through its Levy and contributions to the economic activities of the City Region from the local authorities.
- The Combined Authority provides agency services for Education transport for which they are paid fees.
- The Combined Authority received Local Transport Block Funding of which an allocation was paid to the local authorities.

The total transactions with the five constituent councils during 2019/20 are:

	Expenditure £m	Income £m
City of Bradford Council	16.1	24.9
Calderdale MDC	8.4	10
Kirklees MDC	10.5	19.2
Leeds City Council	63.8	35.3
Wakefield MDC	11.2	18.1

In 2019/20, there was a total of £3.4m transaction with York City Council.

During the year, one of the members appointed to the Combined Authority has been appointed as a governor of Leeds City College, transactions between the Combined Authority and Leeds City College totalled £2.5m.

## **Officers**

As in the case of members, there is a code of conduct governing the disclosure of interests held by officers. Under s117 of the Local Government Act 1972, senior officers are required to disclose any pecuniary interests they hold, in addition to the financial year end related party transaction declaration covering their close family.

The Managing Director is a board member of Transport for the North and also a board director for Urban Transport Group. Transactions with the two related parties were £217k and £113k respectively during 2019/20.

Yorcard Ltd is a Joint Venture trading company operated in conjunction with South Yorkshire Passenger Transport Executive (SYLTE), and is fully disclosed in note 24. The Director of Transport Services of the Combined Authority is a board director of Yorcard Ltd. Transactions with Yorcard during the year totalled £673k.

West Yorkshire Ticketing (TICCO) Ltd administers and develops a range of multi-operator, multi-modal tickets. The Director of Transport Services of the Combined Authority is a Director of TICCO Ltd. During the year ended 31 March 2020, there was a total of £140k transaction between TICCO and the Combined Authority.

## **Payments to Operators**

The Combined Authority makes significant payments to operators funded from the transport levy. These payments to operators fall into the two main categories of concessionary fares, subsidised bus services.

Payments for concessionary fares are made in accordance with the Combined Authority's concessionary fares scheme which is based on the reimbursement guidance issued by the Department for Transport. The Combined Authority has entered into three year agreements with the major bus operators within the framework of this guidance which removes an element of financial risk for all parties.

Subsidised bus services are secured by the Combined Authority, within the overall framework of the Combined Authority's policies, where they are considered to be socially necessary and no commercial service or adequate commercial service exists. All licensed operators are eligible to submit tenders for services required.

In accordance with its overall policies the Combined Authority administers a prepaid ticket scheme. The Combined Authority receives revenues from prepaid ticket sales which are then pooled and distributed to operators based on passenger journey and usage data collected by the Combined Authority. The total payment made to operators in 2019/20 was £32.5m (£33.5m in 2018/19).

## **11 Exceptional Item**

There were no exceptional items in 2019/20 or in 2018/19.

## **12 Taxation**

The West Yorkshire Combined Authority is deemed to be a body with the power to issue a levy by virtue of regulations under section 74 of the Local Government Finance Act 1988 and is therefore exempt from paying Corporation tax, income tax and capital gains tax.

### 13 Short Term Debtors

As the balance sheet represents the position at the end of the financial year, there are monies owed to the Combined Authority (CA) at that date which are yet to be received as cash. The following analysis shows the amounts owed to the CA which had not been received at 31st March 2020.

The CA also makes provision for outstanding monies which it is anticipated may not be recovered. These amounts are then deducted from the total value of debtors shown in the balance sheet. An analysis of this impairment provision for bad and doubtful debts is included below.

Trade and other receivables are non-interest-bearing financial instruments. There is no material difference between the carrying value and the fair value of trade and other receivables.

	2018/19 £000's	2019/20 £000's
Central government bodies	5,888	4,614
Other Local Authorities	22,324	26,670
Bodies external to government	16,169	9,516
Bad debt provision	(179)	(179)
	<u>44,202</u>	<u>40,621</u>

### 14 Cash & Cash Equivalents

	2018/19 £000's	2019/20 £000's
Bank Current Accounts	73,034	55,277
	<u>73,034</u>	<u>55,277</u>

Cash balances include £5.6m held on behalf of third parties at the end of 2019/20 (£5.6m in 2018/19). The liability to repay these amounts is included under Trade and Other Payables. Cash at bank and short-term deposits earn interest at floating rates based on bank deposit rates. There is no material difference between the carrying value and fair value of cash and cash equivalents.

### 15 Long Term Debtors

	2018/19 £000's	2019/20 £000's
<b>Soft Loans</b>		
Balance at 1 April	8,354	8,183
Change in category	-	1,128
Loan conversion to grant in year	(300)	-
Fair Value Adjustment on Initial recognition	-	(455)
Effective interest to write back to carrying value	129	251
Balance at 31 March	<u>8,183</u>	<u>9,108</u>
<b>Other Loans Advanced</b>		
Balance at 1 April	19,430	18,582
Change in category	-	(1,128)
Loans transferred	352	1,422
Loans repaid	(9,696)	(3,579)
Impairment of Loan	(800)	-
Loans advanced during the year	9,297	-
Balance at 31 March < 1 year	<u>(9,175)</u>	<u>(6,500)</u>
Balance at 31 March > 1 year	<u>9,408</u>	<u>8,797</u>
Other long term debtor	-	3,718
Total Long Term Debtor	<u>17,591</u>	<u>21,623</u>

The majority of loans were made under the Governments Growing Places Fund initiative which was set up in 2015 to support key infrastructure projects designed to unlock wider economic growth, create jobs and build houses in England. The fund is an important boost for local economies and provides a major opportunity for local enterprise partnerships and local authorities to identify and prioritise the infrastructure they need for growth. The range of

projects being supported include site access/site clearance, transport infrastructure, utilities, and refurbishment of buildings.

## 16 Trade and Other Payable

Since the CA's Balance Sheet represents the financial position at the end of the financial year, there are monies owed by the CA at that date which have yet to be paid. There are also amounts which the CA has received before the end of the financial year which relate to services which have not yet been provided, or are to fund schemes which have not yet taken place (Deferred Income). This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31st March 2020.

	2018/19 £000's	2019/20 £000's
Central Government Bodies	441	562
Other Local Authorities	26,912	53,743
Bodies external to Government	38,128	26,147
	<u>65,481</u>	<u>80,452</u>

### 16.1 Accrued and Deferred Income

	2018/19 £000's	2019/20 £000's
Central Government Bodies	14,814	14,947
Other Local Authorities	1,986	1,677
Bodies external to Government	4,353	5,285
	<u>21,153</u>	<u>21,909</u>

#### Notes

- Central government deferred income relates to Grants received in advance where conditions have not been met at the year end.
- Other Local Authorities deferred income relates to capital contributions to small infrastructure projects that have not yet been completed and conditions remain outstanding.
- Trade and other payables are non-interest-bearing financial instruments. There is no material difference between the carrying value and the fair value of trade and other payables.

## 17 Loans Outstanding

	2018/19 £000's	2019/20 £000's
Lender:-		
Public Works Loans Board	50,728	50,735
Other Market Loans	25,319	25,322
	<u>76,047</u>	<u>76,057</u>
Maturity:-		
Loans repayable within 12 months	1,047	1,057
More than 10 years	75,000	75,000
	<u>76,047</u>	<u>76,057</u>

## 18 Capital Expenditure and Financing

	2018/19 £000's	2019/20 £000's
Capital Expenditure		
Fixed Assets	1,379	2,928
Revenue expenditure funded from capital under statute	147,903	155,808
Long-term investments and capital loans	9,297	-
	<u>158,579</u>	<u>158,736</u>
Capital Financing		
Borrowing (credit approvals)	-	2,367
Government grants	150,694	154,036
Other contributions	7,885	2,333
	<u>158,579</u>	<u>158,736</u>

The Combined Authority (CA) plans to spend over £1,177m in its capital programme for the next three financial years. Outstanding capital commitments at the balance sheet date for the CA's capital programme were £272m, include:

- A significant programme of investment within the Local Transport programme.
- The development of major Leeds Public Transport Investment programme packages in partnership with Leeds City Council, and development on major schemes such as the East Leeds Orbital Road.
- The continued investment in our bus and bus station network, essential Corporate Technology programme (CTP) and refurbishment of Wellington House.

## 19 Capital Financing Requirement

The Combined Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed by external borrowing. For 2019/20 the amount is £3.115m.

The provision has been charged to service revenue accounts as a depreciation charge for fixed assets related to that service. The balance has been transferred from the Capital Adjustment Account to the General Fund Balance to ensure that the charge to the amount met from Government Grant and Transport Levy equates to the Minimum Revenue Provision (MRP).

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Combined Authority, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Combined Authority that has yet to be financed.

## Capital Financing Requirement

	2018/19	2019/20
	£000's	£000's
Opening Balance	78,092	74,968
Adjustment		820
Opening CFR	78,092	75,788
<b>Capital Investment</b>		
Property, Plant and Equipment	1,379	2,928
Housing and Regeneration Investment	7,950	-
Growing Places Fund Loans	1,346	-
Revenue Funded from Capital Under statute	147,903	155,808
<b>Sources of Finance</b>		
Government grants and other capital contributions	(155,841)	(157,957)
Capital Reserve (other) contributions	(2,737)	(778)
Minimum Revenue Provision (MRP)	(3,124)	(3,115)
New Borrowing		2,367
Movement in year	(3,124)	(747)
Closing Capital Financing Requirement	74,968	75,041

The capital financing requirement increased slightly in 2019/20 by the level of provision for the repayment of debt as there was an increase in the requirement to borrow to fund capital expenditure.

## 20 Financial Instruments

Financial liabilities, financial assets represented by loans, creditors and trade receivables and short-term debtors are carried in the Balance Sheet at amortised cost. Their fair value is assessed as the amount at which the instrument could be exchanged in a current transaction between willing parties.

Trade and other receivables are non-interest-bearing financial instruments. The short-term nature of these instruments means there is no material difference between the carrying value and fair value.

	2018/19		2019/20	
	£000's	£000's	£000's	£000's
	Carrying Amount	Fair value	Carrying Amount	Fair value
<b>Financial Assets</b>				
Short term debtors	44,202	44,220	40,621	40,743
Cash and cash equivalents	73,034	73,034	55,277	55,277
Short term investment	99,590	99,392	186,711	186,779
Long term Debtors- Soft Loans Advanced	9,312	9,466	9,108	9,915
Long term Debtors- Commercial Loans Advanced	8,280	9,903	8,798	10,046
Long term Debtors- Other	-	-	3,718	3,718
	234,418	236,015	304,233	306,478
<b>Financial Liabilities</b>				
Short-term Payables	86,634	86,634	101,857	101,857
Fixed Rate borrowing - due after more than 10 years	76,047	115,572	76,057	112,328
	162,681	202,206	177,914	214,185

The Combined Authority has considered the balance sheet carrying values i.e. amortised costs of financial instruments of the Combined Authority. It is required to disclose the fair value and carrying value for those financial instruments whose carrying value is not a reasonable approximation for fair value. Only the Combined Authority's loan portfolio and short term investment which fall into this category.

## 20.1 Fair Value hierarchy for financial assets and financial liabilities that are not measured at fair value

	2018/19			Total £000
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	
<b>Financial Liabilities</b>				
financial liabilities held at amortised cost:				
Loans/borrowings (PWLB and other market loans)	-	115,572		115,572
Trade payables	-		86,634	86,634
<b>Total</b>	-	115,572	86,634	202,206
<b>Financial assets</b>				
Loans and receivables:				
Soft loans to third parties	-	9,466		9,466
Other loans and receivables	-	9,903	36,252	46,155
Short term Investments	-	99,392		99,392
<b>Total</b>	-	118,761	36,252	155,013
	2019/20			
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
<b>Financial Liabilities</b>				
financial liabilities held at amortised cost:				
Loans/borrowings (PWLB and other market loans)	-	112,328		112,328
Trade payables	-		101,857	101,857
<b>Total</b>	-	112,328	101,857	214,185
<b>Financial assets</b>				
Loans and receivables:				
Soft loans to third parties	-	9,915		9,915
Other loans and receivables	-	10,046	45,050	55,096
Short term Investments	-	186,779		186,779
<b>Total</b>	-	206,740	45,050	251,790

## 20.2 Loans Advanced and Borrowings

Fair value is determined by calculating the Net Present Value of future cash flows, thus estimating the value of future payments in today's terms. This is a widely accepted and commonly used valuation technique. The discount rate used should be equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity.

However, it may be unlikely that the future cash flows of a loan will fall in equal time periods from the date of valuation, so adjustments are made to each discount factor in order to account for the timing inequality.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value, which includes accrued interest as at the balance sheet date, therefore we have included accrued interest in the fair value calculation.

The discount rates used for the evaluation were obtained by West Yorkshire Combined Authority from Link Asset Services. Link Asset Services is a leading and independent provider

of capital financing, treasury advisory and strategic advisory consulting services to the public sector.

Assumptions used, which do not have a material effect on the fair value evaluation are: interest is calculated using a 365 day basis; interest is paid on the maturity date; no adjustment is made to the interest value and date where a relevant date occurs on a non-working day.

The fair value of financial liabilities and financial assets included in level 2 in the table above have been arrived at using discounted cashflow analysis as described above, the key input being the discount rate (the discount rate used by Capita for the GPF loans advanced has been modified using a risk adjusted EC reference rate as opposed to the PWLB new loan rate).

## 20.3 Financial instruments not measured at fair value

Financial assets		Financial liabilities	
Type	Valuation Technique	Type	Valuation Technique
Loans Advanced (Long term Debtor)	Discounted cashflows: The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using a risk adjusted representative rate for new loans indicative of economic conditions and security at the measurement date 31 March 2020.	Loans and Borrowings	Discounted cashflows: The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using lending rates for new loans based on PWLB rates at the measurement date 31 March 2020.
Soft Loans	Discounted cashflows : The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using the PWLB new loan rates at the measurement date.	Trade Payables	The fair value of trade payables is deemed to be the invoiced or billed amount.
Trade and other receivables	The fair value of trade and other receivables is taken to be the invoiced or billed amount.		
Short term	The valuation of the fixed term deposits which have no secondary market would be based on an investment with a similar lender for the remaining period of deposit at rates available at the measurement date. The accrued interest added on this basis would provide a fair value for the short term investments.		

	Effective interest rate	Maturity	2018/19 £000's	2019/20 £000's
<b>Current</b>			-	-
<b>Non- Current</b>				
Public Works Loan Board	3.70%	Jan 2056	5,000	5,000
Public Works Loan Board	4.40%	Jan 2052	5,000	5,000
Public Works Loan Board	4.40%	Jul 2054	8,000	8,000
Public Works Loan Board	4.40%	Jun 2053	8,000	8,000
Public Works Loan Board	4.55%	Jun 2052	4,000	4,000
Public Works Loan Board	4.55%	Apr 2055	6,000	6,000
Public Works Loan Board	4.55%	Apr 2056	6,000	6,000
Public Works Loan Board	4.55%	Apr 2057	8,000	8,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.97%	May 2065	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.80%	Aug 2065	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.99%	Oct 2066	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	4.30%	Dec 2076	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	4.32%	May 2077	5,000	5,000
			<u>75,000</u>	<u>75,000</u>
<b>Total</b>			<u>75,000</u>	<u>75,000</u>

## 20.4 Management of risks arising from financial instruments

There are a number of risks associated with financial instruments to which the Combined Authority (CA) is necessarily exposed. However, the Combined Authority monitors and seeks to manage these risks in order to minimise the potential for losses to occur.

Credit risk is the risk that amounts due to the Combined Authority may not be received. Almost all of the Combined Authority's loans and investments are made for treasury management purposes, to generate income from available balances. The parameters within which these investments are made are set out within the approved Treasury Management Policy. The effect of this policy is to restrict as far as is practicable the Combined Authority's exposure to risk from the failure of a financial institution. It ensures that deposits are placed only with limited numbers of financial institutions whose credit rating is independently assessed as being sufficiently secure. The term and maximum deposit is also restricted to reduce risk exposure.

Considering the current Covid-19 pandemic, the credit risk on the CA's investments has been assessed as low. This is due to the fact all its fixed deposit investments have been made with the local governments. The CA is managing its counterparty risk by keeping funds relatively short up to two years but the majority within one year and placing fixed deposits only with other Local authorities. Additionally a maximum of £15m can be lent to any one counterparty with the exception of the call account held with Nat West (one of the CA's bankers). Although under the approved investment strategy adopted the CA can lend to a range of excellent rated banks, this activity has been restricted for the foreseeable future until the economic environment improves.

The Combined Authority has exposure to credit risk on the Debtor Loans advanced to third parties. The Growing Places Fund Loans are riskier commercial loans with the interest rate reflective of the borrower's credit status and security provided. The financial status and credit score of the companies are regularly reviewed and monitored in order to minimise the instances of loss. As at 31 March 2020, there were four GPF loans outstanding. Two of which were loans issued to local government backed housing investment initiatives. There has no formal request of payment holiday or difficulty in meeting the repayment received from the remaining two commercial companies as a result of the Covid-19.

The Local Growth Fund loans are to Local Authorities who are deemed to be low risk on the basis they are backed by government and required by law to make provision for loan repayments.

Liquidity risk is the risk that the Combined Authority may not have sufficient cash available to meet its day to day obligations to meet payments. The Combined Authority has access to borrowings from the Public Works Loans Board and commercial lenders to meet long term spending and shorter term cashflow requirements and these arrangements provide the appropriate level of finance to support the Combined Authority's current and future requirements. Also measures exposure to adverse rates.

Interest rate risk is the risk that future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Combined Authority's long term lending is at fixed interest rates but it also borrows some of its money in the form of fixed rate loans. This mix of lending assists the Authority in taking advantage of changes to interest rates and it constantly reviews the potential for refinancing debt at more favourable rates.

The Combined Authority is also affected by fluctuations in shorter term interest rates as this impacts on the interest that can be earned in the year on deposits. This is particularly true after the emergency base rate cut following the national lockdown in March. The short term interest rate is carefully monitored and opportunities to secure advantageous interest rates are considered.

The Combined Authority is required to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. It

should be noted that had interest rates been different then in practice different decisions would have been taken in relation to rescheduling of debt and new borrowing and investment undertaken. It is not possible to quantify the likely impact of such different decisions. The Combined Authority's interest payable and receivable would have varied by a net £2,227k if interest rates varied by 1% in the year.

The Combined Authority is not exposed to any material currency risk.

## 21 Useable Reserve

Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use.

### 21.1 General Fund Reserve

The General Fund balance is a non-earmarked usable reserve and can be applied to fund any form of general revenue expenditure that aligns with the policies and objectives of the Combined Authority. The General Fund Balance has a surplus of £8.1m at 31 March 2020 (£6.8m 31 March 2019).

### 21.2 Rail Reserve

The Useable Reserves balance for the Combined Authority includes a Rail Reserve which is ear-marked for rail infrastructure investment and is to be held pending future investment into the rail projects. There is a balance of £167k at 31 March 2020.

### 21.3 New Generation Transport Reserves (NGT)

The Total Useable Reserves balance for the Combined Authority includes a New Generation Transport (NGT) Reserve of £0.97m at 31 March 2020 (£0.97m 31 March 2019). This earmarked reserve is for the purpose of delivering the Leeds NGT scheme. In May 2016 the Secretary of State announced that the NGT scheme would not be approved to progress although the £173.5m allocated to it would be made available for public transport in Leeds. Plans to spend this money will be progressed during 2020 along with the future utilisation of the NGT reserve.

### 21.4 West Yorkshire Transport Fund Reserve

In addition to the Reserves include the West Yorkshire Transport Fund Reserve to reflect additional levy contributions from the Local Authorities to develop strategic transport schemes in West Yorkshire and York. The reserve has a balance of £38.3m at 31 March 2020 (£34.2m 31 March 19).

### 21.5 Capital Grant Unapplied

The Capital Grants Unapplied Reserve recognises capital grants received where conditions have been met but the application of the capital grants to expenditure on the acquisition, construction and enhancement of non-current assets has yet to be incurred.

	2018/19 £000's	2019/20 £000's
Opening Balance	88,266	70,974
Ajustment		(6,581)
Capital Grant unapplied/(applied)	(17,292)	46,445
Balance carried Forward	<u>70,974</u>	<u>110,839</u>

## 21.6 Useable Capital Receipts reserve

Income from the disposal of fixed assets is credited to the usable capital receipts reserve. The usable element can be applied to the financing of new capital expenditure or remain in this account. The following table shows the movement on the reserve during 2019/20.

	2018/19	2019/20
	£000's	£000's
Opening Balance	1,242	9,435
Capital receipts unapplied	8,193	8,811
Balance carried Forward	<u>9,435</u>	<u>18,246</u>

## 22 Unusable Reserve

Unusable revenue reserves are those established by statute in order to adjust the timing with which certain items affect the tax payers.

### 22.1 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of capital investment, the depreciation charge and impairment losses, and credited with capital grants and contributions receivable and amounts set aside by the Combined Authority as finance for the costs of acquisition, construction and enhancement.

	2018/19	2019/20
	£000's	£000's
Opening Balance	13,092	10,278
Adjustment to Donated Asset reserve	-	333
	<u>13,092</u>	<u>10,611</u>
Revenue Funded from Capital		
Under statute	(148,831)	(156,830)
Depreciation	(4,266)	(3,792)
Statutory provision for the financing of Capital Investment (MRP)	3,124	3,115
Capital Grants applied	158,579	158,735
Impairment of Growing Places Fund (GPF) Loans	(800)	-
Conversion of Local Growth Fund (LGF) loan to grant	(300)	-
GPF Loans repayments	(9,440)	(3,585)
Other loan adjustment	-	1,422
Disposal of Fixed Asset	(880)	(566)
Balance at the end of the Year	<u>10,278</u>	<u>9,110</u>

### 22.2 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Combined Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums/discounts are debited/credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. The Financial Instruments Adjustment Account also recognises the impact of writing down soft loans using the effective interest rate method based on PWLB rates to discount soft loans.

## Financial Instruments Adjustment Account

	2018/19 £000's	2019/20 £000's
Balance at 1 April	(1,572)	(1,477)
Premiums incurred in the year	(40)	0
Discounts received in year	6	6
Effective Interest rate adjustment- Soft Loans	129	(204)
Balance at 31 March	<u>(1,477)</u>	<u>(1,675)</u>

### 22.3 Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for employment benefits as per IAS19 and for funding such benefits in accordance with statutory requirements. The debit balance on the pension reserve recognises the shortfall in resources set aside to meet the benefits earned by past and current employees. The statutory arrangements will ensure that sufficient funding will be set aside to meet these benefits by the time they are due to be paid.

	2018/19 £000's	2019/20 £000's
Balance at 1 April	(74,746)	(84,640)
Actuarial gains and (losses) on pension assets and Liabilities	(5,452)	(2,365)
Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement	(8,872)	(6,720)
Net increase in liability on disposal/acquisition Employers pension contributions	4,430	4,689
Balance at 31 March	<u>(84,640)</u>	<u>(89,036)</u>

### 22.4 Revaluation Reserve

The revaluation reserve contains gains made on the increases in the value of Property Plant and Equipment. The balance on the reserve is only available for use when assets with accumulated gains are, revalued downwards or impaired, disposed of and when gains are used in the provision of services and gains are consumed through depreciation.

	2018/19 £000's	2019/20 £000's
Balance at 1 April	13,789	14,801
Surplus/(deficit) on revaluation	1,012	(532)
Balance at 31 March	<u>14,801</u>	<u>14,269</u>

### 22.5 Donated Assets Account

Donated assets are those that were received at little or no cost to the Combined Authority but are recognised on the balance sheet at fair value to reflect the true benefit of these assets. The Donated Asset account is a corresponding reserve that recognises the true value of the asset (see note 9c).

## 23 Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. Provisions during the year are analysed as follows:

	2018/19 £000's	2019/20 £000's
At 1 April	196	197
Arising during year	1	8
Utilised in year	-	-
At 31 March	<u>197</u>	<u>205</u>

The Combined Authority as at 31 March 2020 has provided for liabilities relating to the now insolvent company Mutual Municipal Insurance Ltd representing the potential clawback of claims made by the former West Yorkshire Passenger Transport Executive in previous years. There were no further provisions for organisational restructure at 31 March 2020 as specified in IAS37.

## 24 Joint Venture

At 31 March 2020 the Combined Authority had the following Joint Venture:

### Yorcard Ltd

The joint venture is a trading company which was incorporated in England on the 2 March 2007. It is limited by guarantee with two subscribers, West Yorkshire Combined Authority and South Yorkshire Passenger Transport Executive with control shared equally under a contractual arrangement.

Yorcard Ltd performs transaction processing services for smartcard ticketing in West and South Yorkshire. After considering the materiality of the Joint Venture management have agreed not to consolidate Yorcard Ltd into the Combined Authority's accounts.

The performance and financial position of the Combined Authority's share of Yorcard Ltd is disclosed below in accordance with IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities :-

	2018/19 £000's	2019/20 £000's
Turnover and other income	826	815
Expenses	(826)	(822)
Profit before Tax	-	(7)
Taxation		
Profit after Tax	-	(7)
Fixed Assets		
Current Assets	508	513
Liabilities due within 1yr	(498)	(426)
Liabilities due after 1yr or more		(84)
Net Assets	10	3

## 25 Audit Fees

The Code requires a summary of the fees payable to the Combined Authority's appointed auditors in relation to the financial year:

	2018/19 £000's	2019/20 £000's
Annual Audit Services	26	26
Other Services	-	
	26	26

## 26 Revenue Commitments – operating leases

The Combined Authority has a number of contracts for the operation of Mybus school services that are operated as service concession arrangements under IFRIC12. The Combined Authority awards the contract to operators to provide a service for the public regulating the level of service, price and infrastructure provided. The school buses that form the infrastructure to deliver the service are initially recognised on the balance sheet at fair value. The service element of the arrangement is expensed through the Comprehensive Income and Expenditure Statement and the minimum lease payments are scheduled below:

## Bus Operator Payments - IFRIC 12

	2018/19	2019/20
	£000's	£000's
Minimum lease payments under IFRIC 12 recognised in the year :	4,456	4,814
Within 1 year	2,975	721
Within 2-5 years	948	-
Beyond 5 years	-	-
	3,923	721

## 27 Contingent Liabilities

The Combined Authority (CA) had a contingent liability at 1 April 2019 arising from possible claims relating land and property acquisitions under the New Generation Transport scheme that was rejected in 2016. The liability continues at 31 March 2020, but it is not possible or practical to disclose an estimate of the financial effect, amount and timing due to the ongoing uncertainty.

As at 31 March 2020, a legal proceeding has commenced against the CA with potential damage claim which could lead to a financial liability. At this stage it is not possible to disclose or estimate its outcome and financial impact.

## 28 Going Concern

The accounts of the Combined Authority have been prepared on a going concern basis. The budget approved by the Combined Authority in February 2020 sets out the proposed funding of the Combined Authority and formally approved the budget for the forthcoming year 2020/21. The budget ensures that the Combined Authority set the level of levy that allows services and functions to continue to operate at a level that is aligned to the policies and objectives of the organisation and ensures the reserves are maintained so as to mitigate risks to the organisation. Additionally a 3 year indicative capital programme complete with capital funding/finance is agreed as part of this process. In light of the unique and wide-ranging impact of the COVID-19 outbreak, the Combined Authority has carried out a financial impact analysis for 2020/21 and is in discussions through representations with Central Government for support both at senior officer, political level and collectively with other Mayoral Combined Authorities.

The Code of Practice on Local Authority Accounting in the United Kingdom requires that all local governments should produce their accounts on a going concern basis. This is a reflection of the statutory position, that local governments do not have the power to cease their operations (as would be the case for a private sector body which was in financial difficulty) and that local governments will continue to exist and to deliver local services for the foreseeable future.

## 29 Events after the Balance Sheet Date

The Statement of Accounts was approved as presenting a true and fair view by the Chief Finance Officer on 27 November 2020. Events happening between the balance sheet date and the date the accounts were authorised for issue have been considered under the Combined Authority's accounting policy for events after the reporting date. No event has happened after the balance sheet date which are sufficient material to require disclosure as post balance sheet event.

## 30 New accounting standards not yet implemented

The Code requires local authorities to disclose the likely impact of any new accounting standards which have been issued as at the Balance Sheet date but which will not apply to local authorities' accounts until subsequent financial years. The 2020/21 Code will incorporate

some minor changes to accounting policies but it is not anticipated that these will have any impact on figures recognised within the authority's accounts.

## TREASURY MANAGEMENT STATEMENT 2020/21 AND REVIEW 2019/20

1. The following sets out the results of the West Yorkshire Combined Authority's borrowing and lending transactions in 2019/20 in accordance with the CIPFA Code of Practice "Treasury Management in Local Authorities" adopted by the Authority.

2. **BORROWING AND INVESTMENT**

<b>Total Loans outstanding at 1/4/2019</b>	<b>£m</b>
Fixed term	75.0
Activity during 2018/19:	
Loan repayment	0.0
Net movement in temporary loans	0.0
Net borrowing	0.0
<b>Loan outstanding at 31/03/2020:</b>	<b>75.0</b>
Activity expected during 2020/2021:	
New borrowing	0.0
Borrowing repaid	0.0
<b>Anticipated loans outstanding at 31/3/2021</b>	<b>75.0</b>
<b>Total Investments</b>	
Investments at 1/04/2019	99.0
Net of new Investment in year	87.0
<b>Investment placed at 31/03/2020</b>	<b>186.0</b>

- 2.1 The schedule of the loans outstanding at 31 March 2020 is set out in the notes to the accounts and is shown in the annex at the end of this appendix.
- 2.2 The Combined Authority's cash balances have been increasing in recent years due primarily to large grant payments for capital schemes being received in advance. These are therefore of a cashflow benefit but cannot be used to repay borrowing as they are not long-term positions. Placing sums on deposit across a number of institutions both reduces exposure risk by ensuring there is not an over reliance on one bank and allows a higher return than leaving the money on overnight deposit. The Combined Authority's regulations on placing money on deposit were reviewed during the previous year and some changes approved regarding the duration of deposits. The quality of the counterparties with whom such deposits can be made has not been changed and remains restricted to those of a high calibre. This follows similar arrangements to those in place at Leeds City Council whose Treasury team assist in managing the Combined Authority funds.
- 2.3 At the year end the Combined Authority had placed a number of sums totalling £186m on fixed deposit with different counterparties. The approach agreed during the year was to place tranches of funding out ensuring that each quarter there was sufficient flexibility to enable a consideration of future

cashflow requirements in order to determine an optimal investment policy. Full details of the fixed deposits in place at 31 March 2020 are set out at the end of this appendix. In line with the strategy approved during the year there has been a shift to placing funds with appropriate local authorities rather than international banking institutions, in response to the unrest within the financial world.

- 2.4 The Combined Authority has continued with its accountable body responsibilities for the Leeds City Region Enterprise Partnership. This means increased funding being paid to the Combined Authority for example in relation to Growth Deal funding and has led to the changes agreed during previous years to enable these larger sums to be better managed.

### **3. COMMENT**

- 3.1 2019/20 did see a continuation of the overall economic situation, until the Covid-19 pandemic that emerged during March 2020. The impact on 2019/20 has been minimal, with greater impact anticipated for 2020/21. In 2019/20 the interest rates have remained low, with the bank base rate of 0.75% cut back to 0.1% on 11 March 2020. Opportunities both to refinance loans and to place money on the market at competitive rates remain limited.
- 3.2 Regular advice was received about the financial market which was closely monitored on behalf of the Combined Authority by Leeds City Council and its advisors. Further development and application of the stringent treasury management policy assisted in ensuring that the Combined Authority's funds were held securely. The agreed policy is to seek to minimise the rate at which the Combined Authority borrows and refinance existing debt when it is advantageous to do so. There have been no such opportunities to do so in the last year and the biggest challenge has been to seek to make best use of increasing cash reserves. As set out above a strategy has been followed to manage these balances within the current investment criteria which are aimed at protecting balances.
- 3.3 The money market is being constantly monitored to ensure that the Combined Authority's bank account is maintained with a minimum cash balance with temporary borrowing and investments being used as appropriate. Two business reserve type accounts are being used to ensure interest from overnight funds is maximised but in the current climate the available rate is negligible and the focus has been on seeking to better forecast cashflow to be able to invest funds for longer periods.
- 3.4 The mechanism to utilise surplus Combined Authority funds by lending them to Leeds City Council has continued during 2019/20. The Chief Financial Officers of each organisation have agreed on the calculation of a rate that is deemed beneficial to both whilst not favouring one over the other. This is modelled on similar arrangements that are in place in other organisations.
- 3.5 As can be seen from the appendix the loan portfolio has not changed. Previously capital expenditure had been financed through borrowing. Due to all Combined Authority funding having been received as direct grant in recent years, the Combined Authority therefore has had no need to make further long

term borrowing and has been instead in a position where borrowings would need to reduce to meet the requirements of the prudential code.

- 3.6 This situation will change as the Combined Authority considers the implication of the funding received through the local growth deal for the West Yorkshire plus Transport Fund. It is expected that as an integral part of such a Fund borrowing will be required to assist in maximising the funding available and also to assist with cashflow of the infrastructure investment. The implications of this on the Treasury Management Policy once known will be considered and progress will be reported back to this Committee. Similarly the planned devolution deal currently being progressed will fundamentally change the way in which the Combined Authority operates and the investment and treasury management strategies will be reviewed as part of the work to become mayoral ready in May 2021.
- 3.7 It has previously been reported to this Committee that the instability in the banking sector led to increased difficulties in managing the Combined Authority's exposure risk. Previously the Combined Authority was able to choose to invest surplus funds in a wide range of British and overseas banks with very high credit ratings and which delivered a useful interest income stream. Since the start of 2009/10, the number of institutions meeting the necessary credit ratings had fallen significantly and within the UK the takeover of high street banks by other high street banks further reduced the scope available. Under the current situation due to Covid-19 this activity has been restricted for the foreseeable future until the economic environment improves.
- 3.8 As well as it being difficult to place funds on the market the interest rates available have been extremely poor, reflecting the very low bank base rate. The policy that continued to be followed during the year was therefore to seek to repay loans if an appropriate opportunity was identified and fund any short-term funding shortfall with a short-term loan. This was not possible during the year, largely due to the low interest rates attached to the current loans and also due to the prevailing PWLB rates.
- 3.9 The average borrowing rate for the Combined Authority continues to be at below 4.5%, well ahead of many local authorities historic debt.
- 3.10 As has been stated all rates continue to be constantly monitored to see if any further refinancing can be undertaken, either to take advantage of opportunities to reduce the Combined Authority's exposure risk or to reprofile the debt to assist in making repayments in the coming years.
- 3.11 The prudential limits set in February are reviewed below.

#### **4 TREASURY MANAGEMENT**

- 4.1 All placement of funds during 2019/20 was undertaken by Leeds City Council in accordance with rules approved by the Combined Authority adopting the advice from the Chartered Institute of Public Finance and Accountancy (CIPFA). This ensured all investment decisions sought to ensure the safety of those funds and to limit the Combined Authority's exposure to any one

organisation, with the return on the investment being a secondary consideration.

- 4.1 As stated above the Combined Authority's investments and cash position are monitored on a daily basis to ensure any available balances are promptly invested.

## **5 PRUDENTIAL BORROWING CODE**

- 5.1 The 2003 Local Government Act requires local authorities to have regard to the prudential code. Under this code Members approve a treasury management policy and review the prudential indicators for the year.
- 5.2 Members at the Combined Authority budget meeting in February 2020 took the appropriate decisions for 2020/21. Any further changes to the capital programme or changes as a result of the West Yorkshire plus Transport Fund or devolution will be considered to ensure there is no resultant requirement to amend the prudential indicators. Members can, having regard to changing circumstances, approve amendments during the year. This may become necessary as the implementation of the West Yorkshire Transport Fund progresses or as the financial and economic landscape changes due to the Covid-19 pandemic impact.
- 5.3 It is therefore recommended that the following decisions, as taken in February 2020, are endorsed:

5.3.1 That the treasury management policy shall be:

- 5.3.1.1 That the Combined Authority adopts the CIPFA code of practice for Treasury Management in the Public Sector.
- 5.3.1.2 To operate the financing on a short-term basis to minimise both investments and income to avoid taking out expensive loans and re-lending them at a lower rate of interest.
- 5.3.1.3 That there shall be no long-term investments for a term of greater than one year, other than to other local authorities and then only for a period not exceeding 36 months. The limits for each of the next three years are that for investments for a period greater than 364 days, that no more than £20 million will mature in each of 2020/21, 2021/22 and 2022/23;
- 5.3.1.4 To utilise the expertise of the treasury management team in Leeds City Council for future years.
- 5.3.1.5 To use the following rules for short-term investments:-
  - 5.3.1.5.1 the investments shall be determined by the Chief Financial Officer.

- 5.3.1.5.2 the Chief Financial Officer shall determine the amounts and periods.
  - 5.3.1.5.3 the procedural document as approved for their Treasury Management Division by Leeds City Council shall be adopted in relation to the authority's short-term investments encompassing the council's list of approved financial organisations and the maximum lending limits per organisation, as specified in that document from time to time.
  - 5.3.1.5.4 no investment will be for a period exceeding one year, other than as set out in 5.3.1.3.
  - 5.3.1.5.5 Investments with Leeds City Council will not exceed £15 million, the interest rate for such deposits being agreed between the Chief Financial Officers of both organisations.
  - 5.3.1.5.6 Investments with any one counterparty should not exceed £15 million other than in 5.3.1.3.
  - 5.3.1.5.7 Investments with the Combined Authority's bankers are specifically excluded from the limits set out, in recognition of the fluidity of such arrangements.
- 5.4.1.6 To restrict all additional borrowing to meet capital expenditure to the level of specific approvals issued by the government.
- 5.4.2 That as there have been insufficient changes to alter the predictions the prudential limits for the current year be reiterated as set out below:-
- 5.4.2.1 operational boundary for 2020/21 – £90 million
  - 5.4.2.2 authorised limit for 2020/21 - £112.067 million
  - 5.4.2.3 maturity loan structure as set out in the budget approvals
  - 5.4.2.4 a variable rate loan limit of 40%
  - 5.4.2.5 a fixed loan limit of 200%

## Outstanding Transactions as at 31st March 2020

<u>Unique Identifier</u>	<u>Reference</u>	<u>Rate</u>	<u>Start</u>	<u>Maturity</u>	<u>Principal (£)</u>
<b>LCR-Growing Places Fund</b>					
<b><u>Non-Treasury Loans</u></b>					
7430	GPF102	5.90000	28/10/13	28/10/28	(1,697,914.06)
7483	GPF210	3.02000	26/02/14	26/02/24	(654,394.65)
7645	GPF209	2.94000	15/08/14	31/12/21	(248,048.03)
7684	GPF204	2.63000	09/10/14	09/10/27	(4,390,617.54)
8574	GPF308	6.60000	04/11/16	03/04/20	(1,771,614.55)
8893	GPF315	4.78000	23/10/17	23/10/22	(800,000.00)
9181	GPF209a	3.50000	29/01/19	31/03/23	(346,000.00)
<b>LCR-Growing Place</b>					<b>(9,908,588.83)</b>
<b>LCR-Local Growth Fund</b>					
<b><u>Non-Treasury Loans</u></b>					
8177	LGF002A	0.00000	16/02/16	26/02/27	(200,000.00)
8197	LGF003	0.00000	25/02/16	29/02/28	(1,757,000.00)
8198	LGF004	0.00000	08/03/16	28/02/27	(4,000,000.00)
8205	LGF005	0.00000	14/03/16	28/02/27	(575,000.00)
8267	LGF006	0.00000	05/04/16	28/02/27	(400,000.00)
8710	LGF002B	0.00000	23/03/17	28/02/27	(109,000.00)
8713	LGF007	0.00000	23/03/17	31/03/27	(2,350,000.00)
8714	LGF008	0.00000	31/03/17	28/02/27	(1,100,000.00)
9258	LGF009	4.74000	11/12/18	31/01/20	(6,500,000.00)
<b>LCR-Local Growth</b>					<b>(16,991,000.00)</b>

### Outstanding Transactions as at 31st March 2020

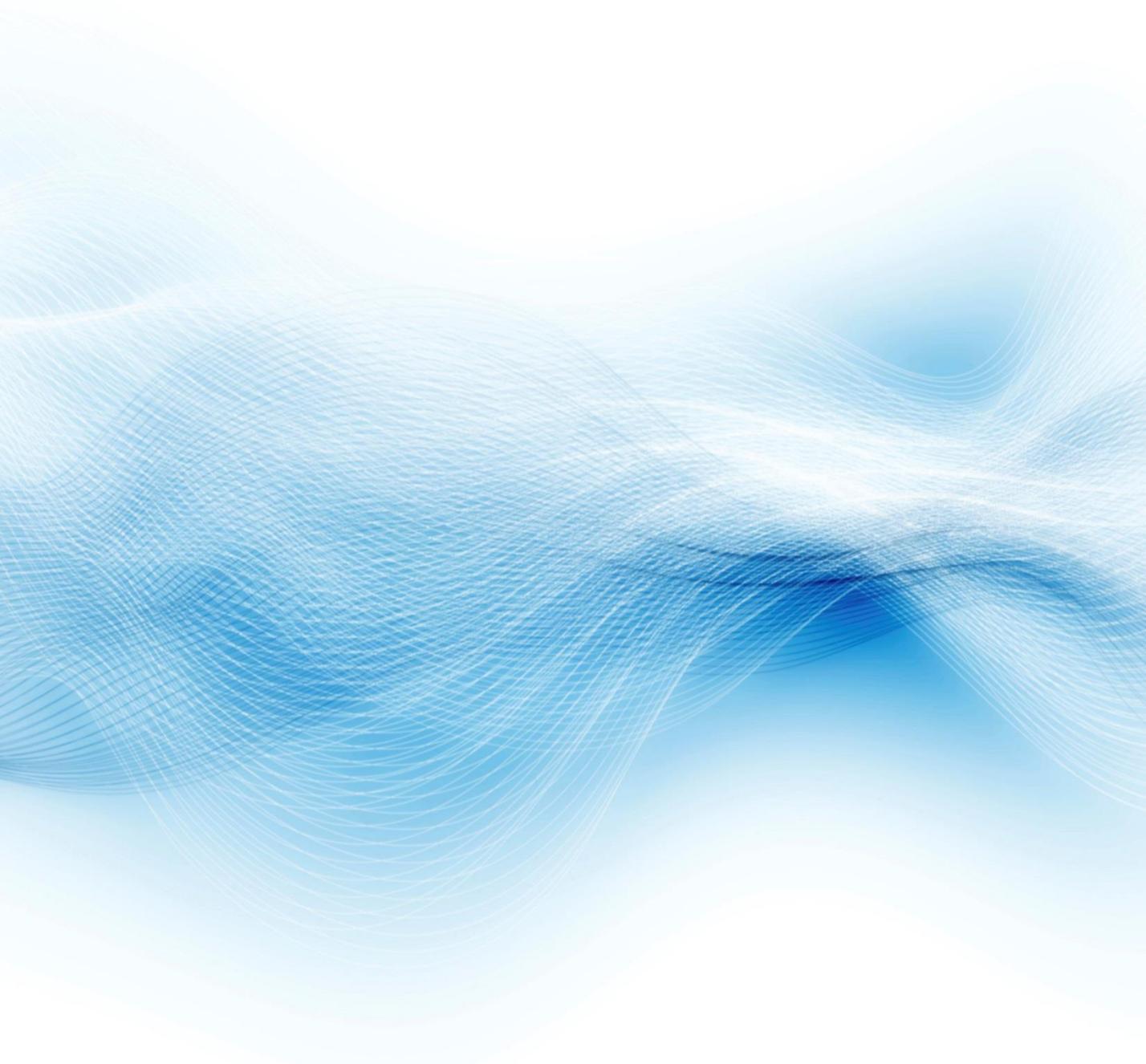
<b>Deposit – Fixed</b>		<b>Refn</b>	<b>Rate</b>	<b>Start</b>	<b>Maturity</b>	<b>Principal (£)</b>
9212	London Borough of Enfield		1.00000	04/04/19	01/04/20	(5,000,000.00)
9215	Sedgemoor District Council		1.00000	22/05/19	01/04/20	(5,000,000.00)
9233	Thurrock Borough Council		1.05000	02/05/19	28/04/20	(5,000,000.00)
9237	Slough Borough Council		1.00000	28/05/19	28/04/20	(5,000,000.00)
9240	Rotherham MBC		0.90000	10/06/19	14/04/20	(15,000,000.00)
9268	Aberdeenshire Council		0.90000	01/08/19	02/07/20	(10,000,000.00)
9273	Salford MBC		0.86000	03/09/19	10/07/20	(5,000,000.00)
9274	Salford MBC		0.86000	09/09/19	10/07/20	(5,000,000.00)
9300	Cambridgeshire CC		0.90000	08/08/19	06/08/20	(5,000,000.00)
9331	North Lanarkshire Council		0.75000	20/09/19	22/06/20	(5,000,000.00)
9338	Salford MBC		0.80000	29/10/19	29/07/20	(5,000,000.00)
9348	Slough Borough Council		0.78000	31/10/19	30/04/20	(5,000,000.00)
9349	West Dunbartonshire Council		0.78000	23/10/19	23/04/20	(5,000,000.00)
9350	Blackburn and Darwen BC		0.77000	26/11/19	26/05/20	(7,000,000.00)
9351	Thurrock Borough Council		1.02000	29/11/19	08/10/20	(10,000,000.00)
9353	Liverpool City Council		0.90000	15/11/19	15/05/20	(10,000,000.00)
9354	London Borough of Croydon		1.00000	28/10/19	09/10/20	(10,000,000.00)
9374	Blackpool Borough Council		0.85000	30/01/20	30/07/20	(6,000,000.00)
9375	Kingston upon Hull BC		0.90000	28/02/20	28/08/20	(15,000,000.00)
9377	Blackburn and Darwen BC		0.95000	31/01/20	31/07/20	(8,000,000.00)
9378	Brentwood Borough Council		0.95000	03/02/20	03/08/20	(2,000,000.00)
9379	Plymouth City Council		0.90000	27/01/20	27/07/20	(15,000,000.00)
9380	Aberdeen City Council		0.95000	13/01/20	13/10/20	(5,000,000.00)
9381	Worthing Borough Council		1.40000	28/02/20	28/02/22	(5,000,000.00)
9407	Fife Council		1.28000	31/03/20	01/03/21	(8,000,000.00)
9414	Surrey heath BC		0.95000	18/03/20	18/09/20	(5,000,000.00)
<b>Deposit – Fixed</b>						<b>(186,000,000.00)</b>
<b>Deposit – Notice</b>						
9344	National Westminster Bank PLC		0.30000	30/09/19	Call	(32,538,185.53)
9347	Svenska HandelsBanken AB		0.60000	30/09/19	Call	(14,700,519.15)
<b>Deposit – Notice</b>						<b>(47,238,704.68)</b>
<b>Fixed Term Deposits (long term)</b>						
7532	Barclays Bank PLC	W4 ITA U4956	3.97000	31/05/05	31/05/65	5,000,000.00
7533	Barclays Bank PLC	W5 ITA U5006	3.80000	24/08/05	24/08/65	5,000,000.00
7534	Barclays Bank PLC	W7 ITA U5231	3.99000	27/10/06	27/10/66	5,000,000.00
7535	Barclays Bank PLC	W8 ITA U5374	4.30000	18/12/06	18/12/76	5,000,000.00
7536	Barclays Bank PLC	W9 ITA U5627	4.32000	02/05/07	02/05/77	5,000,000.00
<b>Fixed Term Deposits (long term)</b>						<b>25,000,000.00</b>
<b>PWLB – Maturity</b>						
7537	Public Works Loans Board	491184W ITA U5135	3.70000	23/01/06	15/01/56	5,000,000.00
7538	Public Works Loans Board	491481W ITA U5223	4.40000	28/04/06	15/01/52	5,000,000.00
7539	Public Works Loans Board	492865W ITA U5505	4.40000	31/01/07	15/07/54	8,000,000.00
7540	Public Works Loans Board	492866W ITA U5507	4.40000	31/01/07	02/06/53	8,000,000.00
7541	Public Works Loans Board	493266W ITA U5645	4.55000	03/05/07	10/06/52	4,000,000.00
7542	Public Works Loans Board	493268W ITA U5646	4.55000	04/05/07	27/04/55	6,000,000.00
7543	Public Works Loans Board	493269W ITA U5647	4.55000	04/05/07	25/04/56	6,000,000.00
7544	Public Works Loans Board	493270W ITA U5648	4.55000	04/05/07	18/04/57	8,000,000.00
<b>PWLB – Maturity</b>						<b>50,000,000.00</b>
<b>WYCA</b>						<b>(158,238,704.68)</b>

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# Audit Completion Report

West Yorkshire Combined Authority

Year ending 31 March 2020



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1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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Governance and Audit Committee  
West Yorkshire Combined Authority  
Wellington House  
40-50 Wellington Street  
Leeds  
LS1 2DE

November 2020

Dear Committee Members

### **Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 23 January 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Authority was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 394 5315.

Yours faithfully

Mark Kirkham  
Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of West Yorkshire Combined Authority 'the Authority' for the year ended 31 March 2020, and forms the basis for discussion with the Governance and Audit Committee.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum:

- management override of control;
- property, plant and equipment valuation; and
- defined benefit liability valuation.

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on your financial statements. We intend to reflect in our auditor's report, the disclosure made in notes 9 (Property, Plan and Equipment) and 5 (Pension Costs) to the financial statements regarding material valuation uncertainty of property valuations.

### Value for money conclusion

We anticipate concluding that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

The NAO has not yet issued its Group Instructions regarding the audit work required and its timetable for audit reporting. We would expect to be able to provide the information required by NAO by the reporting deadline once confirmed.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and value for money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Whole of government accounts procedures	●	Completion of whole of government accounts procedures
Post balance sheet events	●	Review of post balance sheet events up to the point at which we sign our audit report.
Review and closure procedures	●	Completion of audit closure procedures, including VFM conclusion moderation, final manager and partner review.

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in to material adjustment or significant change to disclosures within the financial statements
- Not considered likely result in material adjustment or change to disclosures within the financial statements

We will provide the Governance and Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in January 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £5.631 million using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £5million, which is consistent with 2018/19's materiality. We set our trivial threshold (the level under which individual errors are not communicated to the Governance and Audit Committee, at £0.152 million based on 3% of overall materiality.

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Governance and Audit Committee in a follow-up letter.



## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 8 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Authority's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

#### Significant risk

#### Description of the risk

Management override of controls

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk by performing audit work in the following areas:

- accounting estimates impacting on amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Our work has not identified any instances of management override of controls and we have no significant matters to report in relation to this risk.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Property, plant and equipment valuation

#### Description of the risk

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to PPE. The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.

Although the Authority employs an external valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE due to the significant judgements and number of variables involved in providing valuations.

---

#### How we addressed this risk

We have considered the Authority's arrangements for ensuring that PPE values are reasonable and have consulted with our own expert to provide data which has enabled us to assess the reasonableness of the valuations provided by the Authority's valuer. To do this we have:

- reviewed the valuation methodology used, including testing the underlying data and assumptions. We have also assessed the competence, skills and objectivity of the valuer;
- compared the valuation output with market intelligence provided by Gerald Eve the consulting valuers engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations;
- assessed the effect of the valuation uncertainty disclosed by the Authority's valuer and the adequacy of disclosure in note 9 of the financial statements.

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#### Audit conclusion

Other than the points highlighted in relation to the material valuation uncertainty and the proposed Emphasis of Matter paragraph within our auditor's report, we identified no significant matters to report in relation to the property, plant and equipment valuations.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Defined benefit liability valuation

### Description of the risk

The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of the West Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2019.

The valuation of the Fund relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.

There are financial and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

At the planning stage we assessed there was a risk that the assumptions and methodology used in valuing the Authority's pension obligation were not reasonable or appropriate to the Authority's circumstances. This could have a material impact to the net pension liability in 2019/20.

### How we addressed this risk

We reviewed the controls that the Authority has in place over the information sent to the Actuary, including the Authority's processes and controls with respect to the assumptions used in the valuation. We also:

- evaluated the competency, objectivity and independence of the Actuary;
- liaised with the auditors of the West Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the financial statements.

### Audit conclusion

Our work has not highlighted any indication of material estimation error in respect of the defined benefit liability valuation. However, as highlighted above in relation to the Authority's property valuations, the Pension Fund and the Pension Fund auditor has highlighted a "material valuation uncertainty" over the valuation of the Pension Fund's unquoted property and private equity funds. This has been disclosed in the notes to the Authority's Statement of Accounts and, in line with normal practice, we will need to include reference to this disclosure as an 'emphasis of matter' in our audit report. Our draft Auditor's Report at Appendix B will be updated for any 'emphasis of matter' paragraph once our internal consultation processes are complete. The inclusion of an 'emphasis of matter' paragraph is not a modification or qualification of our audit opinion.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority's circumstances.

Draft accounts were received from the Authority on 5 June 2020 and were of a good quality.

### Significant matters discussed with management

The impact of the Covid-19 pandemic has had a significant impact on the Authority and whilst the financial impact on the Authority will likely be more keenly felt in the 2020/21 financial year, we have specifically considered the potential impact on the significant risks in relation to property valuations and the pension liability valuation.

The Authority's response to relevant legal cases which impact on the valuation of certain pension liabilities. These included the proposed remedy for the 'McCloud' case (which emerged initially in 2018/19 and was reported on in our previous Audit Completion Report) which is likely to have led to an overstatement of the original estimate of the Authority's pension fund liability as at 31 March 2020. A further legal case (the 'Goodwin' case) has emerged in 2019/20. Management do not expect the impact of either of these cases to be material and do not propose to amend the draft financial statements.

As a result of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers we have needed to increase the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment. This and other issues emerging during the year have had an impact on the fee required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. All fee variation requests are subject to approval from PSAA.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. It is however worth noting that our audit work has been completed through remote working arrangements as a result of the constraints imposed by the COVID-19 pandemic. While challenging at times, the effective use of technology and close liaison with finance and other officers meant we were able to gather the audit evidence we needed.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

As at the time of writing this report, we have not received any questions from local electors or other parties.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Modifications required to our audit report

We have identified the following issue which has resulted in us proposing to issue a modified audit opinion. Our draft auditor's report, in full, is set out in Appendix B. Note as at the time of drafting this report, we have not received the Pension Fund Auditor's assurance, therefore we have not been able to assess the impact of this on our audit opinion.

Issue	Impact on our audit opinion
<b>Material uncertainty relating to the valuation of land and buildings.</b>	<p>Note 9 in the financial statements highlights a material valuation uncertainty in relation to the valuation of land and buildings as follows:</p> <p>The Authority's assessed the value of its land and buildings, which included using information from its valuers. The Authority has concluded that the value of land and buildings are not materially misstated. As part of this assessment the Authority has considered a 'material valuation uncertainty' disclosure relating to the CV-19 outbreak in the valuer's correspondence as follows:</p> <p>"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.</p> <p>Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.</p> <p>Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case"</p> <p>The Authority is not in a position to quantify the degree of uncertainty but will keep the valuation of its estate under review during 2020/21.</p> <p>In line with ISA706, we have determined that the auditor's report should draw the reader's attention to this disclosure given its significance to the financial statements. As a result, our auditor's report includes the Emphasis of Matter paragraph highlighted below. ISA (UK) 706.7 describes Emphasis of Matter paragraphs as 'a matter, although appropriately presented or disclosed in the financial statements, that is of such importance that it is fundamental to the users' understanding of the financial statements'.</p> <p>In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 9 to the financial statements concerning the material valuation uncertainty statement made by the Authority's valuer.</p> <p>As highlighted, our opinion is not modified in respect of this matter.</p>

# 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	1

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Significant deficiencies in internal control – Level 3

##### Description of deficiency

The Authority does not record 'yellow' bus values individually in the fixed asset register, the value is recorded as an aggregate balance. While this deficiency is unlikely to have a material impact, it does require additional procedures when calculating proceeds from disposals and other capital charges.

##### Potential effects

During our testing of fixed asset disposals relating to yellow buses we were unable to trace individual disposal values to the fixed asset register to ascertain its net book value. As yellow buses are shown in the fixed asset register as an aggregate balance, it is a difficult and time-consuming process to obtain sufficient audit evidence to support disposals and other capital charges included in the accounts.

##### Recommendation

We recommend that this type of asset is recorded individually in the fixed asset register, to improve accuracy and reduce the time required to obtain audit evidence relating to this type of asset.

##### Management response

This is a historical issue, relating to how the yellow buses were purchased in batches, with each batch of vehicles having similar specifications and unit price. At the time it was considered appropriate to record them in aggregate on the asset register.

When disposals cross different batches, spanning several years, the pro-rated accumulative depreciation is difficult and time consuming to trace to individual vehicle disposals, which is why we use the aggregate balance to calculate net book values.

Management agrees any new additions of this type of asset, will be registered on an individual basis. This will simplify the process of calculating depreciation, loss or gain on disposal for individual assets.

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

#### Description of deficiency

Password parameters set within the Authority's systems (Dream, Network OS, Payrite, Haven) do not align with the Authority's password policy.

Further, the Authority's password policy does not comply with best practice in the following instances:

- User account blocked after failed attempts,
- Initial password is randomly generated (not always the same trivial password)

#### Potential effects

Passwords are not sufficiently complex reducing the level of access security of critical business systems.

#### Recommendation

The Authority should ensure that the password parameters for the critical business systems highlighted above reflect the Authority's password policy.

The Authority should review its password policy to ensure it is in line with best practice and addresses the deficiencies highlighted above.

#### 2019/20 update

Our IT general controls testing in 2019/20 that has not highlighted any significant weaknesses in this area. We have observed instances where the password policy does not match Mazars password best practice, however mitigating controls have been identified.

#### Description of deficiency

There is no formal backup policy in place at the Authority.

#### Potential effects

Staff are not aware of the process to follow and the Authority may not comply with the legal and statutory requirements for retention of financial records in the case of a serious incident.

#### Recommendation

The Authority should develop and implement a formal backup policy.

#### 2019/20 update

The Authority has an interim disaster recovery in place, which is available for all staff on the intranet.

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Follow up of previous internal control points (continued)

We set out below an update on internal control points raised in the prior year.

#### Description of deficiency

There are opportunities to improve the Authority's ICT Change Management policies and procedures to ensure that they provide more comprehensive guidance to users. For example, the change management policy does not:

- state when the policy was created, or when it is next due to be updated
- state that low-risk changes by service providers can be implemented without required testing or approvals
- include details of unitary/module tests, non-regression tests, user acceptance tests
- specified that there should be segregation of duties between IT Development and Operations.
- Further, we found IT Developers have access to the Dream production system with admin privileges.

#### Potential effects

The change management policy may not be appropriately up to date and users may not follow best practice in relation to change management.

Further, Developers may make changes to the live system without the relevant approvals.

#### Recommendation

- a) The Change Management procedure should be reviewed and updated to ensure that it addresses the deficiencies highlighted above.
- b) The Authority should remove developers' privileged access to the production environment

#### 2019/20 update

The Authority has introduced a change advisory board chaired by the Head of ITC Services. Developer privileges and system access are now routinely monitored by a member of the ITC team.

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Follow up of previous internal control points (continued)

We set out below an update on internal control points raised in the prior year.

##### Description of deficiency

Whilst, per the Code of Conduct, the onus is on Members of the Combined Authority to ensure that their declarations of interest remain up to date, there is an agreed process whereby the Governance Officer writes to Members following the annual meeting to remind them to review their declarations. This did not happen in 2018/19.

Further, the Authority's pro-forma declaration forms does not request (and thus capture) interests of close family members as required by IAS 24.

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##### Potential effects

The Authority is not aware of transactions with related parties and the related parties note in the financial statements is incomplete.

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##### Recommendation

The Authority should:

- a) strengthen arrangements to ensure Member's declarations of interest remain up to date;
- b) update the pro-forma declarations of interest form to include interests of close family members; and
- c) review all completed declarations of interest forms during the accounts close down process and interrogate the ledger to identify all related parties disclosed by members and senior management.

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##### 2019/20 update

Our work in this area has not noted any issues regarding Member declarations in 2019/20.

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## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.152m.

The table below outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

There were no other audit adjustments to the draft statements.

We have noted several updates to the draft accounts that are not audit adjustments. The first of these updates relates to the application of grant conditions for the Growing Places Fund (GPF). Since the GPF portfolio transferred into the Authority, the revenue element of the fund has been understated by £2.004m. An adjustment has therefore been made in 2019/20, which has reduced the net costs of services by £1.500m and allocated £0.504m to deferred income. The second update has switched £4.577m from the capital grants unapplied reserve to the usable capital receipts reserve. This update relates to GPF loans that have been paid back to the Authority and which management consider appropriate to classify as usable capital receipts.

As the amounts involved were not material and there was not a change in accounting policy, no prior year adjustment was required.

### Unadjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Short term debtors			2,017	
Cr: CIES expenditure		2,017		
This is an extrapolated error relating to £23,341 of pre-paid expenditure relating to 2020/21, recorded in 2019/20. A pre-payment for this amount should have been recorded in short term debtors.				
2 Dr: CIES expenditure	383			
Cr: Accruals and deferred income				383
This is an extrapolated error relating to £70,000 of expenditure relating to 2019/20, recorded in 2020/21. An accrual should have been included in 2019/20's accounts.				
3 Dr: Pension Reserve			953	
Cr: CIES expenditure		953		
In September 2020, the Authority received updated pension figures from the actuary. The change in value is the result of the Pension Fund identifying an error when calculating the Authority's share of the fund's assets as at 31 March 2020. As the amounts involved are not material the Authority has decided not to update the accounts. We are comfortable with this treatment and note there could be a difference between the balances brought forward in 2020/21.				
<b>Total unadjusted misstatements</b>	<b>383</b>	<b>2,017</b>	<b>2,017</b>	<b>383</b>

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Disclosure amendments

During the course of the audit we identified a number of disclosure errors which are detailed below. All have been adjusted for during the course of the audit:

- **Note 8 (Officers' Remuneration and Members Allowances):** Additional disclosure was added to explain that three officers held the post of Head of Economic Services position in 2019/20. Table 8.3 was updated to include missing bandings and the managing director's pension costs in table 8.2 has been updated from £17,483 to £23,311. Other minor presentational corrections were made.
- **Note 20 (Financial Instruments):** Short Term Debtor's carrying value have been reduced by £711k (interest received), to make the note consistent with note 13 debtors.
- **Cash flow statement:** Interest received (£3,229k) and paid (£3,3324k) figures have been included at the foot of the cash flow, they were included in the Authority's working paper, but had not been transferred to the financial statements.
- **Note 13 (Short Term Debtors):** a local authority debtor totalling £1,058k has been reclassified as 'other local authorities' from 'central government'.

In addition to the above, we identified a number of minor presentational issues during our audit and these have all been amended by the Authority.



# 5. VALUE FOR MONEY CONCLUSION

## Our audit approach

We are required to form a conclusion as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Sufficient audit evidence?
Informed decision making	<p>The Combined Authority has a clear governance structure and includes the expected features of an effective governance framework in local government.</p> <p>In March 2020 the Government outlined details of its devolution deal for West Yorkshire. In preparation for this the Authority is considering its governance arrangements and planning to adopt a mayoral model. This will require changes to existing constitutional arrangements and prepare the Authority for additional delegated functions. At the time of writing our report, these arrangements have been drafted and are out for consultation.</p> <p>As in previous years, the Corporate Plan sets out the Authority's priorities and is closely aligned to the overarching aims of the Strategic Economic Plan (SEP). Clear and measurable targets and outcomes for key priorities have been identified and included in the Corporate Plan with key performance targets being measured regularly. The Corporate Plan is supported by revenue and capital budgets.</p> <p>The Medium Term Financial Strategy is reviewed annually to reflect strategic objectives and allocates resources to priority areas. Regular financial reporting takes place through the Senior Management Team and Leadership Team and to the Combined Authority.</p> <p>Leeds City region Enterprise Partnership (LEP) panels (with their public and private sector representation) have been integrated within the Combined Authority's decision-making structure as advisory committees, improving transparency and accountability.</p> <p>There is a Corporate Risk Management Strategy, endorsed by the Governance and Audit Committee, which sets out the way risks are identified, recorded and monitored. Management have agreed to implement Internal Audit recommendations to strengthen risk management arrangements. The Authority's project management assurance framework is in line with national best practice and ensures there is robust accountability and governance with regard to the management and delivery of projects.</p> <p>The system of internal control is subject to Internal Audit and for 2019/20, the Combined Authority's internal auditors, provided an overall opinion that controls and governance are operating adequately.</p> <p>A Governance and Audit Committee is in place to oversee the governance framework including the work of internal audit and approval of the Authority's financial statements.</p> <p>The Combined Authority ensures its Corporate Governance Code and Framework reflects changes made to arrangements in the year.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Sufficient audit evidence?
Sustainable resource deployment	<p>Consistent with previous years the Authority delivered a budget surplus. In 2019/20 the Authority achieved a surplus of £1.3 million, against a planned deficit budget of £1.2 million. The surplus was predicated by significant underspends in salary costs, financing costs and the postponement of planned projects.</p> <p>In February 2020, the Authority approved a balanced revenue budget for 2020/21 and a MTFS up to 2023. The MTFS included funding gaps of £2.04 million in 2021/22 and £3.55 million in 2022/23. The Authority planned to address these gaps in September 2020, when it received clarity over the devolution deal and could better assess the impact of Brexit.</p> <p>As in previous years, the Authority has recognised the significant financial challenge facing the partner councils and has agreed reductions in the transport levy.</p> <p>The Authority is set to become a Mayoral Combined Authority (MCA) in May 2021. As such it will receive an annual gain-share of £38 million per year. The gain-share has to be used to promote economic growth in the MCA area.</p> <p>The Authority is currently considering how this income will be used, with current thinking that it will be strategy led and based on the Strategic Economic Framework approved by the MCA. The Authority is currently looking at ways the additional income can be used to reduce the pressures in the MTFS.</p> <p>Since March 2020, the Authority has been dealing with the financial impact of COVID-19. It reappraised its 2020/21 budget and identified a “worst case scenario” of a £12 million income gap. This is a significant financial challenge to the Authority but it has identified the following measures to mitigate this risk:</p> <ul style="list-style-type: none"> <li>• use of reserves, in addition to the General Fund reserve of £8.2 million and other usable reserves of circa £1.1 million, the Authority will consider applying its £38.3 million West Yorkshire and Transport Fund (WYTF) reserve to address immediate funding issues. This would require replacing in order to deliver the Authority’s agreed programme over the coming years;</li> <li>• the Authority received a further £1.3 million from the Department for Transport, which, with an earlier amount of £0.8 million and other revised cost estimates has reduced the financial impact of the £12 million worst case scenario; and</li> <li>• there are schemes included in the MTFS up to 2023, which are currently grant funded. While the Authority has included them in the MTFS, these schemes could be stopped or restructured to reduce costs. At this stage the Authority is considering whether they continue with these schemes and is assessing how to manage this.</li> </ul> <p>In July 2020, the Authority has communicated these risks and the options available to the Authority to the Governance and Audit Committee.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Sufficient audit evidence?
Working with partners and other third parties	<p>As in previous years the Authority continues to play an important and active role in providing the vehicle for closer partnership working between the local authorities of West Yorkshire and the LEP in order to ensure improved economic outcomes for local people. It focuses on the areas that make the most sense to deliver at the city region level.</p> <p>As part of its arrangements for transition to a Mayoral Combined Authority (MCA) in 2021, the Authority has consulted with its stakeholders. The Authority, in conjunction with its five local government partners have published their 'scheme', which outlines the proposed changes to the governance and functions of the Combined Authority, to that of a mayoral model. It also considers the transfer of functions currently exercised by the Office of the Police and Crime Commissioner and the constitutional arrangements that will be required. It also sets out proposals for the Combined Authority to be delegated additional functions.</p> <p>Since September 2016 the Strategic Economic Plan (SEP) has set out priorities for growth and development for the Authority and its partners across the Leeds City Region. To reflect the Authority's growing range of policy areas and to incorporate any future mayoral commitments, the Authority has developed its Strategic Economic Framework (SEF). While the SEP will continue to be used for Growth Deal programmes until this ends in March 2021, the SEF will form an overarching economic strategy for the region, reflecting these new powers, responsibilities and objectives.</p> <p>The Authority is an active participant in sub-regional networks and works with 'Transport for the North' on transport related matters. It responds to and leads on transport consultations for the region for example with stakeholders through the District Consultation Sub-Committees and Operator Groups. Consultation events have taken place during the year on the SEP, the Single Transport Plan, major schemes and the bus area network reviews which have successfully sought to contain costs but retain accessibility for users. In addition the Authority is building in youth engagement as it develops its bus and transport strategy.</p> <p>Up to date procurement arrangements are in place to secure cost effective purchasing.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant audit risk. The work we carried out in relation to the significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Financial sustainability</b></p> <p>The Authority's medium term financial strategy (MTFS) sets out the financial challenges the Authority faces in the medium term. This includes a reduction in the transport levy of £1m in each of the three years to 2020/21. A reduction of £1m equates to a circa 2% saving requirement in discretionary expenditure. The Authority is in the process of updating its MTFS to 2021/22.</p> <p>The continuing challenges the Authority faces are not new and are not unique to the West Yorkshire Combined Authority. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Authority has in place to deliver financially sustainability over the medium term.</p> <p>In March 2020 the Authority had to consider the impact of the COVID-19 pandemic on its financial plans, both in the current financial year and to its MTFS.</p>	<p>We reviewed the arrangements the Authority has in place for ensuring financial resilience. Specifically, our work included reviewing:</p> <ul style="list-style-type: none"> <li>the Authority's MTFS to ensure it takes into consideration factors such as the latest income projections, funding reductions from the transport levy, salary and general inflation, restructuring costs and sensitivity analysis given the degree of variability in the above factors.</li> <li>We have also considered the arrangements the Authority has put in place to mitigate impact of COVID-19 and devolution on the 2020/21 budget and MTFS up to 2023; and</li> <li>the arrangements in place to monitor progress in delivering a balanced budget for 2020/21 and the MTFS up to 2023.</li> </ul>	<p>In February 2020, the Authority approved its balanced revenue budget for 2020/21 and a MTFS. The MTFS included funding gaps of £2.04 million in 2021/22 and £3.55 million in 2022/23. While a deficit MTFS was set, this was because the Authority was awaiting clarity about the financial implications of the West Yorkshire devolution deal and to reassess the potential financial impact of Brexit.</p> <p>In March 2020, the Chancellor announced the details of the deal and the Authority is now making arrangements to become a Mayoral Combined Authority (MCA) in May 2021. The MCA is to receive additional funding including an annual gain-share totalling £38 million per year. The Authority is currently assessing how this additional funding can be used to reduce the pressures in the MTFS.</p> <p>The Authority has arrangements to regularly monitor and update the 2020/21 budget and MTFS, in light of the COVID-19 pandemic.</p> <p>The Authority has assessed the potential worst case scenario as £12 million in 2020/21. The Authority has already received £2.1 million of additional funding from Central Government and is considering if it will be required to deploy its usable reserves totalling £47.6 million, recognising these will need to be replenished in future years.</p> <p>While recognising the significant challenges facing the client, the Authority has a good track record of delivering its financial plans. At the time of writing this report there are no matters which give rise to VFM reporting issues in 2019/20 but, members may need to revisit priorities to ensure spending plans are affordable.</p>

### Our overall value for money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Mr M Kirkham  
Mazars LLP  
5th Floor  
3 Wellington Place  
Leeds  
LS1 4AP

DD /MM 2020

Dear Mark

### **West Yorkshire Combined Authority - audit for year ended 31 March 2020**

This representation letter is provided in connection with your audit of the financial statements of West Yorkshire Combined Authority for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within West Yorkshire Combined Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Combined Authority and committee meetings, have been made available to you.

#### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on West Yorkshire Combined Authority's financial position, financial performance and cash flows.

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by West Yorkshire Combined Authority in making accounting estimates, including those measured at current or fair value, are reasonable.

### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against West Yorkshire Combined Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting West Yorkshire Combined Authority involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting West Yorkshire Combined Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of West Yorkshire Combined Authority's related parties and all related party relationships and transactions of which I am aware.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

**Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

**Covid-19**

We confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Authority, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

**Going concern**

To the best of my knowledge there is nothing to indicate that West Yorkshire Combined Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in the Appendix to this letter.

Yours sincerely

Director, Corporate Services (s73 Officer)

Date.....

**Appendix**

**Schedule of unadjusted misstatements**

[Include table of unadjusted misstatements or remove Appendix if there are none]



# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of West Yorkshire Combined Authority (Draft Only – do not include in the financial statements)

#### Report on the financial statements

##### Opinion

We have audited the financial statements of West Yorkshire Combined Authority for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of West Yorkshire Combined Authority as at 31st March 2020 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 2019/20.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Material uncertainty relating to valuation to land and property

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 9 to the financial statements concerning the material valuation uncertainty statement made by the Authority's valuer.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Annual Governance Statement information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes 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 2019/20, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Conclusion on West Yorkshire Combined Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, West Yorkshire Combined Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

# APPENDIX B

## DRAFT AUDITOR'S REPORT

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Responsibilities of the Authority

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.

### Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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 requires us to report to you our conclusion relating to proper arrangements. 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.

### Use of the audit report

This report is made solely to the members of West Yorkshire Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Kirkham  
For and on behalf of Mazars LLP  
5<sup>th</sup> Floor  
3 Wellington Place  
Leeds  
LS1 4AP  
DD/MM 2020

# APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



## CONTACT

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**Report to:** Governance and Audit Committee

**Date:** 27 November 2020

**Subject:** **Mayoral Combined Authority Preparations**

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**Director(s):** Angela Taylor, Director, Corporate Services.

**Author(s):** Angela Taylor

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## 1. Purpose of this report

- 1.1 To update the Governance and Audit Committee on work underway to become a Mayoral Combined Authority (MCA) and to implement the 'minded to' devolution deal agreed between West Yorkshire Leaders and government on 11 March 2020.

## 2. Information

### Context

- 2.1 On 11 March 2020 West Yorkshire Leaders and Government signed a 'minded to' devolution deal for West Yorkshire. The deal sets out a raft of new powers, funding and responsibilities to be transferred from central Government to West Yorkshire, along with the adoption of a directly elected Mayor from May 2021. Key elements of the deal include:
- £38 million per year 'gainshare' for 30 years into the West Yorkshire Single Investment Fund with significant freedoms to spend on local priorities.
  - Control of the £63 million annual Adult Education Budget for West Yorkshire
  - £3.2 million to support the development of a pipeline of housing sites across West Yorkshire
  - Government commitment to work with West Yorkshire to develop a modern mass transit system through access to a new five-year integrated transport settlement – a share of a £4.2 billion fund for mayoral combined authorities
  - £317 million to invest in public transport, cycling and walking through the Transforming Cities Fund with local flexibility on delivery
  - a £25 million fund to support the development of a British Library North in Leeds
  - a Government commitment to deliver flooding schemes worth £101 million
  - £500,000 to support master planning for Bradford City Centre in order to maximise the benefits of Northern Powerhouse Rail

- £200,000 Government funding for collaboration at a Yorkshire level through the Yorkshire Leaders Board
- 2.2 In order to progress with preparations for becoming a Mayoral Combined Authority (MCA) and implementing the devolution deal, a programme of work is underway within the Combined Authority. The Mayoral Combined Authority Ready Programme ('MCA Ready Programme') is comprised of 20 workstreams, as set out in Appendix 1. The workstreams are themed around three priority areas:
- Workstreams for preparing the *partnership* of the Combined Authority and West Yorkshire authorities
  - Workstreams to prepare the Combined Authority as an *organisation* for becoming a Mayoral Combined Authority and to implement the legal steps
  - Workstreams to take forward the *contents* of the 11 March Devolution Deal – the policy workstreams
- 2.3 The MCA Ready programme runs until May 2021, although the programme to implement the 'deal' workstreams will run well beyond this. The MCA Ready Programme Board has been formed within the Combined Authority to oversee the delivery of the MCA Programme, including external/district representation through the Directors of Development.
- 2.4 Significant progress has been made to date, some high-level highlights include:
- £463,803 Adult Education Budget implementation funding secured from Department for Education to prepare for AEB devolution in 2021
  - £67m allocated through the Government's Brownfield Fund to invest in priority sites – only possible because of the terms of the deal
  - £200k Government funding received for collaboration at a Yorkshire-level through the Yorkshire Leaders Board
  - Devolution consultation completed with a strong response received
  - Scope of the Single Investment Fund principles drafted
  - Feasibility work to enable transfer of the Office of the Police and Crime Commissioner functions by 2021
  - Draft Order approved by government
- 2.5 The remainder of this paper provides a more detailed update of progress made to date in relation to the organisation-ready and deal elements of the MCA Ready Programme.

### **Organisation-ready Workstreams**

- 2.6 There is a significant amount of work to be done to ensure the Combined Authority's governance, assurance process and internal systems and processes are ready for becoming an MCA. These workstreams must be complete before the Mayor is elected on 6 May 2021. Work is progressing at pace to ensure the necessary preparations are complete before May 2021. Some of the key areas of progress to date are set out below.

## Organisational Systems

- 2.7 The key objective of this workstream is to replace legacy Combined Authority finance and human resources systems with a new integrated system which is fit for purpose and able to support the MCA. This will enable efficiencies to be made, improve management information to aid decision making and deliver future-proofed flexible systems which will be able to adapt to any future organisational changes. Good progress is being made, with tenders currently being evaluated.

## Single Investment Fund (SIF) Principles

- 2.8 As part of the devolution deal, the Combined Authority is required to create a *'fully devolved funding programme covering all budgets for devolved functions'* – a Single Investment Fund (SIF). The draft principles of the SIF have been designed to ensure it supports delivery of the Combined Authority's strategic objectives and provides an opportunity to create a 'single pot' which brings together all of the MCA's funding, that gives greater local freedom and flexibility over how to prioritise investments and is outcome focussed guided by the overarching Strategic Economic Framework.

## Police and Crime Commissioner Transfer

- 2.9 The agreed devolution deal committed to the functions of the Police and Crime Commissioner (PCC) transferring to a Mayoral model in 2024. The 2024 date was due to an already scheduled PCC election in May 2020 which would have started a new four-year term for the PCC. However, the May 2020 election was delayed to 2021 due to the Covid19 pandemic, and therefore there is now an opportunity for the PCC functions to be transferred as early as May 2021 at the time of the first Mayoral election for West Yorkshire.
- 2.10 There is a significant amount of work to ensure a transfer in May 2021 is successfully achieved, and a transition working group between the Combined Authority, the Office of the PCC, West Yorkshire Police, the Association of Police & Crime Commissioners, and the Home Office has been set up to collaboratively determine and drive a workplan which would enable a transfer to take place, and to develop an understanding of the work required to help facilitate this with the aim of no disruption to provision of services.
- 2.11 The West Yorkshire PCC is currently uniquely responsible for the governance and legal asset ownership of some functions which support policing nationally, particularly including the National Police Air Service. Work is underway to ensure this can transfer seamlessly.
- 2.12 The 2021 transfer will see a single election take place on 6 May 2021 for a Mayor who would hold PCC functions from the start of their term. Similar arrangements exist in Greater Manchester.

- 2.13 The Order sets out the model for policing governance within a Mayoral model for West Yorkshire, learning from experiences elsewhere, and drawing on the arrangements in place in Greater Manchester.

#### Decision Making and Committee Arrangements

- 2.14 As part of the transition to an MCA, proposals are being progressed for changes to the Combined Authority's governance arrangements to ensure they are fit for purpose as an MCA, reflecting the requirements of the Order. In particular, the Combined Authority's formal decision-making arrangements must be updated to provide for:
- The exercise of new **non-mayoral functions** by the Combined Authority; and
  - The role of the Mayor, including their exercise of **mayoral functions** including police and crime functions.
- 2.15 These proposals will be brought forward for approval by the Combined Authority in February 2021 and an update will be provided to the next meeting of this Committee in January.

#### Deal Workstreams

- 2.16 This theme sets out an implementation plan for taking forward the commitments within the devolution deal itself, many of which are longer-term projects. Significant progress has been made to date in these initial stages and some key highlights are set out below.

#### Adult Education Budget

- 2.17 As part of the devolution deal, the £63 million per year Adult Education Budget (AEB) will be devolved to West Yorkshire. This means the Combined Authority will be responsible for commissioning training for individuals aged 19+ across the region and will give us greater opportunity to ensure that AEB better addresses the needs of employees and individuals across West Yorkshire. Regular updates on this are being brought to Combined Authority meetings.
- 2.18 A significant programme of work is underway to ensure the organisation is ready to take on AEB functions from the academic year 2021/2022. Following submission of a funding bid and business case, the Combined Authority has secured £463,803 of implementation funding from the Department for Education for the period 1 April 2020 – 31 July 2021 to support essential implementation costs. This is a clear sign of government commitment to progress with AEB devolution for West Yorkshire and will enable the team to continue to progress at pace.

#### Mass Transit

- 2.19 As part of the West Yorkshire Connectivity Strategy work, exploratory work for a West Yorkshire Mass Transit system has been underway for some time. Within the devolution deal, Government committed to "*explore the case for*

*funding a modern, low carbon West Yorkshire Mass Transit System*". The Government has proposed a £4.2 billion fund for MCAs to bid into, to fund schemes (such as mass transit) between 2022 and 2027.

- 2.20 This commitment from government has given additional impetus to the work and business case development for West Yorkshire Mass Transit, which is now being carefully considered in the context of the Covid-19 pandemic. Following approvals from the Combined Authority further development work is underway and a submission has been made to government for further support.

#### Bus Reform

- 2.21 Exploring the options to utilise provisions in the Bus Service Act 2017 is part of the West Yorkshire Devolution Deal and Mayoral Combined Authority preparations. The bus has a crucial role in West Yorkshire's transport network and is key to providing access to jobs and training and fulfilling wider objectives around inclusive growth and tackling the climate emergency. However, there were already challenges around patronage which have been further exacerbated by the Covid-19 situation, and work is underway to explore how the bus system can be reformed to better meet the needs of passengers and operators.
- 2.22 There is a need to prepare a business case which considers the options for how bus should be delivered in West Yorkshire. Development funding has been approved to complete a number of essential technical pieces of work ahead of a more detailed business case to understand the options available.

#### Housing Pipeline and Brownfield Fund

- 2.23 £3.2 million of revenue funding was allocated within the devolution deal to support the development of a pipeline of housing sites across West Yorkshire. The purpose of the revenue funding is to do complete technical baseline studies to explore what is needed to bring each site across the housing pipeline into an investible position, as well as to prepare business cases for capital investment, and this work is underway as part of the MCA Ready Programme.
- 2.24 In addition to this, on 30 June the Prime Minister announced a £67 million allocation for West Yorkshire from the Brownfield Fund. This funding was allocated on a per capita basis to Mayoral Combined Authorities and the £67 million, which is to be spent by 2024/25, will provide the capital funding to move key sites within the pipeline forward. The Combined Authority is working collaboratively at pace with West Yorkshire authorities to set out a programme of work for the Brownfield Fund monies.

### **3. Clean Growth Implications**

- 3.1 The clean growth implications are being considered at an individual workstream level. The overall programme seeks to contribute to the

successful delivery of the Combined Authority's objectives around delivering clean growth and tackling the climate emergency.

#### **4. Inclusive Growth Implications**

- 4.1 The inclusive growth implications are being considered at an individual workstream level. The overall programme seeks to contribute to the successful delivery of the Combined Authority's objectives around delivering inclusive growth.

#### **5. Financial Implications**

- 5.1 Funding has been approved for the current year to meet the essential costs related to the Mayoral Election, PCC transfer and delivery of the workstreams to get the organisation MCA-Ready by May 2021. The first full MCA budget for 2021/22 is being drafted.

#### **6. Legal Implications**

- 6.1 The legal implications are being considered in detail at individual workstream level.

#### **7. Staffing Implications**

- 7.1 The staffing implications are being considered in detail at individual workstream level.

#### **8. External Consultees**

- 8.1 As part of the statutory process for transitioning to an MCA, a significant public consultation on the devolution proposals and draft scheme has taken place.
- 8.2 As part of the Adult Education Budget workstream, a public consultation on the AEB Strategy has taken place.

#### **9. Recommendations**

- 9.1 That the Governance and Audit Committee notes the progress made to date and considers any further work required.

#### **10. Background Documents**

There are no background documents referenced in this report.

#### **11. Appendices**

Appendix 1 – MCA Ready Work Areas Summary

**Appendix 1: MCA Ready Work Areas Summary**

**Table 1: Partnership Workstreams**

Ref	Partnerships	Summary/Purpose of Workstream
1	<b>Learning from other MCAs</b>	The purpose of the workstream is to identify key lessons learnt from the process to establish other Mayoral Combined Authorities (MCAs), in order to ensure our work progresses smoothly and takes account of how others have addressed issues encountered.
2	<b>Deepening Partnerships</b>	This workstream explores the relationships and division of responsibilities across the local authorities, Combined Authority and mayor.

**Table 2: Organisational-Ready Workstreams**

Ref	Organisational-Ready	Summary/Purpose of Workstream
3	<b>Electoral preparations</b>	To make the necessary arrangements to hold a mayoral election in May 2021 in the most efficient and cost-effective way.
4	<b>Decision Making and Committee Arrangements</b>	To ensure that the Mayoral Combined Authority adopts decision-making arrangements which comply with statutory requirements, promote efficient and effective decision-making and reflect Members' expectations.
5	<b>Organisational Systems</b>	To get HR, ICT and Finance systems in place to enable the MCA to be delivered and then to function successfully.

<b>6</b>	<b>Accommodation and Buildings</b>	To understand requirements and provide appropriate office accommodation for the MCA including its additional functions.
<b>7</b>	<b>Workforce planning</b>	The objectives of the workstream are: <ul style="list-style-type: none"> <li>• To ensure the organisation is ready from an organisational design and workforce perspective.</li> <li>• To manage the transfer of staff from the PCC to the MCA.</li> <li>• To ensure the terms and conditions of service are fit for purpose for an MCA</li> <li>• Deliver the relevant parts of the HR Strategy (phase 1)</li> </ul>
<b>8</b>	<b>Finance &amp; Programme management</b>	Set up arrangements for the single pot investment fund, budget and business planning for the MCA.
<b>9</b>	<b>Police and Crime Commissioner (PCC) preparation</b>	To transfer the functions of the PCC to the Combined Authority's Elected Mayor at the agreed date.
<b>10</b>	<b>Mayoral Order Implementation</b>	To complete all statutory stages so that the mayoral order may be implemented.
<b>11</b>	<b>Assurance Framework</b>	Assurance Framework review in preparation for the Combined Authority becoming a Mayoral Combined Authority in May 2021 and in advance of the next year's annual review deadline of 28 February 2021.

**Table 3: Devolution Deal Workstreams**

<b>Ref</b>	<b>Deal</b>	<b>Summary/Purpose of Workstream</b>
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12	<b>Adult Education Budget</b>	To prepare for the management and administration of the fund, including commissioning and procuring providers, define the resources required for the delivery of AEB post August 2021, and to secure appropriate resource from DfE to ensure that we can prepare for the implementation of AEB.
13	<b>LCR Transforming Cities Fund</b>	To deliver the Leeds City Region Transforming Cities Fund Programme to 2023.
14	<b>WY Mass Transit</b>	To develop West Yorkshire mass transit proposals and wider connectivity pipeline to feed into the Government's £4.2bn pot that MCAs will have access to from 2022.
15	<b>Bus Reform</b>	The purpose of the work is to investigate whether the options under the Bus Service Act 2017, in particularly franchising, would help us meet our strategic objectives including to increase bus patronage and improve the passenger offer.
16	<b>Housing Pipeline</b>	Prioritise deployment of £3.2m revenue funding over 2 years across the pipeline, including to understand in more detail the technical, skills resource and funding gaps (in terms of capital funding) required to bring sites across the pipeline forward. Develop a Strategic Place Partnership with Homes England that will collaboratively deliver housing as set out in the pipeline.
17	<b>Planning and Climate Emergency</b>	Advance the following inter-related priorities as a sequential programme of activity: <ol style="list-style-type: none"> <li>1. Trial the nationally developed <b>Green Infrastructure Standards Framework</b> in West Yorkshire to inform the deployment of the Standards on a national scale.</li> <li>2. Develop a <b>Zero Emission Investment Framework</b> to provide direction for infrastructure investment priorities and policies.</li> <li>3. Prepare for the requirement to produce a <b>Spatial Development Strategy</b> (SDS) to ensure that the WYCA can demonstrate good progress to Government and to support any future negotiations on devolution and funding.</li> </ol>

18	<b>Innovation and Business Support</b>	To establish the West Yorkshire Innovation Network through Connecting Innovation, to better align national innovation support with the local offers to drive business innovation.
19	<b>Digital Skills Partnership</b>	To establish a Local Digital Skills Partnership for West Yorkshire to bring together cross-sector partners to design, develop, and coordinate the delivery of innovative digital skills programmes, tackle digital exclusion, share best practice, and raise awareness of digital skills regionally.
20	<b>Heritage Regeneration Fund</b>	Funding available to support British Library North in Leeds. Need to establish Heritage Fund as longer-term programme, with pipeline of schemes from across region in order to secure future allocations from Government.



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**Report to:** Governance and Audit Committee

**Date:** 27 November 2020

**Subject:** **Overview and Scrutiny Committee Update**

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**Director:** Angela Taylor, Director of Corporate Services

**Author:** Khaled Berroum, Scrutiny Officer

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## 1. Purpose of this report

- 1.1 To update the Governance & Audit Committee on the work of the Overview & Scrutiny Committee so far in the 2020/21 municipal year.
- 1.2 To provide an overview of the work undertaken by the committee's Governance and Scrutiny Working Group and its proposals regarding new scrutiny and governance arrangements for the future mayoral combined authority.

## 2. Information

### Background

- 2.1 Scrutiny in local government is a statutory function that acts as a 'check and balance' to local political leaders and decision makers and holds them (and partners) to account for the decisions they make, policies they adopt, money they spend and the services they provide. Scrutiny is required to operate in a non-political and evidence-led way to investigate, influence, report and make recommendations.
- 2.2 Scrutiny work at the Combined Authority is led by a single independent, politically-balanced committee – the Overview and Scrutiny Committee. The committee is made up of 18 cross-party councillors from across West Yorkshire and York who are 'backbenchers' – that is, councillors who are not members of a local council's cabinet or executive. It is currently chaired by Councillor Peter Harrand (Leeds). A full list of members can be found [here](https://westyorkshire.moderngov.co.uk/mgCommitteeDetails.aspx?ID=135)<sup>1</sup>.

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<sup>1</sup> <https://westyorkshire.moderngov.co.uk/mgCommitteeDetails.aspx?ID=135>

## Scrutiny Work Programme 2020/21

- 2.3 Every year, scrutiny members meet in a workshop setting to review the previous year and decide its work programme for the coming municipal year. The [annual report for the 2019/20 municipal year](#) can be read on scrutiny section of the website<sup>2</sup>.
- 2.4 For 2020/21 municipal year, scrutiny believed that mayoral devolution was the biggest change to the Combined Authority since its establishment in 2014 and there was an expectation that appropriate scrutiny and oversight of devolution and its implementation will take place. In addition, areas affected by COVID-19 such as business growth, transport services, and the budget – and work being undertaken to help the region and its economy recover from the aftermath of COVID-19 – should also be areas of oversight.
- 2.5 Consequently, it was agreed that scrutiny focus mostly on mayoral devolution preparations and the implementation process, while maintaining an overview of other organisational developments, such as COVID-19 recovery plans, through a standing performance monitoring item.
- 2.6 To support it in its work, the Committee established two working groups:
- Governance & Scrutiny: To scrutinise the development of new governance/decision-making structures and make recommendations on new scrutiny arrangements.
  - Finances & Corporate: To scrutinise and maintain oversight of the development of new financial arrangements/strategies and organisational and corporate processes/systems – including workforce planning and any matters relating to the Police & Crime Commissioner.
- 2.7 The resultant work programme is attached as **Appendix 1**.

## Summary of committee and working group meetings

- 2.8 There have been three committee meetings this year so far. The first two meetings on 10 July 2020 and 11 September 2020 focused on the results of the mayoral devolution consultation and the effects of COVID-19 on combined authority strategy, services and organisational resources. The discussion focused on how COVID-19 has affected the regional economy, transport system and the authority's finances and what work was being undertaken to address those problems to help the authority and region both weather the crisis and prepare for the recovery.
- 2.9 Following on from the September meeting, the Finance & Corporate Working Group was briefed regularly on developments with corporate reorganisation and the financial situation. They have looked at the Assurance Framework, Police Commissioner integration, the accommodation project, HR and people strategy, and organisational systems. They have also considered early

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<sup>2</sup> <https://westyorkshire.moderngov.co.uk/documents/s16973/Item%207%20-%20Appendix%201.pdf>

thinking around the budget and are due to reconsider the draft budget in late December or early January.

- 2.10 The most recent meeting on 13 November 2020 focused on considering proposals from the Governance and Scrutiny Working Group for what the governance structure and scrutiny arrangements should look like in the new mayoral combined authority.

### **Proposals for new MCA scrutiny arrangements**

- 2.11 The Governance & Scrutiny Working Group met four times between mid-September and late-October. The group analysed the Combined Authority's current governance structure and its history, looked at other mayoral combined authorities' scrutiny arrangements, discussed the main challenges scrutiny currently faces and what new challenges are expected with an expanded mayoral authority.
- 2.12 The working group considered how scrutiny operates in other regional authorities including Greater Manchester and Greater London and also considered the differences between local scrutiny models and methods and what might work at a regional level and a much wider geography and strategic model. Parliamentary and Assembly select committees were also taken into consideration.
- 2.13 Issues discussed included greater training and support for members, member and chair role profiles, report formats including independent analysis and summaries, possible pre meetings for question planning, greater pre-decision scrutiny of key decisions/projects, the number (and role) of scrutiny officers, engagement with the public and stakeholders, and efficient use of working groups and spokespersons for overview.
- 2.14 In general, there was a consensus that any new combined authority scrutiny model will almost certainly need more resources and support staff, a higher public profile to better engage with the public/stakeholders and a more focused purpose that does not duplicate scrutiny-like work currently undertaken by other committees and advisory panels. It was also recognised that these requests would need to be considered in the context of the financial pressures currently facing the Combined Authority.
- 2.15 Three options were presented to the Committee on 13 November 2020, [along with summarised advantages and disadvantages of each option](#)<sup>3</sup>:
1. **Option 1 – one enhanced select committee:** A single committee (supported by permanent sub-groups focusing on certain areas such as pre decision scrutiny of key projects, public engagement and reviews) operating in 'select committee style' with a wider term of reference, greater operational resources, and significantly enhanced role profiles

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<sup>3</sup> <https://westyorkshire.moderngov.co.uk/documents/s17685/Item%206i%20-%20Proposed%20options%20for%20a%20new%20MCA%20scrutiny%20model.pdf>

or scrutiny members and officers to support a more pro-active, 'big picture' and strategic approach to scrutiny.

2. **Option 2 – three committees divided thematically:** Three co-equal committees each shadowing one of the main functions, directorates and committees of the Combined Authority in a more reactive, focused approach; one to look at economic policy/services/functions, one on transport policy/services/functions and one more generalist one to cover all other matters, incl. strategic (mayors plan), police and corporate issues. Each of these committees will also still be able to form subgroups and do reviews etc.
3. **Option 3 – two committees divided by function:** Two co-equal committees operating within a binary system where the overview (monitoring, reactive) and scrutiny (focused but proactive) parts are undertaken separately by different committees allowing chairs, members and officers with particular experience to focus more closely on particular types of scrutiny which require different skills. Each of these committees will also still be able to form subgroups and do reviews etc.

- 2.16 Following a discussion, **the Committee selected Option 1** for recommendation to the Combined Authority. A second report will now be submitted to a future scrutiny meeting outlining a trackable action plan to implement the chosen model and a workshop open to all members will be arranged to help form ideas. The chosen model will also be revisited within 18 months (by May 2022) with an option to activate this follow up review earlier than that if necessary.

### **Governance review and reform**

- 2.17 In addition, Scrutiny asked that a review of governance be undertaken, if possible with the involvement of scrutiny and the mayor, and that this topic be added to the Committee's work programme for 2021/22 if not completed by then and that scrutiny of the new constitution takes place prior to its adoption.

### **Next steps**

- 2.18 In January, the committee plans to consider the budget and business plans for the mayor's first year, a report on how to implement the scrutiny model chosen at the November meeting, an update on implementation of mayoral devolution and an update on the situation with COVID-19 and Brexit.

## **3. Financial Implications**

- 3.1 There are no financial implications directly arising from this report.

## **4. Legal Implications**

- 4.1 There are no legal implications directly arising from this report.

**5. Staffing Implications**

5.1 There are no staffing implications directly arising from this report.

**6. External Consultees**

6.1 No external consultations have been undertaken.

**7. Recommendations**

7.1 That the Governance and Audit Committee notes the update and report.

**8. Background Documents**

None.

**9. Appendices**

Appendix 1 – Scrutiny Work Programme 2020/21

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## Scrutiny Work Programme 2020/21

## Agenda forward plan 2020/21

Date	Items	Objective and focus	Attendees
All meetings	Scrutiny Work Programme update	To receive updates on scrutiny work taking place between meetings including: progress on reviews, working group updates, follow up actions, scrutiny chair/deputy chair/leads actions, and review updates.	Scrutiny Officer Scrutiny Spokespersons
10 July 2020	<ol style="list-style-type: none"> <li>1. Governance arrangements</li> <li>2. Work Programme approval</li> <li>3. Annual report 2019/20</li> <li>4. Mayoral devolution update</li> <li>5. COVID-19 recovery and corporate performance monitoring</li> </ol>	<ol style="list-style-type: none"> <li>1. To confirm governance arrangements for the coming year</li> <li>2. To approve the work programme and establish any working groups for the coming year</li> <li>3. To receive an update on mayoral devolution since the last meeting</li> <li>4. To receive an overview of COVID-19 recovery efforts, corporate performance, programme delivery &amp; KPIs</li> </ol>	<ol style="list-style-type: none"> <li>1. Angela Taylor, Director of Corporate Services</li> <li>2. Brian Archer, Director of Economic Services</li> </ol>
11 Sept 2020	<ol style="list-style-type: none"> <li>1. Mayoral devolution &amp; working group updates</li> <li>2. COVID-19 recovery</li> <li>3. Corporate performance monitoring</li> </ol>	<ol style="list-style-type: none"> <li>1. To receive an update on mayoral devolution since the last meeting – including an analysis of consultation results, MCA ready and working group updates</li> <li>2. To receive an overview of COVID-19 recovery efforts, corporate performance, programme delivery &amp; KPIs</li> </ol>	<ol style="list-style-type: none"> <li>1. Ben Still, Managing Director</li> <li>2. Angela Taylor, Director of Corporate Services</li> <li>3. Brian Archer, Director of Economic Services</li> <li>4. Alan Reiss, Director of Policy, Strategy &amp; Comms</li> </ol>
13 Nov 2020	<ol style="list-style-type: none"> <li>1. Mayoral devolution</li> <li>2. Working group updates</li> <li>3. Corporate performance monitoring</li> <li>4. Assurance Framework</li> </ol>	<ol style="list-style-type: none"> <li>1. To receive an update on mayoral devolution since the last meeting – including mayoral order, MCA ready</li> <li>2. Working group updates</li> <li>3. To receive an overview of corporate performance, programme delivery &amp; KPIs – and budget and business planning 2021/22</li> <li>4. To consider the final draft of the assurance framework</li> </ol>	<ol style="list-style-type: none"> <li>1. Ben Still, Managing Director</li> <li>2. Angela Taylor, Director of Corporate Services</li> </ol>
22 Jan 2021	<ol style="list-style-type: none"> <li>1. Mayoral devolution</li> <li>2. Working group updates &amp; scrutiny review report</li> <li>3. COVID-19 recovery and corporate performance</li> </ol>	<ol style="list-style-type: none"> <li>1. To receive an update on mayoral devolution since the last meeting – including mayoral order, MCA ready</li> <li>2. Working group updates and second report on scrutiny review</li> </ol>	To be confirmed

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	<b>monitoring + Budget 2021/22</b>	3. To receive an overview of COVID-19 recovery efforts, corporate performance, programme delivery & KPIs – and budget and business planning 2021/22	
<b>19 March 2021</b>	<b>1. Mayoral devolution update 2. COVID-19 recovery and corporate performance monitoring</b>	1. To receive an update on mayoral devolution since the last meeting – including mayoral order, MCA ready and working group updates 2. To receive an overview of COVID-19 recovery efforts, corporate performance, programme delivery & KPIs	To be confirmed
<b>21 May 2021</b>	<b>1. Annual report 2020/21 2. Mayoral devolution update 3. COVID-19 recovery and corporate performance monitoring</b>	1. Approve annual report 2020/21 2. To receive an update on mayoral devolution since the election – including MCA ready update 3. To receive an overview of COVID-19 recovery efforts, corporate performance, programme delivery & KPIs	To be confirmed

### Task and Finish groups

<b>Name</b>	<b>Members</b>	<b>Objective and focus</b>	<b>Sessions</b>
Governance & Scrutiny	<i>James Baker Dot Foster Peter Harrand Andrew Hollyer Yusra Hussain David Jones</i>	To scrutinise the development of new governance, decision-making, and scrutiny arrangements – including any matters relating to the Police & Crime Commissioner.  To provide input into and/or make recommendations regarding: <ul style="list-style-type: none"> <li>• New governance structure</li> <li>• New scrutiny arrangements</li> </ul>	<i>14 September 2020 7 October 2020 14 October 2020 26 October 2020</i>
Finances & Corporate	<i>Stephen Baines Paul Davies Jacob Goddard Peter Harrand Olivia Rowley Rosie Watson Geoff Winnard</i>	To scrutinise and maintain oversight of the development of new financial arrangements/strategies and organisational and corporate processes/systems – including workforce planning and any matters relating to the Police & Crime Commissioner.  To provide input into and/or make recommendations regarding: <ul style="list-style-type: none"> <li>• New assurance framework</li> <li>• Financial strategy and arrangements</li> <li>• Formation of business plans and budgeting</li> <li>• Any changes to corporate/organisational systems and processes</li> </ul>	<i>24 September 2020 22 October 2020 27 October 2020 6 November 2020</i>

## Reviews

Topic	Objective	Outcomes so far / next steps
Business grants evaluation	To evaluate the performance and outcomes achieved from the business support/grants schemes due to come to an end in the 2019/20 municipal year with a view to making any recommendations to help shape future business support programmes.	Interrupted by covid-19. Final report currently being prepared – and then analysed with covid-19 consequences in mind and business support response since.
Climate emergency response	To scrutinise the action the combined authority with regards to climate change and the declared climate emergency.	Interrupted by covid-19, interim report being prepared. First round of evidence sessions with private sector members and academic experts completed. Evidence gathering from local authority members still outstanding.

## Spokespersons

Spokesperson(s)	'Portfolio'	Panels to shadow	Outstanding tasks
Cllr Stephen Baines	<b>Business growth</b>	Business Innovation & Growth Panel Inclusive Growth Panel	COVID-19 implications
Cllr Rosie Watson Cllr Geoff Winnard	<b>Corporate issues</b>	None	COVID-19 implications
Cllr David Jones	<b>Employment &amp; skills</b>	Employment and Skills Panel	COVID-19 implications
Cllr James Baker	<b>Environment</b>	Green Economy Panel Place Panel (as appropriate)	COVID-19 implications Climate emergency work
Cllr Peter Harrand	<b>Financial &amp; strategic issues (including devolution and governance)</b>	Governance & Audit Combined Authority / LEP Board	COVID-19 implications Mayoral devolution implementation Key decisions
Cllr Dot Foster	<b>Transport</b>	Transport Committee Place Panel (as appropriate)	COVID-19 implications Future bus options / sale of bus companies

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**Report to:** Governance and Audit Committee

**Date:** 27 November 2020

**Subject:** **Compliance and Monitoring**

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**Director(s):** Angela Taylor, Director, Corporate Services

**Author(s):** Louise Porter

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## **1. Purpose of this report**

- 1.1 To consider any changes to the arrangements for internal control in the West Yorkshire Combined Authority since the last meeting of the Committee and to consider the current financial position.

## **2. Information**

- 2.1 This paper is provided to each meeting of the Governance and Audit Committee and provides information and assurance on governance issues. Any changes to, or failures of, internal control will be reported along with significant risk issues and an update on the budget position for the current year.

### **Internal controls**

- 2.2 There have been no significant changes to internal controls in the period and monthly reconciliations are up to date.
- 2.3 Measures put in place to enable business to continue during the pandemic have been successful with committee and board meetings able to continue using virtual arrangements.
- 2.4 The Regulatory and Compliance Board at officer level continues to meet and will provide information as required to this Committee and the Combined Authority. Its meetings have considered assurances provided by the work undertaken by internal audit, health and safety, information governance, risks and controls and compliance including financial, procurement, HR and other policies, statutory returns and transparency arrangements. Actions are being identified to ensure compliance is adequately documented and evidenced and further information will be provided to this Committee as the work progresses.

## **Treasury Management**

- 2.5 The regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments and treasury management. The last meeting was on 15/10/2020 and no areas of concern were raised. The high level of cash balances was considered and the challenges this presents with regard to placing funds with approved counterparties.
- 2.6 Members will have seen that the London Borough of Croydon issued a Section 114 notice on 11<sup>th</sup> November 2020, which effectively stops any new / uncommitted expenditure across most of its service areas. The Combined Authority currently has an exposure to them in the form of a £5 million loan which matures 01/04/2021. For members information, the repayment of loan obligations do not fall into this notice and at this stage we do not envisage any issues with the repayment of this loan when due.

## **Key indicators**

- 2.7 The Committee has requested regular information via key indicators, specifically with regard to accidents reportable to the Health and Safety Executive and with regard to key controls.
- 2.8 One further RIDDOR incident has been reported since the previous meeting, taking the total for the year to two.
- 2.9 Key indicators are monitored in relation to the suite of financial controls undertaken monthly in both the finance and the concessions and integrated ticketing team. These are both up to date as at the time of writing this report.

## **Financial monitoring**

### **Revenue Budget 2020/21**

- 2.10 As reported in July, since the balanced revenue budget was approved in February 2020, the Combined Authority financial position has been impacted by the pandemic. The original forecast impact reported in July 2020 was estimated at £12 million, across a range of income and expenditure budget lines. These figures were confirmed to the Combined Authority earlier this year and shared with Government in a range of forums with representations made for funding to meet these costs. These representations continue.
- 2.11 A more recent, high-level, forecast (as at September 2020) predicts an approximate £5 million impact, which is net of support grants provided as at that date by the Department for Transport. The funding gap has reduced due to funding received, revised estimates and actions taken to reduce expenditure. These figures will be kept under regular review, especially as further lockdown / second waves potentially occur and there is still a high level of risk and uncertainty for the coming months.

- 2.12 Whilst at present the level of general reserves would appear to be able to cover the forecasted financial impact there is a high risk in allowing reserves to fall. Critically the general reserves would then be depleted by approximately £4m below the level we required when the budget was approved in February 2020, at a time when there are still significant unknowns and risks for this and coming years. Members will recall that the Combined Authority follows a risk based reserves strategy which resulted in February in the conclusion that £7-8 million was the appropriate level of reserves required. Given the known risks today it is reasonable to expect that a similar level of reserves will be determined as required for 2021/22.
- 2.13 Key assumptions regarding bus operator spend continuing at 'normal' levels is built into these forecasts. This is the current approach supported by government and the industry and results in transport authorities making payments for journeys at pre-covid rates and not reflecting the drop in passenger numbers. Discussions are underway with DfT on options to manage bus operator expenditure going forwards.
- 2.14 Work is also underway to review spend and refine these forecasts with budget holders. A future update will be provided to the next meeting.
- 2.15 A summary of the 2020/21 current revenue spend to budget as at September 2020 is attached at **Appendix 1**. The 'red' areas of concern are related to the Covid-19 pandemic as mentioned above. Key impacts are being felt across commercial income, bus station costs, commission from travel card / MCard sales, bus revenues (for gross cost contracts) and transport service costs.

### **Capital 2020/21**

- 2.16 Progress on capital budgets is being monitored through the Investment Committee which receives regular reports on expenditure forecasts and information. A summary is provided at **Appendix 2** for information. Though claims from partners are due for Qtr2, the figures are showing potential for spend being significantly lower than originally estimated.

### **Business planning and budget 2021/22**

- 2.17 Work is continuing on the detailed business plan for 2021/22 and the accompanying budget, to be set within the context of a revised medium-term financial strategy.
- 2.18 Each directorate is producing a business plan based on delivering corporate priorities in the coming year. The budget will then show the costs of delivering these activities.
- 2.19 In setting its budget the Combined Authority recognises the challenging financial position faced by its local authority partners, including the impact emerging from the national pandemic and its need to respond to this. The need to achieve and demonstrate efficiency and effectiveness and demonstrate value for money from the organisation's activities is core to the approach being taken. A number of savings and reductions were built into the

baseline for 2020/21 and these will continue going forward, along with additional savings to be identified. The member led Budget Working Group has met and will continue to meet to consider these matters in more detail with regular reports being provided to the Combined Authority.

- 2.20 High level revenue budget estimates have been provided in the summary table below, which includes the previously reported annual deficit positions from the February 2020 approval, further potential impact of Covid-19 and emerging costs from the MCA readiness work.

	2021/22 £m	2022/23 £m	2023/24 £m
Opening Deficit	2.0	3.6	6.3
Covid 19 impact	2.0	0.0	0.0
MCA costs	2.5	1.5	2.5
Total (deficit)	6.5	5.1	8.8

- 2.21 The working assumption is that the devolution ‘gainshare’ is not available to ‘solve’ the revenue budget deficit and that the funding is for the region and its use to deliver economic growth programmes.
- 2.22 A further iteration of the revenue and capital budget will be provided to the Combined Authority meeting in December 2020. It will also form an agenda item for the next meeting of the Governance and Audit Committee in January for consideration ahead of the budget meeting in February.

### **Risk management**

- 2.23 In line with the provisions of the corporate risk management strategy, regular review of the key strategic risks affecting the organisation continues to be undertaken and the corporate risk register updated accordingly.
- 2.24 A summary of the headline strategic risks is included at **Appendix 3** to this report. Since the last reporting period work to monitor key risks associated with the COVID-19 pandemic has taken place and a number of strategic risks related to the pandemic are presented within the corporate risk register.
- 2.25 In addition to the strategic risks presented by the COVID-19 pandemic, the more specific operational risks are also being identified and managed by individual Directorates. The overall approach to the COVID-19 pandemic and the specific risks it causes is continuing to be managed through the Combined Authority’s Gold command incident response structure.

## **3. Financial Implications**

- 3.1 As set out in the report.

**4. Legal Implications**

4.1 There are no legal implications directly arising from this report.

**5. Staffing Implications**

5.1 There are no staffing implications directly arising from this report.

**6. External Consultees**

6.1 No external consultations have been undertaken.

**7. Recommendations**

7.1 That the Committee consider the information contained in this report.

**8. Background Documents**

None.

**9. Appendices**

Appendix 1 – Revised revenue budget monitoring as at September 2020.

Appendix 2 – Capital spend 2020/21 as at September 2020.

Appendix 3 – Corporate risk register

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West Yorkshire Combined Authority Revenue Budget 2020/21	Annual Budget £	Actuals September 2020 £	Utilised %	Notes / Commentary	RAG Rating
Employee Costs	27,326,771	11,458,791	41.9%	High staffing vacancies, net of pay award not agreed.	
Indirect Employee Costs	1,560,772	512,483	32.8%	Spend to date - as expected due to timing of pension invoice.	
Premises Costs	6,088,828	2,548,353	41.9%	Spend to date - as expected due to premises invoices paid in arrears	
Supplies and Services	5,639,485	815,333	14.5%	Spend to date - lower than expected due to Covid 19 and invoices in arrears	
ICT Related Costs	2,669,678	1,550,929	58.1%	Spend to date - as expected due to certain ICT costs paid in advance	
Travel, Subsistence & Transport Costs	257,280	83,405	32.4%	Less staff travel due to Covid-19 plus also claims are in arrears	
Tendered Services	25,435,452	14,815,831	58.2%	Spend in line with Government requirements during lockdown - though expecting additional costs due to Covid-19	
Concessions	55,157,492	27,200,748	49.3%	Spend in line with Government requirements during lockdown	
Prepaid Tickets Costs	35,800,000	3,526,759	9.9%	Mcard payment significantly reduced - Covid-19 - offset by Mcard sales ##	
Grants and Agency costs	2,046,164	861,878	42.1%	Spend as expected	
Consultancy and Professional Services	3,419,578	845,866	24.7%	Spend as expected	
Financing Charges	6,676,400	1,527,126	22.9%	Spend as expected - accrued at the Year End	
<b>Total Expenditure</b>	<b>172,077,900</b>	<b>65,747,502</b>	<b>38.2%</b>		
Income - Transport	(11,786,000)	(2,164,703)	18.4%	Covid19 - Impact on bus station & bus services income	
Funding - Grants	(12,497,103)	(4,901,017)	39.2%	Grants received as expected - generally claimed in arrears (projects)	
Enterprise Zone Receipts	(2,307,000)	(5,153)	0.2%	EZ receipts expected to be received in arrears - possible Covid-19 impact.	
Interest Received	(1,386,000)	(240,458)	17.3%	Investment Interest in arrears - however high Covid19 impact on returns	
Income - Operational	(2,962,053)	(1,802,364)	60.8%	As expected - revenue project claims in arrears	
Capitalisation / Internal Recharges	(13,141,745)	(3,223,105)	24.5%	Income as expected	
Pre Paid Ticket Income	(35,800,000)	(3,526,759)	9.9%	Mcard sales significantly reduced - Covid-19 - offsets by payments ##	
Transport Levy	(92,198,000)	(41,988,459)	45.5%	Levy receipts as expected	
<b>Total Income</b>	<b>(172,077,900)</b>	<b>(57,852,019)</b>	<b>33.6%</b>		
<b>Net Expenditure Total</b>	<b>(0)</b>	<b>7,895,483</b>			

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Appendix 2

**Capital Programme - Expenditure Estimates 2020/21**

	Revised Budget	Actual - Sept	%	Funding
Growing business	14,809,439	3,552,567	24.0%	Growth Deal
Skilled People and Better Jobs	667,110	0	0.0%	Growth Deal
Clean Energy	741,887	273,360	36.8%	Growth Deal
Housing and Regeneration	6,500,000	0	0.0%	Growth Deal
Economic Resilience	4,181,524	645,132	15.4%	Growth Deal
Enterprise Zone Development	12,337,000	5,751,152	46.6%	Growth Deal
West Yorkshire plus Transport Fund	112,670,000	5,760,944	5.1%	Growth Deal / GD Gainshare
Leeds Public Transport Investment Programme	88,233,338	4,506,004	5.1%	LPTIP
Local Transport Capital / Highways Maint	43,126,332	32,049,691	74.3%	LTP
Transforming Cities (small & Core)	57,961,068	12,642	0.0%	TCF (SIF)
Getting Building Fund	26,300,000	0	0.0%	GBF
Brownfield Housing	5,000,000	0	0.0%	Brownfield Housing (Grant TBC)
Broadband	2,608,437	42,620	1.6%	ESIF
City Connect	0	620,474	No Spend Estimated	City Connect Unapplied Grant
Corporate projects	5,503,000	1,436,388	26.1%	Borrowing
Legacy Rail Schemes	0	51,021	No Spend Estimated	Reserves
Low Emission Vehicles	0	60,750	No Spend Estimated	ULEV/ULEV
Land Release Fund & One Public Estate	0	151,529	No Spend Estimated	LRF / OPE
<b>Grand Total</b>	<b>380,639,135</b>	<b>54,914,274</b>	<b>14.4%</b>	

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### Corporate risk summary

		Probability	Impact	Mitigation summary	
Very high	CRR-SD1	<p><b>There is a risk that</b> we fail to fully deliver projects and programmes (i.e. Growth Deal) within timescales or budget, or with the anticipated level of benefits, <b>due to</b> over-optimistic profiles, capacity within both the Combined Authority and District partners and recruitment and retention challenges.</p>	Possible 3	Critical 5	<ul style="list-style-type: none"> <li>• Significant monitoring and controls in place through PMO</li> <li>• Continuing support through 'District Pool' project resource</li> <li>• Ongoing Review of WY+TF portfolio with Chief Highways Officers</li> </ul>
	CRR-SD2	<p><b>There is a risk that</b> there are challenges and disruption to the way in which the Combined Authority provides services and the resources available to deliver those, <b>due to</b> uncertainty surrounding the UK's future relationship with the EU.</p>	Possible 3	Critical 5	<ul style="list-style-type: none"> <li>• Organisation wide Brexit action plan in place</li> <li>• Ongoing liaison with Bus Operators for reassurance on preparation for fuel or labour shortages</li> <li>• Communications and media campaign focusing on effective signposting and support</li> <li>• Monitoring of legislative developments</li> <li>• Additional grant funding available to support local businesses</li> <li>• Secured additional resources, and refocussed existing ones, to support more businesses to prepare for Brexit and to gain a better understanding of impacts/opportunities on the economy.</li> <li>• Identifying any projects which may be vulnerable to shortages in skilled labour or supply chain disruption</li> </ul>
	CRR-SD5	<p><b>There is a risk that</b> there will be a major impact on achievement of organisational objectives and/or a need to reconsider objectives and divert resources, <b>due to</b> a major unanticipated change in national policy (Brexit; major change in govt policy).</p>	Possible 3	Critical 5	<ul style="list-style-type: none"> <li>• Continued dialogue with Government</li> <li>• Policy and Strategy directorate continuing to monitor emerging national trends</li> <li>• Continued work with local LEPs and Combined Authorities</li> </ul>
	CRR-SD6	<p><b>There is a risk that</b> key corporate objectives cannot be met <b>due to</b> the long term impacts of the COVID-19 pandemic on the regional economy and on travel habits.</p>	Possible 3	Critical 5	<ul style="list-style-type: none"> <li>• Research and Intelligence team modelling potential impacts and long term scenarios</li> <li>• Working closely with partners and representative groups to identify possible long term impacts and develop joint responses</li> <li>• Updating business plans to identify key areas for re-prioritisation</li> </ul>

			Probability	Impact	Mitigation summary
CRR – FR3	<b>There is a risk that</b> the immediate, medium and long term financial health of the Combined Authority will be adversely affected <b>due to</b> the financial impacts of the COVID-19 pandemic	Possible 3	Critical 5	<ul style="list-style-type: none"> <li>Financial scenario planning undertaken and being continually updated</li> <li>Continued liaison with Government to understand funding opportunities</li> <li>Budget Working Group meeting to oversee response</li> </ul>	
	<b>There is a risk that</b> there will be a significant increase in unemployment across the region, <b>due to</b> the ongoing economic disruption caused by the COVID-19 crisis and the end of the national Job Retention Scheme (furlough)	Likely 4	Serious 4	<ul style="list-style-type: none"> <li>Joint intelligence gathering on the employment impacts– including the demographic, sectoral and geographical impact</li> <li>Current programmes – particularly the Employment Hub and [re]boot – have been flexed to support redundant and furloughed workers</li> <li>Lobbying government for Combined Authorities to be resourced to support people into work and for a national job creation/wage subsidy scheme.</li> <li>Recovery Plan developed including a focus on creating employment and self-employment opportunities.</li> </ul>	
	<b>There is a risk that</b> the Combined Authority is placed under pressure to fund the reinstatement of commercial bus services threatened with withdrawal, <b>due to</b> premature withdrawal of emergency government funding support	Possible 3	Critical 5	<ul style="list-style-type: none"> <li>Continued liaison with Government on funding</li> <li>Close liaison with bus companies to identify cost neutral/effective solutions</li> <li>Review and adapt current mechanism to appraise social and commercial value of threatened services</li> </ul>	

		Probability	Impact	Mitigation summary
CRR-DR1	<b>There is a risk that</b> a major contractor/supplier/recipient of Combined Authority funding encounters significant financial difficulties, or enters administration or liquidation, and are therefore unable to deliver agreed projects, <b>due to</b> current uncertainties within the construction industry.	Possible 3	Serious 4	<ul style="list-style-type: none"> <li>Contractual KPIs &amp; penalty clauses</li> <li>Agreed escalation routes in contracts</li> <li>Ability to de-scope via change requests with partner buy-in</li> <li>Embed security measures into as many contracts as possible e.g. bond, legal charge, priority in lending hierarchy</li> <li>Regular financial checks in place through Procurement &amp; contract/loan monitoring</li> <li>External consultants procured to advise on future investment strategy/due diligence processes for more commercial deals</li> </ul>
CRR-FR2	<b>There is a risk that</b> there is insufficient floorspace to generate projected business rates income, <b>due to</b> challenges in bringing forward Enterprise Zone sites within Growth Deal funding and occupier incentive timescales.	Possible 3	Serious 4	<ul style="list-style-type: none"> <li>Progress policy gap workstreams in parallel with Delivery</li> <li>Progress detailed due diligence &amp; potential funding/overage agreement negotiations</li> <li>Identify other potential land/property income streams for GD monies</li> </ul>
CRR-SS1	<b>There is a risk that</b> a major accident or injury occurs at a Combined Authority facility, <b>due to</b> the high volume of people and inherent operational risks present in a bus station, transport interchange or Combined Authority facility.	Unlikely 2	Critical 5	<ul style="list-style-type: none"> <li>Health and safety policies, procedures and processes in place</li> <li>Staff training</li> <li>Ongoing review of Health and Safety risks</li> <li>Working with district emergency planning units to share knowledge and develop joint plans</li> <li>Continued working with police on preventative measures</li> <li>Business Continuity and Disaster Management workshops taking place at corporate level</li> </ul>
CRR-DR2	<b>There is a risk that</b> significant travel disruption arises from the implementation of major transport investment programmes, <b>due to</b> their intrusive nature, and a lack of effective communication or co-ordination.	Possible 3	Serious 4	<ul style="list-style-type: none"> <li>Close working with programme sponsors on phasing out of construction</li> <li>Mitigating travel arrangements</li> <li>Creation of a 'travel demand management plan' to inform and influence travel behaviours</li> <li>Economic analysis taking place to further assess current situations and potential future risks</li> </ul>
CRR-SD3	<b>There is a risk that</b> there is a substantial reduction or alternation of services to customers, <b>due to</b> the business failure, sale, or substantial change in bus/rail providers.	Possible 3	Serious 4	<ul style="list-style-type: none"> <li>Close relationships with operators to obtain early warnings</li> <li>Dialogue with DFT, TFN</li> <li>Work commissioned and in progress to consider future bus options</li> </ul>
CRR-SD7	<b>There is a risk that</b> frontline services and business as usual activities cannot be adequately provided <b>due to</b> staffing availability issues as a result of the Covid pandemic	Possible 3	Serious 4	<ul style="list-style-type: none"> <li>Staffing levels being monitored and individual circumstances being regularly reviewed</li> <li>Additional staff trained and redeployed into frontline positions</li> <li>Productivity being actively monitored</li> </ul>

		Probability	Impact	Mitigation summary	
174	CRR-SS2	<b>There is a risk that</b> a cyber security malware infection could infiltrate the organisation, <b>due to</b> the growth of cyber crime and organisation targeting which is increasing due to covid19	Possible 3	Serious 4	<ul style="list-style-type: none"> <li>• Systems protected through firewalls</li> <li>• Additional cyber security software in place</li> <li>• Increased training for ICT staff</li> <li>• Regular testing</li> </ul>
	CRR-SD10	<b>There is a risk that</b> the Mayoral Order may not be prioritised for parliamentary time and the May 2021 election deadline missed, <b>due to</b> the significant number of other pressing matters within the parliamentary timetable (e.g. Covid19 response, Brexit) that are beyond our control.	Possible 3	Serious 4	<ul style="list-style-type: none"> <li>• Ongoing dialogue with government</li> <li>• Consistent messaging to ensure that importance of timelines are recognised</li> </ul>
	CRR-LC2	<b>There is a risk that</b> a significant legal challenge, is made to the Devolution consultation, <b>due to</b> the more limited range of consultation techniques and tools that can be deployed during the Covid crisis	Unlikely 2	Critical 5	<ul style="list-style-type: none"> <li>• Consultation Institute providing guidance to ensure consultation is as inclusive as possible</li> <li>• Direct mailshots sent to audiences where digital engagement is more challenging</li> <li>• Comprehensive communications activities to promote the consultation in place</li> </ul>
	CRR-SD11	<b>There is a risk that</b> the corporate processes, systems and structures needed to support the MCA will not be in place by May 2021, <b>due to</b> the scale of work required within challenging timescales and the need to maintain business as usual activities.	Possible 3	Serious 4	<ul style="list-style-type: none"> <li>• Comprehensive resource mapping exercise taken place across the Corporate Services directorate, and action taken to address key pressure points</li> <li>• Areas identified where consultancy support can be used to relieve pressure on staff</li> </ul>



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**Report to:** Governance and Audit Committee

**Date:** 27 November 2020

**Subject:** **Assurance Framework Review 2020**

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**Director:** Melanie Corcoran, Director of Delivery

**Author:** Craig Taylor, Head of PMA

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## **1 Purpose of this report**

- 1.1 To provide Governance and Audit Committee with an update on progress relating to changes proposed to the Leeds City Region Assurance Framework arising from the West Yorkshire Devolution Deal for a Mayoral Combined Authority to be established.
- 1.2 To request the Governance and Audit Committee to provide feedback on the proposed revisions to the Leeds City Region Assurance Framework.

## **2 Information**

- 2.1 The Assurance Framework was developed in 2015 as part of the Growth Deal with Government. Its purpose is to ensure that the necessary systems and processes are in place to manage funding effectively, and to ensure the successful delivery of the Strategic Economic Framework (SEF) ambitions. Its focus is to ensure that necessary practices and standards are implemented to provide the Government, Combined Authority, the LEP and local partners with assurance that decisions over funding (and the means by which these decisions are implemented) are proper, transparent and deliver value for money. It covers all projects and programmes funded from Government or local sources that flow through the LEP and Combined Authority. The Assurance Framework is prepared in accordance with HM Government National Assurance Framework Guidance (2019) and builds on existing good practice.
- 2.2 The Assurance Framework must be reviewed annually and uploaded on to the LEPs website. The annual update is due by 28 February, however, due to the West Yorkshire Devolution Deal, the Assurance Framework has been subject to an extensive in-year review for Mayoral arrangements to be adopted. The

updated Mayoral Combined Authority Assurance Framework is required to be sent to Government on 1 December 2020 for approval in January 2021.

- 2.3 Other MCA Assurance Frameworks have been reviewed as part of this process to compare structures and content to identify areas of best practice. Regular communication with BEIS has also identified the level of detail to be included regarding the Mayoral arrangements for this update.
- 2.4 Consultation was undertaken on the current Assurance Framework for feedback to be gained from internal and external stakeholders including programme and project managers, consultants, Chief Highways Officers, Directors of Development and the Chairs of Committees. There were over 250 engagements through a survey and workshop attendees. The key outcomes identified as part of the consultation were:
- Over 80% of respondents regarded the Assurance Framework as being effective in ensuring that the necessary systems and processes are in place to ensure that funding is managed effectively and there is a transparency and challenge process leading to successful delivery of schemes.
  - Positive comments are received on the Framework for its robustness for challenge, transparency and the way in which the Portfolio Management and Appraisal Team manage the assurance process.
  - The key themes on what could be improved centred around proportionality, recognising the one size does not fit all, the complexity of the process, flexibility within it and timescales for progressing schemes through the Framework.
- 2.5 A copy of the updated Assurance Framework can be found in **Appendix 1**. The key changes to the Assurance Framework are:
- Re-structuring of the Assurance Framework to remove duplicated information.
  - Removal of the Executive Summary. Information contained within this is now incorporated into Section 1.
  - Addition of the Mayoral Combined Authority's role and remit including the Mayor's role in Decision-Making.
  - Addition of a statement that complies with the National Local Growth Assurance Framework, which states "that Local Assurance Frameworks should set out the means by which elected Mayors will be involved in funding allocation and decision-making" and "that no spending commitments beyond the initial five-year allocation should be made until elected Mayors are in place and have agreed to the investment strategy." This is to ensure consistency with the ambition and agreement to hold a single democratically elected figurehead accountable, and for their democratically invested power to influence the allocation of funding.

- References to the Strategic Economic Framework (SEF) and Local Industrial Strategy (LIS) have replaced the references to the Strategic Economic Plan (SEP).
- Incorporation of the Adult Education Budget governance arrangements.
- An update of the assurance process (Section 5) as a consequence of the feedback received from the consultation on the Assurance Framework, which took place between 3 July 2020 and 15 July 2020. Please refer to **Appendix 2** that explains the key changes.
- Updated wording to reflect updated working practices around project and

2.6 The Mayoral elections are not due to take place until early May 2021. During the timeframe without a Mayor, the decision-making arrangements will continue as those outlined in the Assurance Framework. Upon election of the Mayor the decision-making arrangements will change and therefore BEIS require the Assurance Framework to also include these arrangements. Work is still ongoing to confirm these arrangements, which will be set out in an addendum to the Assurance Framework.

#### Next steps

- 2.7 The Assurance Framework has been reviewed by the Investment Committee, Combined Authority (for initial feedback and comments), Overview and Scrutiny Committee, Finances & Corporate - Scrutiny Working Group and the LEP Board.
- 2.8 Following the Governance and Audit review, the Assurance Framework will be formally approved by the Combined Authority on 10 December 2020.
- 2.9 The updated Assurance Framework will be sent to Government on 1 December 2020 for approval to be granted. Implementation of the Leeds City Region Assurance Framework will be once the order is approved, which is expected in early February 2021.

### **3 Financial Implications**

- 3.1 There are no financial implications directly arising from this report.
- 3.2 It should be noted that approval of the Assurance Framework by Government is required for the devolution funds to be released. The S73 Officer will also sign off the Assurance Framework.

### **4 Legal Implications**

- 4.1 There are no legal implications directly arising from this report.

### **5 Staffing Implications**

- 5.1 There are no staffing implications directly arising from this report.

### **6 External Consultees**

- 6.1 The Department for Business, Energy & Industrial Strategy (BEIS) has provided informal feedback on the Assurance Framework.
- 6.2 A series of workshops were undertaken with stakeholders to gain feedback on the current Assurance Framework and processes. The feedback gained has been incorporated within the document.

## **7 Recommendations**

- 7.1 The Governance and Audit Committee is asked to:
  - (i) Note the progress made on the Assurance Framework and changes that have been made to the content and structure of the document.
  - (ii) Provide comments and feedback on the Assurance Framework

## **8 Background Documents**

- 8.1 None.

## **9 Appendices**

- 9.1 Appendix 1 – Assurance Framework
- 9.2 Appendix 2 – Assurance Process

**West  
Yorkshire**  
Combined  
Authority

Working in  
partnership  
with the



**Leeds City Region  
Enterprise  
Partnership**



# Assurance Framework

Last updated: 18 November 2020

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# 1. Introduction

## 1.1 About the Assurance Framework

This is the joint Assurance Framework for the West Yorkshire Combined Authority (Combined Authority) and the Leeds City Region Enterprise Partnership (the LEP). The Assurance Framework sets out the arrangements that the Combined Authority and the LEP have in place to ensure that public money is managed effectively. It explains how the Combined Authority and the LEP identify, appraise, and evaluate schemes to achieve value for money.

The Assurance Framework covers expenditure on programmes and schemes funded by Government or local sources in the Leeds City Region. This includes funding received by the Combined Authority in respect of the Single Investment Fund (SIF) and as the accountable body for the Leeds City Region Enterprise Partnership (the LEP). Further details on the SIF can be found in section 2.1

## 1.2 Purpose of the Assurance Framework

The purpose of this Assurance Framework is to ensure that the necessary systems and processes are in place to manage funding effectively, and to ensure the successful delivery of our Strategic Economic Framework (SEF) ambitions<sup>1</sup>. Its focus is to ensure that necessary practices and standards are implemented to provide the Government, Combined Authority, the LEP and local partners with assurance that decisions over funding (and the means by which these decisions are implemented) are proper, transparent and deliver value for money. Further details can be found in section 2.6 below.

This framework also sets out the respective roles and responsibilities of the Combined Authority and the LEP, including how the formal accountability relationship between the Combined Authority and the LEP works.

## 1.3 Updating the Assurance Framework

The Assurance Framework is reviewed and updated on an annual basis and signed off by the Combined Authority, the LEP and the statutory Section 73<sup>2</sup> Chief Finance Officer in line with the requirements of the National Local Growth Assurance Framework (2019). The Assurance Framework also takes into consideration the guidance set out in the Strengthened Local Enterprise Partnerships report (2018) and has been prepared in accordance with guidance issued by the Chartered institute of Public Finance and Accountancy

## 1.4 The Seven Principles of public Life

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<sup>1</sup> The priorities of the SEF are 1. Boosting productivity, 2. Enabling inclusive growth, 3. Tackling the climate emergency, 4. Delivering 21<sup>st</sup> century transport, 5. Securing money and powers. The SEF will be implemented in April 2021.

<sup>2</sup> Appointed under Section 73 Local Government Act 1985

The Seven Principles of Public Life (the Nolan principles)<sup>3</sup> underpin this Assurance Framework to ensure that the Combined Authority and the LEP, their members and officers, are upholding the highest standards of conduct and ensuring robust stewardship of the resources they have at their disposal.

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<sup>3</sup> These are selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

## 2. About West Yorkshire

### 2.1 West Yorkshire Combined Authority

The West Yorkshire Combined Authority was established in 2014 to bring together local councils and businesses to champion the region's interests nationally and internationally, securing investment from Government and other sources to drive the economy forward, by carrying out economic regeneration and development functions as well as acting as local transport authority for West Yorkshire.

In March 2020, the West Yorkshire councils and the Combined Authority agreed a “minded to” devolution deal with Government. The deal detailed £1.8bn of Government investment (including £1.14bn over 30 years), to be subject to local influence and decision making, enabling spend on local priorities, together with a range of new devolved functions. The devolution deal was subject to the Combined Authority adopting the model of a directly elected mayor (the Mayor) over the Combined Area (West Yorkshire), that is becoming a mayoral combined authority.

The Combined Authority has now been established by Order as a mayoral combined authority, with the first election for a Mayor taking place in May 2021. The Mayor is directly elected by the local Government electors in West Yorkshire.

***Throughout this Assurance Framework, details in italics indicate arrangements which will be in place once the Mayor is in office<sup>4</sup>.***

A key element agreed in the devolution deal was a “**Single Pot**” approach to funding which consolidates funding lines and reduces ring-fences. This gives the Combined Authority greater control, flexibility and responsibility over funding streams and their outcomes. The new funding will form a **Single Investment Fund (the SIF)**.

The new devolved functions exercised by the Combined Authority as a mayoral combined authority include:

- **Transport-related powers** including in relation to highways, traffic management and permit scheme functions.
- **Adult education and skills functions**
- **Housing functions** relating to compulsory purchase, plus provision of housing and land, land acquisition and disposal, and development and regeneration of land.
- **Economic development** – duty to prepare an assessment of economic conditions.

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<sup>4</sup> 10 May 2021.

- **Policing and Crime functions**<sup>5, 6</sup>.

## 2.2 Leeds City Region Enterprise Partnership

The Leeds City Region Enterprise Partnership (the LEP) is an autonomous business-led public-private local partnership, which brings together the private and public sectors from across the City Region to:

- Provide strategic leadership.
- Unlock the region's vast potential by enabling businesses to grow and develop.
- Stimulate growth that will create jobs and prosperity for everyone who lives, works and does business in the region.
- Develop strategy and policy aimed at meeting both the current and future needs of the region's economy.
- Deliver schemes that support businesses and accelerate growth.

## 2.3 The West Yorkshire Combined Authority and the LEP

The West Yorkshire Combined Authority and the LEP work in partnership to achieve their shared goals. There are several practical ways in which this happens, notably:

- A member of the LEP board is a member of the Combined Authority.
- *The Mayor, as well as chairing the Combined Authority is a member of the LEP Board*
- The Strategic Economic Framework details the priorities of both the Combined Authority and LEP (see section 2.5 below).
- West Yorkshire council leaders are members of the Combined Authority and the LEP
- The Assurance Framework is adopted by both the Combined Authority and the LEP and applies across all programmes and schemes managed by Combined Authority and the LEP
- The Managing Director of the Combined Authority is also the Chief Executive Officer of the LEP.

## 2.4 Accountability

As a mayoral combined authority, the Combined Authority has a democratic mandate to invest in its local area. *The directly elected Mayor provides a single point of accountability for residents and is held responsible for their decisions*

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<sup>5</sup> The exercise of these functions are subject to separate assurance processes, and do not therefore come under this Assurance Framework.

<sup>6</sup> The Mayor also exercises Police and Crime Commissioner functions, but the exercise of those functions is subject to separate assurance processes and do not fall within the scope of this Assurance Framework.

*through the local elections, as well as through the Combined Authority's Overview and Scrutiny Committee – see further section 4.8.*

The Combined Authority is the accountable body for the Single Investment Fund (SIF), which means it is directly accountable to Government for complying with any conditions or requirements attached to funding.

In addition, the Combined Authority is the accountable body for the LEP, responsible for:

- carrying out finance functions on behalf of the LEP.
- oversight of the LEP's financial and governance, transparency and accountability arrangements.
- providing additional support as agreed by the LEP.

**Appendix 2** to this Assurance Framework sets out the specific roles and responsibilities of the Combined Authority as accountable body for the LEP.

The statutory Section 73<sup>7</sup> **Chief Finance Officer** of the Combined Authority as accountable body, is responsible for overseeing the administration of the Combined Authority's financial affairs. This role is extended to include the financial affairs of the LEP.

The Section 73 Chief Finance Officer also has a critical role in maintaining good governance and standards for the LEP, in particular compliance with this Assurance Framework.

**Appendix 3** to this Assurance Framework sets out the responsibility arrangements agreed by the Chair of the LEP and the LEP's Chief Executive Officer with the Section 73 Chief Finance Officer, recognising the role of the Section 73 Chief Finance Officer in relation to instilling good and proportionate LEP governance, including the oversight of the proper administration of the LEP's financial affairs

## 2.5 Geography

The West Yorkshire Combined Authority and LEP cover the same geographical area, namely the districts of Bradford, Calderdale, Kirklees, Leeds, and Wakefield. The Assurance Framework applies across all programmes and schemes managed by Combined Authority and the LEP, some of which cover a broader geography than these five districts.

The Combined Authority and LEP will continue to explore opportunities for further collaboration with partner councils, including Harrogate Borough Council, Craven District Council, Selby District Council, City of York Council and North Yorkshire County Council, and across the whole of Yorkshire through the Yorkshire Leaders' Board.

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<sup>7</sup> Section 73 of the Local Government Act requires the Combined Authority to appoint an officer to be responsible for the proper administration of the authority's financial affairs. This role is carried out by the Combined Authority's Director of Corporate Services.

## 2.6 Strategic Economic Framework (SEF)

The Leeds City Region's current Strategic Economic Plan (SEP) sets out the organisation's priorities for growth and development. To reflect the growing range of policies that we operate in, changing national political and economic contexts and the need to incorporate the future mayor's manifesto commitments in our work, the SEP will be replaced by a Strategic Economic Framework (SEF).

In September 2020, the Combined Authority and the LEP agreed to formally adopt the SEF as the overarching strategic framework for the region, replacing the Strategic Economic Plan (SEP). The SEP will remain in place as the strategy for implementation of the Growth Deal until March 2021.

The SEF will guide investment decisions. It has been designed to be flexible and agile, able to contain a range of policies and be easy to amend and expand. It brings together existing and subsequent policies and strategies under a single banner, ensuring greater alignment between our strategies, priorities and vision for the City Region. To allow for greater flexibility in the SEF, it is not a single, published document but is hosted on the Combined Authority's [website](#).

It sets out our vision for West Yorkshire to be "recognised globally as a place with a strong, successful economy where everyone can build great businesses, careers and live supported by a superb environment and world-class infrastructure."

Five priorities have been set to achieve this:

- **Boosting productivity** - Helping businesses to grow and bringing new investment into the region to drive economic growth and create good jobs.
- **Enabling inclusive growth** - Enabling as many people as possible to contribute to, and benefit from, economic growth in our communities and towns.
- **Tackling the climate emergency** - Growing our economy while cutting emissions and caring for our environment.
- **Delivering 21<sup>st</sup> century transport** - Creating efficient transport infrastructure to connect our communities, making it easier to get to work, do business and connect with each other.
- **Securing money and powers** - Empowering the region by negotiating a devolution deal and successfully bidding for substantial additional funds.

All our policies and strategies work toward meeting at least one of these priorities.

## 2.7 West Yorkshire Investment Strategy (WYIS)

The WYIS will set out the transformational investments that the Combined Authority will commit resources to and the process required to make those investment decisions over an agreed investment period. The WYIS, as well as setting out the

context, objectives and targets of the Combined Authority derived from the SEF, will also identify the criteria that will be used to select and prioritise schemes:

- Investments with the highest potential contribution to the Combined Authority's targeted objectives and outcomes.
- Selection of schemes must also be driven by those which support inclusive growth, our climate emergency ambitions, drive social value, tackle market failure, maximise value for money and provide different kinds of return to the SIF.
- The SIF should be guided by the funder of last resort principle - demonstrating a clear strategic case for public investment.

The design of the SIF should not mean an equal share across themes or geographies and therefore Places could expect to benefit in different ways and at different times.

No spending commitments beyond the initial five-year allocation will be made until the Mayor is in office and has agreed the WYIS. The Mayor will also have the authority to review all investment decisions related to this funding, taken before their appointment.

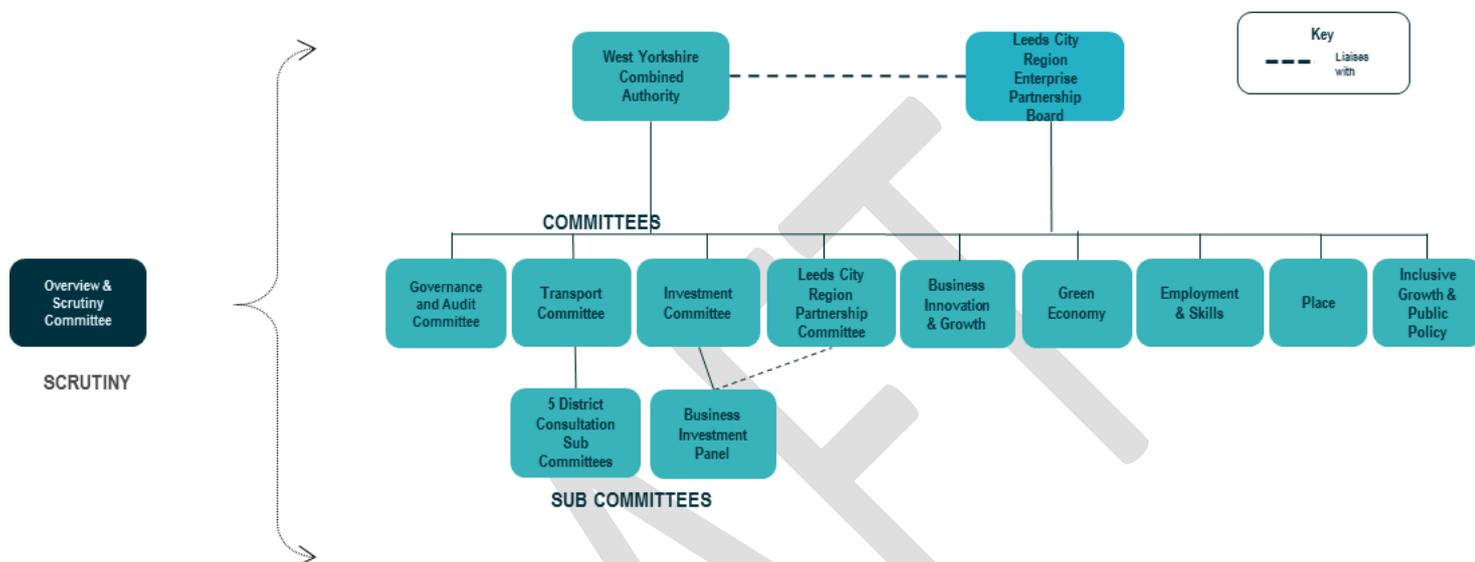
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### 3. Governance

The principal decision-making bodies for the Leeds City Region are the Combined Authority and the Leeds City Region Enterprise Partnership (the LEP).

A structure chart of the Combined Authority and the LEP is set out below:

#### Governance structure



#### 3.1 The West Yorkshire Combined Authority

**Appendix X** sets out the governance arrangements of the Combined Authority, including membership. *The Mayor by virtue of their office is a member and the Chair of the Combined Authority.*

*The Mayor is responsible for carrying out some specific functions (Mayoral functions). The Combined Authority is responsible for any function of the Combined Authority which is not the responsibility of the Mayor (any Non-Mayoral Function).*

Decisions on Non-Mayoral Functions may be taken

- **by the Combined Authority**, (that is, at a meeting of the members of the Combined Authority acting collectively), or
- **by a committee** of the Combined Authority which has delegated authority for the function,
- under **joint arrangements** with other local authorities, or
- **by an officer** of the Combined Authority under delegated authority.

*The Mayor’s vote is required in support of any decision taken at a meeting of the combined Authority about any Non-Mayoral Function which the Combined Authority acquired when it became a mayoral combined authority, that is, further to the devolution deal.*

Any decision about a Mayoral Function (that is a function which is the responsibility of the Mayor) must be taken by the Mayor, or by

- the Deputy Mayor,
- another member of the Combined Authority, or

an officer of the Combined Authority under delegated authority from the Mayor.

### 3.2 The LEP Board

The LEP is responsible for setting strategic direction and will hold partners to account in the delivery of the strategic objectives. Responsibility for LEP decision-making rests with its LEP Board<sup>8</sup>, the decision-making forum for the LEP.

The LEP’s Constitution can be found [here](#).

**Appendix 4** provides information about the membership arrangements of the LEP Board.

### 3.3 Decision-making committees

In addition to the Combined Authority and LEP Board, the following committees have decision making powers:

<p><b>Transport Committee</b></p>	<p>The Transport Committee has authority to carry out any transport function of the Combined Authority, including progressing schemes under the Assurance Framework within the Integrated Transport Block of the Capital Programme, for which the cumulative total of the financial approval and tolerance threshold is £3million or under.</p> <p>The Committee also has a specific role in liaising with the West Yorkshire and York Investment Committee to promote the strategic alignment of regional transport funding investment.</p> <p>The terms of reference, membership of the Committee, the dates of future meetings and agenda items can be found <a href="#">here</a>.</p>
<p><b>West Yorkshire &amp; York Investment Committee</b></p>	<p>The West Yorkshire and York Investment Committee has authority to make any decision to progress a scheme<sup>9</sup> under the Assurance Framework<sup>10</sup> in accordance with any bespoke approval pathway and approval route for the scheme<sup>11</sup>, as delegated by the Combined Authority.</p>

<sup>8</sup> The LEP Board may delegate decisions in accordance with the LEP’s Constitution and the LEP Board’s Procedure Rules

<sup>9</sup> Including determining change requests

<sup>10</sup> After decision point 1 (SOC) only

<sup>11</sup> With the exception of those cases where the decision would result in a revised financial approval which exceeded the cumulative total of the financial approval and tolerance threshold agreed by the Combined Authority at decision point 1 (SOC), or decision point 2(OBC) by more than 25%, in which case the decision must be taken by the Combined Authority.

<b>Committee</b>	<p>The Committee also has a specific role in liaising with the Transport Committee to promote the strategic alignment of regional transport funding investment.</p> <p>The Committee is also authorised to advise the Combined Authority in relation to any function of the Combined Authority relating to economic development and transport-led regeneration. This includes advising on proposed funding submissions and reviewing the impact of schemes funded by the Combined Authority and the LEP.</p> <p>The terms of reference, membership, future meeting dates and agenda items of the Committee can be found <a href="#">here</a>.</p>
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### 3.4 Advisory Panels to Combined Authority and the LEP

The following advisory panels are appointed by the Combined Authority<sup>12</sup> but also advise the LEP.

<b>Business Investment Panel</b>	<p>This panel has a key role in the assurance process for the appraisal of business grants and loans in the City Region, advising the West Yorkshire and York Investment Committee and the LEP in relation to economic development loans and grants.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>. An advisory sub-committee of the West Yorkshire and York Investment Committee (see below), this Panel has representatives from the private sector and local authorities, some of whom are members of the LEP Board.</p>
<b>Business Innovation and Growth Panel</b>	<p>This panel advises the Combined Authority and the LEP in relation to business growth, including business support, innovation, digital, trade, and inward investment. Made up of representatives from the private sector, universities, policymakers and delivery partners, this Panel ensures that work is driven by the needs of business.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>.</p>
<b>Employment and Skills Panel</b>	<p>This Panel brings employers together with local authority representatives and skills providers. It carries out the role of Skills Advisory Panel for the LEP, and advises the Combined Authority and the LEP in relation to employment and skills within the City Region, for example, schemes to address skills gaps in the City Region's key industry sectors and create local leadership that drives improvements in skills and employment. This includes advising in relation to Adult Education functions. The panel's work</p>

<sup>12</sup> These are advisory committees of the Combined Authority

	<p>is driven by the needs of employers and the City Region's economy.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>.</p>
<b>Green Economy Panel</b>	<p>This Panel brings together local authority and private sector representatives in the City Region, to advise the Combined Authority and the LEP in relation to environmental sustainability and achieving a zero-carbon economy in the City Region.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>.</p>
<b>Place Panel</b>	<p>Comprising local authority and private sector representatives, this Panel advises the Combined Authority and the LEP on promoting the quality of place in the City Region, including relation to housing growth, quality and regeneration, infrastructure planning, strategic land use and asset management, sustainable development and enterprise zones.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>.</p>
<b>Inclusive Growth and Public Policy Panel</b>	<p>This Panel advises the Combined Authority and the LEP in relation to securing inclusive growth throughout the Leeds City Region.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>.</p>

### 3.5 Other committees of the Combined Authority

The Combined Authority also has the following committees.

<b>Overview and Scrutiny Committee</b>	<p>This is a statutory committee of the Combined Authority which reviews and scrutinises decision-making by the Combined Authority (including in its role as accountable body for the LEP) and the LEP. See further section 4.8 and 4.9 for more detail.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found <a href="#">here</a>.</p>
<b>Governance and Audit Committee</b>	<p>This committee fulfils the Combined Authority's statutory requirement to appoint an audit committee. It also carries out functions relating to promoting standards of conduct. See further section 4.7</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found <a href="#">here</a>.</p>
<b>Leeds City Region Partnership Committee</b>	<p>This committee provides a forum to bring together local authority representatives from all the Leeds City Region authorities, to facilitate direct collective engagement with the Combined Authority, as the LEP's accountable body.</p>

The Committee advises the Combined Authority in relation to its role as accountable body. It also acts as a consultative forum on any matter referred to it by the Combined Authority, which may include matters raised by local authorities not represented on the Combined Authority, or by the LEP Board.

The terms of reference, membership, meeting dates and agenda items of the Committee can be found [here](#).

### 3.7 Adult Education and Skills

Decisions about adult education and skills functions are taken in accordance with arrangements separately approved by the Combined Authority, in accordance with the Department for Education's Adult Education Budget (AEB) Assurance Guidelines. The appraisal process as set out in section 6 of this Assurance Framework does not therefore apply.

A summary of the arrangements for administering, monitoring and evaluating the AEB is set out in **appendix 7** to this Assurance Framework.

## 4. Decision-Making

### 4.1 Investment Decisions

All investment decisions are made by reference to:

- how well they contribute to the strategic priorities as set out in the SEF and the West Yorkshire Investment Strategy;
- statutory requirements;
- any grant conditions attached to funding;
- local transport objectives
- funding programme objectives;

Decisions are based on merit, taking into account all relevant information.

All investment decisions are taken in accordance with the assurance process stages and activities, subject to agreed exceptions (such as bids to Government/ re-prioritisation, small grant programmes, adult education functions, where alternative arrangements are in place).

Section 6 of the Assurance Framework sets out in detail the assurance process for schemes, and the **decision points** that take place at the end of each activity.

Any investment decision which has not been delegated (including those decisions where a scheme has fallen outside of the tolerances identified by the Combined Authority) must be taken by the Combined Authority.

The Combined Authority sets a bespoke approval pathway and approval route to be followed for each scheme. This may delegate decisions to the Combined Authority's Transport Committee, to the West Yorkshire and York Investment Committee, or to the Managing Director, subject to any scheme staying within agreed tolerances.

Except where otherwise specified in this Assurance Framework all programmes and schemes require **approval from the Combined Authority at Decision Point 2** (Strategic Outline Case (SOC), in order to proceed to Stage 2: (Scheme Development).

Before taking any funding decision, a decision-maker needs to be satisfied that the Assurance Framework has been complied with. The Combined Authority's Strategic Assessment Prioritisation (SAP) group and the Programme Appraisal Team (PAT) have a key role in ensuring compliance with the Assurance Framework, see further Section 6 below.

The specific decision-making authority of the Transport Committee and the West Yorkshire and York Investment Committee in relation to progressing schemes under the Assurance Framework are as follows:

<b>Transport Committee</b>	The Committee has authority to approve individual schemes within the Integrated Transport Block of the Capital Programme, up to a maximum cost of £3 million. (For schemes over £3 million, approval is given by the Combined Authority).
<b>West Yorkshire &amp; York Investment Committee</b>	The Committee has authority to make any decision to progress a scheme <sup>13</sup> under the Assurance Framework <sup>14</sup> in accordance with any bespoke approval pathway and approval route for the scheme <sup>15</sup> , as delegated by the Combined Authority.

Any investment decision taken by the Managing Director under delegated authority, is usually taken in consultation with the Combined Authority's Senior Leadership Team. The Managing Director reports their delegated decisions to the West Yorkshire and York Investment Committee.

#### 4.2 Growth Service, Economic Development Loans and Business Grants

There are currently specific arrangements in place in relation to the approval and appraisal of business grants and economic development loans, which are not therefore subject to the assurance process set out in section 6.

<b>Growth Service</b>	<p>The Growth Service for the City Region is funded directly from the Department for Business, Energy and Industrial Strategy (BEIS), with £512,500 awarded for 2019/20 and 2020/21. Additional funding of £1.7m has been secured from the European Regional Development Fund (ERDF) from April 2019 to March 2022.</p> <p>19 SME Growth Managers operate within the City Region's local authority partner councils. 8.5 are fully funded through ERDF funding and 10.5 are funded on a 50/50 basis with BEIS funding which is matched by the local authorities who also employ them.</p> <p>Detailed progress on the Growth Service project is reported on a quarterly basis to the Business Innovation and Growth (BIG) Panel and on a 6-weekly basis to the LEP Board by the BIG Panel Chair. There is also a private sector lead on the BIG Panel for the Growth Service, who is the owner of a small business. The BIG Panel is responsible for reviewing whether the project's output and expenditure targets are met and for identifying and addressing risks and opportunities. In addition, detailed six-monthly reports and quarterly financial claims are sent to BEIS and the Ministry of</p>
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<sup>13</sup> Including determining change requests

<sup>14</sup> After decision point 2 (SOC) only

<sup>15</sup> With the exception of those cases where the decision would result in a revised financial approval which exceeded the cumulative total of the financial approval and tolerance threshold agreed by the Combined Authority at decision point 2 (SOC), or decision point 3 (OBC) by more than 25%, in which case the decision must be taken by the Combined Authority.

	Housing, Communities and Local Government in respect of the ERDF funding.
<b>Economic Development Loans</b>	<p>Using a framework set out by the LEP, decisions are taken about entering into economic development loans for the Growing Places Fund <sup>16</sup>(and any successor funds to be established), following consideration of the recommendations made by the <b>West Yorkshire and York Investment Committee</b> and its sub-committee, the <b>Business Investment Panel</b> (which has public and private sector representatives). The Combined Authority approves schemes and the loan amount in principle and the Managing Director under their delegated authority finalises and approves the details, following appropriate due diligence.</p> <p>If there is an objection or issue in relation to an application, the Managing Director refers the application back to the Combined Authority for further consideration.</p> <p>The Managing Director reports decisions on loans and grants made under delegated authority to subsequent Combined Authority meetings.</p>
<b>Economic Services Grants</b>	Arrangements in relation to economic services grants are set out in Appendix 5.
<b>Sustainable Urban Development (SUD)</b>	Arrangements relating to the principles for European Structural Investment Fund Sustainable Urban Development (SUD) purposes are set out in Appendix 6

<sup>16</sup> Growing Places Fund loans are not currently available, but the LEP and Combined Authority is now reviewing its approach in this area of activity with the intention of launching new products later in 2020/21.

## 4. Transparency and Accountability

The Combined Authority and the LEP are mindful of the need to build the trust and confidence of stakeholders and the public, in relation to the ability to take investment decisions. Promoting transparency in its decision making is a key part of this. We are committed to keeping records which demonstrate that all legal obligations are met, and all other compliance requirements placed upon us, and these are accessible as set out below.

The Combined Authority designates a statutory Monitoring Officer who is responsible for ensuring that decisions conform to the relevant legislation and regulation<sup>17</sup>. This role is carried out by the Combined Authority's Head of Legal and Governance Services, who is responsible for providing legal advice to the Combined Authority and the LEP. A key part of the Monitoring Officer's role is ensuring that the legal responsibilities of the Combined Authority as accountable body in relation to ensuring the transparency provisions are met, as set out below.

The Monitoring Officer also has a key role in relation to conduct, including maintaining and publishing registers of interest for the Combined Authority and the LEP – see further below.

### 4.1 Publication of information

For transparency, the Assurance Framework is published on the West Yorkshire Combined Authority and LEP websites, together with supporting information.

The Combined Authority website, which is accessible from the LEP website, contains details of our West Yorkshire Investment Strategy (WYIS), Strategic Economic Framework (SEF) and its underpinning policies and strategies as well as information relating to progress on delivery of all programmes.

An overview of all scheme business cases and evaluation reports are published on the [Combined Authority website](#). These scheme pages also include links to relevant news articles.

Summaries of business cases to be considered by the West Yorkshire and York Investment Committee as part of the assurance process are published electronically ahead of meetings.

### 4.2 Combined Authority transparency arrangements

Specific statutory requirements apply to the Combined Authority in relation to transparency. Additionally, the Combined Authority also complies with a number of good practice recommendations. The key arrangements in place are:

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<sup>17</sup> The Monitoring Officer is required by law to formally report to the Combined Authority where it appears to the Monitoring Officer that any proposal, decision or omission of the Combined Authority is unlawful or amounts to maladministration.

- the public's right to attend meetings and inspect documents of the Combined Authority as set out in its Procedure Standing Orders
- meetings of the Combined Authority are live streamed, enabling the public to watch the meeting over the internet
- agendas and reports of meetings of the Combined Authority and its committees (including advisory panels) are available to the public on its website, five clear days before a meeting [here](#)
- minutes of meetings are published on the Combined Authority website [here](#)
- business case summaries of all schemes/programmes coming forward for a decision are published on its website. Summaries of schemes/programmes can be found [here](#)
- key decisions taken by officers are published on the Combined Authority website [here](#)
- The Combined Authority adheres to the Local Government Transparency Code which requires the publication of additional data
- The business at each ordinary meeting of the Combined Authority includes receiving the minutes of the LEP for information.

Notice of any proposed key decision are published on the Combined Authority website 28 days in advance of the decision here, in accordance with the Access to Information Annex here (link). This includes any decision taken under decision point 1 and 3 of the assurance process set out in section 7 of this Assurance Framework.

### 4.3 LEP transparency arrangements

The LEP is responsible for setting strategic direction and will hold partners to account in the delivery of the strategic objectives. Responsibility for LEP decision-making rests with its LEP Board<sup>18</sup>.

Key roles and responsibilities of the LEP Board can be found at Appendix xx setting the strategic direction for the sustainable economic growth of the City Region economy;

- proposing key objectives and investment priorities to deliver the overall vision and strategy of the LEP;
- overseeing the continued delivery of the SEP along with the transition to and implementation of the SEF during 2020;
- leading the development of Enterprise Zones (EZs) in the City Region;
- agreeing funding criteria, leading and coordinating funding bids and leveraging funding from the private and public sector to support the delivery of agreed LEP priorities;

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<sup>18</sup> The LEP Board may delegate decisions in accordance with the LEP's Constitution and the LEP Board's Procedure Rules

- working with the Combined Authority to set the forward strategy for attracting new financial and business investment into the area;
- jointly approving a Business Plan and performance reporting with the Combined Authority on its plans along with the SEP and SEF;
- influencing key sub-regional, regional, national and international strategies;
- publishing an annual report;
- providing a link to Government on all aspects of the LEP's work.

Additional information on the LEP's transparency and accountability arrangements is set out in Appendices, 2, 3 and 4.

Agendas, reports and minutes of the LEP Board are published on the [Combined Authority website](#), which is also accessible from the LEP website.

The [LEP Board procedure rules](#) and [Access to Information Annex](#) set out the details on decision-making including quorum arrangements for meetings of the LEP Board. All meetings of the LEP Board are open to the public (including the LEP's annual meeting), except to the extent that the public are excluded in relation to confidential or exempt information, in accordance with the Procedure Rules and Access to Information Annex<sup>6</sup>.

A process for the LEP Chair to take urgent decisions outside of LEP Board meetings is set out in the [LEP Constitution](#). This provides for any such decisions to be reported to the next meeting of the LEP Board and recorded and published in the minutes of that meeting. This power may be exercised, for example, to approve amendments to the LEP governance documents, in order to comply with government requirements.

The business at each LEP Board meeting also includes receiving the minutes of, or an update from, the Combined Authority and any relevant Combined Authority advisory committee or panel.

#### **4.4 Diversity Statement**

Leeds City Region is committed to achieving diversity and equality of opportunity both as a partnership and as a commissioner of services. The LEP promotes equality of opportunity and does all it can to ensure that no member of the public, service user, contractor or staff member working within a partner organisation will be unlawfully discriminated against. The Equality and Diversity Policy including Diversity Statement can be found [here](#).

#### **4.5 Requests for information and Data Protection**

The Combined Authority is subject to the Freedom of Information Act 2000 and the Environmental Information Regulations 2004 and responds to statutory information requests in accordance with approved procedures.

The Combined Authority also deals with any requests for information from the LEP on its behalf, in accordance with the same procedures. Further information on the Combined Authority's Freedom of Information/Environmental Information Regulations & Transparency Policy can be found [here](#).

The Combined Authority is subject to the General Data Protection Regulation and Data Protection Act 2018 and must by law appoint a Data Protection Officer (DPO). The DPO<sup>19</sup> assists the Combined Authority on the monitoring of compliance with the data protection legislation, advises on data protection obligations, provides advice regarding Data Protection Impact Assessments and is the contact point for data subjects and the supervisory authority.

The Combined Authority and the LEP respect and are committed to compliance with the Data Protection legislation. The privacy notice can be found [here](#).

Requests made by data subjects under the General Data Protection Regulation and Data Protection Act 2018 will be dealt with in accordance with approved procedures.

The Combined Authority's Data Protection and Confidentiality Policy can be found [here](#)

#### **4.6 Use of resources and accounts**

The use of resources by the Combined Authority are subject to the usual local authority checks and balances, including the financial duties and rules which require councils to act prudently in spending. These are overseen by the Combined Authority's Section 73 Chief Finance Officer<sup>20</sup>, its Director of Corporate Services. This post has statutory responsibility to administer the Combined Authority's financial affairs and is responsible for ensuring that funding is used legally and appropriately. The Section 73 Chief Finance Officer's role extends to the LEP - see further Section 2.4 above and Appendix 2. All reports to the LEP Board must include any written advice on the matter provided by the Combined Authority's Section 73 Chief Finance Officer and Monitoring Officer.

The Combined Authority has clear accounting processes in place to ensure that all funding sources are accounted for separately and that funds can only be used in accordance with formal approvals made under the Combined Authority and LEP decision making arrangements.

The Combined Authority has a statutory duty to keep adequate accounting records and prepare a statement of accounts in respect of each financial year. This statement of accounts is published [here](#) usually in June in draft and in July as fully audited, although this may change in accordance with legislative requirements. The statement will cover expenditure funded from the Single Investment Fund and other funding sources, including those received from Government. A separate financial statement for LEP expenditure is published annually in line with the timeframe for the statement of accounts.

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<sup>19</sup> The DPO sits within the Combined Authority's Legal and Governance Services team

<sup>20</sup> Appointed under Section 73 of the Local Government Act 1985

The Combined Authority publish a public notice each year, setting out a specific period during which any person may inspect and make copies of the Combined Authority's accounting records for the financial year.

During the same period, the external auditor must give a local Government elector (someone registered to vote in the local elections) within West Yorkshire (or their representative) an opportunity to question the external auditor about the accounting records, and objections may be made to the external auditor about any relevant item.

#### 4.7 Audit

The Combined Authority complies with statutory requirements relating to audit arrangements, principal elements of which are:

- appointing an **audit committee**
- inspection by **external auditors**
- adopting **internal audit arrangements**

These audit arrangements apply to the LEP and to LEP funding in respect of which the Combined Authority is the accountable body.

The Combined Authority's Governance and Audit Committee fulfils the requirement to appoint an **audit committee**. By law this must include at least one independent person. The membership now includes two independent persons and one of these has been appointed to chair the Committee in the current municipal year.

The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found [here](#).

An annual independent audit is conducted by **externally appointed auditors** ensuring the Combined Authority operates a robust financial management and reporting framework, including in relation to the LEP.

The Combined Authority's **internal audit** function carries out independent and objective appraisals of relevant systems and processes, including ensuring that effective procedures are in place to investigate promptly any alleged fraud or irregularity. The Combined Authority's internal auditors provide assurances to the Combined Authority (through its Governance and Audit Committee, the Section 73 Chief Finance Officer) and to the LEP.

The Combined Authority's financial regulations set out further detail in relation to the Combined Authority's audit arrangements (found [here](#)).

#### 4.8 Scrutiny

To secure independent and external scrutiny of decisions, the Combined Authority's statutory Overview and Scrutiny Committee reviews and scrutinises decision-making by the Combined Authority (*including decisions taken by the Mayor*) and by the LEP.

No member of the Combined Authority or the LEP may be appointed to the Committee. The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found [here](#).

The Committee operates in accordance with Scrutiny Standing Orders, which can be found here. These provide for the committee to require any member of the Combined Authority (including *the Mayor*, the LEP Member or a Chair of any committee or Panel) to attend to answer questions or provide information.

The Combined Authority and the LEP receive an annual report from the Committee at their annual meetings.

#### 4.9 Scrutiny of investment decisions

The pre-decision scrutiny review process serves as an important function in parallel to the assurance process. The Committee is currently reviewing scrutiny arrangements to strengthen its **pre-decision scrutiny** of impending scheme approvals and schemes in delivery.

The Overview and Scrutiny Committee may “call in” decisions for further scrutiny, including investment decisions at stage X of the Assurance process. The Committee may direct that any such decision should not be implemented until the Committee has reviewed it and made recommendations to the decision-maker.

#### 4.10 Scrutiny of the LEP

The Committee may produce independent reports and make recommendations on any matter considered by the LEP or relating to LEP governance. It may also review or scrutinise any Combined Authority decision in its role as accountable body for the LEP.

The LEP may also seek input from the Committee on any issue relating to policy and strategy development, or otherwise.

Further details on the LEP’s agreement with the Combined Authority (in its role as Accountable Body) in respect of scrutiny arrangements are set out in Appendix 1.

#### 4.11 Code of Conduct

Statutory provisions require the Combined Authority to adopt a Members’ Code of Conduct which applies to members of the Combined Authority and to voting members of committees and panels appointed by the Combined Authority, including the advisory panels which report to the LEP. The Code sets out the conduct expected of members, including procedures for declaring and registering:

- acceptance or receipt of a gift or hospitality
- disclosable pecuniary interests, which are defined by the code

The Code is publicly available [here](#).

Failing to comply with requirements for registering and disclosing pecuniary interests may be a criminal offence.

Members' interests are publicly available on the Combined Authority website through each of the Committee home pages [here](#).

The Combined Authority has also approved arrangements under which allegations that the Code has been breached can be investigated and for making decisions on such allegations. These can be found [here](#).

The LEP is committed to ensuring that LEP Board members and officers demonstrate the highest standards of conduct, and act solely in the public interest.

All LEP Board members are subject to a LEP Board Members' Code of Conduct here which reflects the Nolan Principles of public life.

The LEP Board Code of Conduct also requires LEP Board members to declare and register:

- acceptance or receipt of an offer of a gift or hospitality
- specific pecuniary and non-pecuniary interests

A register of the interests disclosed by each LEP Board member is accessible from the LEP website and published on the Combined Authority website. The Code sets out comprehensive requirements in relation to declaring interests at meetings, and the circumstances in which a conflict of interest will preclude a LEP Board member from participating in decision-making.

At the beginning of each meeting, all members present are asked to declare any potential conflict of interest. These declarations are minuted.

The LEP has also approved arrangements under which allegations that the Code of Conduct has been breached can be investigated and for making decisions on such allegations. These can be found [here](#).

#### **4.12 Conflict of Interest**

The Combined Authority and the LEP have adopted a Conflicts of Interest Policy which provides an overview of how conflicts of interest are managed. Appended to the Policy is a Conflicts of Interest Protocol: loans or grants to businesses which sets out a process which the Combined Authority and the LEP follow to demonstrate that applications from businesses for loans or grants are dealt with in an impartial, fair and transparent way [here](#).

#### **Officers**

Combined Authority officers serve both the Combined Authority and the LEP. Officers must comply with the Combined Authority's Code of Conduct for Officers, which also reflects the Nolan Principles of public life and requires officers to register personal and prejudicial interests. Officers also need to comply with a Gifts and Hospitality policy. Failure to comply with the Code may lead to disciplinary action.

Senior officers and other officers involved in advising on LEP decisions are also required to complete and keep under review a separate LEP Officer register of interests. The register of the LEP's Chief Executive Officer is published on the LEP website [here](#).

#### **4.13 Complaints Policy**

The Combined Authority will consider any complaints received in accordance with its agreed complaints procedure, which can be found [here](#).

Any complaints about the LEP will be dealt with in accordance with the approved complaints process. The LEP has adopted a confidential complaints procedure, which can be found [here](#)

#### **4.14 Whistleblowing Policy**

The Combined Authority has adopted a whistleblowing policy, which can be found [here](#) to investigate and resolve any case where it is alleged by stakeholders, members of the public or internal whistle-blowers that the Combined Authority is acting in breach of the law, failing to adhere to the framework or failing to safeguard public funds. The LEP has adopted a whistleblowing policy, which can be found [here](#).

#### **4.15 Resources and Capabilities**

The LEP and the Combined Authority ensure that members and officers have the capacity and capability to deliver their respective roles. They support people to develop their expertise and update it to take account of developments.

The Combined Authority has the necessary staff resource with the necessary key functions to enable it to:

- manage the process, including supporting business case development
- carry out programme and project appraisal
- co-ordinate and manage the decision process (e.g. time of meetings and associated paperwork)
- oversee the delivery, monitoring and evaluation of schemes (e.g. benefits realisation management, financial and resource management, risk)

The Combined Authority draws on external expertise and technical support such as financial, economic, property, legal and evaluation advice, for example through consultancy frameworks or from partner organisations including Homes England, local authorities, Skills Funding Agency and others

## 5. Local Engagement and Partnership Working

### 5.1 Local Engagement

Engagement with stakeholders and the wider public is regarded as a central part of the process to develop, monitor and implement strategies, funding programmes and all other aspects of the work of the Combined Authority and the LEP.

To support this process, a set of consultation and engagement protocols have been developed and the Consultation and Engagement teamwork with colleagues to ensure these principles are applied in any consultation and engagement activities that are undertaken. As well as carrying out insightful and robust consultation and engagement activities, relevant legislation must be adhered to. Partners are encouraged to adhere to these protocols where possible.

Engagement with stakeholders and the wider public is as inclusive as possible, using the following principles:

- Stakeholders and members of the public are aware of the approach to consultation and activities;
- Stakeholders and members of the public are able to have their say on proposals when they are still at a formative stage;
- Consultation is open, transparent and accessible;
- The consultation process is well planned, managed and coordinated and achieves value for money;
- Consultation is effective, meaningful and of a consistently high quality; and
- Consultation feedback is properly considered, and outcomes are reported in a timely way.

To support any face-to-face engagement, a digital engagement hub ([yourvoice](#)) has been developed that enables information to be shared and feedback sourced electronically in a more interactive way.

Stakeholders are engaged in all work that the LEP and Combined Authority undertake. Regular updates are provided to existing panels and committees such as the District consultation sub committees.

As part of the LEP's work with business, a Business Communications Group has been established, made up of representatives from key business organisations in the City Region. This group reports to the LEP Board. The group plays an active role in supporting business growth in the region by helping to coordinate effective communications between the LEP and the business community. The group also acts as an advisory group to the LEP Board; consulting with their members on barriers to growth and ensuring businesses are at the heart of all activities.

The Chair of BCG is the identified LEP Board member to represent the SME business community.

A Partnership Strategy has been developed and engagement and communication with partners takes place through a range of channels, including social media, press releases, websites, events and e-newsletters. Social media has been used particularly effectively for informal engagement on policy, future strategy and project development.

New methods to engage with key stakeholders, businesses and the public are continually sought, and effectiveness and lessons learnt are monitored.

## **5.2 Arrangements for collaborative cross-LEP working**

The LEP is committed to collaborating across boundaries, where interests are aligned when developing strategies and interventions to maximise their impact across their different objectives. This helps to ensure a more efficient use of resources and secure a better outcome than operating in isolation.

The LEP collaborates with other neighbouring LEPs on many areas of its businesses and details about these collaborations, and further potential opportunities, are regularly reported to the LEP Board. The LEP is committed to working with the LEP Network.

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## 6. Assurance Around Programme and Project Delivery

### Leeds City Region Assurance Process

#### 6.1 Overview

This section sets out how the assurance process is used in the development and delivery of all project and programme investments. The assurance process will be applied to the assessment of all schemes and programmes that flow through Combined Authority and the LEP, drawing on national guidance (e.g. Green Book, Treasury five cases, TAG and MHCLG Appraisal Guidance).

The assurance process (set out below) is a three-stage system (Stage 1: Assessment and Sequencing, Stage 2: Scheme Development, Stage 3: Delivery and Evaluation) for scheme control to deliver value for money in a transparent and accountable way. It provides a practical 'step-by-step' framework to aid the development of business cases, to ensure successful delivery and monitoring and evaluation for making key decisions. The assurance process is both scalable and proportionate and offers a structured process for appraising, developing, planning, delivering and evaluation that is in line with HM Treasury guidance to deliver best public value.

The assurance process is used by the following:

- **scheme promoters:** it provides a pathway to allow promoters to develop proposals in a way that will ensure their schemes have a robust business case, show value for money and show that they address the Combined Authority's investment priorities.
- **decision-makers:** it is a framework to provide the information they need to take investment decisions and to prioritise between different proposals in a clear and transparent manner
- **partners and the wider public:** to give confidence that there is a clear and transparent framework to appraise and prioritise schemes and to take investment decisions

An important feature of the assurance process is its flexibility in that it is proportionate to the specific nature, scale and scope of the scheme and/or programme.

Under each stage outlined there are a series of activities (7 in total) that need to be carried out in order to progress each scheme. Whilst there are seven possible activities, not all would apply to all schemes and the process and intensity of appraisal applied can be tailored for each scheme depending on its type, scale and complexity, with the appropriate activities applied (e.g. not all schemes will be required to complete an outline business case (decision point 2); they could proceed straight to full business case (FBC), decision point 3).

At the end of each activity, a scheme is required to go through a decision point. It is here where a scheme is appraised against the HM Treasury 'five cases model'<sup>21</sup>. As such, scheme sponsors must demonstrate that a robust, accurate and compelling

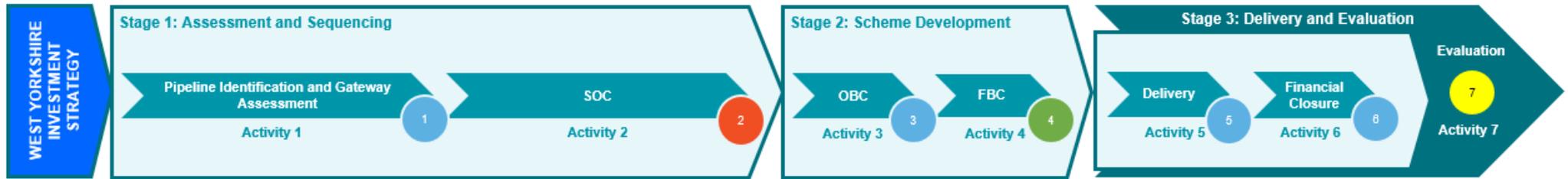
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<sup>21</sup> The HM Treasury "five cases model" includes the Strategic, Commercial, Economic, Financial and Management cases.

business case exists at each stage of the process (subject to the assurance pathway and approval route as recommended by the Combined Authority's Programme Appraisal Team (PAT)).

Subject to the exceptions, such as small grant programmes, for example, business growth grants and loans, where alternative arrangements are in place, all programmes and schemes require approval from the Combined Authority at Decision Point 1 (Strategic Outline Case (SOC), in order to proceed to Stage 2: Scheme Development.

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<b>MCA Lead</b>	Policy (in partnership with Delivery and Corporate Services)	Delivery / PMA (in partnership with Corporate Services and Research & Intelligence)	Policy (R & I) (in partnership with Delivery and PMO / Finance)
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<b>Promoter</b>	Development of proposals (Projects, Programmes, Strategic Blueprints) in line with the WYIS and submission of funding application. Routes may differ over time, commissioning, calls etc.	Programme / Project Strategic Assessment, Strategic Outline Business Case and Appraisal Specification Report (ASR) – Project in exceptional circumstances	Project Outline Business Case, ASR, Monitoring & Evaluation Plan, Benefits Realisation Plan	Project Full Business Case (FBC) and Funding Agreement	Project + Programme Delivery Closure Report	Project + Programme Financial Closure Report	Project / Programme Evaluation Report
	Identify and co-design opportunities from early stage with partners using policy cycle discipline Political engagement is undertaken by Promoter		Change Request				
<b>SAP Group</b>	<p><b>Check and Challenge Review - POLICY LED STRATEGIC ASSESSMENT PRIORITISATION (SAP) GROUP.</b></p> <p>Early stage light touch review to ensure proposed approaches/ schemes are fit for purpose, political engagement undertaken, before developed too far, cost money - with appropriate feedback provided to project/programme sponsor.</p> <p>Where SAP do not think approach is right or ready to enter next stage – further work to be undertaken by sponsor.</p>	Project / Programme SOC Appraisal Report	Project OBC Appraisal Report	Project FBC Appraisal Report and Due Diligence	Project + Programme Delivery Closure Report (PAT only)	Project + Programme Financial Closure Report (PAT only)	Project / Programme Evaluation Report
<b>PMO / Finance</b>		Set Up projects on PIMS	Monitoring and Reporting				

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**KEY:** ● Key Decision Point (CA Approval Required)    ● Key Decision Point (IC/CA Approval may be required)    ● Decision Point (IC/CA Approval may be required)    ● Reporting Points

## 6.2 Stage 1: Assessment and Sequencing

### Criteria for prioritisation

As set out in section 2.5 above, the aim of the SEF is to form the new overarching economic framework for the region, building on the successes of the SEP. It sets out the vision for the region and our priorities for achieving this.

The new West Yorkshire Investment Strategy (WYIS) will provide a vehicle for translation of the Combined Authority's SEF objectives, Recovery Plans, the Mayor's manifesto commitments, the city region's devolution agreements in to funding and operating priorities that deliver the wider strategic aims of the Combined Authority, thus providing a sound basis for taking investment decisions. Partners will be able to apply for funding clearly aligned to our investment priorities and the quality of schemes are expected to improve as a result of this. This will still be subject to the detailed consideration and appraisal of any individual project/programme business cases.

The WYIS should be reviewed annually to take account of changing economic circumstances, updates to the SEF, what is working well and what is not, and new funding and investment opportunities which set out the focus for our investments as well as align with the Assurance Framework annual review.

### Activity 1: Pipeline Identification and Gateway Assessment:

Programmes / schemes will start to be developed through an ongoing dialogue with the Region's businesses, third sector and public organisations, in line with the WYIS. It will also ensure stakeholders are informed about the availability of funding the WYIS objectives, allows them to identify, develop and co-design project/programme opportunities from an early stage and apply for funding clearly aligned to our investment priorities. The LEP is expected to play an important role in identifying sector led opportunities.

Programmes / schemes will be assessed on a case by case basis by the Strategic Assessment Prioritisation Group (SAP Group) to determine if the programmes / schemes presented are eligible to proceed, through an early stage check and challenge review. The role of SAP is explained below in section x. If programmes / schemes are eligible, they will be awarded '*approved development status*' and will then progress to Strategic Outline Case (SOC) as part of the assurance process (Decision Point 1). Programmes / schemes at this stage will be provided with feedback and can be rejected or deferred until further supporting information is provided. This is carried out by assessing strategic fit against the WYIS. The SAP Group will recommend a Strategic Assessment (SA) decision notification for approval by the Director of Policy, Strategy and Communications (Decision Point 1).

The City Region's carbon emission reduction target was set in July 2019. This target commits the region to be net-zero carbon by 2035, with significant progress by 2030. Therefore, the vast majority of schemes funded by the Authority will be expected to contribute to this commitment. The Combined Authority is currently developing and consulting upon the approach it will adopt to carbon appraisal. The changes that will be introduced will form an integral part of the new Assurance Framework and feature in all stages of business case development from SOC through to FBC – the aim is to introduce a clearly defined appraisal framework to support investments.

## **Activity 2: Strategic Outline Business Case (SOC):**

Eligible programmes / schemes will, once awarded approved development status at Decision Point 1 will submit a SOC whereby a full appraisal will be undertaken. An appraisal methodology (Appraisal Specification Report) will also be agreed.

The SOC will be appraised by the Combined Authority's Portfolio Management and Appraisal Team and a recommendation presented to the Programme Appraisal Team (PAT) for progression of the scheme

The programme / project will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the Investment Committee and Combined Authority.

It is at the end of this stage where the Combined Authority approve the scope of recommendations, methodologies, approval pathway and route, tolerance levels and development funding for future stages (Decision Point 2).

### **6.3 Stage 2: Scheme Development**

Once a programme/scheme has gained SOC approval from the Combined Authority, the scheme may then be required to submit an Outline Business Case (OBC). The OBC should revisit the options identified within the SOC to identify the option which optimises public value, confirm the affordability of the scheme and put in place the arrangements to ensure successful delivery. The OBC should be prepared in accordance with the five-case model and a Monitoring and Evaluation Plan and Benefits Realisation Plan will be agreed.

Guidance will be provided to scheme promoters around the level of detail to be submitted at this stage with regards to proportionality of the business case.

The OBC will be appraised by the Combined Authority's Portfolio Management and Appraisal Team and a recommendation presented to the Programme Appraisal Team (PAT) for progression of the scheme. The role of PAT is explained below in section x. The programme / project will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the decision maker (Decision Point 3) as set out in the approval pathway and route approved at Decision Point 2.

The Full Business Case (FBC) confirms the contractual arrangements for the preferred option. Affordability of the scheme is reiterated, and the scheme puts in place the final arrangements for delivery and monitoring and evaluation of the scheme. The FBC should also be prepared in accordance with the five-case model and any conditions set at SOC or/and the OBC should be resolved within the FBC submission. If conditions have not been met, the scheme may be required to return to Activity 3 (OBC).

The FBC will be appraised by the Combined Authority's Portfolio Management and Appraisal Team and a recommendation presented to the Programme Appraisal Team (PAT) for progression of the scheme. The programme / project will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the decision maker (Decision Point 4) as set out in the approval pathway and route approved at Decision Point 2.

The FBC approval will be granted with a condition for the scheme costs to remain within the allocated budget. Where this condition has been met approval to proceed

into Delivery (activity 5) will be granted by the Director of Delivery following a recommendation from the Programme Appraisal Team (PAT). If the condition is not met, the project will be required to re-submit the FBC for the additional costs and their impact to be considered.

The OBC and FBC are required to be submitted in line with an agreed Appraisal Specification report (ASR).

#### **6.4 Stage 3: Delivery and Evaluation**

Once a programme/scheme gains FBC approval and the conditions set have been met, the scheme can progress into Activity 5 (Delivery). Upon scheme completion, a Delivery Closure Report is required that details how the scheme has performed. This includes whether delivery has remained within the timeframes specified within the business case, what has been delivered and highlights of the overall costs.

The Delivery Closure Report will be appraised by the Programme Appraisal Team (PAT) for progression of the scheme. The programme / project will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the decision maker (Decision Point 5) as set out in the approval pathway and route approved at Decision Point 2.

Following completion of Activity 6, the scheme will be required to submit a Financial Closure Report (Activity 6). The Financial Closure Report confirms the final costs for the scheme, ensuring all payments have been completed.

The Financial Closure Report will be appraised by the Programme Appraisal Team (PAT) for progression of the scheme. The programme / project will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the decision maker (Decision Point 6) as set out in the approval pathway and route approved at Decision Point 2.

The purpose of the Delivery and Financial Closure Reports is to assess the success of the scheme, identify best practice for future schemes, resolve all open issues and to capture feedback and lessons learnt to inform the development and delivery of future schemes.

Activity 7 (Evaluation) will be led by Research and Intelligence (Policy, Strategy and Communications Directorate). This is a reporting point as opposed to the previous decision points in the process, and will be undertaken when the Programme (or project in some circumstances), is completed for an evaluation of the benefits, outcomes and economic impact compared to the overall programme objectives set out in the SOC. Insights and learning intelligence from evaluation will also be fed back into policy and strategy in order to inform the design and development of future programmes and schemes. Interim evaluations may also be undertaken as required as set out in the Monitoring and Evaluation Plan.

#### **6.5 Change Requests**

During any Stage / Activity, if a scheme requires additional funding, an increase in timescale or changes in scope, a change request is required to be submitted for the scheme to be re-appraised to ensure value for money is achieved.

Change requests will be appraised by the Combined Authority's Portfolio Management and Appraisal Team and a recommendation presented to the

Programme Appraisal Team (PAT) for progression of the scheme. The change request will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the decision maker, dependent upon the tolerances set out at Decision Point 2.

## Appraisal

### 6.5 Who will undertake the appraisal of schemes?

#### The Combined Authority appraisal function

The responsibility for appraisal of schemes sits with the Combined Authority's Director of Delivery. Each scheme will be assigned a lead appraiser, who will be responsible for carrying out the appraisal of a scheme. This may be done using expertise from the PMA team, or where necessary bringing together expertise from within the Combined Authority or from external advisors and partners. This may cover financial, transport, economic, property, legal matters and experience of the relevant priority areas of the SEP. The lead appraiser will have an appropriate degree of impartiality from the scheme.

As part of the appraisal process, a peer review meeting may be held with the promoter, to discuss any key issues arising from the ongoing appraisal. This meeting could be multi-disciplinary and involve external resource as appropriate (e.g. for Combined Authority schemes to demonstrate impartiality, or where specific knowledge and skills are required, and which don't exist internally).

There will be a clear separation between the appraisal function and the project sponsor/promoter. This means that staff carrying out appraisal will not be involved in advising on project and business case development activity.

Following each assessment of a project, a template will be completed by the appraiser that reports the findings of the appraisal and this will be reviewed by the Programme Appraisal Team (PAT).

The Combined Authority appraisal function, the SAP group and Programme Appraisal Team (PAT) scrutinise, and quality assure the process to ensure that the work undertaken is independent of the authority promoting the scheme.

#### Strategic Assessment Prioritisation Group (SAP)

The SAP is responsible for undertaking the assessment of potential schemes, for alignment and contribution to the policies and strategies of the Combined Authority, through the Strategic Assessment form that is submitted to the Combined Authority, at activity 1. The assessment will focus on how;

- A project/programme will address the key problem which a project/programme is seeking to address (and hence the reasons why the public sector should intervene and fund);
- clarity and robustness of a schemes design - through a clearly designed logic chain – where the relationship between need and problem is clearly linked to outputs, impacts and outcomes much earlier in the design process.

The SAP provide evidence and recommendations to the Directors of Delivery, and Policy, Strategy and Communications on a decision for every Strategic Assessment

submitted, for approval. The SAPG agree any conditions that are required as part of a project/programme progressing through activity 1, and which, subject to approval, will form part of the Strategic Assessment certificate.

The SAP consists of a core membership representing Combined Authority policy, strategy and communications, delivery and PMA functions. Attendance at PAT meetings is supplemented by appraisers, independent technical advisers, promoters and their advisors, and other attendees as required to supplement the decision-making process. Other officers may be invited onto the group, including relevant Policy Managers, depending upon the Strategic Assessment that is due to be submitted.

The SAP is an internal assurance group and has no formal approval making powers. The SAP make recommendations, which are then reported through the Combined Authority's governance arrangements for a formal decision.

### **Programme Appraisal Team (PAT)**

The Programme Appraisal Team (PAT) is comprised of West Yorkshire Combined Authority officers who oversee the assurance process as schemes/programmes progress through it.

The PAT is an internal assurance group and has no formal approval making powers. The PAT make recommendations, which are then reported through the current Combined Authority governance arrangements for a formal decision.

The PAT consists of a core membership representing Combined Authority programme delivery, PMA, policy, economic, legal, and financial functions. Attendance at PAT meetings is supplemented by case officers, independent technical advisers, promoters and their advisors, and other attendees as required to supplement the decision-making process.

## **6.6 Appraisal proportionality**

The Combined Authority will use national guidance for scheme appraisal; HM Treasury's Green Book, including supplementary and departmental guidance, such as the Department for Transport's (DfT) TAG and MHCLG's Appraisal Guide where appropriate. The Combined Authority may also use local methodologies for this purpose with decision makers determining the most appropriate for each scheme appraisal. The Combined Authority's approach for Value for Money Assessment is dynamic; as advances in techniques becomes clear this will be incorporated in its methodology and provided as supplementary guidance for promoters to that of the HM Treasury Green Book. It is important to note the Combined Authority's climate change aspirations. As of 2021 the Authorities methodology for carbon assessment forms part of the appraisal process, a proportionate approach will be utilised, and guidance given by scheme on the level of requirement.

The Framework adopts a Proportionality Principle (PP) based on a matrix which covers Risk, Cost, Novelty and Deliverability as part of its pathway and approval route through the assurance process. For example, a low cost, low risk scheme may

proceed from Activity 2 to Activity 4 with a simplified business case template requirement for evidencing value for money.

The Authority uses a variety of templates with 'How to Guidance' provided to the promoter in order for the authority to gather the evidence required to assure value for money and realistic business case proposals. Officers will work with promoters to give additional guidance in order for a proportionate approach to be achieved.

The approach to economic appraisal is to be set out in the Appraisal Specification Report (ASR) following guidance and should be agreed with the responsible officer of the Combined Authority.

## 6.7 Methodology to assess value for money

The range of toolkits (HMT Green Book, MHCLG guidance etc) are used to demonstrate the wider economic benefits and value for money in order to assess the business case for a scheme. In line with recognised VfM guidance, the assessment will consider:

- **Economy:** Minimising the cost of resources used
- **Efficiency:** The relationship between the output from goods or services and the resources to produce them
- **Effectiveness:** The relationship between the intended and actual results of public spending (outcomes and meeting objectives)
- As set out in the LEP National Local Growth Assurance Framework guidance, the methodology used to assess VfM will be in line with the established guidance prescribed by the relevant Government department:

### Compliance with Department for Transport's TAG guidance

All transport schemes will be subjected to the minimum requirements on modelling and appraisal, Value for Money (VfM) statement, assurance and evaluation, as set out in the National Assurance Framework Guidance (LEP and Single Pot).

The modelling and appraisal work will be scrutinised to ensure it has been developed in accordance with TAG, is robust, and is fit for purpose. A review panel made up of the senior officers of the Combined Authority, referred to as the Programme Appraisal Team, or PAT, will be used, so that appropriate and independent recommendations can be provided to decision makers. Responsibility for quality assurance of the assessment and scrutiny will rest with the Combined Authority's Head of Portfolio Management and Appraisal (PMA).

In-line with TAG, the promoter will not carry out any modelling and appraisal work for any activity in Stage 2 prior to Appraisal Specification Report agreement with the Combined Authority's assigned officer. All evidence supplied as part of economic case in all activities in Stage 2 will be appraised against methodology set out in agreed ASR. An Appraisal Summary Table (AST) and VfM Statement will be produced by following TAG and DfT's VfM guidance.

The Economic Appraiser will provide an assessment on the VfM Statement for decision makers, summarising as part of the appraisal. The conclusions from VfM assessment will take into consideration whether benefits outweigh the costs whilst identifying key risks and sensitivities that may affect the VfM conclusion.

The experts will also set out what level of Analytical Assurance PAT and decision makers may attach to the VfM position based on quality of work, uncertainty in appraisal and risks. Preference will be given to schemes who have a benefit cost ratio (BCR) of or above 2 which represents high value for money, accounting for significant non-monetised impacts and key uncertainties. The justification for a recommendation for a project to proceed with a BCR below 2 will be set out in the reports seeking approval from the relevant decision-makers. Reasons for this could include but is not limited to, a strong strategic fit with the Combined Authority's objectives and/or strong linkages with other schemes to enhance overall benefits and value.

### **Estimating economic and wider benefits**

All programmes and schemes will be expected to have a positive (direct or indirect) impact on growth through job creation, skills improvement, increased productivity, and improved connectivity, to ensure that the good growth aspirations articulated in the SEF are realised. This also includes inclusive growth and clean growth aspirations.

Net additional economic output measured by Gross Value Added (GVA) per pound invested is one of the measures that is used as a metric for determining whether a project delivers value for money. Other measures of value for money will be used where necessary or context specific to provide more information on the richness and scale of the potential impact of schemes. Such measures include the Benefit: Cost ratio, total cost per job and total GVA per job.

A range of tools and models will be used to help estimate the direct, indirect and wider economic impact of scheme proposals in order to facilitate the prioritisation and decision-making process. It would be expected that the promoter engages with the Combined Authority on the approach and the preferred model/s to be used to appraise the economic benefits, reflecting the scheme context and scope.

The Combined Authority are now in the process of procuring expert advice to frame and develop a robust quantifiable methodology (quantitative and qualitative) for assessing all new scheme's predicted carbon emissions / wider clean growth impacts, building on the recent work to strengthen how clean growth and climate change impacts are considered as part of all new schemes that come through the Combined Authority's Assurance Framework .This will include a review of all existing Combined Authority schemes and additional resource to support the development and implementation of the new assessments.

The qualitative assessment will seek to consider the strategic importance of the scheme (e.g. an assessment of how the scheme contributes to the priorities and ambitions of the SEP. SEF and the WYIS

The outcomes of the assessment of applications made in response to funding opportunities are reported to the LEP Board, the Combined Authority and the West Yorkshire and York Investment Committee.

## **6.8 Due diligence**

Due diligence refers to the process of undertaking independent verification of key information provided by scheme promoters in support of funding proposals. It is intended to supplement the appraisal process and support the effective management

of risk. It will be undertaken by the Combined Authority's Programme Manager and may take place at any stage in the assurance process prior to entering into a grant funding agreement (GFA).

The scope of due diligence will depend on the nature of the funding proposition and the promoter. Where the promoter is a private sector body it is likely to take the form of an independent assessment of ownership structure and financial standing and any other appropriate risk considerations determined at that time.

## 6.9 Risk Management

Risk is managed in line with HM Treasury 'Orange Book' Guidance on the Principles and Concepts of Risk.

The LEP has agreed that the Combined Authority, through the Section 73 Chief Finance Officer, manages risk on the LEP's behalf.

The Combined Authority recognises that effective risk management is an integral part of good corporate governance and as such should be a part of everyday management processes. The Combined Authority is committed to ensuring the robust management of risk, and as such a corporate risk management strategy is in place to set out a consistent approach to all risk management activities undertaken throughout the organisation. This includes the Combined Authority's risk appetite statement, which is based on risk category. The Risk Management Strategy can be found [here](#).

Full scheme-level risk analysis and mitigation plans are required for each programme and scheme when developing their business case. These are required to comply with the Combined Authority Risk Management Strategy and are assessed as part of the appraisal process set out in this Assurance Framework.

Robust processes for the identification, analysis and management of risks is contained within the Combined Authority's Risk Management Strategy and supporting documents. These provide details on the regularity with which to review risks and guidance for effective risk identification, assessment and escalation.

## 6.10 Funding Agreements

The funding offer will be bespoke to each individual scheme. The arrangements for the draw down and release of funding will be outlined at each decision point of the assurance process.

At the point where funding is released, the Combined Authority will enter into a funding agreement with the promoter. Any funding conditions will be specified in the funding agreement and can include but not limited to:

- a funding cap
- the promoter's Chief Internal Auditor to provide assurance and to certify all expenditure on an annual basis
- claw-back provision in place to ensure funding is only to be spent on the specified scheme and that any cost savings achieved on the completed scheme are returned

- overage
- the Combined Authority, as the accountable body, will determine when to release funding.
- the Combined Authority may arrange for local audit of schemes to detect any misuse of funds.
- all organisations that receive funding through the Combined Authority and/or LEP are contractually required to acknowledge this, and that of Government in all communications and marketing activity. This includes use of logos on relevant communications materials, inclusion of specified wording in press releases and development of stories and case studies that showcase the impact of schemes.

The Combined Authority and the LEP will look to recover funding where there has been non-compliance, misrepresentation or under-performance. The Accountable Body arrangements in Appendix 2 set out how concerns are escalated, including taking a legal opinion on the likelihood of recovery.

### **6.11 Management of contracts**

West Yorkshire Combined Authority has implemented a performance management process which is aimed at ensuring contract performance is achieved and that all contract deliverables and obligations are met. The process will ensure that the following key contract management elements are implemented:

- Contract managers who understand all contract requirements, deliverables and provider obligations
- Contract managers have a detailed understanding of the Combined Authority's responsibilities within external funding agreements linked to supplier agreements
- Regular contract performance meetings are held with providers to review contract delivery in order to maintain ongoing quality and performance of the contract
- Performance reporting updates are submitted on a regular basis by providers, highlighting performance against key performance indicators and service levels (as appropriate)
- Implementation of regular quality and compliance audits which provide the required evidence in support of contract compliance for LEP funded programmes and agreements.
- Ongoing contract management to include programme risk and issues management
- Ensure ongoing delivery of value money through effective change management control in accordance with the contract terms and conditions
- Problem resolution and implementation of improvement plans where necessary to support increased performance

The West Yorkshire and York Investment Committee and LEP Board and receive regular high-level reports on the progress of funded programmes and schemes together with any significant risks, issues and opportunities. More detailed reporting including specific supplier performance against these programmes and schemes are reported to the relevant panel/committee/project board (including the Business Innovation and Growth Panel and Employment and Skills Panel) and also to the Combined Authority's Senior Management Team.

Any contract negotiations that result in material changes will be assessed and dealt with through the standard variation process as determined within the Combined Authority Contract Standing Orders.

The LEP Board will be consulted on all contract changes that are considered to be critical in nature towards the delivery of LEP funded programmes and schemes.

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## 7. Monitoring and Evaluation

### 7.1 Monitoring

All schemes are monitored throughout their progression through the assurance process. The Combined Authority use a web-based Portfolio Information Management System (PIMS), to ensure a consistent approach to monitoring and management of all schemes. A key benefit of PIMS is that information is available to view by all parties to the project. This helps to ensure the accuracy of the data held.

The system provides the following benefits:

- **Transparency**
  - allows informed and improved decision making
  - provides visibility of scheme progress
  - provides a full audit trail of scheme data
  - linkages and dependencies between various schemes in the portfolio can be viewed and managed more easily
- **Consistency**
  - provides a robust and automated method of scheme assurance
  - standardised templates and reports offer robust scheme controls
  - centralised repository for cost and risk management activities will provide a uniform approach.
- **Efficiency**
  - manual data input and manipulation is retained by the PMA and verified by project sponsors.
  - standardised reports, documents and dashboards enable project teams and stakeholders to concentrate on delivery
  - resource management allows for resource planning ahead of demand
  - the organisation's ability to plan using future scheme deliverables is increased
  - lessons learned can be more easily understood and shared between stakeholders
- **Focus on delivery**
  - aggregation of scheme data can identify trends in advance
  - facilitates alignment of schemes to corporate strategy
  - recommendations and actions to be carried out in a more structured and timely way

Programmes and schemes funded by the Combined Authority and the LEP are required to have an outputs and benefits realisation plan as part of business case development. These should be produced as part of activity 3 (OBC) and refined and be in place at the end of activity 3 (FBC).

Key metrics of information on performance are reported at regular intervals including expenditure, progress, outputs and benefits, risks and issues, as well as match funding. A rolling schedule of growth deal funded schemes is published on the [Combined Authority](#) and [LEP](#) websites.

The LEP Board and the West Yorkshire and York Investment Committee receive regular high-level reports on the progress of funded programmes and schemes together with any significant risks, issues and opportunities to enable effective management of all schemes and programmes. These reports are published on the Combined Authority and LEP websites.

## 7.2 Evaluation

Programmes and schemes funded by the Combined Authority and the LEP are required to have a monitoring and evaluation plan as part of business case development. These should be produced as part of activity 2 (SOC) and refined and be in place at the end of activity 4 (FBC).

The outputs from the monitoring and evaluation plan, together with the outputs from the outputs and benefits realisation plan will be used to assess the effectiveness and impact of investing public funds and the extent to which schemes are contributing to the overall objectives of the Combined Authority and the LEP.

The introduction of the SEF Evaluation Strategy will shape the design and development of project level evaluation activity through its focus on “Logic Models” as the basis of “activity 7” of the Assurance Framework reporting, shaping the information we capture at project closure and introducing more consistency to learning insights that we synthesise and communicate.

A formally adopted evaluation strategy will be integrated into the LCR Assurance Framework in early 2020 as a future revision (the strategy will replace the current evaluation guidance which underpins the SEP Evaluation principles).

Our approach to the development of the evaluation strategy recognises that it is locally owned, managed and draws on local systems; it will be proportionate and selective (e.g. not everything will be evaluated) and that partnership working with LEPs and Government takes place to identify opportunities for thematic evaluations that could be conducted across LEP areas or centrally commissioned. Introducing these changes to our approach to monitoring and evaluation and focusing the evaluation around SEF success measures will align the LCR Assurance Framework with the “National Local Growth Assurance Framework” (MHCLG, January 2019).

These key themes are likely to focus on:

- **Strengthening understanding of the impacts, outcomes and additionality of all forms of schemes at an early stage in their design to improve the ex-poste evaluation of interventions.** All project sponsors will be required to adopt a consistent approach to the use of “Logic Models”. Logic models represent an essential element of project and programme development and whilst the requirements for the use of logic models will be proportionate to the scale of the intervention, it is viewed that all schemes will benefit from this approach

- **Communicating and synthesising the learning from project evaluation** – the updated strategy will place a greater focus on synthesising consistent messages from project learning across all project types – with these insights flowing directly from the relationships set out in the project logic model. The current project closure documentation will be reviewed to ensure that it is fit for purpose in this context. Greater emphasis will be placed on the structured communication of the outputs from project closure reports through learning and dissemination events and the project closure reports will be designed to shape this messaging.
- **Understanding the wider benefits flowing from Growth Deal interventions** – the updated strategy will more clearly define the relationship between project monitoring, benefits realisation and the net additionality achieved across the wider City Region geography. The updated strategy in this theme will consolidate and align with the 'Independent Evaluation of Local Growth Interventions' currently being conducting by MHCLG.

### 7.3 Five Year gateway review

As part of the Leeds City Region Growth Deal agreement, the West Yorkshire plus Transport Fund is subject to five-yearly gateway reviews to assess impact. The first review in 2019 has been passed successfully and funding confirmed until 2024/25. The next review will be undertaken in 2024, activity to determine the content and scope of this review has not yet commenced. A review of the overall monitoring and benefits realisation activity forms part of the action plan and will advise on the development of an overarching monitoring and benefits realisation framework.

## Appendix 1 – Mayoral Functions.

*The following functions are the responsibility of the Mayor:*

### *a) Transport*

- I. Power to draw up a local transport plan and strategies (although the Combined Authority may amend these).*
- II. Power to request local regulations requiring large fuel retailers to provide Electric Vehicle charging points*
- III. Bus franchising powers*
- IV. Ability to pay grants to operators.*

### *b) Housing and planning*

- I. Specific Housing and land acquisition powers to support housing, regeneration infrastructure and community development and wellbeing subject to consent from specified Combined Authority members.*
- II. Power to designate a Mayoral Development Area and then set up a Mayoral Development Corporation subject to consent from specified Combined Authority members.*

### *c) Finance*

- I. setting a precept on council tax to fund Mayoral Functions*
- II. Power to charge business rate supplement (subject to ballot)*

## Appendix 2 – Accountable Body Arrangements

### Agreement between the Leeds City Region Enterprise Partnership and the West Yorkshire Combined Authority

#### 1. Introduction

The LEP is a strategic body responsible for driving inclusive growth, increase prosperity and improve productivity (“LEP activity”). The LEP works collaboratively and in partnership with the West Yorkshire Combined Authority, as its accountable body (“the Accountable Body”).

#### 2. Accountable Body roles and responsibilities

Underpinning good governance is an expectation of mutual support between the LEP and the Accountable Body. The Accountable Body is responsible for:

- carrying out **finance functions** on behalf of the LEP
- **oversight** of the LEP’s financial and governance, transparency and accountability arrangements
- providing **additional support** as agreed by the LEP

The LEP has agreed that the Accountable Body’s specific roles and responsibilities are:

##### **a) Finance functions**

On behalf of the LEP, the Combined Authority holds, allocates and releases all funding for LEP activity (“LEP funding).

This includes approving and entering into agreements relating to LEP funding. The Accountable Body does not use any LEP funding for their own purposes, nor without a clear mandate from the LEP.

The Section 73 Chief Finance Officer shall ensure that appropriate financial statements are provided to the LEP in a timely manner; a separate financial statement for LEP funding is published each financial year.

The Accountable Body is responsible for treasury management and borrowing functions relating to LEP activity and funding.

LEP funding is included in the Accountable Body’s accounts, and the LEP’s web-site links to the Accountable Body’s accounts.

##### **b) Oversight functions**

The Accountable Body has oversight of the LEP’s financial and wider governance, transparency and accountability arrangements, including compliance with the Assurance Framework. The Accountable Body through its Section 73 Chief Finance

Officer ensures that LEP funding is administered properly, that is, that LEP funding is spent or released:

- in accordance with formal approvals only, and not for unapproved purposes<sup>22</sup>
- with propriety and regularity and to deliver value for money
- subject to the statutory checks and balances which require the Accountable Body to act prudently in spending
- in accordance with the Assurance Framework and any other relevant procedure
- in compliance with any grant requirements and conditions.

The Accountable Body ensures that decisions on LEP funding are:

- reached in line with clear and transparent processes
- made on merit
- taken in accordance with the Assurance Framework
- compliant with all legal requirements including relating to State Aid, public procurement, transparency, data protection and the public sector equality duty.

The Accountable Body also promotes the highest standard of conduct by the LEP, LEP Board members and officers, by reference to the seven principles of public life.

### Scrutiny

The Combined Authority's statutory Overview and Scrutiny Committee has a key role in securing independent and external scrutiny of LEP activities. The Committee's terms of reference reflect that the Committee may make reports or recommendations on any matter considered by the LEP or relating to LEP governance. The Committee may also review or scrutinise any decision made, or other action taken, in connection with any function of the Combined Authority, including in relation to its role as Accountable Body.

The LEP recognises the role of the Combined Authority's statutory Scrutiny Officer in facilitating the Overview and Scrutiny Committee to carry out appropriate scrutiny of LEP Board decision-making and LEP achievements.

The LEP agrees to respond positively to any request to share information with the Committee, so that the Committee has the necessary information to provide robust scrutiny and advice. Any member of the LEP Board, including any private sector representative, may be asked to attend or otherwise contribute to a meeting of the Committee.

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<sup>22</sup> Including the services of lobbyists

The contribution of the LEP to any meeting of the Overview and Scrutiny Committee will be recorded with the outcome in the minutes (published on the Combined Authority's website). The LEP will ensure that there is a link from the LEP website to the Overview and Scrutiny Committee's published reports and minutes.

### Audit

To ensure they have proper processes in place to manage risk, maintain an effective control environment and report on financial and non-financial performance, the LEP utilises the Accountable Body's Governance and Audit Committee, and its internal and external auditors to provide assurances in relation to LEP activities, as well as the Section 73 Chief Finance Officer.

The LEP and the Accountable Body (through its Governance and Audit Committee) will agree a risk based internal audit plan for each financial year of LEP and Combined Authority activities, that will provide assurance to the Section 73 Chief Finance Officer and the LEP Board at appropriate points through the financial year.

### **c) Support functions**

The Accountable Body acts as the independent secretariat to the LEP<sup>23</sup>, providing the following technical and other support:

- compiling, maintaining and publishing agenda, reports and minutes of meetings in accordance with agreed procedures
- retaining all documentation relating to the Local Growth Fund and other funding sources
- dealing with any request for information, complaint or concern raised in accordance with the appropriate procedure
- appraisal functions as set out in the Assurance Framework,
- legal advice
- recovering funding where there has been non-compliance, misrepresentation or under-performance<sup>24</sup>
- risk management.

## **3. Section 73 Chief Finance Officer - Resources**

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<sup>23</sup> The Combined Authority is not a constituent member of the LEP, *although the Mayor is on the LEP Board*. Local Authority representatives are appointed in their capacity as district councillors, not members of the Combined Authority.

<sup>24</sup> The Accountable Body will report to the LEP Board providing information on schemes which have received funding, including

- a description of schemes where concerns have been identified,
- relevant details including the amount of funding awarded and the sum at risk due to concerns, and
- where recovery of funds is considered, a legal opinion which sets out the legal basis for recover and likelihood of success

The Accountable Body will ensure that the Section 73 Chief Finance Officer is given appropriate resources to carry out their functions in respect of the LEP, including audit. The LEP and the Accountable Body shall keep resource needs under review and consider if they are appropriately met.

#### **4. Non-compliance by the LEP**

Any decision of the LEP made in contravention of processes set out in the Assurance Framework will be invalid on the basis of non-compliance, unless the LEP has given prior approval for variation in respect of the LEP's decision-making process.

In the event that the Accountable Body is not able to endorse any decision of the LEP, the Section 73 Chief Finance Officer would refer the matter back to the LEP for re-consideration.

The LEP and the Accountable Body are committed to proactively raising with the Cities and Local Growth Unit any significant instance of non-compliance, non-delivery or mismanagement by the LEP which cannot be resolved locally. Should any such instance arise, the Section 73 Chief Finance Officer will also report it to the LEP Board and to the Combined Authority's Governance and Audit Committee.

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## Appendix 3 – Section 73 Chief Finance Officer – responsibility arrangements

### 1. Introduction

The Combined Authority must by law<sup>25</sup> make arrangements for the proper administration of its financial affairs and secure that one of its officers has responsibility for the administration of those affairs. This role is carried out by the Combined Authority's Director of Corporate Services and extends to include the financial affairs of the LEP.

The Chair of the LEP and the LEP's Chief Executive Officer have agreed the following responsibility arrangements with the Section 73 Chief Finance Officer of the West Yorkshire Combined Authority (the Combined Authority), recognising the role of the Section 73 Chief Finance Officer in relation to instilling good and proportionate LEP governance, including the oversight of the proper administration of the LEP's financial affairs.

### 2. Financial administration

The Section 73 Chief Finance Officer shall be supported by the LEP and the Combined Authority (in its capacity as accountable body for the LEP) to carry out such checks as are necessary to independently ensure the proper administration of financial affairs in the LEP.

The LEP shall act promptly working with the Combined Authority to address any concerns or improper financial administration identified. The Section 73 Chief Finance Officer will report all concerns to the LEP's Chief Executive Officer in the first instance, making recommendations about any improvements required. The LEP is responsible for ensuring that all concerns are addressed.

The Chief Finance Officer will report any significant concerns directly to the LEP Board, setting out any improvements required. The LEP Board and the Section 73 Chief Finance Officer shall agree an action plan setting out how such concerns are to be addressed. This may include identifying training needs to ensure compliance. There will be a standing item on the LEP Board agenda reporting on progress on implementing the action plan, until the Section 73 Chief Finance Officer is satisfied that the issue has been resolved.

The Section 73 Chief Finance Officer will notify the Cities and Local Government Unit of any significant concern where

- the concern is about systemic financial problems, repeated non-compliance or fraud, or
- an action plan cannot be agreed, or
- in the opinion of the Chief Finance Officer, the LEP Board does not achieve sufficient progress against the action plan.

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<sup>25</sup> Section 73 of the Local Government Act 1985

### **3. Advice of the Section 73 Chief Finance Officer**

The Section 73 Chief Finance Officer shall work with the Chair of the LEP and the LEP's Chief Executive Officer to ensure that procedures are in place to consider the financial implications of decisions before and during the decision-making process. The LEP shall ensure that the Section 73 Chief Finance Officer is given sufficient access to information in order to carry out their role. The Section 73 Chief Finance Officer or their nominee shall be entitled to:

- attend all LEP Board agenda setting meetings.
- have access to all LEP Board documentation (including LEP Board reports before publication),
- comment on any proposed decisions, by
  - recording an opinion on financial implications and an assessment of risk (such as delivery risks and cost overrun risks) in any report to the LEP Board or relevant Panel, and/or
  - attending and speaking at any meeting of the LEP Board<sup>26</sup> or relevant Panel.

Should the LEP Board decide on a course of action which goes against the advice of the Section 73 Chief Finance Officer, the LEP Board must indicate the rationale for their decision, which will be recorded in the minutes of the meeting. However, in the event that the Accountable Body is not able to endorse any decision of the LEP, the Section 73 Chief Finance Officer would refer the matter back to the LEP for re-consideration.

If the role of the Section 73 Chief Finance Officer results in a potential conflict of interest, impartial advice should be sought by the LEP's Chief Executive Officer to ensure transparency from a source which is external to the Combined Authority.

### **4. Risk management**

The LEP has agreed that the Combined Authority through the Section 73 Chief Finance Officer, manages risks on the LEP's behalf. The risk appetite of the LEP is understood by both the LEP Board and the Section 73 Chief Finance Officer. The Section 73 Chief Finance Officer ensures that the Combined Authority's risk management strategy addresses

- risks arising in relation to LEP activity
- the process for the LEP Board to oversee risk and the escalation of risk analysis and risk management requirements within the LEP.

At the beginning of the financial year, the LEP and the Section 73 Chief Finance Officer will agree the budget risks facing the LEP. These will be kept under review by the Section 73 Chief Finance Officer throughout the year, who will report any significant issues to the LEP Board.

### **5. Audit**

The LEP and Combined Authority have agreed audit arrangements as set out in the Assurance Framework. The Section 73 Chief Finance Officer and the LEP's Chief Executive Officer shall report to the LEP Board on any completed audit by internal or

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<sup>26</sup> See further LEP Procedure Rules. The Section 73 Chief Finance Officer is not a member of the LEP Board and does not vote

external auditors where any recommendations relate to the LEP and provide a copy to the Cities and Local Growth Unit as appropriate.

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## Appendix 4 – Governance arrangements

### West Yorkshire Combined Authority

#### Membership

The Combined Authority as a Mayoral Combined Authority comprises the following members:

- the Mayor,
- 5 elected members from each council in West Yorkshire (one appointed by each council),
- 3 additional elected members for political balance jointly appointed by the West Yorkshire councils,
- 1 elected member appointed by the City of York Council (, and
- 1 person nominated by the LEP (the LEP Member).

Of these, the elected member appointed by the City of York Council and the LEP Member are required by statute to be non-voting, except in so far as the Combined Authority gives them voting rights.

The Combined Authority's website [here](#) provide details of all current members of the Combined Authority.

Voting members on committees and panels include members from the private sector representatives and local authorities.

*The Mayor appoints one of the members of the Combined Authority as a Deputy Mayor, who will act in place of the Mayor if for any reason the Mayor is unable to act or the office of Mayor is vacant.*

#### Strategies

*The Mayor is responsible for approving the local transport plan (subject to the Combined Authority's power to make amendments – see below) and may make other strategies in relation to the exercise of any Mayoral Function, in consultation with the Combined Authority.*

*The Combined Authority may approve any strategy in relation to Non-Mayoral Functions. Where a Non-Mayoral Function has been conferred on the Combined Authority further to the devolution deal, the approval of that strategy requires the support of the Mayor. The Combined Authority may also amend the Mayor's local transport plan, if a majority of the members agree to do so.*

*The approval of the WYIS by the Combined Authority requires the support of the Mayor.*

#### Budgets

*There are separate budgets for Mayoral Functions (the Mayor's budget) and Non-Mayoral Functions (the Combined Authority's budget).*

*The Mayor may raise money by precept and has the power, with the agreement of the Combined Authority and in consultation with the business community, to raise a Business Rate Supplement to fund infrastructure investment.*

*The Mayor's budget is subject to approval by the Combined Authority in accordance with statutory processes. These provide that the Combined Authority may:*

- approve the Mayor's draft budget, (default simple majority voting arrangement applies) or*
- veto the draft budget, and approve a budget incorporating the Combined Authority's recommendations by 5/8 majority of the members of the Combined Authority excluding the Mayor.*

### **Investment decisions**

*Decisions relating to progressing a scheme under the assurance process fall to the Combined Authority, although any substantive decision by the Combined Authority to carry out any Non-Mayoral Function which was conferred further to the devolution deal requires the support of the Mayor.*

*The Mayor may request the Combined Authority to review any investment decisions taken before they came into office. Any such request must be submitted by the Mayor to the Combined Authority's Managing Director within three months of the Mayor taking office. The Combined Authority will carry out the requested review at the next ordinary meeting of the Combined Authority following receipt of the request, provided that this is not within 10 working days of that meeting.*

*The Mayor also makes any decisions relating which relate to Mayoral Functions (or may delegate any such decisions as set out in section X of this Assurance Framework).*

### **Officers**

Combined Authority officers serve both the LEP and the Combined Authority. They are appointed on merit in accordance with open recruitment arrangements and new officers undergo a structured induction process.

The authority of officers to act on behalf of the Combined Authority is set out in the officer delegation scheme.

## LEP Board

### Membership

At least two-thirds<sup>27</sup> of the members of the LEP Board<sup>28</sup> must be private sector representatives<sup>29</sup>.

The number of LEP Board members shall not exceed 20<sup>30</sup>, excluding any additional member co-opted to the LEP Board. A maximum of 5 co-optees with specialist knowledge may be appointed to the LEP Board.

*The Mayor is a member of the LEP Board.*

The LEP's Constitution [here](#) sets out requirements in relation to LEP Board membership, including eligibility criteria, appointment processes, terms of office (including arrangements for resignation), and provisions relating to the LEP's Chair and Deputy Chair.

The LEP website [here](#), and the Combined Authority's website [here](#) provide details of all current members of the LEP Board.

The LEP Board has adopted an Equality and Diversity Policy including Diversity Statement explaining how the LEP seeks to ensure diverse representation at LEP Board and on advisory Panels which is reflective of their local business community (including geographies and protected characteristics). This can be viewed [here](#).

The LEP Board annually reviews its membership having regard to its Diversity Statement, taking into account the skills, knowledge and competencies it needs, the geography of the City Region, its key business sectors and different sizes of business operation.

The LEP Board appoints its private sector representatives, including the Chair, in accordance with open recruitment processes which are set out in the LEP recruitment procedure (which also covers engagement with the business community in relation to the appointment of the LEP Chair, succession planning and induction arrangements for private sector representatives) which can be found [here](#).

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<sup>27</sup> To comply with this requirement of the National Local Growth Assurance Framework (2019) and Strengthened Local Enterprise Partnerships report (2018), new members were appointed to sit on the LEP Board on 25 February 2020, with effect of 31 March 2020.

<sup>28</sup> Any co-optee appointed to the LEP Board is to not be considered as a member of the LEP Board for the purpose of this requirement

<sup>29</sup> A private sector representative must be or have been employed by an organisation not included as central Government, local Government or a public corporate as defined for the UK National Accounts. Those from Higher Education or Further Education Institutions are not classified as public sector organisations.

<sup>30</sup> This requirement is met as a result of the decision made by the LEP Board with regards to the LEP Board membership on 25 February 2020, with effect of 31 March 2020.

One LEP Board member is appointed to represent and engage with the SME business community, and another as Diversity Champion.

The LEP has adopted a LEP Board Members' Remuneration and Expenses scheme which can be found [here](#).

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## Appendix 5 – Economic Services: approval arrangements

The Managing Director has delegated authority to award an Economic Services grant to a company or other legal entity<sup>31</sup> (“Business”) under any programme or scheme approved under the Leeds City Region Assurance Framework.

In accordance with the Conflicts of Interest Protocol, where any potential conflict arises from the involvement with a Business of any person on the LEP or any relevant committee, an application must be determined by the Managing Director, the Combined Authority or relevant committee.

A grant may only be awarded

- where the application meets the eligibility and/or assessment criteria for the programme or scheme.

The **Advisory Groups** are set out in Table 2 below:

**Table 2**

Programme	Advisory Group	Membership	Thresholds
Business Growth Programme	Appraisal Advisory Group	Officers from the Combined Authority; officers from partner councils; Business Enterprise Fund	Considers any application for a grant over £50k and not exceeding £100k
Digital Investment Funds	Digital Investment Fund Appraisal Group	Officers from the Combined Authority	Considers any application for #Welcome and #Grow for a grant over £25k and not exceeding £50k

<sup>31</sup> Including a social enterprise, trust, partnership or sole trader.

## Appendix 6 – Assurance process principles for ESIF Sustainable Urban Development (SUD) purposes

### Purpose

The urban agenda and the role of cities in driving forward smart, sustainable and inclusive growth is central to the successful delivery of the 2014-20 ESI Funds Growth Programme in England.

The Leeds City Region Sustainable Urban Development (SUD) Strategy, which aims to address integrated urban challenges and opportunities in the region, was submitted to the Ministry of Housing, Communities and Local Government (MHCLG) back in September 2015 and was formally agreed.

The Ministry of Housing, Communities and Local Government – otherwise known as the Managing Authority - agreement of the SUD Strategy will ensure that funds worth up to 10% of the Leeds City Region European Structural and Investment Funds (ESIF), European Regional Development Fund (ERDF) allocation will be made available in order to implement the SUD strategy.

In order to put in place the delegated functions that are required by Article 7 of the EU Regulation 1301/2013, with regard to project selection, MHCLG have now established the West Yorkshire Combined Authority as an Intermediate Body (IB) in line with Articles 123 and 125 of EU Regulation 1303/2013.

The Combined Authority, as the Intermediate Body will, in order to make decisions with regard to its role in the project selection process, use the principles of the assurance process as outlined below. Any process will be undertaken in line with the selection criteria as defined by the ESIF national Growth Programme Board.

This appendix presents the Leeds City Region assurance process as the model and framework that the Combined Authority has adopted in assisting in the selection of schemes as part of the ESIF programme 2014-2020 for SUD.

### Background

- In July 2012 the Leeds City Region agreed a 'City-Deal' with HM Government giving greater local control over spending and decision-making particularly with regard to economic development, regeneration and transport. This 'City-Deal' agreed to the creation of a West Yorkshire Combined Authority and a commitment to develop an assurance process. The assurance process, once approved by HM Treasury, would provide a consistent, robust appraisal process for schemes and programmes to inform investment decisions.
- In light of this, and the flexibility that is inherent within the assurance process, it represents a means to structure the local appraisal of ESIF SUD schemes rather than developing a separate process. This approach complements the formal technical assessment carried out by MHCLG.

## **Introduction to selection of schemes using the Assurance Process principles**

The process adopted here reflects the guidance issued by MHCLG and adheres to the process and role of the Intermediate Body.

The West Yorkshire and York Investment Committee provides advice to the Combined Authority in line with the nationally agreed criteria and in line with the agreed and signed Memorandum of Understanding between the Combined Authority and MHCLG.

The West Yorkshire and York Investment Committee provides advice to the Combined Authority to whether proposals set out at Outline and subsequently Full Application appropriately address:

**Local strategic fit** as defined in the Selection Criteria<sup>32</sup> for the ERDF 2014-2020 programme, which includes how:

- the proposed operation contributes to the needs/opportunities identified in the Call for Proposals to which it is responding.
- the proposed operation is aligned to the local growth needs set out in the local ESI Funds Strategy and contributes to the specific objectives, outputs and results of the relevant priority axes set out in the Operational Programme.

In addition, the Combined Authority provides advice to MHCLG on the following value for money and deliverability selection criteria:

### **Value for money**

- The operation must represent value for money. In assessing value for money, MHCLG take account of:
  - efficiency: the rate/unit costs at which the operation converts inputs to the Fund outputs.
  - economy: the extent to which the operation will ensure that inputs to the operation are at the minimum costs commensurate with the required quality.
  - effectiveness: the extent to which the operation contributes to programme output targets, results and/or significant strategic impact at the local level.

### **Deliverability**

- the operation is deliverable within the requirements of the fund specific Operational Programme taking account risks, constraints and dependencies
- evidence has shown that this type of operation is effective or where the operation is new or innovative, the risks have been considered and appropriate mitigations put in place.

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<sup>32</sup> Selection Criteria [here](#)

## Using the assurance process principles

The assurance process is designed to ensure any schemes seeking public finance should be subjected to a rigorous appraisal. HM Treasury has developed the Green Book which provides the basis for how schemes should be appraised using the 'five cases model' to carry out a holistic assessment.

The five cases are:

- (i) **Strategic**: does the scheme fit with the aims of the City Region's Strategic Economic Plan? **(used for selection of schemes for SUD as part of the ESIF Strategy)**
- (ii) **Economic**: is the scheme value for money? **(used for selection of schemes for SUD as part of the ESIF Strategy)**
- (iii) **Commercial**: is there demand for the scheme and is it commercially viable?
- (iv) **Financial**: is the scheme affordable and sustainable?
- (v) **Management**: is the scheme deliverable with achievable objectives? **(used for providing advice on the selection of schemes for SUD as part of the ESIF Strategy)**

The Green Book details approaches and tools that can be adopted in order to effectively appraise schemes. It is accepted that the detail and extent of appraisal should reflect the size and complexity of schemes, but within all appraisals there should be some consideration of each of the five cases.

The assurance process has been developed in line with these principles and was a key requirement that emerged from the LEP's City-Deal. The assurance process will be used by the LEP and the Combined Authority for all of its different funding regimes, providing a consistent and robust approach to appraise schemes. This means all schemes, irrespective of objectives or thematic area (transport, regeneration, housing, skills, innovation, enterprise etc.), will be assessed under this 'single' framework. This will better able the LEP and the Combined Authority to compare and prioritise schemes and programmes.

It is the assurance process which is used to form the basis for the 'local' appraisal and selection of SUD ESIF schemes outside the formal MHCLG assessment. For the purposes of selecting SUD ERDF schemes, the key principles of the assurance process are used – but only using cases 1, 2 and for advice case 3 as described above and in line with the nationally agreed criteria and the agreed and signed Memorandum of Understanding between the Combined Authority and MHCLG.

## Strategic Fit – Proposed scope

The proposed assessment of strategic fit is currently structured around the four pillars of activity that are central to the Leeds City Region Strategic Economic Plan (SEP):

1. Growing businesses
2. Skilled People, Better Jobs
3. Clean Energy and Environmental Resilience
4. Infrastructure for growth

Promoting social inclusion and combating poverty, designed to reflect aspects of the social outcomes that are promoted within the ESIF programme, are integrated within the pillars.

The pillars have been broken down into activity that could contribute to strategic outputs within the respective pillar and schemes would be scored against these criteria.

### **Value for Money (VfM) – Economic impact – proposed scope**

In assessing the value for money of each of the schemes, the process effectively mirrors that of the assurance process - ensuring that the costs and benefits of schemes are taken into account and wherever possible quantified.

This is more straightforward for some schemes than others and there is an onus on reflecting local intelligence and priorities. New jobs and catalytic schemes are 'worth' more in some areas than others simply because there are fewer jobs or because it is more difficult to create and sustain jobs in certain locations. This is especially the case where disadvantage is long-term and entrenched.

The Research and Intelligence team own and manage the Regional Econometric Model, a complex tool that enables scenarios to be assessed in terms of their net economic impact. This provides a range of outputs with a focus on impacts in terms of employment and gross value added (a measure of economic impact). These outputs can be calculated over a range of different geographies. Other approaches are used to quantify the outputs/outcomes that by their nature have a direct impact that is more social rather than economic.

In terms of the local assessment, additional measures of value for money are being used where necessary to provide more information on the potential impact of schemes. Such measures and ratios include:

- Total GVA of the project
- Ratio of GVA to Total Cost AND public sector support
- Total cost per job
- Total GVA per job
- Cost benefit ratio
- Grant per job
- Cost per business assist
- Cost per skill outcome
- Capital / build costs

The appraisal is informed and supported by national and local research in terms of the costs of outputs and outcomes. This includes elements such as guidance issued by OFFPAT, evaluations of RDA activity and more recent, evidence emerging from the What Works Centre for Local Economic Growth and bespoke evaluations such

as that carried out on the Combined Authority's Business Growth Programme (BGP).

### **Undertaking the work**

The responsibility of the assurance process is the responsibility of the Director of Delivery, to whom a Head of PMA reports.

The Head of PMA oversees the appraisal work on relating to the five cases including local strategic fit and economic - value for money (VfM). This review is undertaken by dedicated staff, drawing on wider technical support as required, and involves dialogue with scheme promoters as appropriate.

### **Reporting**

The results from the appraisal are presented in a summary assessment report, provided by MHCLG, alongside MHCLG's own formal technical assessment. This provides an insight into the strengths and weaknesses, bringing together the metrics and other qualitative and quantitative information.

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## Appendix 7 – Adult Education Budget

D.N Katie McClean to supply a one page. Already requested.

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## GLOSSARY

<b>ASR</b>	<b>Appraisal Specification Report:</b> A report produced by the scheme promoter, in conjunction with the West Yorkshire Combined Authority, setting out the agreed approach to appraisal of the scheme, as part of the assurance process.
<b>AST</b>	<b>Appraisal Summary Table:</b> A summary of the key consequences relating to the environmental, economic and social impacts of schemes. They are used to help determine which schemes should proceed and if they do, to decide which options to choose.
<b>BCG</b>	<b>Business Communications Group:</b> A group of people made up of key representatives from organisations in the City Region. They support business growth and act as an advisory group to the LEP Board.
<b>BCR</b>	<b>Benefit Cost Ratio:</b> An indicator used in cost-benefit analysis that attempts to summarise the overall value for money of a project or proposal.
<b>BEIS</b>	<b>Business, Energy and Industrial Strategy:</b> A ministerial department supported by 41 agencies and public bodies. It brings together responsibilities for business, industrial strategy, science, research and innovation, energy and clean growth, and climate change.
<b>BGP</b>	<b>Business Growth Programme:</b> The department for Business, Energy & Industrial Strategy set up grants for businesses that meet certain requirements. Businesses can apply to the Leeds City Region LEP to obtain these grants.
<b>BIG</b>	<b>Business Innovation and Growth Panel:</b> The panel consists of representatives from the private sector, universities, policy-makers and delivery partners. The panel reports to the LEP Board and the Combined Authority.
<b>CBA</b>	<b>Cost Benefit Analysis:</b> A systematic approach to estimating the strengths, weaknesses and alternatives for a decision to be made. It involves adding up the benefits of a course of action and then comparing these with the costs associated with it.
<b>CSF</b>	<b>Critical Success Factors:</b> A management term for an element that is necessary for an organisation or project to achieve its goals.
<b>DfT</b>	<b>Department for Transport:</b> A ministerial department supported by 23 agencies and public bodies. They work with agencies and partners to support the transport network and plan and invest in transport infrastructure.
<b>ERDF</b>	<b>European Regional Development Fund:</b> Aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. The ERDF focuses its investments on several key priority areas and is designed to reduce economic, environmental and social problems in urban areas.
<b>ESIF</b>	<b>European Structural and Investment Funds:</b> Includes money from the European Social Fund, European Regional Development Fund and European Agricultural Fund for Rural Development.
<b>EU</b>	<b>European Union:</b>

	An association of European nations formed in 1993 for the purpose of achieving political and economic integration. Incorporating the European Community, the European Union's member states are Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom. In 2016 the United Kingdom voted by referendum to withdraw from membership in the European Union.
<b>EZ</b>	<b>Enterprise Zone:</b> An area in which state incentives such as tax concessions and infrastructure incentives are offered to encourage business investment. There are 24 enterprise zones in England.
<b>FBC</b>	<b>Full Business Case:</b> Provides the detail of the preferred solution for a project or programme. It confirms the benefit, cost and risk of delivering the preferred solution. FBC+ represents a full business case with finalised costs.
<b>GPF</b>	<b>Growing Places Fund:</b> Funding from the Ministry of Housing, Communities and Local Government that supports key infrastructure schemes designed to unlock wider economic growth, create jobs and build houses in England. This fund comprises of £730 million.
<b>GVA</b>	<b>Gross Value Added:</b> Measures the contribution made to the economy and is a key indicator of the state of the whole economy. It measures the value of goods and services produced in an area.
<b>Green Book</b>	HM Treasury guidance for public sector bodies on how to appraise proposals before committing funds to a policy, programme or project.
<b>HE</b>	<b>Homes England:</b> Formerly known as Homes and Communities Agency. An executive non-departmental public body that is sponsored by the Ministry of Housing, Communities and Local Government. HE helps create successful communities by making more homes and business premises available to the residents and businesses who need them.
<b>HMT</b>	<b>Her Majesty's Treasury:</b> The Government's economic and finance ministry, maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth.
<b>LCR</b>	<b>Leeds City Region:</b> A functional region around Leeds, West Yorkshire.
<b>LEP</b>	<b>Local Enterprise Partnership:</b> Locally-owned voluntary partnerships between local authorities and Businesses. Set up in 2011, they play a central role in deciding local economic priorities and undertaking activities to drive economic growth and create local jobs.
<b>LGF</b>	<b>Local Growth Fund:</b> Growth Deal funding provided to Local Enterprise Partnerships for schemes that benefit the local area and economy.
<b>LIS</b>	<b>Local Industrial Strategy:</b> Led by Mayoral Combined Authorities or Local Enterprise Partnerships, to promote the coordination of local economic policy and national funding streams and establish new ways of working between national and local Government, and the public and private sectors.
<b>LVU</b>	<b>Land Value Uplift</b>

	This is quantification of the net benefits of a scheme proposal. This measures the difference of value from the land's current use to when it is used for another purpose as an economic uplift and captures all private sector costs of development.
<b>MCA</b>	<b>Mayoral Combined Authority:</b> A combined authority with a mayor that is elected by the residents of the area. The mayor, in partnership with the combined authority, exercises the powers and functions devolved from Government, set out in the local area's devolution deal.
<b>MD</b>	<b>Managing Director:</b> The person who is in overall charge of the running of an organisation or business. The Managing Director of the Combined Authority is also the Chief Executive Officer of the LEP.
<b>MHCLG</b>	<b>Ministry of Housing, Communities and Local Government:</b> Formerly known as Department for Communities and Local Government (DCLG). A ministerial department supported by 13 agencies and public bodies. They create great places to live and work, and to give more power to local people to shape what happens in their area.
<b>NPV</b>	<b>Net Present Value:</b> The difference between the present value of the future cash flows from an investment and the amount of investment. NPV is used to analyse the profitability of a projected programme or project.
<b>Nolan Principles</b>	The seven principles of public life, which are the basis of the ethical standards expected of public office holders.
<b>OBC</b>	<b>Outline Business Case:</b> This sets out the preliminary information regarding a proposed project/ programme. It contains information needed to help make a decision regarding the implementation of the project/ programme such as envisaged outcomes, benefits and potential risks associated.
<b>Orange Book</b>	HM Treasury guidance for public sector bodies on risk management.
<b>PAT</b>	<b>Programme Appraisal Team:</b> A team formed to ensure compliance with the assurance framework. It is a formal group of West Yorkshire Combined Authority officers who oversee the assurance process.
<b>PCR</b>	<b>Project Closure Report:</b> The final document produced for the project and is used by senior management to assess the success of the project, identify best practice for future schemes, resolve all open issues and formally close the project.
<b>PIMS</b>	<b>Portfolio Information Management System:</b> A bespoke management system used to provide transparency, consistency, efficiency and focus on delivery.
<b>PMA</b>	<b>Portfolio Management And Appraisal Team:</b> A team formed to ensure a rigorous approach to the assurance process, including the appraisal of schemes and monitoring and reporting on our portfolio, so we get the best schemes for our money
<b>QRA</b>	<b>Quantified Risk Assessment:</b> A structured approach to identifying and understanding the risks associated with hazardous activities. The assessment takes inventory of potential hazards, their likelihood and consequences.
<b>RAG</b>	<b>Red, Amber and Green rating:</b> Also known as the traffic light system and used as a visual cue to project performance.

<b>REM</b>	<b>Regional Econometric Model:</b> Incorporates aspects of four major modelling approaches; Input - Output, General Equilibrium, Econometric, and Economic Geography. It estimates the changes in total regional income and employment.
<b>SA</b>	<b>Strategic Assessment:</b> This determines the strategic context for a programme/project and provides an early opportunity for key stakeholders to influence the direction, scope and scheme content.
<b>SEP</b>	<b>Strategic Economic Plan:</b> A long-term plan that shows how the LEP and Local Authorities will grow the economy and how its ambitions will be achieved. The SEP will be replaced by SEF during 2020.
<b>SEF</b>	<b>Strategic Economic Framework:</b> An agile, long-term strategic framework, incorporating both the new Local Industrial Strategy (LIS) as well as a full range of policies and strategies, reflecting the scale of our ambitions and priorities for the City Region.
<b>SME</b>	<b>Small and Medium Enterprises:</b> A company is defined as an SME if it has a staff headcount of either <50 (small) or <250 (medium sized). The company also needs to have a turnover or balance sheet total of ≤€10m (small) or ≤€50m (turnover) or ≤€43m (balance sheet) (medium).
<b>SOC</b>	<b>Strategic Outline Case (SOC)</b> The purpose of the SOC is to confirm the strategic context for the project, to make the case for change and to determine 'the preferred way forward'
<b>SUD</b>	<b>Sustainable Urban Development (part of the ESIF programme):</b> Part of the European Structural and Investment Funds programme operating as an Integrated Territorial Investment Instrument, which demonstrates the value of place-based solutions in responding to social, environmental and economic challenges. The area to be covered by SUD is the City Region's urban core of West Yorkshire and York.
<b>TfN</b>	<b>Transport for the North</b> A statutory sub-national transport body, which is a partnership of public and private sector representatives working with <a href="#">central Government</a> and national transport bodies to develop and deliver strategic <a href="#">transport infrastructure</a> across the <a href="#">North of England</a> .
<b>UDM</b>	<b>Urban Dynamic Model:</b> A simulation of how transport interacts with population, employment and land-use over long periods of time, typically ten years or more. It helps understand how transport could contribute to economic regeneration.
<b>VfM</b>	<b>Value for Money:</b> The most advantageous combination of cost, quality and sustainability to meet customer requirements.
<b>TAG</b>	<b>Web-based Transport Appraisal Guidance:</b> Guidance on the conduct of transport studies. It provides advice on how to set objectives and identify problems, develop potential solutions, create a transport model for the appraisal of the alternative solutions and how to conduct an appraisal which meets the department's requirements.
<b>West Yorkshire Transport Levy</b>	An annual levy on the West Yorkshire authorities, which is used to invest in priority schemes/programmes across West Yorkshire, helping to deliver a number of key transport priorities.

## APPENDIX 2 – Assurance Process

### 1 Introduction

- 1.1 The Leeds City Region Assurance Framework has been subject to an extensive review due to the West Yorkshire Devolution Deal for a Mayoral Combined Authority to be established.
- 1.2 As part of this process, the assurance process has been reviewed and amended based on feedback received as part of the consultation with stakeholders.
- 1.3 The updated process, shown in figure 1 below, has been presented to the Combined Authority's Senior Leadership Team, Directors of Development and Scrutiny Committee for feedback and comments to be received.
- 1.4 The proposed amendments to the process are as follows:

#### **West Yorkshire Investment Strategy (WYIS)**

- The programmes/projects will of work that enter the Assurance Framework and will flow from the WYIS.
- The detail of this is still to be agreed but this will set out the context, objectives and targets of the MCA and the transformational investments that the MCA will commit resources to over an agreed time period (possibly 5 years).
- The programmes / projects that enter the Assurance Framework will flow from the WYIS.

#### **Stage 1: Assessment and Sequencing- led by Policy**

- The main change in Stage 1 is that this will be led by Policy, in close consultation with Delivery and Corporate Services, and the deletion of the existing decision point 1 (approved by the Director of Delivery in consultation with the Director of Policy, Strategy and Communications).
- **Activity 1** will now provide an early stage light touch review to identify approaches / schemes that align with the transformational investments set out in the WYIS. This will be done through the use of Strategic Assessments or a similar tool as part of a sequencing / prioritisation process and will include political engagement. It is proposed that a Strategic Assessment Prioritisation Group (SAP) replaces SARG to provide this check and Challenge Review
- The main output of Stage 1 is now **Activity 2: Strategic Outline Case (SOC)**. This will be undertaken at programme level wherever possible, to allow full appraisal and consideration of impact of the programme. Where a programme SOC is submitted it will set out the

projects to be included based on the programme criteria. Projects may still be submitted however and these will have their own SOC.

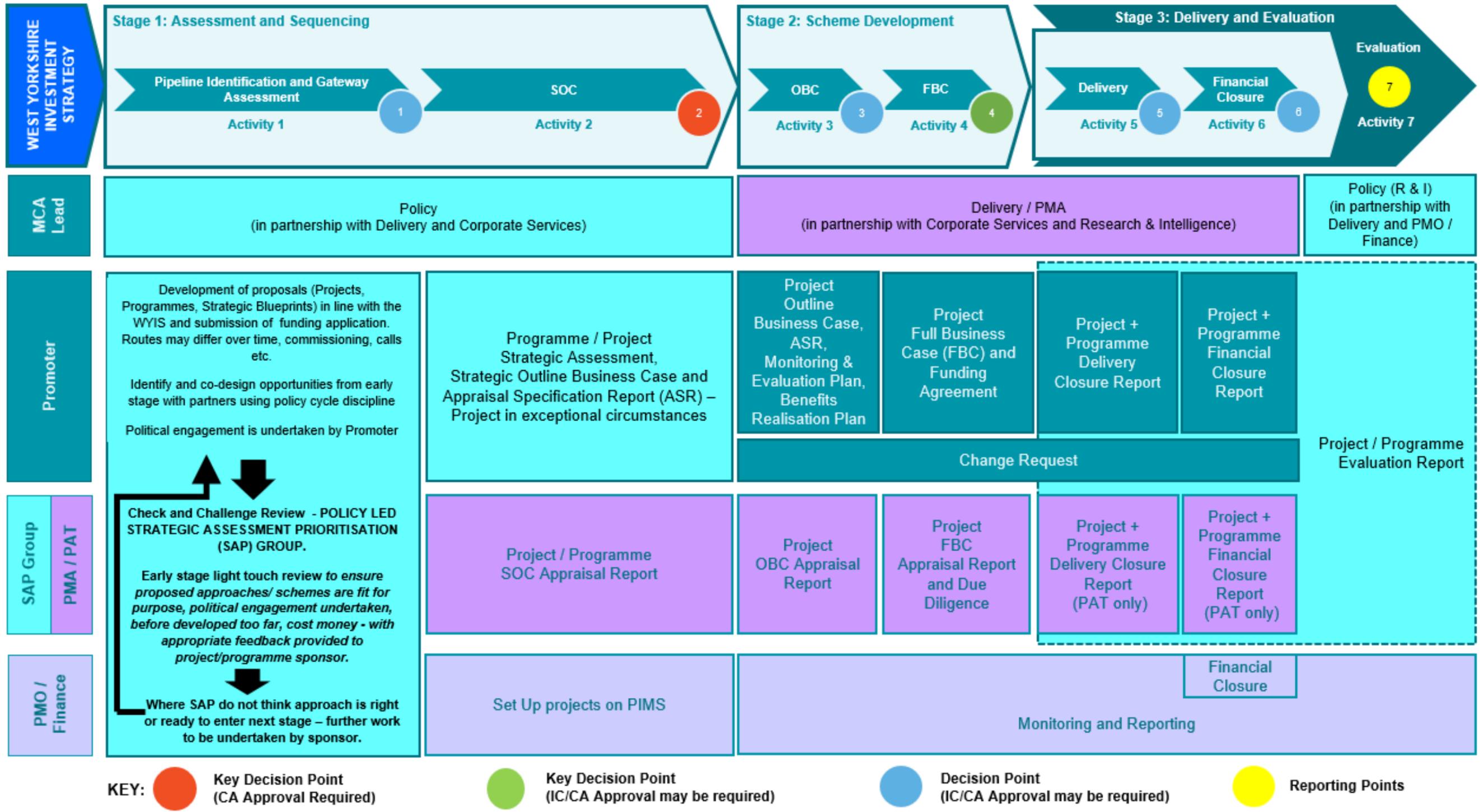
### **Stage 2: Scheme Development- led by Delivery**

- The main change in Stage 2 is that the need for a Full Business Case with Finalised Costs has been removed.
- **Activity 3:** Outline Business Case (OBC) remains largely the same. Guidance will be provided around the level of detail expected at OBC compared to the Full Business Case (FBC) and work is ongoing with regards to proportionality of business cases. A Monitoring and Evaluation Plan and Benefits Realisation Plan are required as part of the Assurance Framework.
- **Activity 4:** Full Business Case. It is proposed that approval to progress is granted with conditions set regarding funding. When these conditions have been met, and the scheme costs have remained within the allocated budget post procurement, this is then approved to proceed into delivery by the Director of Delivery following a recommendation from the Portfolio Appraisal Team (PAT). If the conditions are not met, then the scheme would return to FBC for additional costs and impact to be considered.

### **Stage 3: Delivery and Evaluation- Activity 5 and Activity 6 led by Delivery and Activity 7 led by Policy (R&I)**

- **Activity 5:** Delivery Closure Report and **Activity 6:** Financial Closure Report will still be undertaken as existing, but in a slightly different format.
- **Activity 7:** Evaluation will be led by Research and Intelligence. This is a reporting point as opposed to the previous decision points in the process, and will be undertaken when the Programme (or project in some circumstances), is completed for an evaluation of the benefits, outcomes and economic impact compared to the overall programme objectives set out in the SOC. Interim evaluations may also be undertaken as required as set out in the Monitoring and Evaluation Plan.

Figure 1: Assurance process



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